

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-8606

**Verizon Communications Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**23-2259884**

(I.R.S. Employer Identification No.)

**1095 Avenue of the Americas  
New York, New York**

(Address of principal executive offices)

**10036**

(Zip Code)

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

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$0.10	VZ	New York Stock Exchange
Common Stock, par value \$0.10	VZ	The Nasdaq Global Select Market
1.625% Notes due 2024	VZ 24B	New York Stock Exchange
4.073% Notes due 2024	VZ 24C	New York Stock Exchange
0.875% Notes due 2025	VZ 25	New York Stock Exchange
3.25% Notes due 2026	VZ 26	New York Stock Exchange
1.375% Notes due 2026	VZ 26B	New York Stock Exchange
0.875% Notes due 2027	VZ 27E	New York Stock Exchange
1.375% Notes due 2028	VZ 28	New York Stock Exchange
1.125% Notes due 2028	VZ 28A	New York Stock Exchange
2.350% Fixed Rate Notes due 2028	VZ 28C	New York Stock Exchange
1.875% Notes due 2029	VZ 29B	New York Stock Exchange
0.375% Notes due 2029	VZ 29D	New York Stock Exchange
1.250% Notes due 2030	VZ 30	New York Stock Exchange
1.875% Notes due 2030	VZ 30A	New York Stock Exchange
4.250% Notes due 2030	VZ 30D	New York Stock Exchange
2.625% Notes due 2031	VZ 31	New York Stock Exchange
2.500% Notes due 2031	VZ 31A	New York Stock Exchange
3.000% Fixed Rate Notes due 2031	VZ 31D	New York Stock Exchange
0.875% Notes due 2032	VZ 32	New York Stock Exchange
0.750% Notes due 2032	VZ 32A	New York Stock Exchange
1.300% Notes due 2033	VZ 33B	New York Stock Exchange

**Securities registered pursuant to Section 12(b) of the Act (continued):**

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
4.75% Notes due 2034	VZ 34	New York Stock Exchange
4.750% Notes due 2034	VZ 34C	New York Stock Exchange
3.125% Notes due 2035	VZ 35	New York Stock Exchange
1.125% Notes due 2035	VZ 35A	New York Stock Exchange
3.375% Notes due 2036	VZ 36A	New York Stock Exchange
2.875% Notes due 2038	VZ 38B	New York Stock Exchange
1.875% Notes due 2038	VZ 38C	New York Stock Exchange
1.500% Notes due 2039	VZ 39C	New York Stock Exchange
3.50% Fixed Rate Notes due 2039	VZ 39D	New York Stock Exchange
1.850% Notes due 2040	VZ 40	New York Stock Exchange
3.850% Fixed Rate Notes due 2041	VZ 41C	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

At September 30, 2023, 4,204,101,659 shares of the registrant's common stock were outstanding, after deducting 87,331,987 shares held in treasury.

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**Part I - Financial Information**
**Item 1. Financial Statements (Unaudited)**
**Condensed Consolidated Statements of Income**
**Verizon Communications Inc. and Subsidiaries**

(dollars in millions, except per share amounts) (unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Operating Revenues</b>				
Service revenues and other	\$ 27,523	\$ 27,666	\$ 81,994	\$ 81,999
Wireless equipment revenues	5,813	6,575	16,850	19,585
<b>Total Operating Revenues</b>	<b>33,336</b>	<b>34,241</b>	<b>98,844</b>	<b>101,584</b>
<b>Operating Expenses</b>				
Cost of services (exclusive of items shown below)	7,084	7,293	21,148	21,452
Cost of wireless equipment	6,353	7,308	18,557	21,919
Selling, general and administrative expense	7,995	7,422	23,754	22,090
Depreciation and amortization expense	4,431	4,324	13,108	12,881
<b>Total Operating Expenses</b>	<b>25,863</b>	<b>26,347</b>	<b>76,567</b>	<b>78,342</b>
<b>Operating Income</b>	<b>7,473</b>	<b>7,894</b>	<b>22,277</b>	<b>23,242</b>
Equity in earnings (losses) of unconsolidated businesses	(18)	2	(42)	40
Other income (expense), net	170	(439)	494	(1,314)
Interest expense	(1,433)	(937)	(3,925)	(2,508)
<b>Income Before Provision For Income Taxes</b>	<b>6,192</b>	<b>6,520</b>	<b>18,804</b>	<b>19,460</b>
Provision for income taxes	(1,308)	(1,496)	(4,136)	(4,410)
<b>Net Income</b>	<b>\$ 4,884</b>	<b>\$ 5,024</b>	<b>\$ 14,668</b>	<b>\$ 15,050</b>
Net income attributable to noncontrolling interests	\$ 122	\$ 124	\$ 349	\$ 371
Net income attributable to Verizon	4,762	4,900	14,319	14,679
<b>Net Income</b>	<b>\$ 4,884</b>	<b>\$ 5,024</b>	<b>\$ 14,668</b>	<b>\$ 15,050</b>
<b>Basic Earnings Per Common Share</b>				
Net income attributable to Verizon	\$ 1.13	\$ 1.17	\$ 3.40	\$ 3.49
Weighted-average shares outstanding (in millions)	4,213	4,202	4,209	4,201
<b>Diluted Earnings Per Common Share</b>				
Net income attributable to Verizon	\$ 1.13	\$ 1.17	\$ 3.40	\$ 3.49
Weighted-average shares outstanding (in millions)	4,216	4,204	4,214	4,203

See Notes to Condensed Consolidated Financial Statements

**Condensed Consolidated Statements of Comprehensive Income****Verizon Communications Inc. and Subsidiaries**

(dollars in millions) (unaudited)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>Net Income</b>	\$ 4,884	\$ 5,024	\$ 14,668	\$ 15,050
<b>Other Comprehensive Income (Loss), Net of Tax (Expense) Benefit</b>				
Foreign currency translation adjustments, net of tax of \$(7), \$(13), \$(3) and \$(30)	(51)	(120)	(31)	(285)
Unrealized gain on cash flow hedges, net of tax of \$(8), \$(6), \$(23) and \$(97)	21	22	67	301
Unrealized gain (loss) on fair value hedges, net of tax of \$(198), \$(30), \$(195) and \$58	584	105	575	(167)
Unrealized loss on marketable securities, net of tax of \$2, \$3, \$1 and \$10	(5)	(8)	(3)	(32)
Defined benefit pension and postretirement plans, net of tax of \$19, \$129, \$55 and \$201	(56)	(379)	(171)	(590)
Other comprehensive income (loss) attributable to Verizon	493	(380)	437	(773)
<b>Total Comprehensive Income</b>	\$ 5,377	\$ 4,644	\$ 15,105	\$ 14,277
Comprehensive income attributable to noncontrolling interests	\$ 122	\$ 124	\$ 349	\$ 371
Comprehensive income attributable to Verizon	5,255	4,520	14,756	13,906
<b>Total Comprehensive Income</b>	\$ 5,377	\$ 4,644	\$ 15,105	\$ 14,277

See Notes to Condensed Consolidated Financial Statements

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

(dollars in millions, except per share amounts) (unaudited)	At September 30, 2023	At December 31, 2022
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,210	\$ 2,605
Accounts receivable	24,559	25,332
Less Allowance for credit losses	957	826
Accounts receivable, net	23,602	24,506
Inventories	2,240	2,388
Prepaid expenses and other	8,067	8,358
<b>Total current assets</b>	<b>38,119</b>	<b>37,857</b>
Property, plant and equipment	316,767	307,689
Less Accumulated depreciation	209,277	200,255
Property, plant and equipment, net	107,490	107,434
Investments in unconsolidated businesses	929	1,071
Wireless licenses	155,465	149,796
Goodwill	28,642	28,671
Other intangible assets, net	10,952	11,461
Operating lease right-of-use assets	25,086	26,130
Other assets	18,147	17,260
<b>Total assets</b>	<b>\$ 384,830</b>	<b>\$ 379,680</b>
<b>Liabilities and Equity</b>		
Current liabilities		
Debt maturing within one year	\$ 12,950	\$ 9,963
Accounts payable and accrued liabilities	26,140	23,977
Current operating lease liabilities	3,906	4,134
Other current liabilities	12,681	12,097
<b>Total current liabilities</b>	<b>55,677</b>	<b>50,171</b>
Long-term debt	134,441	140,676
Employee benefit obligations	12,226	12,974
Deferred income taxes	44,434	43,441
Non-current operating lease liabilities	20,773	21,558
Other liabilities	18,191	18,397
<b>Total long-term liabilities</b>	<b>230,065</b>	<b>237,046</b>
Commitments and Contingencies (Note 12)		
Equity		
Series preferred stock (\$0.10 par value; 250,000,000 shares authorized; none issued)	—	—
Common stock (\$0.10 par value; 6,250,000,000 shares authorized in each period; 4,291,433,646 shares issued in each period)	429	429
Additional paid in capital	13,524	13,420
Retained earnings	88,416	82,380
Accumulated other comprehensive loss	(1,428)	(1,865)
Common stock in treasury, at cost (87,331,987 and 91,572,258 shares outstanding)	(3,828)	(4,013)
Deferred compensation – employee stock ownership plans (ESOPs) and other	628	793
Noncontrolling interests	1,347	1,319
<b>Total equity</b>	<b>99,088</b>	<b>92,463</b>
<b>Total liabilities and equity</b>	<b>\$ 384,830</b>	<b>\$ 379,680</b>

See Notes to Condensed Consolidated Financial Statements

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

(dollars in millions) (unaudited)	Nine Months Ended	
	2023	September 30, 2022
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 14,668	\$ 15,050
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	13,108	12,881
Employee retirement benefits	161	479
Deferred income taxes	822	1,595
Provision for expected credit losses	1,596	1,048
Equity in losses (earnings) of unconsolidated businesses, net of dividends received	69	(13)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	972	(458)
Other, net	(2,598)	(2,383)
Net cash provided by operating activities	<u>28,798</u>	<u>28,199</u>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (including capitalized software)	(14,164)	(15,811)
Cash received related to acquisitions of businesses, net	—	248
Acquisitions of wireless licenses	(1,859)	(2,890)
Collateral receipts (payments) related to derivative contracts, net	162	(4,857)
Proceeds from disposition of business	—	33
Other, net	253	(43)
Net cash used in investing activities	<u>(15,608)</u>	<u>(23,320)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term borrowings	1,999	4,605
Proceeds from asset-backed long-term borrowings	4,656	5,939
Net proceeds from short-term commercial paper	333	4,514
Repayments of long-term borrowings and finance lease obligations	(5,568)	(8,001)
Repayments of asset-backed long-term borrowings	(3,729)	(3,647)
Dividends paid	(8,231)	(8,066)
Other, net	(1,101)	(797)
Net cash used in financing activities	<u>(11,641)</u>	<u>(5,453)</u>
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>1,549</b>	<b>(574)</b>
<b>Cash, cash equivalents and restricted cash, beginning of period</b>	<b>4,111</b>	<b>4,161</b>
<b>Cash, cash equivalents and restricted cash, end of period (Note 1)</b>	<b>\$ 5,660</b>	<b>\$ 3,587</b>

See Notes to Condensed Consolidated Financial Statements

**Notes to Condensed Consolidated Financial Statements (Unaudited)****Verizon Communications Inc. and Subsidiaries****Note 1. Basis of Presentation**

Verizon Communications Inc. (the Company) is a holding company that, acting through its subsidiaries (together with the Company, collectively, Verizon), is one of the world's leading providers of communications, technology, information and entertainment products and services to consumers, businesses and government entities. With a presence around the world, we offer data, video and voice services and solutions on our networks and platforms that are designed to meet customers' demand for mobility, reliable network connectivity, security and control.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States (U.S.) and based upon Securities and Exchange Commission rules that permit reduced disclosure for interim periods. For a more complete discussion of significant accounting policies and certain other information, you should refer to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. These financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown, including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year.

During the first quarter of 2023, Verizon reorganized the customer groups within its Business segment. See Note 10 for additional information.

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

**Earnings Per Common Share**

There were a total of approximately 3.4 million and 4.2 million outstanding dilutive securities, primarily consisting of performance stock units and restricted stock units, included in the computation of diluted earnings per common share for the three and nine months ended September 30, 2023, respectively. There were a total of approximately 1.6 million and 1.5 million outstanding dilutive securities, primarily consisting of restricted stock units, included in the computation of diluted earnings per common share for the three and nine months ended September 30, 2022, respectively.

**Cash, Cash Equivalents and Restricted Cash**

We consider all highly liquid investments with an original maturity of 90 days or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates quoted market value and includes amounts held in money market funds.

Cash collections on the receivables collateralizing our asset-backed debt securities are required at certain specified times to be placed into segregated accounts. Deposits to the segregated accounts are considered restricted cash and are included in Prepaid expenses and other and Other assets in our condensed consolidated balance sheets.

Cash, cash equivalents and restricted cash are included in the following line items in the condensed consolidated balance sheets:

(dollars in millions)	At September 30, 2023	At December 31, 2022	Increase / (Decrease)
Cash and cash equivalents	\$ 4,210	\$ 2,605	\$ 1,605
Restricted cash:			
Prepaid expenses and other	1,298	1,343	(45)
Other assets	152	163	(11)
<b>Cash, cash equivalents and restricted cash</b>	<b>\$ 5,660</b>	<b>\$ 4,111</b>	<b>\$ 1,549</b>

**Note 2. Revenues and Contract Costs**

We earn revenue from contracts with customers, primarily through the provision of telecommunications and other services and through the sale of wireless equipment.

**Revenue by Category**

We have two reportable segments that we operate and manage as strategic business units, Consumer and Business. Revenue is disaggregated by products and services within Consumer, and customer groups (Enterprise and Public Sector, Business Markets and Other, and Wholesale) within Business. See Note 10 for additional information on revenue by segment, including Corporate and other.

We also earn revenues that are not accounted for under Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" (Topic 606) from leasing arrangements (such as those for towers and equipment), captive reinsurance



arrangements primarily related to wireless device insurance and the interest recognized when equipment is sold to the customer by an authorized agent under a device payment plan agreement. We have elected the practical expedient within ASU 2016-02, "Leases" (Topic 842), to combine the lease and non-lease components for those customer arrangements under Topic 606 that involve customer premise equipment where we are the lessor. During the three and nine months ended September 30, 2023, revenues from arrangements that were not accounted for under Topic 606 were approximately \$693 million and \$2.2 billion, respectively. During the three and nine months ended September 30, 2022, revenues from arrangements that were not accounted for under Topic 606 were approximately \$774 million and \$2.4 billion, respectively.

### **Remaining Performance Obligations**

When allocating the total contract transaction price to identified performance obligations, a portion of the total transaction price may relate to service performance obligations which were not satisfied or are partially satisfied as of the end of the reporting period. Below we disclose information relating to these unsatisfied performance obligations. We apply the practical expedient available under Topic 606 that provides the option to exclude the expected revenues arising from unsatisfied performance obligations related to contracts that have an original expected duration of one year or less. This situation primarily arises with respect to certain month-to-month service contracts. At September 30, 2023, month-to-month service contracts represented approximately 94% of our wireless postpaid contracts and approximately 94% of our wireline Consumer and our Business Markets and Other contracts, compared to September 30, 2022, for which month-to-month service contracts represented approximately 94% of our wireless postpaid contracts and 90% of our wireline Consumer and our Business Markets and Other contracts.

Additionally, certain contracts provide customers the option to purchase additional services. The fees related to these additional services are recognized when the customer exercises the option (typically on a month-to-month basis).

Contracts for wireless services, with or without promotional credits that require maintenance of service, are generally either month-to-month and cancellable at any time, or considered to contain terms ranging from greater than one month to up to thirty-six months (typically under a device payment plan), or contain terms ranging from greater than one month to up to twenty-four months (typically under a fixed-term plan). Additionally, customers may incur charges based on usage or additional optional services purchased in conjunction with entering into a contract that can be cancelled at any time and therefore are not included in the transaction price. The transaction price allocated to service performance obligations, which are not satisfied or are partially satisfied as of the end of the reporting period, are generally related to contracts that are not accounted for as month-to-month contracts.

Our Consumer group customers also include traditional wholesale resellers that purchase and resell wireless service under their own brands to their respective customers. Reseller arrangements generally include a stated contract term, which typically extends longer than two years and, in some cases, include a periodic minimum revenue commitment over the contract term for which revenues will be recognized in future periods.

Consumer customer contracts for wireline services are generally month-to-month; however, they may have a service term of two years or shorter than twelve months. Certain contracts with Business customers for wireline services extend into future periods, contain fixed monthly fees and usage-based fees, and can include annual commitments in each year of the contract or commitments over the entire specified contract term; however, a significant number of contracts for wireline services with our Business customers have a contract term that is twelve months or less.

Additionally, there are certain contracts with Business customers for wireline services that have a contractual minimum fee over the total contract term. We cannot predict the time period when revenue will be recognized related to those contracts; thus, they are excluded from the time bands below. These contracts have varying terms spanning over approximately sixteen years ending in September 2039 and have aggregate contract minimum payments totaling \$1.4 billion.

At September 30, 2023, the transaction price related to unsatisfied performance obligations that are expected to be recognized for the remainder of 2023, 2024 and thereafter was \$6.5 billion, \$22.1 billion and \$19.7 billion, respectively. Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations and changes in the timing and scope of contracts, arising from contract modifications.

### **Accounts Receivable and Contract Balances**

The timing of revenue recognition may differ from the time of billing to our customers. Receivables presented in our condensed consolidated balance sheets represent an unconditional right to consideration. Contract balances represent amounts from an arrangement when either Verizon has performed, by transferring goods or services to the customer in advance of receiving all or partial consideration for such goods and services from the customer, or the customer has made payment to Verizon in advance of obtaining control of the goods and/or services promised to the customer in the contract.

Contract assets primarily relate to our rights to consideration for goods or services provided to customers but for which we do not have an unconditional right at the reporting date. Under a fixed-term plan, total contract revenue is allocated between wireless service and equipment revenues. In conjunction with these arrangements, a contract asset is created, which represents the difference between the amount of equipment revenue recognized upon sale and the amount of consideration received from the

customer when the performance obligation related to the transfer of control of the equipment is satisfied. The contract asset is reclassified to accounts receivable as wireless services are provided and billed. We have the right to bill the customer as service is provided over time, which results in our right to the payment being unconditional. The contract asset balances are presented in our condensed consolidated balance sheets as Prepaid expenses and other and Other assets. We recognize the allowance for credit losses at inception and reassess quarterly based on management's expectation of the asset's collectability.

Contract liabilities arise when we bill our customers and receive consideration in advance of providing the goods or services promised in the contract. We typically bill service one month in advance, which is the primary component of the contract liability balance. Contract liabilities are recognized as revenue when services are provided to the customer. The contract liability balances are presented in our condensed consolidated balance sheets as Other current liabilities and Other liabilities.

The following table presents information about receivables from contracts with customers:

(dollars in millions)	At September 30, 2023	At December 31, 2022
Accounts Receivable <sup>(1)</sup>	\$ 9,325	\$ 11,274
Device payment plan agreement receivables <sup>(2)</sup>	17,122	16,648

<sup>(1)</sup> Balances do not include receivables related to the following: activity associated with certain vendor agreements, leasing arrangements (such as those for towers and equipment), captive reinsurance arrangements primarily related to wireless device insurance and device payment plan agreement receivables presented separately.

<sup>(2)</sup> Included in device payment plan agreement receivables presented in Note 6. Receivables derived from the sale of equipment on a device payment plan through an authorized agent are excluded.

The following table presents information about contract balances:

(dollars in millions)	At September 30, 2023	At December 31, 2022
Contract asset	\$ 790	\$ 863
Contract liability	8,629	8,234

Revenue recognized related to contract liabilities existing at January 1, 2023 were \$202 million and \$4.8 billion for the three and nine months ended September 30, 2023, respectively. Revenue recognized related to contract liabilities existing at January 1, 2022 were \$167 million and \$4.8 billion for the three and nine months ended September 30, 2022, respectively.

The balances of contract assets and contract liabilities recorded in our condensed consolidated balance sheets were as follows:

(dollars in millions)	At September 30, 2023	At December 31, 2022
<b>Assets</b>		
Prepaid expenses and other	\$ 541	\$ 656
Other assets	249	207
<b>Total</b>	<b>\$ 790</b>	<b>\$ 863</b>
<b>Liabilities</b>		
Other current liabilities	\$ 6,853	\$ 6,583
Other liabilities	1,776	1,651
<b>Total</b>	<b>\$ 8,629</b>	<b>\$ 8,234</b>

### Contract Costs

Topic 606 requires the recognition of an asset for incremental costs to obtain a customer contract, which are then amortized to expense over the respective periods of expected benefit. We recognize an asset for incremental commission expenses paid to internal and external sales personnel and agents in conjunction with obtaining customer contracts. We only defer these costs when we have determined the commissions are incremental costs that would not have been incurred absent the customer contract and are expected to be recoverable. Costs to obtain a contract are amortized and recorded ratably as commission expense over the period representing the transfer of goods or services to which the assets relate. Costs to obtain wireless contracts are amortized over both of our Consumer and Business customers' estimated upgrade cycles, as such costs are typically incurred each time a customer upgrades. Costs to obtain wireline contracts are amortized as expense over the estimated customer relationship period for our Consumer customers. Incremental costs to obtain wireline contracts for our Business customers are insignificant. Costs to obtain contracts are recorded in Selling, general and administrative expense.

We also defer costs incurred to fulfill contracts that: (1) relate directly to the contract; (2) are expected to generate resources that will be used to satisfy our performance obligation under the contract; and (3) are expected to be recovered through revenue generated under the contract. Contract fulfillment costs are expensed as we satisfy our performance obligations and recorded in

Cost of services. These costs principally relate to direct costs that enhance our wireline business resources, such as costs incurred to install circuits.

We determine the amortization periods for our costs incurred to obtain or fulfill a customer contract at a portfolio level due to the similarities within these customer contract portfolios.

Other costs, such as general costs or costs related to past performance obligations, are expensed as incurred.

