

## 2019 Annual Report

### Management's Discussion and Analysis of Financial Condition and Results of Operations *continued*

Yahoo's operating business (see "Special Items") and a net gain from dispositions of assets and businesses in 2019 (see "Special Items"), partially offset by increases in advertising expenses, sales commission and bad debt expense. The increase in sales commission expense during 2019 compared to 2018, was primarily due to a lower net deferral of commission costs as a result of the adoption of Topic 606 on January 1, 2018, using a modified retrospective approach.

### Depreciation and Amortization Expense

Depreciation and amortization expense decreased \$721 million, or 4.1%, during 2019 compared to 2018, primarily due to the change in the mix of net depreciable assets.

### Media Goodwill Impairment

The goodwill impairment charges recorded in 2019 and 2018 for Verizon Media were a result of the Company's annual impairment test performed in the fourth quarter (see "Critical Accounting Estimates").

## Other Consolidated Results

### Other Income (Expense), Net

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

Years Ended December 31,	2019	2018	(dollars in millions) Increase/(Decrease)	
			2019 vs. 2018	
Interest income	\$ 121	\$ 94	\$ 27	28.7%
Other components of net periodic benefit cost	627	3,068	(2,441)	(79.6)
Early debt extinguishment costs	(3,604)	(725)	(2,879)	nm
Other, net	(44)	(73)	29	39.7
<b>Total</b>	<b>\$ (2,900)</b>	<b>\$ 2,364</b>	<b>\$ (5,264)</b>	<b>nm</b>

nm - not meaningful

The change in Other income (expense), net during the year ended December 31, 2019, compared to the similar period in 2018, was primarily driven by early debt redemption costs of \$3.6 billion recorded during 2019, compared to \$725 million recorded during 2018 (see "Special Items") as well as pension and benefit charges of \$126 million recorded in 2019, compared with pension and benefit credits of \$2.1 billion recorded in 2018 (see "Special Items").

### Interest Expense

Years Ended December 31,	2019	2018	(dollars in millions) Increase/(Decrease)	
			2019 vs. 2018	
Total interest costs on debt balances	\$ 5,386	\$ 5,573	\$ (187)	(3.4)%
Less capitalized interest costs	656	740	(84)	(11.4)
<b>Total</b>	<b>\$ 4,730</b>	<b>\$ 4,833</b>	<b>\$ (103)</b>	<b>(2.1)</b>
Average debt outstanding	\$ 112,901	\$ 115,858		
Effective interest rate	4.8%	4.8%		

Total interest costs on debt balances decreased during 2019 primarily due to lower average debt balances.

### Provision for Income Taxes

Years Ended December 31,	2019	2018	(dollars in millions) Increase/(Decrease)	
			2019 vs. 2018	
<b>Provision for income taxes</b>	<b>\$ 2,945</b>	<b>\$ 3,584</b>	<b>\$ (639)</b>	<b>(17.8)%</b>
<b>Effective income tax rate</b>	<b>13.0%</b>	<b>18.3%</b>		

The effective income tax rate is calculated by dividing the provision for income taxes by income before income taxes. The effective income tax rate for 2019 was 13.0% compared to 18.3% for 2018. The decrease in the effective income tax rate and the provision for