Collectively, costs to obtain a contract and costs to fulfill a contract are referred to as deferred contract costs, and amortized over a one-to-seven year period. Deferred contract costs are classified as current or non-current within Prepaid expenses and other and Other assets, respectively.

The balances of deferred contract costs included in our condensed consolidated balance sheets were as follows:

(dollars in millions)	At September 30, 2023		At December 31, 2022	
<b>Assets</b>				
Prepaid expenses and other	\$	2,673	\$	2,629
Other assets		2,503		2,475
<b>Total</b>	<b>\$</b>	<b>5,176</b>	<b>\$</b>	<b>5,104</b>

For the three and nine months ended September 30, 2023, we recognized expense of \$799 million and \$2.4 billion, respectively, associated with the amortization of deferred contract costs, primarily within Selling, general and administrative expense in our condensed consolidated statements of income. For the three and nine months ended September 30, 2022, we recognized expense of \$735 million and \$2.2 billion, respectively, associated with the amortization of deferred contract costs, primarily within Selling, general and administrative expense in our condensed consolidated statements of income.

We assess our deferred contract costs for impairment on a quarterly basis. We recognize an impairment charge to the extent the carrying amount of a deferred cost exceeds the remaining amount of consideration we expect to receive in exchange for the goods and services related to the cost, less the expected costs related directly to providing those goods and services that have not yet been recognized as expenses. There were insignificant impairment charges recognized for the three and nine months ended September 30, 2023. There were no impairment charges recognized for the three and nine months ended September 30, 2022.

### **Note 3. Acquisitions and Divestitures**

#### **Spectrum License Transactions**

In February 2021, the Federal Communications Commission (FCC) concluded Auction 107 for C-Band wireless spectrum. In accordance with the rules applicable to the auction, Verizon is required to make payments for our allocable share of clearing costs incurred by, and incentive payments due to, the incumbent license holders associated with the auction, which are estimated to be \$7.6 billion. During the nine months ended September 30, 2023 and September 30, 2022, we made payments of \$578 million and \$1.6 billion, respectively, for obligations related to clearing costs and accelerated clearing incentives. In October 2023, we made additional payments of \$3.7 billion related to accelerated clearing incentive obligations, which were accrued for as of September 30, 2023. We expect to continue to make payments of approximately \$400 million for the remaining obligations through 2024. The final timing and amounts of these payments could differ based on the actual amount of incumbent holders' reimbursement claims and the speed with which those claims are approved and processed. The carrying value of the wireless spectrum won in Auction 107 consists of all payments required to participate and purchase licenses in the auction, including Verizon's allocable share of clearing costs incurred by, and incentive payments due to, the incumbent license holders associated with the auction that we are obligated to pay in order to acquire the licenses, as well as capitalized interest to the extent qualifying activities have occurred.

#### **TracFone Wireless, Inc.**

On November 23, 2021 (the Acquisition Date), we completed the acquisition of TracFone Wireless, Inc. (TracFone), a provider of prepaid and value mobile services in the U.S. Verizon acquired all of TracFone's outstanding stock in exchange for approximately \$3.5 billion in cash, net of cash acquired and working capital and other adjustments, 57,596,544 shares of common stock of the Company valued at approximately \$3.0 billion, and up to an additional \$650 million in future cash contingent consideration related to the achievement of certain performance measures and other commercial arrangements. The fair value of the Verizon common stock was determined on the basis of its closing market price on the Acquisition Date. The estimated fair value of the contingent consideration as of the Acquisition Date was approximately \$560 million and represents a Level 3 measurement as defined in ASC 820, Fair Value Measurements and Disclosures. See Note 7 for additional information. The contingent consideration payable is based on the achievement of certain revenue and operational targets, measured over a two-year earn out period. During the nine months ended September 30, 2023 and 2022, Verizon made payments of \$182 million and

\$113 million, respectively, related to the contingent consideration, which is reflected in Cash flows from financing activities in our condensed consolidated statements of cash flows. Contingent consideration payments are expected to continue through 2024.

During the nine months ended September 30, 2022, Verizon received net cash proceeds of \$248 million for the final settlement of working capital, which was included in our consideration as of the Acquisition Date.

#### Note 4. Wireless Licenses, Goodwill, and Other Intangible Assets

##### Wireless Licenses

The carrying amounts of our Wireless licenses are as follows:

(dollars in millions)	At September 30, 2023	At December 31, 2022
Wireless licenses	\$ 155,465	\$ 149,796

During the nine months ended September 30, 2023, we made payments of \$578 million for obligations related to clearing costs and accelerated clearing incentives for wireless licenses. In October 2023, we made additional payments of \$3.7 billion related to accelerated clearing incentive obligations for wireless licenses, which were accrued for as of September 30, 2023. See Note 3 for additional information.

At September 30, 2023 and 2022, approximately \$22.1 billion and \$45.4 billion, respectively, of wireless licenses were under development for commercial service for which we were capitalizing interest costs. We recorded approximately \$1.2 billion and \$1.3 billion of capitalized interest on wireless licenses for the nine months ended September 30, 2023 and 2022, respectively.

During the nine months ended September 30, 2023, we renewed various wireless licenses in accordance with FCC regulations. The average renewal period for these licenses was 10 years.

##### Goodwill

Changes in the carrying amount of Goodwill are as follows:

(dollars in millions)	Consumer	Business	Other	Total
Balance at January 1, 2023	\$ 21,142	\$ 7,502	\$ 27	\$ 28,671
Reclassifications, adjustments and other <sup>(1)</sup>	—	(2)	(27)	(29)
Balance at September 30, 2023	\$ 21,142	\$ 7,500	\$ —	\$ 28,642

<sup>(1)</sup> Includes goodwill impairment charges of \$27 million, related to non-strategic businesses presented within Other, recorded in Selling, general and administrative expense in our condensed consolidated statements of income for the nine months ended September 30, 2023.

##### Other Intangible Assets

The following table displays the composition of Other intangible assets, net as well as the respective amortization periods:

(dollars in millions)	At September 30, 2023			At December 31, 2022		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Customer lists (5 to 13 years)	\$ 4,335	\$ (2,049)	\$ 2,286	\$ 4,335	\$ (1,646)	\$ 2,689
Non-network internal-use software (7 years)	24,853	(17,586)	7,267	23,421	(16,397)	7,024
Other (4 to 25 years)	2,646	(1,247)	1,399	2,806	(1,058)	1,748
<b>Total</b>	<b>\$ 31,834</b>	<b>\$ (20,882)</b>	<b>\$ 10,952</b>	<b>\$ 30,562</b>	<b>\$ (19,101)</b>	<b>\$ 11,461</b>

The amortization expense for Other intangible assets was as follows:

(dollars in millions)	Three Months Ended September 30,	Nine Months Ended September 30,
2023	\$ 690	\$ 1,990
2022	658	1,944

The estimated future amortization expense for Other intangible assets for the remainder of the current year and next 5 years is as follows:

Years	(dollars in millions)	
Remainder of 2023	\$	665
2024		2,481
2025		2,278
2026		2,031
2027		1,477
2028		1,065

## Note 5. Debt

### Significant Debt Transactions

Debt or equity financing may be needed to fund additional investments or development activities or to maintain an appropriate capital structure to ensure our financial flexibility.

The following tables show the significant transactions involving the senior unsecured debt securities of the Company and its subsidiaries that occurred during the three and nine months ended September 30, 2023.

### Tender Offers

(dollars in millions)	Principal Amount Purchased		Cash Consideration <sup>(1)</sup>
<b>Three Months Ended September 30, 2023</b>			
Verizon 2.550% - 5.050% notes and floating rate notes, due 2024 - 2036	\$	2,579	\$ 2,471
<b>Three and Nine Months Ended September 30, 2023 total</b>	<b>\$</b>	<b>2,579</b>	<b>\$ 2,471</b>

<sup>(1)</sup> The total cash consideration includes the tender offer consideration, plus any accrued and unpaid interest to the date of purchase.

### Repayments and Repurchases

(dollars in millions)	Principal Repaid/Repurchased		Amount Paid <sup>(1)</sup>
<b>Three Months Ended March 31, 2023</b>			
Verizon 3.500% notes and floating rate notes due 2023 <sup>(2)</sup>	A\$	1,050	\$ 850
Open market repurchases of various Verizon notes	\$	260	190
<b>Three Months Ended March 31, 2023 total</b>			<b>1,040</b>
<b>Three Months Ended June 30, 2023</b>			
Verizon 0.375% bonds due 2023 <sup>(2)</sup>	CHF	600	\$ 633
Open market repurchases of various Verizon notes	\$	247	177
<b>Three Months Ended June 30, 2023 total</b>			<b>810</b>
<b>Nine Months Ended September 30, 2023 total</b>			<b>\$ 1,850</b>

<sup>(1)</sup> Represents amount paid to repay or repurchase, including any accrued interest. In addition, for securities denominated in a currency other than the U.S. dollar, amount paid is shown on a U.S. dollar equivalent basis.

<sup>(2)</sup> U.S. dollar amount paid represents the amount payable at maturity per the derivatives entered into in connection with the transaction. See Note 7 for additional information on cross currency swap transactions related to the repayment.

### Issuances

(dollars in millions)	Principal Amount Issued		Net Proceeds <sup>(1)</sup>
<b>Three Months Ended June 30, 2023</b>			
Verizon 5.050% notes due 2033 <sup>(2)</sup>	\$	1,000	\$ 994
<b>Three Months Ended June 30, 2023 total</b>		<b>1,000</b>	<b>994</b>
<b>Nine Months Ended September 30, 2023 total</b>	<b>\$</b>	<b>1,000</b>	<b>\$ 994</b>

<sup>(1)</sup> Net proceeds were net of underwriting discounts and other issuance costs.

<sup>(2)</sup> An amount equal to the net proceeds from these notes is expected to be used to fund, in whole or in part, certain renewable energy projects, including new and existing investments made by us during the period from January 1, 2023 through the maturity date of the notes.

## **Short-Term Borrowing and Commercial Paper Program**

In March 2023, we entered into and fully drew from a \$500 million short-term revolving credit facility. In July 2023, the short-term revolving credit facility matured and was fully repaid. As of September 30, 2023, we had no short-term borrowing outstanding.

During the nine months ended September 30, 2023, we issued \$9.1 billion in commercial paper and we repaid \$8.7 billion of commercial paper. As of September 30, 2023, we had \$500 million of commercial paper outstanding. These transactions are reflected within Cash flows from financing activities in our condensed consolidated statements of cash flows.

## **Asset-Backed Debt**

As of September 30, 2023, the carrying value of our asset-backed debt was \$21.0 billion. Our asset-backed debt includes Asset-Backed Notes (ABS Notes) issued to third-party investors (Investors) and loans (ABS Financing Facilities) received from banks and their conduit facilities (collectively, the Banks). Our consolidated asset-backed debt bankruptcy remote legal entities (each, an ABS Entity, or collectively, the ABS Entities) issue the debt or are otherwise party to the transaction documentation in connection with our asset-backed debt transactions. Under the terms of our asset-backed debt, Cellco Partnership (Cellco), a wholly-owned subsidiary of the Company, and certain other Company affiliates (collectively, the Originators) transfer device payment plan agreement receivables and certain other receivables (collectively referred to as certain receivables) to one of the ABS Entities, which in turn transfers such receivables to another ABS Entity that issues the debt. Verizon entities retain the equity interests and residual interests, as applicable, in the ABS Entities, which represent the rights to all funds not needed to make required payments on the asset-backed debt and other related payments and expenses.

Our asset-backed debt is secured by the transferred receivables and future collections on such receivables. These receivables transferred to the ABS Entities and related assets, consisting primarily of restricted cash, will only be available for payment of asset-backed debt and expenses related thereto, payments to the Originators in respect of additional transfers of certain receivables, and other obligations arising from our asset-backed debt transactions, and will not be available to pay other obligations or claims of Verizon's creditors until the associated asset-backed debt and other obligations are satisfied. The Investors or Banks, as applicable, which hold our asset-backed debt have legal recourse to the assets securing the debt, but do not have any recourse to Verizon with respect to the payment of principal and interest on the debt. Under a parent support agreement, the Company has agreed to guarantee certain of the payment obligations of Cellco and the Originators to the ABS Entities.

Cash collections on the receivables collateralizing our asset-backed debt securities are required at certain specified times to be placed into segregated accounts. Deposits to the segregated accounts are considered restricted cash and are included in Prepaid expenses and other and Other assets in our condensed consolidated balance sheets.

Proceeds from our asset-backed debt transactions are reflected in Cash flows from financing activities in our condensed consolidated statements of cash flows. The asset-backed debt issued is included in Debt maturing within one year and Long-term debt in our condensed consolidated balance sheets.

## ABS Notes

During the nine months ended September 30, 2023, we completed the following ABS Notes transactions:

(dollars in millions)	Interest Rates %	Expected Weighted- average Life to Maturity (in years)	Principal Amount Issued
<b>January 2023</b>			
Series 2023-1			
A Senior class notes	4.490	2.98	\$ 891
B Junior class notes	4.740	2.98	—
C Junior class notes	4.980	2.98	41
<b>January 2023 total</b>			<b>932</b>
<b>April 2023</b>			
Series 2023-2			
A Senior class notes	4.890	1.99	891
B Junior class notes	5.130	1.99	—
C Junior class notes	5.380	1.99	41
Series 2023-3			
A Senior class notes	4.730	4.99	268
B Junior class notes	4.970	4.99	—
C Junior class notes	5.220	4.99	12
<b>April 2023 total</b>			<b>1,212</b>
<b>June 2023</b>			
Series 2023-4			
A-1a Senior fixed rate class notes	5.160	2.97	538
A-1b Senior floating rate class notes	Compounded SOFR <sup>(1)</sup> + 0.850	2.97	175
B Junior class notes	5.400	2.97	—
C Junior class notes	5.650	2.97	33
<b>June 2023 total</b>			<b>746</b>
<b>September 2023</b>			
Series 2023-5			
A-1a Senior fixed rate class notes	5.610	2.00	265
A-1b Senior floating rate class notes	Compounded SOFR + 0.680	2.00	114
B Junior class notes	5.850	2.00	—
C Junior class notes	6.090	2.00	17
Series 2023-6			
A Senior class notes	5.350	5.00	557
B Junior class notes	5.590	5.00	—
C Junior class notes	5.840	5.00	—
<b>September 2023 total</b>			<b>953</b>
<b>Total</b>			<b>\$ 3,843</b>

<sup>(1)</sup> Compounded Secured Overnight Financing Rate (SOFR) is calculated using SOFR as published by the Federal Reserve Bank of New York in accordance with the terms of such notes. Compounded SOFR for the interest payment made in September 2023 was 5.313%.

Under the terms of each series of ABS Notes outstanding as of September 30, 2023, there is a revolving period of up to 18 months, two years, three years, or five years, as applicable, during which we may transfer additional receivables to the ABS Entity. During the nine months ended September 30, 2023, we made aggregate principal repayments of \$3.0 billion in connection with an anticipated redemption of ABS Notes and notes that have entered the amortization period, including payments in connection with any note redemptions.

## ABS Financing Facilities

Under the two loan agreements outstanding in connection with the ABS Financing Facility originally entered into in December 2021 and previously renewed in 2022 (2021 ABS Financing Facility), we borrowed an additional \$325 million in March 2023 and prepaid an aggregate of \$700 million in April 2023. The aggregate outstanding balance under the 2021 ABS Financing Facility was \$7.6 billion as of September 30, 2023.

In March 2023, we borrowed an additional \$500 million under the loan agreement outstanding in connection with the ABS Financing Facility that we originally entered into in 2022 (2022 ABS Financing Facility). The aggregate outstanding balance under the 2022 ABS Financing Facility was \$2.5 billion as of September 30, 2023.

## Variable Interest Entities (VIEs)

The ABS Entities meet the definition of a VIE for which we have determined that we are the primary beneficiary as we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity. Therefore, the assets, liabilities and activities of the ABS Entities are consolidated in our financial results and are included in amounts presented on the face of our condensed consolidated balance sheets.

The assets and liabilities related to our asset-backed debt arrangements included in our condensed consolidated balance sheets were as follows:

(dollars in millions)	At September 30, 2023	At December 31, 2022
<b>Assets</b>		
Accounts receivable, net	\$ 14,199	\$ 13,906
Prepaid expenses and other	1,373	1,409
Other assets	11,293	9,894
<b>Liabilities</b>		
Accounts payable and accrued liabilities	26	22
Debt maturing within one year	8,250	6,809
Long-term debt	12,701	13,199

See Note 6 for additional information on certain receivables used to secure asset-backed debt.

## Long-Term Credit Facilities

(dollars in millions)	Maturities	Facility Capacity	Unused Capacity	Principal Amount Outstanding
Verizon revolving credit facility <sup>(1)</sup>	2026	\$ 9,500	\$ 9,456	\$ —
Various export credit facilities <sup>(2)</sup>	2024 - 2031	11,000	—	6,882
<b>Total</b>		<b>\$ 20,500</b>	<b>\$ 9,456</b>	<b>\$ 6,882</b>

<sup>(1)</sup> The revolving credit facility does not require us to comply with financial covenants or maintain specified credit ratings, and it permits us to borrow even if our business has incurred a material adverse change. The revolving credit facility provides for the issuance of letters of credit. As of September 30, 2023, there have been no drawings against the \$9.5 billion revolving credit facility since its inception.

<sup>(2)</sup> During the nine months ended September 30, 2023 and 2022, we drew down \$1.0 billion and \$3.0 billion, respectively, from these facilities. Borrowings under certain of these facilities are amortized semi-annually in equal installments up to the applicable maturity dates. Maturities reflect maturity dates of principal amounts outstanding. Any amounts borrowed under these facilities and subsequently repaid cannot be reborrowed.

## Non-Cash Transactions

During the nine months ended September 30, 2023 and 2022, we financed, primarily through alternative financing arrangements, the purchase of approximately \$942 million and \$583 million, respectively, of long-lived assets consisting primarily of network equipment. As of September 30, 2023 and December 31, 2022, \$2.1 billion and \$1.7 billion, respectively, relating to these financing arrangements, including those entered into in prior years and liabilities assumed through acquisitions, remained outstanding. These purchases are non-cash financing activities and therefore are not reflected within Capital expenditures in our condensed consolidated statements of cash flows.



## Net Debt Extinguishment Gains (Losses)

During the three and nine months ended September 30, 2023, we recorded debt extinguishment gains of \$85 million and \$224 million, respectively. During the three months ended September 30, 2022, we recorded debt extinguishment gains of \$50 million. During the nine months ended September 30, 2022, we recorded net debt extinguishment losses of \$1.1 billion. The gains and losses are recorded in Other income (expense), net in our condensed consolidated statements of income. The total gains and losses are reflected within Other, net cash flow from operating activities, and the portion of the gains and losses representing cash payments are reflected within Other, net cash flow from financing activities in our condensed consolidated statements of cash flows.

## Guarantees

We guarantee the debentures of our operating telephone company subsidiaries. As of September 30, 2023, \$614 million aggregate principal amount of these obligations remained outstanding. Each guarantee will remain in place for the life of the obligation unless terminated pursuant to its terms, including the operating telephone company no longer being a wholly-owned subsidiary of the Company.

## Debt Covenants

We and our consolidated subsidiaries are in compliance with all of our restrictive covenants in our debt agreements.

## Note 6. Device Payment Plan Agreement and Wireless Service Receivables

The following table presents information about accounts receivable, net of allowances, recorded in our condensed consolidated balance sheet:

(dollars in millions)	At September 30, 2023			
	Device payment plan agreement	Wireless service	Other receivables <sup>(1)</sup>	Total
Accounts receivable	\$ 12,860	\$ 5,503	\$ 6,196	\$ 24,559
Less Allowance for credit losses	516	203	238	957
<b>Accounts receivable, net of allowance</b>	<b>\$ 12,344</b>	<b>\$ 5,300</b>	<b>\$ 5,958</b>	<b>\$ 23,602</b>

<sup>(1)</sup> Other receivables primarily include wireline and other receivables, of which the allowances are individually insignificant.

Included in Other assets and Accounts receivable at September 30, 2023 and December 31, 2022, are net device payment plan agreement receivables and net wireless service receivables of \$25.3 billion and \$23.6 billion, respectively, which have been transferred to ABS Entities and continue to be reported in our condensed consolidated balance sheets. See Note 5 for additional information. We believe the carrying value of these receivables approximate their fair value using a Level 3 expected cash flow model.

Under the Verizon device payment program, our eligible wireless customers purchase wireless devices under a device payment plan agreement. Customers that activate service on devices purchased under the device payment program pay lower service fees as compared to those under our fixed-term service plans, and their device payment plan charge is included on their wireless monthly bill. We no longer offer Consumer customers new fixed-term, subsidized service plans for devices; however, we continue to offer subsidized plans to our Business customers. We also continue to service existing plans for customers who have not yet purchased and activated devices under the Verizon device payment program.

## Wireless Device Payment Plan Agreement Receivables

The following table displays device payment plan agreement receivables, net, recognized in our condensed consolidated balance sheets:

(dollars in millions)	At September 30,		At December 31,
	2023	2022	
Device payment plan agreement receivables, gross	\$ 26,988	\$ 26,188	
Unamortized imputed interest	(642)	(479)	
Device payment plan agreement receivables, at amortized cost	26,346	25,709	
Allowance <sup>(1)</sup>	(1,045)	(881)	
<b>Device payment plan agreement receivables, net</b>	<b>\$ 25,301</b>	<b>\$ 24,828</b>	

### Classified in our condensed consolidated balance sheets:

Accounts receivable, net	\$ 12,344	\$ 12,929
Other assets	12,957	11,899
<b>Device payment plan agreement receivables, net</b>	<b>\$ 25,301</b>	<b>\$ 24,828</b>

<sup>(1)</sup> Includes allowance for both short-term and long-term device payment plan agreement receivables.

For indirect channel wireless contracts with customers, we impute risk adjusted interest on the device payment plan agreement receivables. We record the imputed interest as a reduction to the related accounts receivable. The associated interest income, which is included within Service revenues and other in our condensed consolidated statements of income, is recognized over the financed device payment term.

## Promotions

In connection with certain device payment plan agreements, we may offer a promotion to allow our customers to upgrade to a new device after paying down a certain specified portion of the required device payment plan agreement amount as well as trading in their device in good working order. When a customer enters into a device payment plan agreement with the right to upgrade to a new device, we account for this trade-in right as a guarantee obligation. We recognize a liability measured at fair value for the customer's right to trade in the device which is determined by considering several factors, including the weighted-average selling prices obtained in recent resales of similar devices eligible for trade-in. At September 30, 2023 and December 31, 2022, the amount of the guarantee liability was insignificant and \$54 million, respectively.

We may offer certain promotions that allow a customer to trade in their owned device in connection with the purchase of a new device. Under these types of promotions, the customer receives a credit for the value of the trade-in device. At September 30, 2023 and December 31, 2022, the amount of trade-in liability was \$400 million and \$562 million, respectively.

In addition, we may provide the customer with additional future billing credits that will be applied against the customer's monthly bill as long as service is maintained. These future billing credits are accounted for as consideration payable to a customer and are included in the determination of total transaction price, resulting in a contract liability.

Device payment plan agreement receivables, net, does not reflect the trade-in liability, additional future credits or the guarantee liability.

## Origination of Device Payment Plan Agreements

When originating device payment plan agreements, we use internal and external data sources to create a credit risk score to measure the credit quality of a customer and to determine eligibility for the device payment program. Verizon's experience has been that the payment attributes of longer tenured customers are highly predictive for estimating their reliability to make future payments. Customers with longer tenures tend to exhibit similar risk characteristics to other customers with longer tenures, and receivables due from customers with longer tenures tend to perform better than receivables from customers that have not previously been Verizon customers. As a result of this experience, we make initial lending decisions based upon whether the customers are "established customers" or "short-tenured customers." If a Consumer customer has been a customer for 45 days or more, or if a Business customer has been a customer for 12 months or more, the customer is considered an "established customer." For established customers, the credit decision and ongoing credit monitoring processes rely on a combination of internal and external data sources. If a Consumer customer has been a customer less than 45 days, or a Business customer has been a customer for less than 12 months, the customer is considered a "short-tenured customer." For short-tenured customers, the credit decision and credit monitoring processes rely more heavily on external data sources.

Available external credit data from credit reporting agencies along with internal data are used to create custom credit risk scores for Consumer customers. The custom credit risk score is generated automatically from the applicant's credit data using proprietary custom credit models. The credit risk score measures the likelihood that the potential customer will become severely delinquent and be disconnected for non-payment. For a small portion of short-tenured customer applications, a traditional credit report is not available from one of the national credit reporting agencies because the potential customer does not have sufficient credit history. In those instances, alternative credit data is used for the risk assessment. For Business customers, we also verify the existence of the business with external data sources.

Based on the custom credit risk score, we assign each customer a credit class, each of which has specified offers of credit. This includes an account level spending limit and a maximum amount of credit allowed per device for Consumer customers or a required down payment percentage for Business customers.

## Credit Quality Information

Subsequent to origination, we assess indicators for the quality of our wireless device payment plan agreement portfolio using two models, one for new customers and one for existing customers. The model for new customers pools all Consumer and Business wireless customers based on less than 210 days as "new customers." The model for existing customers pools all Consumer and Business wireless customers based on 210 days or more as "existing customers."

The following table presents device payment plan agreement receivables, at amortized cost, and gross write-offs recorded, as of and for the nine months ended September 30, 2023, by credit quality indicator and year of origination:

(dollars in millions)	Year of Origination <sup>(1)</sup>			Total
	2023	2022	2021 and prior	
<b>Device payment plan agreement receivables, at amortized cost</b>				
New customers	\$ 2,224	\$ 1,640	\$ 192	\$ 4,056
Existing customers	10,149	10,881	1,260	22,290
<b>Total</b>	<b>\$ 12,373</b>	<b>\$ 12,521</b>	<b>\$ 1,452</b>	<b>\$ 26,346</b>
<b>Gross write-offs</b>				
New customers	\$ 197	\$ 345	\$ 52	\$ 594
Existing customers	20	172	86	278
<b>Total</b>	<b>\$ 217</b>	<b>\$ 517</b>	<b>\$ 138</b>	<b>\$ 872</b>

<sup>(1)</sup> Includes accounts that have been suspended at a point in time.

The data presented in the table above was last updated on September 30, 2023.

We assess indicators for the quality of our wireless service receivables portfolio as one overall pool. The following table presents wireless service receivables, at amortized cost, and gross write-offs recorded, as of and for the nine months ended September 30, 2023, by year of origination:

(dollars in millions)	Year of Origination		Total
	2023	2022 and prior	
<b>Wireless service receivables, at amortized cost</b>	\$ 5,415	\$ 88	\$ 5,503
<b>Gross write-offs</b>	190	152	342

The data presented in the table above was last updated on September 30, 2023.

### Allowance for Credit Losses

The credit quality indicators are used in determining the estimated amount and the timing of expected credit losses for the device payment plan agreement and wireless service receivables portfolios.

For device payment plan agreement receivables, we record bad debt expense based on a default and loss calculation using our proprietary loss model. The expected loss rate is determined based on customer credit scores and other qualitative factors as noted above. The loss rate is assigned individually on a customer by customer basis and the custom credit scores are then aggregated by vintage and used in our proprietary loss model to calculate the weighted-average loss rate used for determining the allowance balance.

We monitor the collectability of our wireless service receivables as one overall pool. Wireline service receivables are disaggregated and pooled by the following types of customers and related contracts: consumer, small and medium business, enterprise, public sector and wholesale. For wireless service receivables and wireline consumer and small and medium business receivables, the allowance is calculated based on a 12 month rolling average write-off balance multiplied by the average life-cycle of an account from billing to write-off. The risk of loss is assessed over the contractual life of the receivables and is adjusted based on the historical loss amounts for current and future conditions based on management's qualitative considerations. For enterprise, public sector and wholesale wireline receivables, the allowance for credit losses is based on historical write-off experience and individual customer credit risk, as applicable.

Activity in the allowance for credit losses by portfolio segment of receivables was as follows:

(dollars in millions)	Device Payment Plan Agreement Receivables <sup>(1)</sup>	Wireless Service Plan Receivables
<b>Balance at January 1, 2023</b>	\$ 881	\$ 143
Current period provision for expected credit losses	1,011	375
Write-offs charged against the allowance	(872)	(342)
Recoveries collected	25	27
<b>Balance at September 30, 2023</b>	<b>\$ 1,045</b>	<b>\$ 203</b>

<sup>(1)</sup> Includes allowance for both short-term and long-term device payment plan agreement receivables.

We monitor delinquency and write-off experience based on the quality of our device payment plan agreement and wireless service receivables portfolios. The extent of our collection efforts with respect to a particular customer are based on the results of our proprietary custom internal scoring models that analyze the customer's past performance to predict the likelihood of the customer falling further delinquent. These custom scoring models assess a number of variables, including origination

characteristics, customer account history and payment patterns. Since our customers' behaviors may be impacted by general economic conditions, we analyzed whether changes in macroeconomic conditions impact our credit loss experience and have concluded that our credit loss estimates are generally not materially impacted by reasonable and supportable forecasts of future economic conditions. Based on the score derived from these models, accounts are grouped by risk category to determine the collection strategy to be applied to such accounts. For device payment plan agreement receivables and wireless service receivables, we consider an account to be delinquent and in default status if there are unpaid charges remaining on the account on the day after the bill's due date. The risk class determines the speed and severity of the collections effort including initiatives taken to facilitate customer payment.

The balance and aging of the device payment plan agreement receivables, at amortized cost, were as follows:

(dollars in millions)	At September 30, 2023
Unbilled	\$ 25,109
Billed:	
Current	996
Past due	241
<b>Device payment plan agreement receivables, at amortized cost</b>	<b>\$ 26,346</b>

## Note 7. Fair Value Measurements and Financial Instruments

### Recurring Fair Value Measurements

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of September 30, 2023:

(dollars in millions)	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
<b>Assets:</b>				
Prepaid expenses and other:				
Fixed income securities	\$ —	\$ 33	\$ —	\$ 33
Cross currency swaps	—	2	—	2
Interest rate caps	—	68	—	68
Other assets:				
Fixed income securities	—	236	—	236
Cross currency swaps	—	355	—	355
Interest rate caps	—	11	—	11
<b>Total</b>	<b>\$ —</b>	<b>\$ 705</b>	<b>\$ —</b>	<b>\$ 705</b>
<b>Liabilities:</b>				
Other current liabilities:				
Interest rate swaps	\$ —	\$ 1,143	\$ —	\$ 1,143
Cross currency swaps	—	301	—	301
Foreign exchange forwards	—	9	—	9
Interest rate caps	—	68	—	68
Contingent consideration	—	—	125	125
Other liabilities:				
Interest rate swaps	—	4,782	—	4,782
Cross currency swaps	—	2,784	—	2,784
Interest rate caps	—	11	—	11
<b>Total</b>	<b>\$ —</b>	<b>\$ 9,098</b>	<b>\$ 125</b>	<b>\$ 9,223</b>

<sup>(1)</sup> Quoted prices in active markets for identical assets or liabilities.

<sup>(2)</sup> Observable inputs other than quoted prices in active markets for identical assets and liabilities.

<sup>(3)</sup> Unobservable pricing inputs in the market.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis as of December 31, 2022:

(dollars in millions)	Level 1 <sup>(1)</sup>	Level 2 <sup>(2)</sup>	Level 3 <sup>(3)</sup>	Total
<b>Assets:</b>				
Prepaid expenses and other:				
Fixed income securities	\$ —	\$ 37	\$ —	\$ 37
Cross currency swaps	—	42	—	42
Foreign exchange forwards	—	6	—	6
Interest rate caps	—	63	—	63
Other assets:				
Fixed income securities	—	349	—	349
Cross currency swaps	—	263	—	263
Interest rate caps	—	30	—	30
<b>Total</b>	<b>\$ —</b>	<b>\$ 790</b>	<b>\$ —</b>	<b>\$ 790</b>
<b>Liabilities:</b>				
Other current liabilities:				
Interest rate swaps	\$ —	\$ 731	\$ —	\$ 731
Cross currency swaps	—	346	—	346
Interest rate caps	—	63	—	63
Foreign exchange forwards	—	1	—	1
Contingent consideration	—	—	274	274
Other liabilities:				
Interest rate swaps	—	3,902	—	3,902
Cross currency swaps	—	3,295	—	3,295
Interest rate caps	—	30	—	30
Contingent consideration	—	—	43	43
<b>Total</b>	<b>\$ —</b>	<b>\$ 8,368</b>	<b>\$ 317</b>	<b>\$ 8,685</b>

<sup>(1)</sup> Quoted prices in active markets for identical assets or liabilities.

<sup>(2)</sup> Observable inputs other than quoted prices in active markets for identical assets and liabilities.

<sup>(3)</sup> Unobservable pricing inputs in the market.

Certain of our equity investments do not have readily determinable fair values and are excluded from the tables above. Such investments are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer and are included in Investments in unconsolidated businesses in our condensed consolidated balance sheets. As of September 30, 2023 and December 31, 2022, the carrying amount of our investments without readily determinable fair values was \$721 million and \$804 million, respectively. During both the three and nine months ended September 30, 2023, there were insignificant adjustments due to observable price changes. During both the three and nine months ended September 30, 2023, there were insignificant amounts of impairment charges. As of September 30, 2023, cumulative adjustments due to observable price changes and impairment charges were approximately \$159 million and \$89 million, respectively.

Verizon has a liability for contingent consideration related to its acquisition of TracFone, completed in November 2021. The fair value is calculated using a probability-weighted discounted cash flow model and represents a Level 3 measurement. Level 3 instruments include valuation based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. Subsequent to the Acquisition Date, at each reporting date, the contingent consideration liability is remeasured to fair value. During the nine months ended September 30, 2023 and 2022, we made payments of \$182 million and \$113 million, respectively, related to the contingent consideration. See Note 3 for additional information.

Fixed income securities consist primarily of investments in municipal bonds. The valuation of the fixed income securities is based on the quoted prices for similar assets in active markets or identical assets in inactive markets or models that apply inputs from observable market data. The valuation determines that these securities are classified as Level 2.

Derivative contracts are valued using models based on readily observable market parameters for all substantial terms of our derivative contracts and thus are classified within Level 2. We use mid-market pricing for fair value measurements of our derivative instruments. Our derivative instruments are recorded on a gross basis.

We recognize transfers between levels of the fair value hierarchy as of the end of the reporting period.

### Fair Value of Short-term and Long-term Debt

The fair value of our debt is determined using various methods, including quoted prices for identical debt instruments, which is a Level 1 measurement, as well as quoted prices for similar debt instruments with comparable terms and maturities, which is a Level 2 measurement.

The fair value of our short-term and long-term debt, excluding finance leases, was as follows:

(dollars in millions)	Carrying Amount	Fair Value				Total
		Level 1	Level 2	Level 3		
At December 31, 2022	\$ 148,906	\$ 84,385	\$ 54,656	\$ —	\$ 139,041	
At September 30, 2023	145,404	79,888	53,470	—	133,358	

### Derivative Instruments

We enter into derivative transactions primarily to manage our exposure to fluctuations in foreign currency exchange rates and interest rates. We employ risk management strategies, which may include the use of a variety of derivatives including interest rate swaps, cross currency swaps, forward starting interest rate swaps, treasury rate locks, interest rate caps, swaptions and foreign exchange forwards. We do not hold derivatives for trading purposes.

The following table sets forth the notional amounts of our outstanding derivative instruments:

(dollars in millions)	At September 30, 2023	At December 31, 2022
Interest rate swaps	\$ 26,071	\$ 26,071
Cross currency swaps	33,526	34,976
Foreign exchange forwards	995	920

The following tables summarize the activities of our designated derivatives:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Interest Rate Swaps:</b>				
Notional value entered into	\$ —	\$ —	\$ —	\$ 7,155
Notional value settled	—	—	—	863
Pre-tax gain recognized in Interest expense	2	2	3	2
<b>Cross Currency Swaps:</b>				
Notional value entered into	—	—	—	—
Notional value settled	—	—	1,450	—
Pre-tax loss recognized in Other comprehensive income (loss) <sup>(1)</sup>	N/A	N/A	N/A	(430)
Pre-tax loss on cross currency swaps recognized in Interest expense	(1,036)	(2,039)	(311)	(3,847)
Pre-tax gain on hedged debt recognized in Interest expense	1,036	2,039	311	3,847
Excluded components recognized in Other comprehensive income (loss)	809	169	851	(171)
Initial value of the excluded component amortized into Interest expense	28	27	82	54
<b>Forward Starting Interest Rate Swaps:</b>				
Notional value entered into	—	—	—	—
Notional value settled	—	—	—	1,000
Pre-tax gain recognized in Other comprehensive income (loss)	—	—	—	196
<b>Treasury Rate Locks:</b>				
Notional value entered into	—	—	500	—
Notional value settled	—	—	500	—
Pre-tax gain recognized in Other comprehensive income (loss)	—	—	5	—

N/A - not applicable

<sup>(1)</sup> Represents amounts recorded under the cash flow hedge model. These instruments were re-designated as fair value hedges on March 31, 2022.

(dollars in millions)	Nine Months Ended	
	September 30, 2023	2022
<b>Other, net Cash Flows from Operating Activities:</b>		
Cash received for settlement of interest rate swaps	\$ —	\$ 40
Cash paid for settlement of forward starting interest rate swaps	—	(107)
Cash received for settlement of treasury rate locks	5	—
<b>Other, net Cash Flows from Financing Activities:</b>		
Cash paid for settlement of cross currency swaps, net	(67)	—

The following table displays the amounts recorded in Long-term debt in our condensed consolidated balance sheets related to cumulative basis adjustments for our interest rate swaps designated as fair value hedges. The cumulative amounts exclude cumulative basis adjustments related to foreign exchange risk.

(dollars in millions)	At September 30,		At December 31,
	2023	2022	2022
Carrying amount of hedged liabilities	\$ 20,398	\$	21,741
Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged liabilities	(5,809)		(4,512)
Cumulative amount of fair value hedging adjustment remaining for which hedge accounting has been discontinued	422		488

### Interest Rate Swaps

We enter into interest rate swaps to achieve a targeted mix of fixed and variable rate debt. We principally receive fixed rates and pay variable rates, resulting in a net increase or decrease to Interest expense. These swaps are designated as fair value hedges and hedge against interest rate risk exposure of designated debt issuances. We record the interest rate swaps at fair value in our condensed consolidated balance sheets as assets and liabilities. Changes in the fair value of the interest rate swaps are recorded to Interest expense, which are primarily offset by changes in the fair value of the hedged debt due to changes in interest rates.

### Cross Currency Swaps

We have entered into cross currency swaps previously designated as cash flow hedges through March 31, 2022 to exchange our British Pound Sterling, Euro, Swiss Franc, Canadian Dollar and Australian Dollar-denominated cash flows into U.S. dollars and to fix our cash payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses. A portion of the loss recognized in Other comprehensive income (loss) was reclassified to Interest expense to offset the related pre-tax foreign currency transaction gain or loss on the underlying hedged item.

On March 31, 2022, we elected to de-designate our cross currency swaps as cash flow hedges and re-designated these swaps as fair value hedges. For these hedges, we have elected to exclude the change in fair value of the cross currency swaps related to both time value and cross currency basis spread from the assessment of hedge effectiveness (the excluded components). The initial value of the excluded components of \$1.0 billion as of March 31, 2022 will continue to be amortized into Interest expense over the remaining life of the hedging instruments. We estimate that \$106 million will be amortized into Interest expense within the next 12 months.

In addition to the previously mentioned cross currency swaps, we have executed additional cross currency swaps to exchange Euro-denominated cash flows into U.S. dollars to fix our cash payments in U.S. dollars. These swaps are designated as fair value hedges. We record the cross currency swaps at fair value in our condensed consolidated balance sheets as assets and liabilities. Changes in the fair value of the cross currency swaps attributable to changes in the spot rate of the hedged item and changes in the recorded value of the hedged debt due to changes in spot rates are recorded in the same income statement line item. We present exchange gains and losses from the conversion of foreign currency denominated debt as a part of Interest expense. During the three and nine months ended September 30, 2023 and September 30, 2022, these amounts completely offset each other and no net gain or loss was recorded.

Changes in the fair value of cross currency swaps attributable to time value and cross currency basis spread are initially recorded to Other comprehensive income (loss). Unrealized gains or losses on excluded components are recorded in Other comprehensive income (loss) and are recognized into Interest expense on a systematic and rational basis through the swap accrual over the life of the hedging instrument. The amount remaining in Accumulated other comprehensive loss related to cash flow hedges on the date of transition will be reclassified to earnings when the hedged item is recognized in earnings or when it becomes probable that the forecasted transactions will not occur. During the three and nine months ended September 30, 2023 and September 30, 2022, the amortization of the initial value of the excluded component completely offset the amortization related to the amount remaining in Other comprehensive income (loss) related to cash flow hedges. See Note 9 for additional information.

### Forward Starting Interest Rate Swaps

From time to time we enter into forward starting interest rate swaps designated as cash flow hedges in order to manage our exposure to interest rate changes on future forecasted transactions. We hedge our exposure to the variability in future cash flows based on the expected maturities of the related forecasted debt issuance. We recognize gains and losses resulting from interest rate movements in Other comprehensive income (loss).

### Treasury Rate Locks

We have entered into treasury rate locks designated as cash flow hedges to mitigate our interest rate risk on future transactions. We recognize gains and losses resulting from interest rate movements in Other comprehensive income (loss).

### Net Investment Hedges

We have designated certain foreign currency debt instruments as net investment hedges to mitigate foreign exchange exposure related to non-U.S. dollar net investments in certain foreign subsidiaries against changes in foreign exchange rates. The notional amount of Euro-denominated debt designated as a net investment hedge was €750 million as of both September 30, 2023 and December 31, 2022.

### Undesignated Derivatives

We also have the following derivative contracts which we use as economic hedges but for which we have elected not to apply hedge accounting.

The following table summarizes the activity of our derivatives not designated in hedging relationships:

(dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>Foreign Exchange Forwards:</b>				
Notional value entered into	\$ 2,800	\$ 2,642	\$ 8,225	\$ 8,144
Notional value settled	2,785	2,703	8,150	8,136
Pre-tax loss recognized in Other income (expense), net	(39)	(75)	(17)	(169)
<b>Swaptions:</b>				
Notional value sold	—	—	—	1,000
Notional value settled	—	—	—	1,000
Pre-tax loss recognized in Interest expense	—	—	—	(33)

### Foreign Exchange Forwards

We enter into British Pound Sterling and Euro foreign exchange forwards to mitigate our foreign exchange rate risk related to non-functional currency denominated monetary assets and liabilities of international subsidiaries.

### Swaptions

We enter into swaptions to achieve a targeted mix of fixed and variable rate debt.

### Concentrations of Credit Risk

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments, short-term and long-term investments, trade receivables, including device payment plan agreement receivables, certain notes receivable, including lease receivables, and derivative contracts.

Counterparties to our derivative contracts are major financial institutions with whom we have negotiated derivatives agreements (ISDA master agreements) and credit support annex (CSA) agreements which provide rules for collateral exchange. The CSA agreements contain rating based thresholds such that we or our counterparties may be required to hold or post collateral based upon changes in outstanding positions as compared to established thresholds and changes in credit ratings. We do not offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments recognized at fair value. At September 30, 2023, we did not hold any collateral. At September 30, 2023, we posted \$2.1 billion of collateral related to derivative contracts under collateral exchange agreements, which was recorded as Prepaid expenses and other in our condensed consolidated balance sheet. At December 31, 2022, we did not hold any collateral. At December 31, 2022, we posted \$2.3 billion of collateral related to derivative contracts under collateral exchange arrangements, which was recorded as Prepaid expenses and other in our condensed consolidated balance sheet. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect that any such nonperformance would result in a significant effect on our results of operations or financial condition due to our diversified pool of counterparties.



## Note 8. Employee Benefits

We maintain non-contributory defined benefit pension plans for certain employees. In addition, we maintain postretirement health care and life insurance plans for certain retirees and their dependents, which are both contributory and non-contributory, and include a limit on our share of the cost for certain current and future retirees. In accordance with our accounting policy for pension and other postretirement benefits, operating expenses include service costs associated with pension and other postretirement benefits while other credits and/or charges based on actuarial assumptions, including projected discount rates, an estimated return on plan assets, and impact from health care trend rates are reported in Other income (expense), net. These estimates are updated in the fourth quarter or upon a remeasurement event, to reflect actual return on plan assets and updated actuarial assumptions. The adjustment is recognized in the income statement during the fourth quarter or upon a remeasurement event pursuant to our accounting policy for the recognition of actuarial gains and losses.

### Net Periodic Benefit Cost (Income)

The following table summarizes the components of net periodic benefit cost (income) related to our pension and postretirement health care and life insurance plans:

	(dollars in millions)			
	Pension		Health Care and Life	
	2023	2022	2023	2022
Three Months Ended September 30,				
Service cost - Cost of services	\$ 46	\$ 52	\$ 11	\$ 20
Service cost - Selling, general and administrative expense	6	7	2	4
<b>Service cost</b>	<b>\$ 52</b>	<b>\$ 59</b>	<b>\$ 13</b>	<b>\$ 24</b>
Amortization of prior service cost (credit)	\$ 28	\$ 24	\$ (105)	\$ (106)
Expected return on plan assets	(254)	(274)	(9)	(6)
Interest cost	188	151	137	83
Remeasurement loss, net	—	645	—	—
<b>Other components</b>	<b>\$ (38)</b>	<b>\$ 546</b>	<b>\$ 23</b>	<b>\$ (29)</b>
<b>Total</b>	<b>\$ 14</b>	<b>\$ 605</b>	<b>\$ 36</b>	<b>\$ (5)</b>

	(dollars in millions)			
	Pension		Health Care and Life	
	2023	2022	2023	2022
Nine Months Ended September 30,				
Service cost - Cost of services	\$ 137	\$ 168	\$ 34	\$ 60
Service cost - Selling, general and administrative expense	20	23	6	11
<b>Service cost</b>	<b>\$ 157</b>	<b>\$ 191</b>	<b>\$ 40</b>	<b>\$ 71</b>
Amortization of prior service cost (credit)	\$ 84	\$ 54	\$ (314)	\$ (419)
Expected return on plan assets	(760)	(865)	(24)	(20)
Interest cost	564	375	409	249
Remeasurement loss, net	—	843	—	—
<b>Other components</b>	<b>\$ (112)</b>	<b>\$ 407</b>	<b>\$ 71</b>	<b>\$ (190)</b>
<b>Total</b>	<b>\$ 45</b>	<b>\$ 598</b>	<b>\$ 111</b>	<b>\$ (119)</b>

The service cost component of net periodic benefit cost (income) is recorded in Cost of services and Selling, general and administrative expense in the condensed consolidated statements of income while the other components, including mark-to-market adjustments, if any, are recorded in Other income (expense), net.

### Severance Payments

During the three and nine months ended September 30, 2023, we paid severance benefits of \$224 million and \$450 million, respectively. During the three and nine months ended September 30, 2023, we recorded pre-tax severance charges of \$35 million and \$284 million, respectively, related to involuntary separations under our existing plans. At September 30, 2023, we had a remaining severance liability of \$434 million, a portion of which includes future contractual payments to separated employees.

### Employer Contributions

During the nine months ended September 30, 2023, we made a discretionary contribution of \$200 million to one of our qualified pension plans and made insignificant contributions to our nonqualified pension plans. No mandatory qualified pension plans contributions are expected or required through December 31, 2023. There have been no significant changes with respect to the nonqualified pension and other postretirement benefit plans contributions in 2023.

**Remeasurement loss, net**

During the three and nine months ended September 30, 2022, we recorded a net pre-tax remeasurement loss of \$645 million and \$843 million, respectively, in our pension plans triggered by settlements as well as amendments to our collective bargaining agreements.

During the three months ended September 30, 2022, we recorded a net pre-tax remeasurement loss of \$645 million in our pension plans triggered by settlements as well as amendments to our collective bargaining agreements, primarily driven by a \$3.5 billion charge resulting from the difference between our estimated and actual return on assets, partially offset by a credit of \$2.9 billion mainly due to changes in our discount rate and changes in our lump sum interest rate assumptions used to determine the current year liabilities of our pension plans.

During the three months ended June 30, 2022, we recorded a net pre-tax remeasurement loss of \$198 million in our pension plans triggered by settlements, primarily driven by a \$654 million charge resulting from the difference between our estimated and actual return on assets, partially offset by a credit of \$456 million mainly due to changes in our discount rate and changes in our lump sum interest rate assumptions used to determine the current year liabilities of our pension plans.

**Note 9. Equity and Accumulated Other Comprehensive Loss**
**Equity**

Changes in the components of Total equity were as follows:

	Three Months Ended September 30,			
	2023		2022	
(dollars in millions, except per share amounts, and shares in thousands)	Shares	Amount	Shares	Amount
<b>Common Stock</b>				
Balance at beginning of period	4,291,434	\$ 429	4,291,434	\$ 429
Balance at end of period	4,291,434	429	4,291,434	429
<b>Additional Paid In Capital</b>				
Balance at beginning of period		13,523		13,872
Other		1		(405)
Balance at end of period		13,524		13,467
<b>Retained Earnings</b>				
Balance at beginning of period		86,448		76,401
Net income attributable to Verizon		4,762		4,900
Dividends declared (\$0.6650, \$0.6525 per share)		(2,796)		(2,741)
Other		2		(15)
Balance at end of period		88,416		78,545
<b>Accumulated Other Comprehensive Loss</b>				
Balance at beginning of period attributable to Verizon		(1,921)		(1,320)
Foreign currency translation adjustments		(51)		(120)
Unrealized gain on cash flow hedges		21		22
Unrealized gain on fair value hedges		584		105
Unrealized loss on marketable securities		(5)		(8)
Defined benefit pension and postretirement plans		(56)		(379)
Other comprehensive income (loss)		493		(380)
Balance at end of period attributable to Verizon		(1,428)		(1,700)
<b>Treasury Stock</b>				
Balance at beginning of period	(87,394)	(3,830)	(91,719)	(4,020)
Employee plans	62	2	103	5
Balance at end of period	(87,332)	(3,828)	(91,616)	(4,015)
<b>Deferred Compensation-ESOPs and Other</b>				
Balance at beginning of period		544		654
Restricted stock equity grant		89		98
Amortization		(5)		(10)
Balance at end of period		628		742
<b>Noncontrolling Interests</b>				
Balance at beginning of period		1,309		1,341
Total comprehensive income		122		124
Distributions and other		(84)		(150)
Balance at end of period		1,347		1,315
<b>Total Equity</b>		<b>\$ 99,088</b>		<b>\$ 88,783</b>

(dollars in millions, except per share amounts, and shares in thousands)	Nine Months Ended September 30,			
	2023		2022	
	Shares	Amount	Shares	Amount
<b>Common Stock</b>				
Balance at beginning of period	4,291,434	\$ 429	4,291,434	\$ 429
Balance at end of period	4,291,434	429	4,291,434	429
<b>Additional Paid In Capital</b>				
Balance at beginning of period		13,420		13,861
Other		104		(394)
Balance at end of period		13,524		13,467
<b>Retained Earnings</b>				
Balance at beginning of period		82,380		71,993
Net income attributable to Verizon		14,319		14,679
Dividends declared (\$1.9700, \$1.9325 per share)		(8,285)		(8,120)
Other		2		(7)
Balance at end of period		88,416		78,545
<b>Accumulated Other Comprehensive Loss</b>				
Balance at beginning of period attributable to Verizon		(1,865)		(927)
Foreign currency translation adjustments		(31)		(285)
Unrealized gain on cash flow hedges		67		301
Unrealized gain (loss) on fair value hedges		575		(167)
Unrealized loss on marketable securities		(3)		(32)
Defined benefit pension and postretirement plans		(171)		(590)
Other comprehensive income (loss)		437		(773)
Balance at end of period attributable to Verizon		(1,428)		(1,700)
<b>Treasury Stock</b>				
Balance at beginning of period	(91,572)	(4,013)	(93,635)	(4,104)
Employee plans	4,237	185	2,016	89
Shareholder plans	3	—	3	—
Balance at end of period	(87,332)	(3,828)	(91,616)	(4,015)
<b>Deferred Compensation-ESOPs and Other</b>				
Balance at beginning of period		793		538
Restricted stock equity grant		225		368
Amortization		(390)		(164)
Balance at end of period		628		742
<b>Noncontrolling Interests</b>				
Balance at beginning of period		1,319		1,410
Total comprehensive income		349		371
Distributions and other		(321)		(466)
Balance at end of period		1,347		1,315
<b>Total Equity</b>		<b>\$ 99,088</b>		<b>\$ 88,783</b>

### Common Stock

Verizon did not repurchase any shares of the Company's common stock through its previously authorized share buyback program during the nine months ended September 30, 2023. At September 30, 2023, the maximum number of shares that could be purchased by or on behalf of Verizon under our share buyback program was 100 million.

Common stock has been used from time to time to satisfy some of the funding requirements of employee and shareowner plans, including 4.2 million shares of common stock issued from Treasury stock during the nine months ended September 30, 2023.

## Accumulated Other Comprehensive Loss

The changes in the balances of Accumulated other comprehensive loss by component were as follows:

(dollars in millions)	Foreign currency translation adjustments	Unrealized gain (loss) on cash flow hedges	Unrealized gain (loss) on fair value hedges	Unrealized gain (loss) on marketable securities	Defined benefit pension and postretirement plans	Total
<b>Balance at January 1, 2023</b>	\$ (698)	\$ (1,150)	\$ (431)	\$ (9)	\$ 423	\$ (1,865)
Excluded components recognized in other comprehensive income	—	—	636	—	—	636
Other comprehensive income (loss)	(31)	4	—	(5)	—	(32)
Amounts reclassified to net income	—	63	(61)	2	(171)	(167)
Net other comprehensive income (loss)	(31)	67	575	(3)	(171)	437
<b>Balance at September 30, 2023</b>	\$ (729)	\$ (1,083)	\$ 144	\$ (12)	\$ 252	\$ (1,428)

The amounts presented above in Net other comprehensive income (loss) are net of taxes. The amounts reclassified to net income related to unrealized gain (loss) on cash flow hedges and unrealized gain (loss) on fair value hedges in the table above are included in Other income (expense), net and Interest expense in our condensed consolidated statements of income. See Note 7 for additional information. The amounts reclassified to net income related to unrealized gain (loss) on marketable securities and defined benefit pension and postretirement plans in the table above are included in Other income (expense), net in our condensed consolidated statements of income. See Note 8 for additional information.

## Note 10. Segment Information

### Reportable Segments

We have two reportable segments that we operate and manage as strategic business units - Consumer and Business. We measure and evaluate our reportable segments based on segment operating income, consistent with the chief operating decision maker's assessment of segment performance.

Our segments and their principal activities consist of the following:

Segment	Description
<b>Verizon Consumer Group</b>	Our Consumer segment provides consumer-focused wireless and wireline communications services and products. Our wireless services are provided across one of the most extensive wireless networks in the U.S. under the Verizon family of brands and through wholesale and other arrangements. We also provide fixed wireless access (FWA) broadband through our wireless networks. Our wireline services are provided in nine states in the Mid-Atlantic and Northeastern U.S., as well as Washington D.C., over our 100% fiber-optic network through our Verizon Fios product portfolio and over a traditional copper-based network to customers who are not served by Fios.
<b>Verizon Business Group</b>	Our Business segment provides wireless and wireline communications services and products, including data, video and conferencing services, corporate networking solutions, security and managed network services, local and long distance voice services and network access to deliver various IoT services and products. We also provide FWA broadband through our wireless networks. We provide these products and services to businesses, government customers and wireless and wireline carriers across the U.S. and select products and services to customers around the world.

Our Consumer segment's wireless and wireline products and services are available to our retail customers, as well as resellers that purchase wireless network access from us on a wholesale basis.

Our Business segment's wireless and wireline products and services are organized by the primary customer groups targeted by these offerings. During the first quarter of 2023, Verizon reorganized the customer groups within its Business segment. Previously, this segment was comprised of four customer groups: Small and Medium Business, Global Enterprise, Public Sector and Other, and Wholesale. Following the reorganization, there are now three customer groups: Enterprise and Public Sector, Business Markets and Other, and Wholesale. Enterprise and Public Sector combines the customers previously included in Global Enterprise and Public Sector and Other (excluding BlueJeans and Connect customers) as well as the commercial wireline customers previously included in Small and Medium Business. Business Markets and Other combines the customers previously included in Small and Medium Business (excluding commercial wireline customers), the BlueJeans customers previously included in Global Enterprise and Public Sector and Other, and the Connect customers previously included in Public Sector and Other. The Wholesale customer group remained unchanged. Prior period operating revenue results within the Business segment

have been recast for these reorganized customer groups. There was no change to the composition of our reportable segments and total segment results, nor the determination of segment profit.

Corporate and other primarily includes device insurance programs, investments in unconsolidated businesses and development stage businesses that support our strategic initiatives, as well as unallocated corporate expenses, certain pension and other employee benefit related costs and interest and financing expenses. Corporate and other also includes the historical results of divested businesses and other adjustments and gains and losses that are not allocated in assessing segment performance due to their nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses from these transactions that are not individually significant are included in segment results as these items are included in the chief operating decision maker's assessment of segment performance.

The following table provides operating financial information for our two reportable segments:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>External Operating Revenues</b>				
Consumer				
Service	\$ 18,850	\$ 18,421	\$ 55,947	\$ 54,696
Wireless equipment	4,902	5,558	14,210	16,640
Other <sup>(1)</sup>	1,450	1,809	4,359	5,247
<b>Total Consumer</b>	<b>25,202</b>	<b>25,788</b>	<b>74,516</b>	<b>76,583</b>
Business				
Enterprise and Public Sector	3,786	3,940	11,357	11,784
Business Markets and Other	3,180	3,231	9,383	9,428
Wholesale	552	656	1,738	1,926
<b>Total Business</b>	<b>7,518</b>	<b>7,827</b>	<b>22,478</b>	<b>23,138</b>
<b>Total reportable segments</b>	<b>\$ 32,720</b>	<b>\$ 33,615</b>	<b>\$ 96,994</b>	<b>\$ 99,721</b>
<b>Intersegment Revenues</b>				
Consumer	\$ 55	\$ 52	\$ 156	\$ 153
Business	9	10	26	34
<b>Total reportable segments</b>	<b>\$ 64</b>	<b>\$ 62</b>	<b>\$ 182</b>	<b>\$ 187</b>
<b>Total Operating Revenues</b>				
Consumer	\$ 25,257	\$ 25,840	\$ 74,672	\$ 76,736
Business <sup>(2)</sup>	7,527	7,837	22,504	23,172
<b>Total reportable segments</b>	<b>\$ 32,784</b>	<b>\$ 33,677</b>	<b>\$ 97,176</b>	<b>\$ 99,908</b>
<b>Operating Income</b>				
Consumer	\$ 7,547	\$ 7,349	\$ 21,976	\$ 21,818
Business	539	698	1,623	2,046
<b>Total reportable segments</b>	<b>\$ 8,086</b>	<b>\$ 8,047</b>	<b>\$ 23,599</b>	<b>\$ 23,864</b>

<sup>(1)</sup> Other revenue includes fees that partially recover the direct and indirect costs of complying with regulatory and industry obligations and programs, revenues associated with certain products included in our device protection offerings, leasing and interest recognized when equipment is sold to the customer by an authorized agent under a device payment plan agreement.

<sup>(2)</sup> Service and other revenues included in our Business segment were approximately \$6.6 billion and \$6.8 billion for the three months ended September 30, 2023 and 2022, respectively, and \$19.9 billion and \$20.2 billion for the nine months ended September 30, 2023 and 2022, respectively. Wireless equipment revenues included in our Business segment were \$911 million and \$1.0 billion for the three months ended September 30, 2023 and 2022, respectively, and \$2.6 billion and \$2.9 billion for the nine months ended September 30, 2023 and 2022, respectively.

The following table provides Fios revenue for our two reportable segments:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Consumer	\$ 2,897	\$ 2,902	\$ 8,672	\$ 8,708
Business	308	304	923	897
<b>Total Fios revenue</b>	<b>\$ 3,205</b>	<b>\$ 3,206</b>	<b>\$ 9,595</b>	<b>\$ 9,605</b>

The following table provides Wireless service revenue for our reportable segments and includes intersegment activity:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Consumer	\$ 15,963	\$ 15,517	\$ 47,324	\$ 45,970
Business	3,367	3,273	10,008	9,580
<b>Total Wireless service revenue</b>	<b>\$ 19,330</b>	<b>\$ 18,790</b>	<b>\$ 57,332</b>	<b>\$ 55,550</b>

### Reconciliation to Consolidated Financial Information

The reconciliation of segment operating revenues and operating income to consolidated operating revenues and operating income below includes the effects of special items that the chief operating decision maker does not consider in assessing segment performance, primarily because of their nature.

A reconciliation of the reportable segment operating revenues to consolidated operating revenues is as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total reportable segment operating revenues	\$ 32,784	\$ 33,677	\$ 97,176	\$ 99,908
Corporate and other	618	627	1,856	1,868
Eliminations	(66)	(63)	(188)	(192)
<b>Total consolidated operating revenues</b>	<b>\$ 33,336</b>	<b>\$ 34,241</b>	<b>\$ 98,844</b>	<b>\$ 101,584</b>

A reconciliation of the total reportable segment's operating income to consolidated income before provision for income taxes is as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Total reportable segment operating income	\$ 8,086	\$ 8,047	\$ 23,599	\$ 23,864
Corporate and other	(551)	(85)	(899)	(299)
Severance charges	—	—	(237)	—
Other components of net periodic benefit charges (Note 8)	(62)	(68)	(186)	(323)
Total consolidated operating income	7,473	7,894	22,277	23,242
Equity in earnings (losses) of unconsolidated businesses	(18)	2	(42)	40
Other income (expense), net	170	(439)	494	(1,314)
Interest expense	(1,433)	(937)	(3,925)	(2,508)
<b>Income Before Provision For Income Taxes</b>	<b>\$ 6,192</b>	<b>\$ 6,520</b>	<b>\$ 18,804</b>	<b>\$ 19,460</b>

No single customer accounted for more than 10% of our total operating revenues during the three and nine months ended September 30, 2023 or 2022.

The chief operating decision maker does not review disaggregated assets on a segment basis; therefore, such information is not presented. Depreciation and amortization included in the measure of segment profitability is primarily allocated based on proportional usage, and is included within Total reportable segment operating income.

### Note 11. Additional Financial Information

We maintain a voluntary supplier finance program (SFP) with a financial institution which provides certain suppliers the option, at their sole discretion, to participate in the program and sell their receivables due from Verizon to the financial institution on a non-recourse basis. The eligible suppliers negotiate the terms directly with the financial institution and we have no involvement in establishing those terms nor are we a party to these agreements.

Our payments associated with the invoices from the suppliers participating in the SFP are made to the financial institution according to the original invoice terms generally at 90 days from the invoice date and for the original invoice amount. No additional payments are exchanged between Verizon and the financial institution related to the SFP. Verizon does not pledge any assets nor provide any guarantees to the financial institution in connection with the SFP. The SFP can be terminated by Verizon or the financial institution with a 60-day notice period.

Confirmed obligations outstanding related to suppliers participating in the SFP are recorded within Accounts payable and accrued liabilities in our condensed consolidated balance sheets and the associated payments are reflected in the operating

activities section of our condensed consolidated statements of cash flows. As of September 30, 2023 and December 31, 2022, \$740 million and \$1.0 billion, respectively, remained as confirmed obligations outstanding related to suppliers participating in the SFP.

### **Note 12. Commitments and Contingencies**

In the ordinary course of business, Verizon is involved in various litigation and regulatory proceedings at the state and federal level. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, Verizon establishes an accrual. In none of the currently pending matters is the amount of accrual material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including: (1) uncertain damage theories and demands; (2) a less than complete factual record; (3) uncertainty concerning legal theories and their resolution by courts or regulators; and (4) the unpredictable nature of the opposing party and its demands. We continuously monitor these proceedings as they develop and adjust any accrual or disclosure as needed. We do not expect that the ultimate resolution of any pending regulatory or legal matter in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations for a given reporting period.

Verizon is currently involved in approximately 25 federal district court actions alleging that Verizon is infringing various patents. Most of these cases are brought by non-practicing entities and effectively seek only monetary damages; a small number are brought by companies that have sold products and could seek injunctive relief as well. These cases have progressed to various stages and a small number may go to trial in the coming 12 months if they are not otherwise resolved.

In connection with the execution of agreements for the sales of businesses and investments, Verizon ordinarily provides representations and warranties to the purchasers pertaining to a variety of nonfinancial matters, such as ownership of the securities being sold, as well as indemnity from certain financial losses. From time to time, counterparties may make claims under these provisions, and Verizon will seek to defend against those claims and resolve them in the ordinary course of business.

As of September 30, 2023, Verizon had 26 renewable energy purchase agreements (REPAs) with third parties. Each of the REPAs is based on the expected operation of a renewable energy-generating facility and has a fixed price term of 12 to 20 years from the commencement of the facility's entry into commercial operation. Ten facilities have entered into commercial operation, and the remainder are under development. The REPAs generally are expected to be financially settled based on the prevailing market price as energy is generated by the facilities.



## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Overview

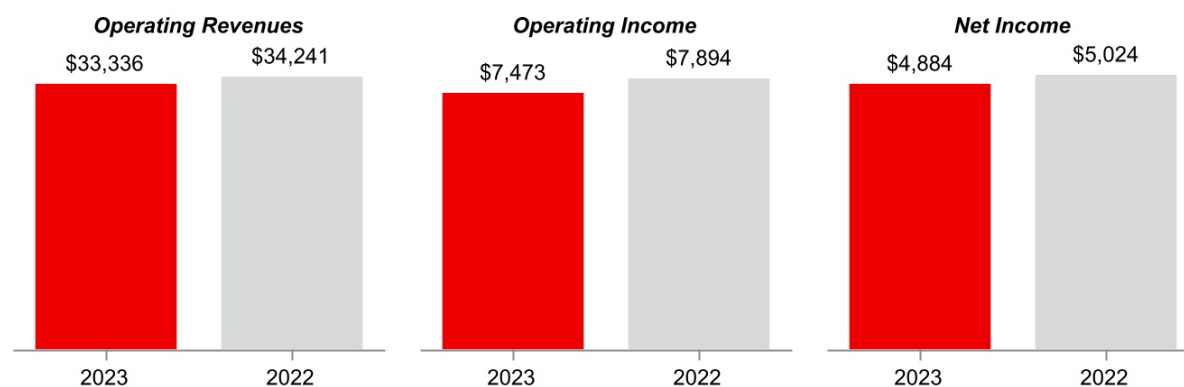
Verizon Communications Inc. (the Company) is a holding company that, acting through its subsidiaries (together with the Company, collectively, Verizon), is one of the world's leading providers of communications, technology, information and entertainment products and services to consumers, businesses and government entities. With a presence around the world, we offer data, video and voice services and solutions on our networks and platforms that are designed to meet customers' demand for mobility, reliable network connectivity, security and control.

To compete effectively in today's dynamic marketplace, we are focused on the capabilities of our high-performing networks to drive growth based on delivering what customers want and need in the digital world. In 2023, we are focused on maintaining the reliability and resilience of our network, retaining and growing our high-quality customer base while balancing profitability in challenging market conditions, and driving monetization of our networks, platforms and solutions. We are creating business value by earning the trust of our stakeholders, limiting our environmental impact and supporting our customer base growth while creating social benefit through our products and services. Our strategy requires significant capital investments primarily to acquire wireless spectrum, put the spectrum into service, provide additional capacity for growth in our networks, invest in the fiber that supports our businesses, evolve and maintain our networks and develop and maintain significant advanced information technology systems and data system capabilities. We believe that our C-Band spectrum, together with our industry leading millimeter wave spectrum holding, fourth-generation (4G) Long-Term Evolution (LTE) network and fiber infrastructure, will drive innovative products and services and fuel our growth.

We are consistently deploying new network architecture and technologies to secure our leadership in both 4G and fifth-generation (5G) wireless networks. We expect that our next-generation multi-use platform, which we call the Intelligent Edge Network, will simplify operations by eliminating legacy network elements, speed the deployment of 5G wireless technology and create new opportunities in the business market in a cost efficient manner. Our network quality is the hallmark of our brand and the foundation for the connectivity, platforms and solutions upon which we build our competitive advantage.

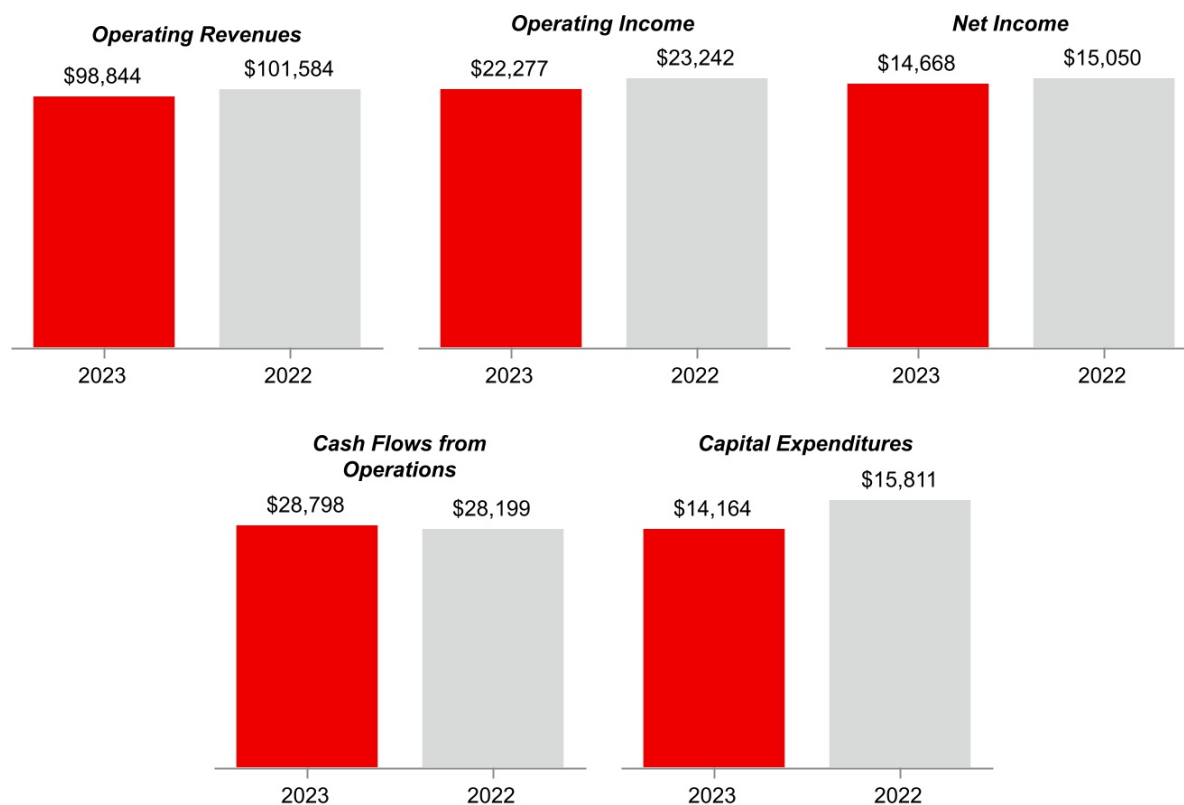
### Highlights of Our Financial Results for the Three Months Ended September 30, 2023 and 2022

(dollars in millions)



## Highlights of Our Financial Results for the Nine Months Ended September 30, 2023 and 2022

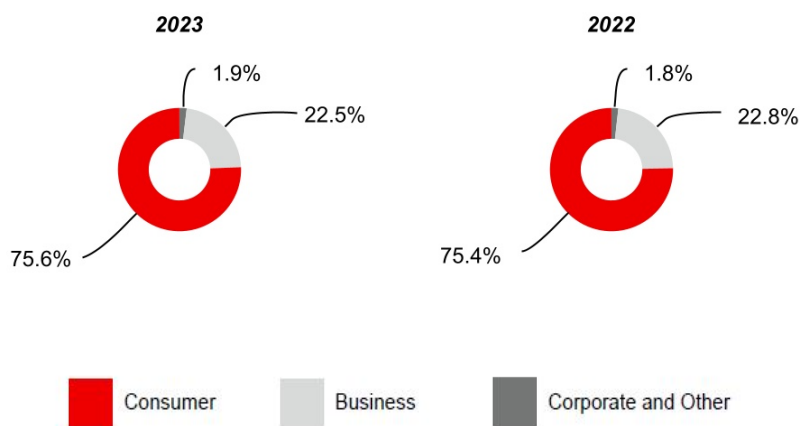
(dollars in millions)



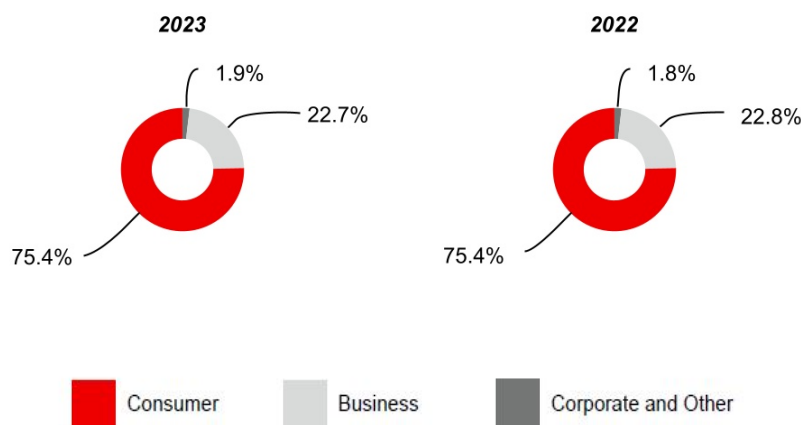
### Business Overview

We have two reportable segments that we operate and manage as strategic business units - Verizon Consumer Group (Consumer) and Verizon Business Group (Business).

### Revenue by Segment for the Three Months Ended September 30, 2023 and 2022



Note: Excludes eliminations.

**Revenue by Segment for the Nine Months Ended September 30, 2023 and 2022**

Note: Excludes eliminations.

**Verizon Consumer Group**

Our Consumer segment provides consumer-focused wireless and wireline communications services and products. Our wireless services are provided across one of the most extensive wireless networks in the United States (U.S.) under the Verizon family of brands and through wholesale and other arrangements. We also provide fixed wireless access (FWA) broadband through our wireless networks. Our wireline services are provided in nine states in the Mid-Atlantic and Northeastern U.S., as well as Washington D.C., over our 100% fiber-optic network through our Verizon Fios product portfolio and over a traditional copper-based network to customers who are not served by Fios. Our Consumer segment's wireless and wireline products and services are available to our retail customers, as well as resellers that purchase wireless network access from us on a wholesale basis.

Customers can obtain our wireless services on a postpaid or prepaid basis. Our postpaid service is generally billed one month in advance for a monthly access charge in return for access to and usage of network services. Our prepaid service is offered only to Consumer customers and enables individuals to obtain wireless services without credit verification by paying for all services in advance. The Consumer segment also offers several categories of wireless equipment to customers, including a variety of smartphones and other handsets, wireless-enabled internet devices, such as tablets, and other wireless-enabled connected devices, such as smart watches.

In addition to the wireless services and equipment discussed above, the Consumer segment sells residential fixed connectivity solutions, including internet, video and voice services, and wireless network access to resellers on a wholesale basis. The Consumer segment's operating revenues for the three and nine months ended September 30, 2023 totaled \$25.3 billion and \$74.7 billion, respectively, representing a decrease of 2.3% and 2.7%, respectively, compared to the similar periods in 2022. See "Segment Results of Operations" for additional information regarding our Consumer segment's operating performance and selected operating statistics.

**Verizon Business Group**

Our Business segment provides wireless and wireline communications services and products, including data, video and conferencing services, corporate networking solutions, security and managed network services, local and long distance voice services and network access to deliver various Internet of Things (IoT) services and products, including solutions that support mobile resource management. We also provide FWA broadband through our wireless networks. We provide these products and services to businesses, government customers and wireless and wireline carriers across the U.S. and select products and services to customers around the world. The Business segment's operating revenues for the three and nine months ended September 30, 2023 totaled \$7.5 billion and \$22.5 billion, respectively, representing a decrease of 4.0% and 2.9%, respectively, compared to the similar periods in 2022. See "Segment Results of Operations" for additional information regarding our Business segment's operating performance and selected operating statistics.

**Corporate and Other**

Corporate and other primarily includes device insurance programs, investments in unconsolidated businesses and development stage businesses that support our strategic initiatives, as well as unallocated corporate expenses, certain pension and other employee benefit related costs and interest and financing expenses. Corporate and other also includes the historical results of divested businesses and other adjustments and gains and losses that are not allocated in assessing segment performance due to their nature. Although such transactions are excluded from the business segment results, they are included in reported consolidated earnings. Gains and losses from these transactions that are not individually significant are included in segment

results as these items are included in the chief operating decision maker's assessment of segment performance. See "Consolidated Results of Operations" for additional information regarding Corporate and other results.

### **Capital Expenditures and Investments**

We continue to invest in our wireless networks, high-speed fiber and other advanced technologies to position ourselves at the center of growth trends for the future. During the nine months ended September 30, 2023, these investments included \$14.2 billion for capital expenditures. See "Cash Flows Used in Investing Activities" for additional information. In the second quarter of 2023, we completed our accelerated \$10 billion capital program related to C-Band spectrum deployment. Our ongoing C-Band spectrum deployment will be funded through our general capital expenditure program. Capital expenditures for 2023 are expected to be at the upper end of our guidance range of \$18.25 billion to \$19.25 billion. We believe that our investments aimed at expanding our portfolio of products and services will provide our customers with an efficient, reliable infrastructure for participating in the information economy.

### **Global Network and Technology**

We are focusing our capital investment on building our next generation 5G network, while also adding capacity and density to our 4G LTE network. We are densifying our networks by utilizing macro and small cell technology, in-building solutions and distributed antenna systems. Network densification enables us to add capacity to address increasing mobile video consumption and the growing demand for IoT products and services on our 4G LTE and 5G networks. Over the past several years, we have been leading the development of 5G wireless technology industry standards and the ecosystems for fixed and mobile 5G wireless services. 5G technology enables higher throughput and lower latency than 4G LTE technology and allows our networks to handle more traffic as the number of internet-connected devices grows. In January 2022, we began rapidly deploying our C-Band spectrum, which, as of September 30, 2023, covers approximately 233 million people in the U.S. We obtained full access to our C-Band spectrum in August 2023, and expect to continue deploying this spectrum across the continental U.S. We use low and mid-band spectrum and dynamic spectrum sharing (DSS) technology to allow 5G service to run simultaneously with 4G LTE on multiple spectrum bands. With DSS, whenever customers move outside Verizon's millimeter wave and C-Band coverage areas, their 5G-enabled devices will remain on 5G technology using the lower spectrum bands where this network is available. This allows us to more fully and effectively utilize our current spectrum resources to serve both 4G and 5G customers.

To compensate for the shrinking market for traditional copper-based products, we continue to build fiber-based networks supporting data, video and advanced business services - areas where demand for reliable high-speed connections is growing. In addition, we leverage our 5G and 4G LTE networks for our FWA broadband service. We are transforming the architecture of our networks into our Intelligent Edge Network, providing improved efficiency and virtualization, increased automation and opportunities for edge computing services that will support our fiber-based and radio access network technologies. We expect that this new architecture will simplify operations by eliminating legacy network elements, speed the deployment of 5G wireless technology and create new opportunities in the business market in a cost-efficient manner.

### **Operating Environment and Trends**

Except as discussed below, there have been no material changes to the information related to trends affecting our business that was previously disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022.

Our Business reporting unit operates in a highly competitive and dynamic market and has experienced increased market pressures throughout 2023. In accordance with our accounting policy, we considered the events and circumstances impacting our Business reporting unit during the third quarter of 2023 and have concluded that it is more likely than not that the fair value of the reporting unit continues to exceed its carrying value as of September 30, 2023.

Based on our annual impairment testing performed as of October 31, 2022, our Business reporting unit had a fair value that exceeded its carrying amount by approximately 8% and remains susceptible to future impairment risk. A projected sustained decline in the reporting unit's revenues and earnings could have a significant negative impact on its fair value and could result in impairment charges. Such a decline could be driven by, among other things: (1) decreases in the reporting unit's sales volumes or long-term growth rate as a result of competitive pressures or other factors; or (2) the reporting unit's inability to achieve, or delays in achieving, its goals or strategic initiatives. Adverse changes to macroeconomic factors, such as increases in long-term interest rates, would also negatively impact the fair value of the reporting unit. As of September 30, 2023, \$7.5 billion of goodwill was allocated to our Business reporting unit.

As of October 31, 2023, we will perform a quantitative impairment assessment for our Business reporting unit as part of our annual goodwill impairment test. As it is our practice, during the fourth quarter we will also complete our annual budget process during which we reassess strategic priorities and forecast future operating performance and capital spending. Based on this assessment, the carrying value of our Business reporting unit could exceed its fair value, resulting in the recognition of an impairment of goodwill in the fourth quarter of 2023 that could be material.

For more detailed information regarding our goodwill impairment process and the results of our most recent quantitative goodwill impairment assessment, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2022.

## Consolidated Results of Operations

In this section, we discuss our overall results of operations and highlight special items, some of which are not included in our segment results. In "Segment Results of Operations" we review the performance of our two reportable segments in more detail.

### Consolidated Operating Revenues

(dollars in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Increase/		September 30,		Increase/	
	2023	2022	(Decrease)		2023	2022	(Decrease)	
Consumer	\$ 25,257	\$ 25,840	\$ (583)	(2.3)%	\$ 74,672	\$ 76,736	\$ (2,064)	(2.7)%
Business	7,527	7,837	(310)	(4.0)	22,504	23,172	(668)	(2.9)
Corporate and other	618	627	(9)	(1.4)	1,856	1,868	(12)	(0.6)
Eliminations	(66)	(63)	(3)	4.8	(188)	(192)	4	(2.1)
<b>Consolidated Operating Revenues</b>	<b>\$ 33,336</b>	<b>\$ 34,241</b>	<b>\$ (905)</b>	<b>(2.6)</b>	<b>\$ 98,844</b>	<b>\$ 101,584</b>	<b>\$ (2,740)</b>	<b>(2.7)</b>

Consolidated operating revenues decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 primarily due to decreases in Wireless equipment revenues, predominately in our Consumer segment.

Revenues for our segments are discussed separately below under the heading "Segment Results of Operations."

### Consolidated Operating Expenses

(dollars in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Increase/		September 30,		Increase/	
	2023	2022	(Decrease)		2023	2022	(Decrease)	
Cost of services	\$ 7,084	\$ 7,293	\$ (209)	(2.9)%	\$ 21,148	\$ 21,452	\$ (304)	(1.4)%
Cost of wireless equipment	6,353	7,308	(955)	(13.1)	18,557	21,919	(3,362)	(15.3)
Selling, general and administrative expense	7,995	7,422	573	7.7	23,754	22,090	1,664	7.5
Depreciation and amortization expense	4,431	4,324	107	2.5	13,108	12,881	227	1.8
<b>Consolidated Operating Expenses</b>	<b>\$ 25,863</b>	<b>\$ 26,347</b>	<b>\$ (484)</b>	<b>(1.8)</b>	<b>\$ 76,567</b>	<b>\$ 78,342</b>	<b>\$ (1,775)</b>	<b>(2.3)</b>

Operating expenses for our segments are discussed separately below under the heading "Segment Results of Operations."

#### Cost of Services

Cost of services includes the following costs directly attributable to a service: salaries and wages, benefits, materials and supplies, content costs, contracted services, network access and transport costs, customer provisioning costs, computer systems support and costs to support our outsourcing contracts and technical facilities. Aggregate customer service costs, which include billing and service provisioning, are allocated between Cost of services and Selling, general and administrative expense.

Cost of services expense decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily due to:

- a decrease of \$163 million in access costs primarily as a result of the shutdown of our competitors' third-generation (3G) network and ongoing efforts to migrate off network prepaid subscribers to the Verizon network; and
- a decrease of \$79 million in regulatory costs primarily related to a lower Federal Universal Service Fund (FUSF) rate.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$431 million in access costs primarily as a result of the shutdown of our competitors' 3G network and ongoing efforts to migrate off network prepaid subscribers to the Verizon network;
- a decrease of \$122 million in other direct costs related to professional services;
- an increase of \$139 million in regulatory costs primarily related to a higher net FUSF rate; and
- an increase of \$122 million in rent and lease expense primarily driven by new leases and lease modifications related to the deployment of the C-Band spectrum.

## Cost of Wireless Equipment

Cost of wireless equipment decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 primarily as a result of:

- a decrease of \$1.2 billion and \$3.8 billion for the three and nine months, respectively, driven by a lower volume of wireless devices sold primarily related to a decrease of 26% in upgrades; and
- an increase of \$262 million and \$453 million for the three and nine months, respectively, due to a shift to higher priced equipment in the mix of wireless devices sold.

## Selling, General and Administrative Expense

Selling, general and administrative expense includes salaries and wages and benefits not directly attributable to a service or product, the provision for credit losses, taxes other than income taxes, advertising and sales commission costs, call center and information technology costs, regulatory fees, professional service fees and rent and utilities for administrative space. Also included is a portion of the aggregate customer care costs as discussed above in "Cost of Services."

Selling, general and administrative expense increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The increase during the three months ended September 30, 2023 was primarily due to:

- an increase of \$177 million primarily related to higher costs for device insurance programs due to an increase in claims;
- an increase of \$161 million related to business transformation costs;
- an increase of \$148 million in the provision for credit losses resulting from additional bad debt reserves as collections return to pre-pandemic levels; and
- an increase of \$113 million in connection with the non-strategic business shutdown of our BlueJeans business offering.

The increase during the nine months ended September 30, 2023 was primarily due to:

- an increase of \$544 million in the provision for credit losses resulting from additional bad debt reserves as collections return to pre-pandemic levels;
- an increase of \$253 million primarily related to higher costs for device insurance programs due to an increase in claims;
- an increase of \$237 million in personnel costs from severance charges;
- an increase of \$172 million in advertising costs, including the myPlan launch in the second quarter of 2023 and the scaling of our Total by Verizon brand;
- an increase of \$161 million related to business transformation costs;
- an increase of \$141 million primarily related to an asset rationalization charge taken in the second quarter of 2023; and
- an increase of \$113 million in connection with the non-strategic business shutdown of our BlueJeans business offering.

See "Special Items" for additional information on the severance charges, asset rationalization charge, business transformation costs and the non-strategic business shutdown.

## Depreciation and Amortization Expense

Depreciation and amortization expense increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 primarily due to the change in the mix of net depreciable and amortizable assets, including the continued deployment of C-Band network assets.

## Other Consolidated Results

### Other Income (Expense), Net

Additional information relating to Other income (expense), net is as follows:

(dollars in millions)	Three Months Ended		Increase/ (Decrease)		Nine Months Ended		Increase/ (Decrease)	
	September 30, 2023	September 30, 2022			September 30, 2023	September 30, 2022		
Interest income	\$ 98	\$ 32	\$ 66	nm	\$ 265	\$ 63	\$ 202	nm
Other components of net periodic benefit income (cost)	15	(517)	532	nm	41	(217)	258	nm
Net debt extinguishment gains (losses)	85	50	35	70.0 %	224	(1,131)	1,355	nm
Other, net	(28)	(4)	(24)	nm	(36)	(29)	(7)	24.1 %
<b>Other Income (Expense), Net</b>	<b>\$ 170</b>	<b>\$ (439)</b>	<b>\$ 609</b>	<b>nm</b>	<b>\$ 494</b>	<b>\$ (1,314)</b>	<b>\$ 1,808</b>	<b>nm</b>

nm - not meaningful

Other income (expense), net, reflects certain items not directly related to our core operations, including interest income, gains and losses from non-operating asset dispositions, debt extinguishment costs, components of net periodic pension and postretirement benefit cost and income and certain foreign exchange gains and losses.

Other income (expense), net increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The increase during the three months ended September 30, 2023 was primarily due to:

- a pension remeasurement loss of \$645 million in 2022 that did not reoccur; and
- an increase in interest income due to higher interest rates.

The increase during the nine months ended September 30, 2023 was primarily due to:

- net debt extinguishment gains of \$224 million related to open market repurchases of various Company notes and tender offers in 2023, compared with losses of \$1.1 billion primarily related to tender offers in 2022;
- a pension remeasurement loss of \$843 million in 2022 that did not reoccur, partially offset by an increase in interest costs of \$349 million primarily due to an increase in discount rates; and
- an increase in interest income due to higher interest rates.

## Interest Expense

(dollars in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Increase/		September 30,		Increase	
	2023	2022	(Decrease)		2023	2022		
Total interest costs on debt balances	\$ 1,844	\$ 1,423	\$ 421	29.6 %	\$ 5,435	\$ 4,013	\$ 1,422	35.4 %
Less capitalized interest costs	411	486	(75)	(15.4)	1,510	1,505	5	0.3
<b>Interest Expense</b>	<b>\$ 1,433</b>	<b>\$ 937</b>	<b>\$ 496</b>	<b>52.9</b>	<b>\$ 3,925</b>	<b>\$ 2,508</b>	<b>\$ 1,417</b>	<b>56.5</b>
Average debt outstanding <sup>(1)(3)</sup>	\$ 149,712	\$ 148,729			\$ 151,266	\$ 151,762		
Effective interest rate <sup>(2)(3)</sup>	4.9 %	3.8 %			4.8 %	3.5 %		

<sup>(1)</sup> The average debt outstanding is a financial measure and is calculated by applying a simple average of prior months end balances of total short-term and long-term debt, net of discounts, premiums and unamortized debt issuance costs.

<sup>(2)</sup> The effective interest rate is the rate of actual interest incurred on debt. It is calculated by dividing the total interest costs on debt balances by the average debt outstanding.

<sup>(3)</sup> We believe that this measure is useful to management, investors and other users of our financial information in evaluating our debt financing cost and trends in our debt leverage management.

Total interest expense increased during the three months ended September 30, 2023 compared to the similar period in 2022 primarily as a result of an increase in interest costs due to a higher average interest rate and a decrease in capitalized interest costs due to the early clearance and deployment of C-Band spectrum in the current period.

Total interest expense increased during the nine months ended September 30, 2023 compared to the similar period in 2022 primarily due to an increase in interest costs due to a higher average interest rate, which was partially offset by lower average debt balances.

## Provision for Income Taxes

(dollars in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Decrease		September 30,		Decrease	
	2023	2022			2023	2022		
Provision for income taxes	\$ 1,308	\$ 1,496	\$ (188)	(12.6)%	\$ 4,136	\$ 4,410	\$ (274)	(6.2)%
Effective income tax rate	21.1 %	22.9 %			22.0 %	22.7 %		

The effective income tax rate is calculated by dividing the provision for income taxes by income before the provision for income taxes. The decrease in the provision for income taxes during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 was primarily due to the decrease in income before income taxes in each of the current periods. The decrease in the effective income tax rate during the three and nine months ended September 30, 2023 compared to the similar periods in 2022 was primarily due to the favorable resolution of various income tax matters as well as a reduction in deferred income taxes due to changes in state tax rates and apportionment in the current period. The decrease during the three month period was also due to a one-time tax benefit in connection with a non-strategic business shutdown in the current period.

## Unrecognized Tax Benefits

Unrecognized tax benefits were \$2.7 billion at September 30, 2023 and \$2.8 billion at December 31, 2022. Interest and penalties related to unrecognized tax benefits were \$592 million (after-tax) and \$544 million (after-tax) at September 30, 2023 and December 31, 2022, respectively.

Verizon and/or its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. As a large taxpayer, we are under audit by the Internal Revenue Service and multiple state and foreign jurisdictions

for various open tax years. It is reasonably possible that the amount of the liability for unrecognized tax benefits could change by a significant amount in the next twelve months. An estimate of the range of the possible change cannot be made until these tax matters are further developed or resolved.

### Consolidated Net Income, Consolidated EBITDA and Consolidated Adjusted EBITDA

Consolidated earnings before interest, taxes, depreciation and amortization expense (Consolidated EBITDA) and Consolidated Adjusted EBITDA, which are presented below, 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 the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, 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 to net income.

Consolidated Adjusted EBITDA is calculated by excluding from Consolidated EBITDA the effect of the following non-operational items: equity in earnings and losses of unconsolidated businesses and other income and expense, net, as well as the effect of certain special items. We believe that this measure is useful 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 is 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 and amortization policies. Further, the exclusion of non-operational items and special items enables comparability to prior period performance and trend analysis. See "Special Items" for additional 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.

(dollars in millions)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
<b>Consolidated Net Income</b>	\$ 4,884	\$ 5,024	\$ 14,668	\$ 15,050
Add:				
Provision for income taxes	1,308	1,496	4,136	4,410
Interest expense	1,433	937	3,925	2,508
Depreciation and amortization expense <sup>(1)</sup>	4,431	4,324	13,108	12,881
<b>Consolidated EBITDA</b>	\$ 12,056	\$ 11,781	\$ 35,837	\$ 34,849
Add (Less):				
Other (income) expense, net <sup>(2)(3)</sup>	\$ (170)	\$ 439	\$ (494)	\$ 1,314
Equity in (earnings) losses of unconsolidated businesses	18	(2)	42	(40)
Severance charges	—	—	237	—
Asset rationalization	—	—	155	—
Business transformation costs	176	—	176	—
Non-strategic business shutdown	158	—	158	—
<b>Consolidated Adjusted EBITDA</b>	\$ 12,238	\$ 12,218	\$ 36,111	\$ 36,123

<sup>(1)</sup> Includes Amortization of acquisition-related intangible assets, which were \$224 million and \$638 million during the three and nine months ended September 30, 2023, respectively, and \$236 million and \$711 million during the three and nine months ended September 30, 2022, respectively. The three and nine months ended September 30, 2023 also includes a portion of the Non-strategic business shutdown. See "Special Items" for additional information.

<sup>(2)</sup> Includes Pension and benefits mark-to-market charges of \$645 million and \$843 million during the three and nine months ended September 30, 2022. See "Special Items" and "Other Income (Expense), Net" for additional information.

<sup>(3)</sup> Includes Early debt redemption costs, which were \$1.2 billion during the nine months ended September 30, 2022. See "Special Items" and "Other Income (Expense), Net" for additional information.

The changes in Consolidated Net Income, Consolidated EBITDA and Consolidated Adjusted EBITDA in the table above during the three and nine months ended September 30, 2023 compared to the similar periods in 2022 were primarily a result of the factors described in connection with operating revenues and operating expenses.



## Segment Results of Operations

We have two reportable segments that we operate and manage as strategic business units - Consumer and Business. We measure and evaluate our segments based on segment operating income. The use of segment operating income is consistent with the chief operating decision maker's assessment of segment performance.

To aid in the understanding of segment performance as it relates to segment operating income, management uses the following operating statistics to evaluate the overall effectiveness of our segments. We believe these operating statistics are useful to investors and other users of our financial information because they provide additional insight into drivers of our segments' operating results, key trends and performance relative to our peers. These operating statistics may be determined or calculated differently by other companies and may not be directly comparable to those statistics of other companies.

*Wireless retail connections* are retail customer device postpaid and prepaid connections as of the end of the period. Retail connections under an account may include those from smartphones and basic phones (collectively, phones), postpaid and prepaid FWA, as well as tablets and other internet devices, wearables and retail IoT devices. Wireless retail connections are calculated by adding total retail postpaid and prepaid new connections in the period to prior period retail connections, and subtracting total retail postpaid and prepaid disconnects in the period.

*Wireless retail postpaid connections* are retail postpaid customer device connections as of the end of the period. Retail postpaid connections under an account may include those from phones, postpaid FWA, as well as tablets and other internet devices, wearables and retail IoT devices. Wireless retail postpaid connections are calculated by adding retail postpaid new connections in the period to prior period retail postpaid connections, and subtracting retail postpaid disconnects in the period.

*Wireless retail prepaid connections* are retail prepaid customer device connections as of the end of the period. Retail prepaid connections may include those from phones, prepaid FWA, as well as tablets and other internet devices, and wearables. Wireless retail prepaid connections are calculated by adding retail prepaid new connections in the period to prior period retail prepaid connections, and subtracting retail prepaid disconnects in the period.

*Fios internet connections* are the total number of connections to the internet using Fios internet services as of the end of the period. Fios internet connections are calculated by adding Fios internet new connections in the period to prior period Fios internet connections, and subtracting Fios internet disconnects in the period.

*Fios video connections* are the total number of connections to traditional linear video programming using Fios video services as of the end of the period. Fios video connections are calculated by adding Fios video net additions in the period to prior period Fios video connections. Fios video net additions are calculated by subtracting the Fios video disconnects from the Fios video new connections.

*Total broadband connections* are the total number of connections to the internet using Fios internet services, Digital Subscriber Line (DSL), and postpaid, prepaid and IoT FWA as of the end of the period. Total broadband connections are calculated by adding total broadband connections, net additions in the period to prior period total broadband connections.

*Wireless retail connections, net additions* are the total number of additional retail customer device postpaid and prepaid connections, less the number of device disconnects in the period. Wireless retail connections, net additions in each period presented are calculated by subtracting the total retail postpaid and prepaid disconnects, net of certain adjustments, from the total retail postpaid and prepaid new connections in the period.

*Wireless retail postpaid connections, net additions* are the total number of additional retail customer device postpaid connections, less the number of device disconnects in the period. Wireless retail postpaid connections, net additions in each period presented are calculated by subtracting the retail postpaid disconnects, net of certain adjustments, from the retail postpaid new connections in the period.

*Wireless retail prepaid connections, net additions* are the total number of additional retail customer device prepaid connections, less the number of device disconnects in the period. Wireless retail prepaid connections, net additions in each period presented are calculated by subtracting the retail prepaid disconnects, net of certain adjustments, from the retail prepaid new connections in the period.

*Wireless retail postpaid phone connections, net additions* are the total number of additional retail customer postpaid phone connections, less the number of phone disconnects in the period. Wireless retail postpaid phone connections, net additions in each period presented are calculated by subtracting the retail postpaid phone disconnects, net of certain adjustments, from the retail postpaid phone new connections in the period.

*Total broadband connections, net additions* are the total number of additional total broadband connections, less the number of total broadband disconnects in the period. Total broadband connections, net additions in each period presented are calculated by subtracting the total broadband disconnects, net of certain adjustments, from the total broadband new connections in the period.

*Wireless churn* is the rate at which service to retail, retail postpaid, or retail postpaid phone connections is terminated on average in the period. The churn rate in each period presented is calculated by dividing retail disconnects, retail postpaid disconnects, or retail postpaid phone disconnects by the average retail connections, average retail postpaid connections, or average retail postpaid phone connections, respectively, in the period.

*Wireless retail postpaid ARPA* is the calculated average retail postpaid service revenue per account (ARPA) from retail postpaid accounts in the period. Wireless retail postpaid service revenue does not include recurring device payment plan billings related to the Verizon device payment program, plan billings related to device warranty and insurance or regulatory fees. Wireless retail postpaid ARPA in each period presented is calculated by dividing retail postpaid service revenue by the average retail postpaid accounts in the period.

*Wireless retail postpaid accounts* are wireless retail customers that are directly served and managed under the Verizon brand and use its services as of the end of the period. Accounts include unlimited plans, shared data plans and corporate accounts, as well as legacy single connection plans and multi-connection family plans. A single account may include monthly wireless services for a variety of connected devices. Wireless retail postpaid accounts are calculated by adding retail postpaid new accounts to the prior period retail postpaid accounts.

*Wireless retail postpaid connections per account* is the calculated average number of retail postpaid connections per retail postpaid account as of the end of the period. Wireless retail postpaid connections per account is calculated by dividing the total number of retail postpaid connections by the number of retail postpaid accounts as of the end of the period.

*Segment operating income margin* reflects the profitability of the segment as a percentage of revenue. Segment operating income margin is calculated by dividing total segment operating income by total segment operating revenues.

*Segment earnings before interest, taxes, depreciation and amortization (Segment EBITDA)*, which is presented below, is a non-GAAP measure and does not purport to be an alternative to operating income (loss) as a measure of operating performance. We believe this measure is useful to management, investors and other users of our financial information in evaluating operating profitability on a more variable cost basis as it excludes the depreciation and amortization expense related primarily to capital expenditures and acquisitions that occurred in prior years, as well as in evaluating operating performance in relation to our competitors. Segment EBITDA is calculated by adding back depreciation and amortization expense to segment operating income (loss). Segment EBITDA margin is calculated by dividing Segment EBITDA by total segment operating revenues. See Note 10 to the condensed consolidated financial statements for additional information.

## **Verizon Consumer Group**

Our Consumer segment provides consumer-focused wireless and wireline communications services and products. Our wireless services are provided across one of the most extensive wireless networks in the U.S. under the Verizon family of brands and through wholesale and other arrangements. We also provide FWA broadband through our wireless networks. Our wireline services are provided in nine states in the Mid-Atlantic and Northeastern U.S., as well as Washington D.C., over our 100% fiber-optic network through our Verizon Fios product portfolio and over a traditional copper-based network to customers who are not served by Fios.

**Operating Revenues and Selected Operating Statistics**

(dollars in millions, except ARPA)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	Increase/ (Decrease)		2023	2022	Increase/ (Decrease)	
Service	\$ 18,850	\$ 18,421	\$ 429	2.3%	\$ 55,947	\$ 54,696	\$ 1,251	2.3%
Wireless equipment	4,902	5,558	(656)	(11.8)	14,210	16,640	(2,430)	(14.6)
Other	1,505	1,861	(356)	(19.1)	4,515	5,400	(885)	(16.4)
<b>Total Operating Revenues</b>	<b>\$ 25,257</b>	<b>\$ 25,840</b>	<b>\$ (583)</b>	<b>(2.3)</b>	<b>\$ 74,672</b>	<b>\$ 76,736</b>	<b>\$ (2,064)</b>	<b>(2.7)</b>
<b>Connections ('000):<sup>(1)</sup></b>								
Wireless retail postpaid					92,704	91,478	1,226	1.3
Wireless retail prepaid					21,420	23,076	(1,656)	(7.2)
Total wireless retail					114,124	114,554	(430)	(0.4)
Fios internet					6,923	6,684	239	3.6
Fios video					3,013	3,314	(301)	(9.1)
Total broadband					8,792	7,597	1,195	15.7
<b>Net Additions in Period ('000):</b>								
Wireless retail postpaid	251	28	223	nm	876	(14)	890	nm
Wireless retail prepaid	(207)	39	(246)	nm	(862)	(270)	(592)	nm
Total wireless retail	44	67	(23)	(34.3)	14	(284)	298	nm
Wireless retail postpaid phones	(51)	(189)	138	73.0	(450)	(696)	246	35.3
Total broadband	304	272	32	11.8	893	602	291	48.3
<b>Churn Rate:</b>								
Wireless retail	1.68 %	1.66 %			1.65 %	1.57 %		
Wireless retail postpaid	1.04 %	1.10 %			1.01 %	0.99 %		
Wireless retail postpaid phones	0.85 %	0.88 %			0.82 %	0.80 %		
<b>Account Statistics:</b>								
Wireless retail postpaid ARPA	\$ 133.47	\$ 127.76	\$ 5.71	4.5	\$ 131.79	\$ 125.29	\$ 6.50	5.2
Wireless retail postpaid accounts ('000) <sup>(1)</sup>					32,938	33,251	(313)	(0.9)
Wireless retail postpaid connections per account <sup>(1)</sup>					2.81	2.75	0.06	2.2

<sup>(1)</sup> As of end of period

Where applicable, the operating results reflect certain adjustments, including those related to the 3G network shutdowns, migration activity among different types of devices and plans, customer profile changes, and adjustments in connection with mergers, acquisitions and divestitures.

nm - not meaningful

Consumer's total operating revenues decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 as a result of decreases in Wireless equipment and Other revenues, partially offset by increases in Service revenues.

**Service Revenue**

Service revenue increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 primarily driven by an increase in Wireless service revenue.

Wireless service revenue increased \$446 million during the three months ended September 30, 2023 compared to the similar period in 2022 primarily as a result of:

- an increase of \$348 million in access revenues related to our postpaid plans primarily driven by pricing actions implemented in recent periods; a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue; an increase in our FWA subscriber base; and an increase in device protection revenue due to an increase in the price of the bundled offering. These increases were partially offset by the amortization of wireless equipment sales promotions;
- an increase of \$137 million related to growth in non-retail service revenue;
- an increase of \$64 million in TravelPass revenue related to an increase in customer international travel; and

- a decrease of \$105 million in prepaid revenue primarily due to a decrease in the subscriber base of TracFone Wireless, Inc. (TracFone).

Wireless service revenue increased \$1.4 billion during the nine months ended September 30, 2023 compared to the similar period in 2022 primarily as a result of:

- an increase of \$1.2 billion in access revenues related to our postpaid plans primarily driven by pricing actions implemented in recent periods; a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue; an increase in our FWA subscriber base; and an increase in device protection revenue due to an update to the device protection offering which changed the product mix such that a larger amount of the overall revenue is recognized in Service revenue, along with an increase in the price of the bundled offering. These increases were partially offset by the amortization of wireless equipment sales promotions;
- an increase of \$270 million related to growth in non-retail service revenue;
- an increase of \$232 million in TravelPass revenue related to an increase in customer international travel; and
- a decrease of \$358 million in prepaid revenue primarily due to a decrease in the subscriber base of TracFone.

For the three and nine months ended September 30, 2023, Fios service revenue totaled \$2.7 billion and \$8.2 billion, respectively, and remained relatively flat for both periods compared to the similar periods in 2022.

### Wireless Equipment Revenue

Wireless equipment revenue decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 primarily as a result of:

- a decrease of \$1.1 billion and \$3.4 billion for the three and nine months, respectively, driven by a lower volume of wireless devices sold primarily related to a decrease of 30% and 29%, respectively, in upgrades; and
- an increase of \$393 million and \$808 million for the three and nine months, respectively, related to a shift to higher priced equipment in the mix of wireless devices sold.

### Other Revenue

Other revenue includes fees that partially recover the direct and indirect costs of complying with regulatory and industry obligations and programs, revenues associated with certain products included in our device protection offerings, leasing and interest recognized when equipment is sold to the customer by an authorized agent under a device payment plan agreement.

Other revenue decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily due to:

- a decrease of \$288 million in revenue primarily related to a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue; and
- a decrease of \$79 million in revenue from regulatory surcharges, primarily related to FUSF surcharges driven by a lower rate.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$862 million in revenue primarily related to a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue;
- a decrease of \$82 million in device protection revenue primarily related to an update to the device protection offering which changed the product mix such that a smaller amount of the overall device protection revenue is recognized in Other revenue, partially offset by an increase in the price of the bundled offering; and
- an increase of \$65 million in revenue from regulatory surcharges, primarily related to FUSF surcharges driven by a higher net rate, partially offset by a decrease related to other regulatory surcharges.

### Operating Expenses

(dollars in millions)	Three Months Ended		Increase/		Nine Months Ended		Increase/	
	September 30,	September 30,	(Decrease)	(Decrease)	September 30,	September 30,	(Decrease)	(Decrease)
	2023	2022			2023	2022		
Cost of services	\$ 4,419	\$ 4,566	\$ (147)	(3.2)%	\$ 13,218	\$ 13,296	\$ (78)	(0.6)%
Cost of wireless equipment	5,133	5,963	(830)	(13.9)	14,950	17,997	(3,047)	(16.9)
Selling, general and administrative expense	4,886	4,730	156	3.3	14,795	14,020	775	5.5
Depreciation and amortization expense	3,272	3,232	40	1.2	9,733	9,605	128	1.3
<b>Total Operating Expenses</b>	<b>\$ 17,710</b>	<b>\$ 18,491</b>	<b>\$ (781)</b>	<b>(4.2)</b>	<b>\$ 52,696</b>	<b>\$ 54,918</b>	<b>\$ (2,222)</b>	<b>(4.0)</b>

### Cost of Services

Cost of services decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily due to a decrease of \$145 million in access costs primarily as a result of the shutdown of our competitors' 3G network and ongoing efforts to migrate off network prepaid subscribers to the Verizon network.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$404 million in access costs primarily as a result of the shutdown of our competitors' 3G network and ongoing efforts to migrate off network prepaid subscribers to the Verizon network;
- an increase of \$158 million in personnel costs mainly driven by a decrease in capitalized labor in connection with the completion of our incremental C-Band capital spending program, and valuation assumption changes in connection with certain post-employment benefits;
- an increase of \$121 million in regulatory costs primarily related to a higher net FUSF rate; and
- an increase of \$80 million in rent and lease expense primarily driven by new leases and lease modifications related to the deployment of the C-Band spectrum.

### Cost of Wireless Equipment

Cost of wireless equipment decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 primarily as a result of:

- a decrease of \$1.2 billion and \$3.5 billion for the three and nine months, respectively, driven by a lower volume of wireless devices sold primarily related to a decrease of 30% and 29%, respectively, in upgrades; and
- an increase of \$251 million and \$444 million for the three and nine months, respectively, related to a shift to higher priced equipment in the mix of wireless devices sold.

### Selling, General and Administrative Expense

Selling, general and administrative expense increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The increase during the three months ended September 30, 2023 was primarily due to:

- an increase of \$99 million in the provision for credit losses resulting from additional bad debt reserves as collections return to pre-pandemic levels; and
- an increase of \$58 million in advertising costs primarily related to the scaling of our Total by Verizon brand along with the myPlan launch in the second quarter of 2023.

The increase during the nine months ended September 30, 2023 was primarily due to:

- an increase of \$424 million in the provision for credit losses resulting from additional bad debt reserves as collections return to pre-pandemic levels;
- an increase of \$207 million in advertising costs, including the myPlan launch in the second quarter of 2023 and the scaling of our Total by Verizon brand; and
- an increase of \$150 million in personnel costs mainly driven by an increase in commission expense due to the amortization of deferred contract costs, along with an increase in costs associated with third-party contracted resources.

### Depreciation and Amortization Expense

Depreciation and amortization expense increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 driven by the change in the mix of total Verizon depreciable and amortizable assets and Consumer's usage of those assets.

### Segment Operating Income and EBITDA

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	Increase		2023	2022	Increase	
<b>Segment Operating Income</b>	\$ 7,547	\$ 7,349	\$ 198	2.7 %	\$ 21,976	\$ 21,818	\$ 158	0.7 %
Add Depreciation and amortization expense	3,272	3,232	40	1.2	9,733	9,605	128	1.3
<b>Segment EBITDA</b>	<b>\$ 10,819</b>	<b>\$ 10,581</b>	<b>\$ 238</b>	<b>2.2</b>	<b>\$ 31,709</b>	<b>\$ 31,423</b>	<b>\$ 286</b>	<b>0.9</b>
<b>Segment operating income margin</b>	<b>29.9 %</b>	<b>28.4 %</b>			<b>29.4 %</b>	<b>28.4 %</b>		
<b>Segment EBITDA margin</b>	<b>42.8 %</b>	<b>40.9 %</b>			<b>42.5 %</b>	<b>40.9 %</b>		

The changes in the table above during the three and nine months ended September 30, 2023 compared to the similar periods in 2022 were primarily a result of the factors described in connection with operating revenues and operating expenses.

## Verizon Business Group

Our Business segment provides wireless and wireline communications services and products, including data, video and conferencing services, corporate networking solutions, security and managed network services, local and long distance voice services and network access to deliver various IoT services and products. We also provide FWA broadband through our wireless networks. We provide these products and services to businesses, government customers and wireless and wireline carriers across the U.S. and select products and services to customers around the world.

During the first quarter of 2023, Verizon reorganized the customer groups within its Business segment. Previously, this segment was comprised of four customer groups: Small and Medium Business, Global Enterprise, Public Sector and Other, and Wholesale. Following the reorganization, there are now three customer groups: Enterprise and Public Sector, Business Markets and Other, and Wholesale. Enterprise and Public Sector combines the customers previously included in Global Enterprise and Public Sector and Other (excluding BlueJeans and Connect) as well as the commercial wireline customers previously included in Small and Medium Business. Business Markets and Other combines the customers previously included in Small and Medium Business (excluding commercial wireline customers), the BlueJeans customers previously included in Global Enterprise and Public Sector and Other, and the Connect customers previously included in Public Sector and Other. The Wholesale customer group remained unchanged. Prior period operating revenue results within the Business segment have been recast for these reorganized customer groups. There was no change to the composition of our reportable segments and total segment results, nor the determination of segment profit.

### Operating Revenues and Selected Operating Statistics

(dollars in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Increase/		September 30,		Increase/	
	2023	2022	(Decrease)		2023	2022	(Decrease)	
Enterprise and Public Sector	\$ 3,787	\$ 3,940	\$ (153)	(3.9)%	\$ 11,358	\$ 11,785	\$ (427)	(3.6)%
Business Markets and Other	3,184	3,236	(52)	(1.6)	9,397	9,442	(45)	(0.5)
Wholesale	556	661	(105)	(15.9)	1,749	1,945	(196)	(10.1)
<b>Total Operating Revenues<sup>(1)</sup></b>	<b>\$ 7,527</b>	<b>\$ 7,837</b>	<b>\$ (310)</b>	<b>(4.0)</b>	<b>\$ 22,504</b>	<b>\$ 23,172</b>	<b>\$ (668)</b>	<b>(2.9)</b>
<b>Connections ('000):<sup>(2)</sup></b>								
Wireless retail postpaid					29,455	28,584	871	3.0
Fios internet					383	370	13	3.5
Fios video					63	69	(6)	(8.7)
Total broadband					1,499	913	586	64.2
<b>Net Additions in Period ('000):</b>								
Wireless retail postpaid	330	360	(30)	(8.3)	950	1,185	(235)	(19.8)
Wireless retail postpaid phones	151	197	(46)	(23.4)	431	680	(249)	(36.6)
Total broadband	130	105	25	23.8	396	272	124	45.6
<b>Churn Rate:</b>								
Wireless retail postpaid	1.47 %	1.42 %			1.48%	1.38%		
Wireless retail postpaid phones	1.14 %	1.10 %			1.13%	1.08%		

<sup>(1)</sup> Service and other revenues included in our Business segment were approximately \$6.6 billion and \$6.8 billion for the three months ended September 30, 2023 and 2022, respectively. Service and other revenues included in our Business segment were \$19.9 billion and \$20.2 billion for the nine months ended September 30, 2023 and 2022, respectively. Wireless equipment revenues included in our Business segment were \$911 million and \$1.0 billion for the three months ended September 30, 2023 and 2022, respectively, and \$2.6 billion and \$2.9 billion for the nine months ended September 30, 2023 and 2022, respectively.

<sup>(2)</sup> As of end of period

Where applicable, the operating results reflect certain adjustments, including those related to the 3G network shutdowns, migration activity among different types of devices and plans, customer profile changes, and adjustments in connection with mergers, acquisitions and divestitures.

Business's total operating revenues decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 due to decreases in Enterprise and Public Sector, Business Markets and Other and Wholesale revenues.

### **Enterprise and Public Sector**

Enterprise and Public Sector offers wireless products and services as well as wireline connectivity and managed solutions to our large business and government customers. Large businesses are identified based on their size and volume of business with Verizon. Public sector offers these services with features and pricing designed to address the needs of U.S. federal, state and local governments and educational institutions.

Enterprise and Public Sector revenues decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily the result of:

- a decrease of \$85 million in networking revenue and traditional data and voice communication services along with related professional services, driven by secular pressures in the marketplace;
- a decrease of \$37 million in Wireless equipment revenue driven by a lower volume of devices sold primarily related to fewer phone upgrades, partially offset by a shift to higher priced equipment in the mix of devices sold;
- a decrease of \$30 million primarily related to a lower FUSF rate; and
- an increase of \$36 million in customer premise equipment primarily due to higher volumes.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$395 million in networking revenue and traditional data and voice communication services along with related professional services, driven by secular pressures in the marketplace;
- a decrease of \$82 million in Wireless equipment revenue driven by a lower volume of devices sold primarily related to fewer phone upgrades, partially offset by a shift to higher priced equipment in the mix of devices sold; and
- an increase of \$103 million in customer premise equipment primarily due to higher volumes.

### **Business Markets and Other**

Business Markets and Other offers wireless services and equipment, conferencing services, tailored voice and networking products, Fios services, advanced voice solutions and security services to our businesses that ordinarily do not meet the requirements to be categorized as Enterprise and Public Sector, as described above. Business Markets and Other also includes solutions that support mobile resource management.

Business Markets and Other revenue decreased during the both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily the result of:

- a decrease of \$69 million in Wireless equipment revenue primarily driven by a lower volume of devices sold primarily related to fewer phone upgrades;
- a decrease of \$52 million in Other revenue primarily related to a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue;
- a decrease of \$19 million related to the loss of voice and DSL service connections; and
- an increase of \$97 million in Wireless service revenue primarily driven by a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue; an increase in our wireless retail postpaid connections including our FWA subscriber base; and the economic adjustment charge that took effect late in the second quarter of 2022.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$223 million in Wireless equipment revenue primarily driven by a lower volume of devices sold primarily related to fewer phone upgrades;
- a decrease of \$117 million in Other revenue primarily related to a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue;
- a decrease of \$60 million related to the loss of voice and DSL service connections; and
- an increase of \$386 million in Wireless service revenue primarily driven by the economic adjustment charge that took effect late in the second quarter of 2022; an increase in our wireless retail postpaid connections, including our FWA subscriber base; and a larger allocation of administrative and telco recovery charges, which partly recover network operating costs, to Wireless service revenue from Other revenue.

For the three and nine months ended September 30, 2023, Fios revenues totaled \$230 million and \$690 million, respectively, and remained relatively flat for both periods compared to the similar periods in 2022.

### **Wholesale**

Wholesale offers wireline communications services including data, voice, local dial tone and broadband services primarily to local, long distance, and wireless carriers that use our facilities to provide services to their customers.

For the three and nine months ended September 30, 2023, Wholesale revenues decreased \$105 million and \$196 million, respectively, compared to the similar periods in 2022 primarily due to declines in traditional voice communication and network

connectivity as a result of technology substitution, certain fiber transactions completed in 2022 that did not reoccur, as well as a decrease in core data.

## Operating Expenses

(dollars in millions)	Three Months Ended				Nine Months Ended			
	September 30,		Increase/ (Decrease)		September 30,		Increase/ (Decrease)	
	2023	2022			2023	2022		
Cost of services	\$ 2,536	\$ 2,653	\$ (117)	(4.4)%	\$ 7,661	\$ 7,818	\$ (157)	(2.0)%
Cost of wireless equipment	1,220	1,344	(124)	(9.2)	3,606	3,922	(316)	(8.1)
Selling, general and administrative expense	2,105	2,063	42	2.0	6,290	6,172	118	1.9
Depreciation and amortization expense	1,127	1,079	48	4.4	3,324	3,214	110	3.4
<b>Total Operating Expenses</b>	<b>\$ 6,988</b>	<b>\$ 7,139</b>	<b>\$ (151)</b>	<b>(2.1)</b>	<b>\$ 20,881</b>	<b>\$ 21,126</b>	<b>\$ (245)</b>	<b>(1.2)</b>

### Cost of Services

Cost of services decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily due to:

- a decrease of \$49 million in personnel costs primarily due to routine workforce changes;
- a decrease of \$39 million in regulatory costs primarily related to a lower FUSF rate; and
- a decrease of \$25 million in building and facility costs primarily related to lower utility rates.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$107 million in other direct costs related to professional services;
- a decrease of \$67 million in personnel costs related to routine workforce changes and a decrease in costs associated with third-party contracted resources, partially offset by valuation assumption changes in connection with certain post-employment benefits;
- a decrease of \$53 million in building and facilities due to lower utility rates; and
- an increase of \$65 million in customer premise equipment costs primarily due to higher volumes.

### Cost of Wireless Equipment

Cost of wireless equipment decreased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The decrease during the three months ended September 30, 2023 was primarily due to a decrease of \$136 million driven by a lower volume of wireless devices sold primarily related to fewer phone upgrades.

The decrease during the nine months ended September 30, 2023 was primarily the result of:

- a decrease of \$423 million driven by a lower volume of wireless devices sold primarily related to fewer phone upgrades; and
- an increase of \$106 million driven by a shift to higher priced equipment in the mix of wireless devices sold.

### Selling, General and Administrative Expense

Selling, general and administrative expense increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022.

The increase during the three months ended September 30, 2023 was primarily due to an increase of \$48 million in the provision for credit losses resulting from additional bad debt reserves as collections return to pre-pandemic levels.

The increase during the nine months ended September 30, 2023 was primarily the result of:

- an increase of \$124 million in the provision for credit losses resulting from additional bad debt reserves as collections return to pre-pandemic levels;
- an increase of \$59 million primarily related to gains recognized in connection with a non-strategic divestiture in 2022 that did not reoccur; and
- a decrease of \$42 million in regulatory fees related to a decrease in rates.

### Depreciation and Amortization Expense

Depreciation and amortization expense increased during both the three and nine months ended September 30, 2023 compared to the similar periods in 2022 driven by the change in the mix of total Verizon depreciable and amortizable assets and Business's usage of those assets.



**Segment Operating Income and EBITDA**

(dollars in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	Increase/ (Decrease)		2023	2022	Increase/ (Decrease)	
<b>Segment Operating Income</b>	\$ 539	\$ 698	\$ (159)	(22.8)%	\$ 1,623	\$ 2,046	\$ (423)	(20.7)%
Add Depreciation and amortization expense	1,127	1,079	48	4.4	3,324	3,214	110	3.4
<b>Segment EBITDA</b>	<b>\$ 1,666</b>	<b>\$ 1,777</b>	<b>\$ (111)</b>	<b>(6.2)</b>	<b>\$ 4,947</b>	<b>\$ 5,260</b>	<b>\$ (313)</b>	<b>(6.0)</b>
<b>Segment operating income margin</b>	<b>7.2 %</b>	<b>8.9 %</b>			<b>7.2 %</b>	<b>8.8 %</b>		
<b>Segment EBITDA margin</b>	<b>22.1 %</b>	<b>22.7 %</b>			<b>22.0 %</b>	<b>22.7 %</b>		

The changes in the table above during the three and nine months ended September 30, 2023 compared to the similar period in 2022 were primarily a result of the factors described in connection with operating revenues and operating expenses.

**Special Items**

Special items included in Income Before Provision For Income Taxes were as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Amortization of acquisition-related intangible assets<sup>(1)</sup></b>				
Depreciation and amortization expense	\$ 224	\$ 236	\$ 638	\$ 711
<b>Non-strategic business shutdown</b>				
Depreciation and amortization expense	21	—	21	—
Cost of services	45	—	45	—
Selling, general and administrative expense	113	—	113	—
<b>Business transformation costs</b>				
Cost of services	15	—	15	—
Selling, general and administrative expense	161	—	161	—
<b>Severance, pension and benefits charges</b>				
Selling, general and administrative expense	—	—	237	—
Other (income) expense, net	—	645	—	843
<b>Asset rationalization</b>				
Cost of services	—	—	14	—
Selling, general and administrative expense	—	—	141	—
<b>Early debt redemption costs</b>				
Other (income) expense, net	—	—	—	1,241
<b>Total</b>	<b>\$ 579</b>	<b>\$ 881</b>	<b>\$ 1,385</b>	<b>\$ 2,795</b>

<sup>(1)</sup> Amounts are included in segment results of operations.

Consolidated Adjusted EBITDA, a non-GAAP measure discussed in the section titled "Consolidated Net Income, Consolidated EBITDA and Consolidated Adjusted EBITDA" as part of Consolidated Results of Operations, excludes all of the amounts listed in the table above.

The income and expenses related to special items included in our condensed consolidated results of operations were as follows:

(dollars in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Within Total Operating Expenses	\$ 579	\$ 236	\$ 1,385	\$ 711
Within Other (income) expense, net	—	645	—	2,084
<b>Total</b>	<b>\$ 579</b>	<b>\$ 881</b>	<b>\$ 1,385</b>	<b>\$ 2,795</b>

**Amortization of Acquisition-Related Intangible Assets**

During the three and nine months ended September 30, 2023, we recorded pre-tax amortization expense of \$224 million and \$638 million, respectively, related to acquired intangible assets.

During the three and nine months ended September 30, 2022, we recorded pre-tax amortization expense of \$236 million and \$711 million, respectively, related to acquired intangible assets.

### Non-Strategic Business Shutdown

During both the three and nine months ended September 30, 2023, we recorded pre-tax charges of \$179 million related to the shutdown of our BlueJeans business offering.

### Business Transformation Costs

During both the three and nine months ended September 30, 2023, we recorded pre-tax charges of \$176 million primarily related to costs incurred in connection with strategic partnership initiatives in our managed network support services for certain Business customers.

### Severance, Pension and Benefits Charges

During the nine months ended September 30, 2023, we recorded pre-tax severance charges of \$237 million related to involuntary separations under our existing plans.

During the three and nine months ended September 30, 2022, we recorded a net pre-tax remeasurement loss of \$645 million and \$843 million, respectively, in our pension plans triggered by settlements as well as amendments to our collective bargaining agreements.

During the three months ended September 30, 2022, we recorded a net pre-tax remeasurement loss of \$645 million in our pension plans triggered by settlements as well as amendments to our collective bargaining agreements, primarily driven by a \$3.5 billion charge resulting from the difference between our estimated and actual return on assets, partially offset by a credit of \$2.9 billion mainly due to changes in our discount rate and changes in our lump sum interest rate assumptions used to determine the liabilities of our pension plans for the year.

During the three months ended June 30, 2022, we recorded a net pre-tax remeasurement loss of \$198 million in our pension plans triggered by settlements, primarily driven by a \$654 million charge resulting from the difference between our estimated and actual return on assets, partially offset by a credit of \$456 million mainly due to changes in our discount rate and changes in our lump sum interest rate assumptions used to determine the liabilities of our pension plans for the year.

See Note 8 to the condensed consolidated financial statements for additional information.

### Asset Rationalization

During the nine months ended September 30, 2023, we recorded a pre-tax asset rationalization charge of \$155 million driven by certain real estate and non-strategic assets that we made a decision to cease use of as part of our transformation initiatives.

### Early Debt Redemption Costs

During the nine months ended September 30, 2022, we recorded pre-tax early debt redemption costs of \$1.2 billion primarily in connection with tender offers. See Note 5 to the condensed consolidated financial statements for additional information.

## Consolidated Financial Condition

(dollars in millions)	Nine Months Ended		
	September 30,		Change
	2023	2022	
<b>Cash Flows Provided By (Used In)</b>			
Operating activities	\$ 28,798	\$ 28,199	\$ 599
Investing activities	(15,608)	(23,320)	7,712
Financing activities	(11,641)	(5,453)	(6,188)
<b>Increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>\$ 1,549</b>	<b>\$ (574)</b>	<b>\$ 2,123</b>

We use the net cash generated from our operations to fund expansion and modernization of our networks, service and repay external financing, pay dividends, invest in new businesses and spectrum and, when appropriate, buy back shares of our outstanding common stock. Our sources of funds, primarily from operations and, to the extent necessary, from external financing arrangements, are sufficient to meet ongoing operating and investing requirements over the next 12 months and beyond.

Our cash and cash equivalents are held both domestically and internationally, and are invested to maintain principal and provide liquidity. See "Market Risk" for additional information regarding our foreign currency risk management strategies.

We expect that our capital spending requirements will continue to be financed primarily through internally generated funds. Debt or equity financing may be needed to fund additional investments or development activities, or to maintain an appropriate capital structure to ensure our financial flexibility. Our external financing arrangements include credit facilities and other bank lines of credit, an active commercial paper program, vendor financing arrangements, issuances of registered debt or equity securities, U.S. retail medium-term notes and other securities that are privately-placed or offered overseas. In addition, we monetize certain receivables through asset-backed debt transactions.

Our cash position at September 30, 2023 supported the \$3.7 billion of spectrum clearing incentive payments that were made in October 2023.

### **Cash Flows Provided By Operating Activities**

Our primary source of funds continues to be cash generated from operations. Net cash provided by operating activities increased \$599 million during the nine months ended September 30, 2023 compared to the similar period in 2022 primarily due to an improvement in working capital. The improvement in working capital was driven by a change in receivables resulting primarily from fewer phone upgrades compared to the prior year. Further driving the working capital improvement were lower inventory levels. This increase was partially offset by higher cash interest payments and a decrease in earnings. During the nine months ended September 30, 2023, we made a discretionary contribution of \$200 million to one of our qualified pension plans. As a result, we expect that there will be no required pension funding through 2026, subject to changes in market conditions.

### **Cash Flows Used In Investing Activities**

#### **Capital Expenditures**

Capital expenditures continue to relate primarily to the use of capital resources to enhance the operating efficiency and productivity of our networks, maintain our existing infrastructure, facilitate the introduction of new products and services and enhance responsiveness to competitive challenges.

Capital expenditures, including capitalized software, for the nine months ended September 30, 2023 and 2022 were \$14.2 billion and \$15.8 billion, respectively. Capital expenditures decreased approximately \$1.6 billion during the nine months ended September 30, 2023 compared to the similar period in 2022 primarily due to the completion of our accelerated \$10 billion capital program related to our C-Band deployment in the first half of 2023. See "Global Network and Technology" for more details.

#### **Acquisitions of Wireless Licenses**

During the nine months ended September 30, 2023 and 2022, we made payments of \$578 million and \$1.6 billion, respectively, for obligations related to clearing costs and accelerated clearing incentives associated with Auction 107.

During the nine months ended September 30, 2023 and 2022, we recorded capitalized interest related to wireless licenses of \$1.2 billion and \$1.3 billion, respectively.

#### **Collateral Receipts (Payments) Related to Derivative Contracts, Net**

During the nine months ended September 30, 2023, we received return of collateral posted of \$162 million related to derivative contracts, net of payments. During the nine months ended September 30, 2022, we made collateral payments of \$4.9 billion related to derivative contracts, net of receipts. See Note 7 to the condensed consolidated financial statements for additional information.

#### **Cash Received Related to Acquisitions of Businesses, Net**

On November 23, 2021 (the Acquisition Date), we completed the acquisition of TracFone, a provider of prepaid and value mobile services in the U.S. During the nine months ended September 30, 2022, Verizon received net cash proceeds of \$248 million for the final settlement of working capital, which was included in our consideration as of the Acquisition Date. See Note 3 to the condensed consolidated financial statements for additional information.

### **Cash Flows Used In Financing Activities**

We seek to maintain a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions. During the nine months ended September 30, 2023, net cash used in financing activities was \$11.6 billion. During the nine months ended September 30, 2022, net cash used in financing activities was \$5.5 billion.

During the nine months ended September 30, 2023, our net cash used in financing activities was primarily driven by cash dividends paid of \$8.2 billion, repayments and repurchases of long-term borrowings and finance lease obligations of \$5.6 billion and repayments of asset-backed long-term borrowings of \$3.7 billion. These payments were partially offset by proceeds from asset-backed long-term borrowings of \$4.7 billion, proceeds from long-term borrowings of \$2.0 billion and net proceeds of short-term commercial paper of \$333 million.

At September 30, 2023, our total debt of \$147.4 billion included unsecured debt of \$126.4 billion and secured debt of \$21.0 billion. At December 31, 2022, our total debt of \$150.6 billion included unsecured debt of \$130.6 billion and secured debt of \$20.0 billion. During the nine months ended September 30, 2023 and 2022, our effective interest rate was 4.8% and 3.5%, respectively. See Note 5 to the condensed consolidated financial statements for additional information regarding our debt activity, which excludes the impact from mark-to-market adjustments on foreign currency denominated debt.

Verizon may acquire debt securities issued by Verizon and its affiliates through open market purchases, redemptions, privately negotiated transactions, tender offers, exchange offers, or otherwise, upon such terms and at such prices as Verizon may from time to time determine, for cash or other consideration.

#### Asset-Backed Debt

Cash collections on the receivables collateralizing our asset-backed debt securities are required at certain specified times to be placed into segregated accounts. Deposits to the segregated accounts are considered restricted cash and are included in Prepaid expenses and other and Other assets in our condensed consolidated balance sheets.

Proceeds from our asset-backed debt transactions are reflected in Cash flows from financing activities in our condensed consolidated statements of cash flows. The asset-backed debt issued is included in Debt maturing within one year and Long-term debt in our condensed consolidated balance sheets.

See Note 5 to the condensed consolidated financial statements for additional information.

#### Long-Term Credit Facilities

(dollars in millions)	Maturities	Facility Capacity	At September 30, 2023	
			Unused Capacity	Principal Amount Outstanding
Verizon revolving credit facility <sup>(1)</sup>	2026	\$ 9,500	\$ 9,456	\$ —
Various export credit facilities <sup>(2)</sup>	2024 - 2031	11,000	—	6,882
<b>Total</b>		<b>\$ 20,500</b>	<b>\$ 9,456</b>	<b>\$ 6,882</b>

<sup>(1)</sup> The revolving credit facility does not require us to comply with financial covenants or maintain specified credit ratings, and it permits us to borrow even if our business has incurred a material adverse change. The revolving credit facility provides for the issuance of letters of credit. As of September 30, 2023, there have been no drawings against the \$9.5 billion revolving credit facility since its inception.

<sup>(2)</sup> During the nine months ended September 30, 2023 and 2022, we drew down \$1.0 billion and \$3.0 billion, respectively, from these facilities. Borrowings under certain of these facilities are amortized semi-annually in equal installments up to the applicable maturity dates. Maturities reflect maturity dates of principal amounts outstanding. Any amounts borrowed under these facilities and subsequently repaid cannot be reborrowed.

#### Other, Net

Other, net financing activities during the nine months ended September 30, 2023 includes \$227 million in payments made under the sublease arrangement for our cell towers, \$182 million in payments for TracFone contingent consideration and \$182 million in payments related to vendor financing arrangements.

#### Dividends

As in prior periods, dividend payments were a significant use of capital resources. We paid \$8.2 billion and \$8.1 billion in cash dividends during the nine months ended September 30, 2023 and 2022, respectively.

#### Covenants

Our credit agreements contain covenants that are typical for large, investment grade companies. These covenants include requirements to pay interest and principal in a timely fashion, pay taxes, maintain insurance with responsible and reputable insurance companies, preserve our corporate existence, keep appropriate books and records of financial transactions, maintain our properties, provide financial and other reports to our lenders, limit pledging and disposition of assets and mergers and consolidations, and other similar covenants.

We and our consolidated subsidiaries are in compliance with all of our restrictive covenants in our debt agreements.

#### Change In Cash, Cash Equivalents and Restricted Cash

Our Cash and cash equivalents at September 30, 2023 totaled \$4.2 billion, a \$1.6 billion increase compared to December 31, 2022, primarily as a result of the factors discussed above.

Restricted cash totaled \$1.5 billion as of both September 30, 2023 and December 31, 2022, primarily related to cash collections on certain receivables that are required at certain specified times to be placed into segregated accounts.

### Free Cash Flow

Free cash flow is a non-GAAP financial measure that reflects an additional way of viewing our liquidity that, we believe, when viewed with our GAAP results, provides management, investors and other users of our financial information with a more complete understanding of factors and trends affecting our cash flows. Free cash flow is calculated by subtracting capital expenditures (including capitalized software) from net cash provided by operating activities. We believe it is a more conservative measure of cash flow since capital expenditures are necessary for ongoing operations. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on finance lease obligations or cash payments for business acquisitions or wireless licenses. Therefore, we believe it is important to view free cash flow as a complement to our entire condensed consolidated statements of cash flows.

The following table reconciles net cash provided by operating activities to free cash flow:

(dollars in millions)	Nine Months Ended September 30,		
	2023	2022	Change
Net cash provided by operating activities	\$ 28,798	\$ 28,199	\$ 599
Less Capital expenditures (including capitalized software)	14,164	15,811	(1,647)
<b>Free cash flow</b>	<b>\$ 14,634</b>	<b>\$ 12,388</b>	<b>\$ 2,246</b>

The increase in free cash flow during the nine months ended September 30, 2023 compared to the similar period in 2022 is a reflection of the increase in operating cash flows, as well as the decrease in capital expenditures, both of which are discussed above.

### Other Future Obligations

As of September 30, 2023, Verizon had 26 renewable energy purchase agreements (REPAs) with third parties. See Note 12 to the condensed consolidated financial statements for additional information. Under the REPAs, we plan to purchase up to an aggregate of approximately 3.4 gigawatts of capacity across multiple states, including Arizona, Illinois, Indiana, Iowa, Maine, Maryland, Nebraska, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas and West Virginia.

### Market Risk

We are exposed to various types of market risk in the normal course of business, including the impact of interest rate changes, foreign currency exchange rate fluctuations, changes in investment, equity and commodity prices and changes in corporate tax rates. We employ risk management strategies, which may include the use of a variety of derivatives including cross currency swaps, forward starting interest rate swaps, interest rate swaps, interest rate caps, treasury rate locks and foreign exchange forwards. We do not hold derivatives for trading purposes.

It is our general policy to enter into interest rate, foreign currency and other derivative transactions only to the extent necessary to achieve our desired objectives in optimizing exposure to various market risks. Our objectives include maintaining a mix of fixed and variable rate debt to lower borrowing costs within reasonable risk parameters and to protect against earnings and cash flow volatility resulting from changes in market conditions. We do not hedge our market risk exposure in a manner that would completely eliminate the effect of changes in interest rates and foreign exchange rates on our earnings.

Counterparties to our derivative contracts are major financial institutions with whom we have negotiated derivatives agreements (ISDA master agreements) and credit support annex (CSA) agreements which provide rules for collateral exchange. The CSA agreements contain rating based thresholds such that we or our counterparties may be required to hold or post collateral based upon changes in outstanding positions as compared to established thresholds and changes in credit ratings. We do not offset fair value amounts recognized for derivative instruments and fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral arising from derivative instruments recognized at fair value. At September 30, 2023, we did not hold any collateral. At September 30, 2023, we posted \$2.1 billion of collateral related to derivative contracts under collateral exchange agreements, which was recorded as Prepaid expenses and other in our condensed consolidated balance sheet. At December 31, 2022, we did not hold any collateral. At December 31, 2022, we posted \$2.3 billion of collateral related to derivative contracts under collateral exchange arrangements, which was recorded as Prepaid expenses and other in our condensed consolidated balance sheet. While we may be exposed to credit losses due to the nonperformance of our counterparties, we consider the risk remote and do not expect that any such nonperformance would result in a significant effect on our results of operations or financial condition due to our diversified pool of counterparties. See Note 7 to the condensed consolidated financial statements for additional information regarding the derivative portfolio.

## **Interest Rate Risk**

We are exposed to changes in interest rates, primarily on our short-term debt and the portion of long-term debt that carries floating interest rates. As of September 30, 2023, approximately 74% of the aggregate principal amount of our total debt portfolio consisted of fixed-rate indebtedness, including the effect of interest rate swap agreements designated as hedges. The impact of a 100-basis-point change in interest rates affecting our floating rate debt would result in a change in annual interest expense, including our interest rate swap agreements that are designated as hedges, of approximately \$409 million. The interest rates on our existing long-term debt obligations are unaffected by changes to our credit ratings.

U.S. dollar London Inter-Bank Offered Rate (LIBOR) rates ceased publication on June 30, 2023. Outstanding debt and derivative transactions that were benchmarked to LIBOR have been repaid or transitioned to interest rates that are linked to the Secured Overnight Financing Rate as the benchmark rate on or before June 30, 2023. There was not a significant impact to our financial position given our current mix of variable and fixed-rate debt and taking into account the impact of our interest rate hedging.

## **Interest Rate Swaps**

We enter into interest rate swaps to achieve a targeted mix of fixed and variable rate debt. We principally receive fixed rates and pay variable rates, resulting in a net increase or decrease to Interest expense. These swaps are designated as fair value hedges and hedge against interest rate risk exposure of designated debt issuances. At September 30, 2023, there was no amount related to the fair value of the asset and the fair value of the liability of these contracts was \$5.9 billion. At December 31, 2022, there was no amount related to the fair value of the asset and the fair value of the liability of these contracts was \$4.6 billion. At both September 30, 2023 and December 31, 2022, the total notional amount of the interest rate swaps was \$26.1 billion.

## **Forward Starting Interest Rate Swaps**

From time to time we enter into forward starting interest rate swaps designated as cash flow hedges in order to manage our exposure to interest rate changes on future forecasted transactions. At both September 30, 2023 and December 31, 2022, there was no amount related to the fair value of the asset or liability of these contracts. There was no outstanding notional amount for forward starting interest rate swaps at September 30, 2023 or December 31, 2022.

## **Treasury Rate Locks**

From time to time we enter into treasury rate locks to mitigate our future interest rate risk. There was no outstanding notional amount for treasury rate locks at September 30, 2023 or December 31, 2022.

## **Foreign Currency Risk**

The functional currency for our foreign operations is primarily the local currency. The translation of income statement and balance sheet amounts of our foreign operations into U.S. dollars is recorded as cumulative translation adjustments, which are included in Accumulated other comprehensive loss in our condensed consolidated balance sheets. Gains and losses on foreign currency transactions are recorded in the condensed consolidated statements of income. At September 30, 2023, our primary translation exposure was to the British Pound Sterling, Euro, Australian Dollar and Swedish Krona.

## **Cross Currency Swaps**

We have entered into cross currency swaps to exchange our British Pound Sterling, Euro, Swiss Franc, Canadian Dollar and Australian Dollar-denominated cash flows into U.S. dollars and to fix our cash payments in U.S. dollars, as well as to mitigate the impact of foreign currency transaction gains or losses. On March 31, 2022, we voluntarily elected to de-designate our cross currency swaps previously designated as cash flow hedges and re-designated the swaps as fair value hedges. Subsequently executed cross currency swaps are also designated as fair value hedges. The fair value of the asset of these contracts was \$357 million and \$305 million at September 30, 2023 and December 31, 2022, respectively. At September 30, 2023 and December 31, 2022, the fair value of the liability of these contracts was \$3.1 billion and \$3.6 billion, respectively. At September 30, 2023 and December 31, 2022, the total notional amount of the cross currency swaps was \$33.5 billion and \$35.0 billion, respectively.

## **Foreign Exchange Forwards**

We also have foreign exchange forwards which we use as an economic hedge but for which we have elected not to apply hedge accounting. We enter into British Pound Sterling and Euro foreign exchange forwards to mitigate our foreign exchange rate risk related to non-functional currency denominated monetary assets and liabilities of international subsidiaries.

At September 30, 2023, there was no amount related to the fair value of the asset and the fair value of the liability of these contracts was insignificant. At December 31, 2022, the fair value of the asset and liability of these contracts was insignificant. At September 30, 2023 and December 31, 2022, the total notional amount of the foreign exchange forwards was \$995 million and \$920 million, respectively.

## Acquisitions and Divestitures

### Spectrum License Transactions

From time to time, we enter into agreements to buy, sell or exchange spectrum licenses. We believe these spectrum license transactions have allowed us to continue to enhance the reliability of our wireless network while also resulting in a more efficient use of spectrum.

In February 2021, the Federal Communications Commission (FCC) concluded Auction 107 for C-Band wireless spectrum. In accordance with the rules applicable to the auction, Verizon is required to make payments for our allocable share of clearing costs incurred by, and incentive payments due to, the incumbent license holders associated with the auction, which are estimated to be \$7.6 billion. During the nine months ended September 30, 2023 and September 30, 2022, we made payments of \$578 million and \$1.6 billion, respectively, for obligations related to clearing costs and accelerated clearing incentives. In October 2023, we made additional payments of \$3.7 billion related to accelerated clearing incentive obligations, which were accrued for as of September 30, 2023. We expect to continue to make payments of approximately \$400 million for the remaining obligations through 2024. The final timing and amounts of these payments could differ based on the actual amount of incumbent holders' reimbursement claims and the speed with which those claims are approved and processed. The carrying value of the wireless spectrum won in Auction 107 consists of all payments required to participate and purchase licenses in the auction, including Verizon's allocable share of clearing costs incurred by, and incentive payments due to, the incumbent license holders associated with the auction that we are obligated to pay in order to acquire the licenses. The carrying value also includes capitalized interest to the extent qualifying activities have occurred.

See Note 3 to the condensed consolidated financial statements for additional information regarding our spectrum license transactions.

### TracFone Wireless, Inc.

In November 2021, we completed the acquisition of TracFone. Verizon acquired all of TracFone's outstanding stock in exchange for approximately \$3.5 billion in cash, net of cash acquired and working capital and other adjustments, 57,596,544 shares of common stock of the Company valued at approximately \$3.0 billion, and up to an additional \$650 million in future cash contingent consideration related to the achievement of certain performance measures and other commercial arrangements. The fair value of the Verizon common stock was determined on the basis of its closing market price on the Acquisition Date. The estimated fair value of the contingent consideration as of the Acquisition Date was approximately \$560 million and represents a Level 3 measurement. The contingent consideration payable is based on the achievement of certain revenue and operational targets, measured over a two-year earn out period. During the nine months ended September 30, 2023 and 2022, Verizon made payments of \$182 million and \$113 million, respectively, related to the contingent consideration, which is reflected in Cash flows from financing activities in our condensed consolidated statements of cash flows. Contingent consideration payments are expected to continue through 2024. See Note 3 to the condensed consolidated financial statements for additional information.

## Other Factors That May Affect Future Results

### Regulatory and Competitive Trends

Except as otherwise disclosed in this quarterly report on Form 10-Q, there have been no material changes to regulatory and competitive trends as previously disclosed in "Competition and Related Trends" and "Regulatory Trends" in Part I, Item 1. "Business" and "Operating Environment and Trends" in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022.

## Cautionary Statement Concerning Forward-Looking Statements

In this report 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," "expects," "forecasts," "hopes," "plans" 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 elsewhere in this report and in other filings with the Securities and Exchange Commission (SEC), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements:

- the effects of competition in the markets in which we operate, including any inability to successfully respond to competitive factors such as prices, promotional incentives and evolving consumer preferences;
- failure to take advantage of, or respond to competitors' use of, developments in technology and address changes in consumer demand;

- performance issues or delays in the deployment of our 5G network resulting in significant costs or a reduction in the anticipated benefits of the enhancement to our networks;
- the inability to implement our business strategy;
- adverse conditions in the U.S. and international economies, including inflation in the markets in which we operate;
- cyber attacks impacting our networks or systems and any resulting financial or reputational impact;
- damage to our infrastructure or disruption of our operations from natural disasters, extreme weather conditions, acts of war, terrorist attacks or other hostile acts and any resulting financial or reputational impact;
- the impact of public health crises on our operations, our employees and the ways in which our customers use our networks and other products and services;
- disruption of our key suppliers' or vendors' provisioning of products or services, including as a result of geopolitical factors, public health crises or the potential impacts of global climate change;
- material adverse changes in labor matters and any resulting financial or operational impact;
- changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks or businesses;
- allegations regarding the release of hazardous materials or pollutants into the environment from our, or our predecessors', network assets and any related government investigations, regulatory developments, litigation, penalties and other liability, remediation and compliance costs, operational impacts or reputational damage;
- our high level of indebtedness;
- significant litigation and any resulting material expenses incurred in defending against lawsuits or paying awards or settlements;
- 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;
- significant increases in benefit plan costs or lower investment returns on plan assets;
- changes in tax laws or treaties, or in their interpretation; and
- 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.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Information relating to market risk is included in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations under the caption "Market Risk."

### **Item 4. Controls and Procedures**

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the registrant's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934), as of the end of the period covered by this quarterly report, that ensure that information relating to the registrant which is required to be disclosed in this report is recorded, processed, summarized and reported within required time periods using the criteria for effective internal control established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the registrant's disclosure controls and procedures were effective as of September 30, 2023.

In the ordinary course of business, we routinely review our system of internal control over financial reporting and make changes to our systems and processes that are intended to ensure an effective internal control environment. In the third quarter of 2020, we began a multi-year implementation of a new global enterprise resource planning (ERP) system, which will replace many of our existing core financial systems. The ERP system is designed to enhance the flow of financial information, facilitate data analysis and accelerate information reporting. The implementation is expected to occur in phases over the next several years.



As the phased implementation of the new ERP system continues, we could have changes to our processes and procedures which, in turn, could result in changes to our internal controls over financial reporting. As such changes occur, we will evaluate quarterly whether such changes materially affect our internal control over financial reporting.

There were no changes in the Company's internal control over financial reporting during the third quarter 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Part II – Other Information**

### **Item 1. Legal Proceedings**

In the ordinary course of business, Verizon is involved in various litigation and regulatory proceedings at the state and federal level. As of the date of this report, we do not believe that any pending legal proceedings to which we or our subsidiaries are subject are required to be disclosed as material legal proceedings pursuant to this item. Verizon is not subject to any administrative or judicial proceeding arising under any federal, state or local provisions that have been enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment that is likely to result in monetary sanctions of \$1 million or more.

See Note 12 to the condensed consolidated financial statements for additional information regarding legal proceedings.

### **Item 1A. Risk Factors**

Other than the new risk factor below, there have been no material changes to our risk factors as previously disclosed in Part I, Item 1A. included in our Annual Report on Form 10-K for the year ended December 31, 2022.

#### **Allegations related to lead sheathed copper cables in our copper network infrastructure could expose us to regulatory scrutiny, litigation, penalties, removal and compliance costs, operational impacts or reputational damage.**

There have been recent media reports alleging that certain lead sheathed copper cables that are part of our copper-based network infrastructure may present public health or environmental risks in areas where those facilities are deployed. These allegations could result in government investigations, legislative or regulatory actions, litigation, penalties and other liability, remediation and compliance costs or negative operational impacts. In addition, we are currently subject to lawsuits related to these allegations, and additional legal proceedings and other contingencies may arise in the future. Our insurance policies may not cover or may not be sufficient to fully cover the costs of these claims. Accordingly, we may incur substantial expenses as a result of these allegations, which cannot be reasonably estimated at this time but could be material.

In addition, negative assertions about the public health or environmental impact of our lead sheathed cables may harm our reputation, which could adversely affect our business and our relationship with various stakeholders, even if such allegations ultimately prove to be inaccurate.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

In February 2020, the Board of Directors of the Company authorized a share buyback program to repurchase up to 100 million shares of the Company's common stock. The program will terminate when the aggregate number of shares purchased reaches 100 million or a new share repurchase plan superseding the current plan is authorized, whichever is sooner. Under the program, shares may be repurchased in privately negotiated transactions, on the open market, or otherwise, including through plans complying with Rule 10b5-1 under the Exchange Act. The timing and number of shares purchased under the program, if any, will depend on market conditions and our capital allocation priorities.

Verizon did not repurchase any shares of the Company's common stock during the three months ended September 30, 2023. At September 30, 2023, the maximum number of shares that could be purchased by or on behalf of Verizon under our share buyback program was 100 million.

### **Item 5. Other Information**

During the three months ended September 30, 2023, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of Regulation S-K.

**Item 6. Exhibits**

Exhibit Number	Description
<a href="#">31.1</a>	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">31.2</a>	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">32.1</a>	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
<a href="#">32.2</a>	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.PRE	XBRL Taxonomy Presentation Linkbase Document.
101.CAL	XBRL Taxonomy Calculation Linkbase Document.
101.LAB	XBRL Taxonomy Label Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101).

**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.

Date: October 26, 2023

By /s/ Mary-Lee Stillwell  
Mary-Lee Stillwell  
Senior Vice President and Controller  
(Principal Accounting Officer)

I, Hans E. Vestberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Verizon Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ Hans E. Vestberg

Hans E. Vestberg

Chairman and Chief Executive Officer

I, Anthony T. Skiadas, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Verizon Communications Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 26, 2023

/s/ Anthony T. Skiadas

Anthony T. Skiadas

Executive Vice President and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Hans E. Vestberg, Chairman and Chief Executive Officer of Verizon Communications Inc. (the Company), certify that:

- (1) the report of the Company on Form 10-Q for the quarterly period ending September 30, 2023 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: October 26, 2023

/s/ Hans E. Vestberg

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Hans E. Vestberg

Chairman and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, PURSUANT TO SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE

I, Anthony T. Skiadas, Executive Vice President and Chief Financial Officer of Verizon Communications Inc. (the Company), certify that:

- (1) the report of the Company on Form 10-Q for the quarterly period ending September 30, 2023 (the Report) fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934 (the Exchange Act); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods referred to in the Report.

Date: October 26, 2023

/s/ Anthony T. Skiadas

Anthony T. Skiadas

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Verizon Communications Inc. and will be retained by Verizon Communications Inc. and furnished to the Securities and Exchange Commission or its staff upon request.