4th Quarter 2010 Earnings Results

Fran Shammo
Chief Financial Officer
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Throughout this presentation, financial information shown excludes the results associated with the divested Wireless trust properties, the Frontier transaction and, where noted, other non-operational or one-time items. As required by SEC rules, we have provided a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable GAAP measures in materials on our website at www.verizon.com/investor.
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4Q ’10 Overview

• Strong overall financial performance
• Results driven by solid execution in the business
• Strong growth in Wireless revenue and postpaid ARPU
• Record high Wireless service EBITDA margin
• Improving overall Wireline revenue trends
• Wireline EBITDA margin expansion for third consecutive quarter
• Solid cash flows with improving metrics

23.1% return to shareholders in 2010
Consolidated 4Q ’10 Financial Summary

- Consolidated revenue of $26.4B, up 2.3%* Y/Y
- 33.6% Consolidated adjusted EBITDA margin, up 260 bps Y/Y*
- Strong cash flow
  - $8.2B cash flow from operations
  - $3.5B free cash flow

### Earnings Summary

<table>
<thead>
<tr>
<th></th>
<th>4Q ’10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported EPS</td>
<td>$0.93</td>
</tr>
<tr>
<td>Non-operational items</td>
<td></td>
</tr>
<tr>
<td>- Pension &amp; Benefits</td>
<td>$0.44</td>
</tr>
<tr>
<td>- Alltel integration</td>
<td>($0.05)</td>
</tr>
<tr>
<td>Total impact</td>
<td>$0.39</td>
</tr>
</tbody>
</table>

*Adjusted for non-operational items.

Solid earnings performance
# CONSOLIDATED

## Adjusted Earnings Per Share

<table>
<thead>
<tr>
<th></th>
<th>1Q ’10</th>
<th>2Q ’10</th>
<th>3Q ’10</th>
<th>4Q ’10</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported EPS</td>
<td>$0.16</td>
<td>($0.42)</td>
<td>$0.23</td>
<td>$0.93</td>
<td>$0.90</td>
</tr>
<tr>
<td>Impact of divested operations</td>
<td>($0.07)</td>
<td>($0.06)</td>
<td>—</td>
<td>—</td>
<td>($0.13)</td>
</tr>
<tr>
<td>Non-operational / one-time items</td>
<td>$0.39</td>
<td>$0.99</td>
<td>$0.32</td>
<td>($0.39)</td>
<td>$1.30</td>
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<tr>
<td>Adjusted EPS</td>
<td>$0.48</td>
<td>$0.51</td>
<td>$0.55</td>
<td>$0.54</td>
<td>$2.08</td>
</tr>
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</table>

Note: Amounts may not add due to rounding.

Second half earnings acceleration
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Cash Flow

Cash Flow Summary

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash from operations</td>
<td>$31.4B</td>
<td>$33.4B</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$16.9B</td>
<td>$16.5B</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>$14.5B</td>
<td>$16.9B</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>$5.3B</td>
<td>$5.4B</td>
</tr>
</tbody>
</table>

- Cash from operations up 6.3% Y/Y
- Capital expenditures down 2.5% Y/Y
- Free cash flow up 16.4% Y/Y
- Net debt reduced by $14.1B Y/Y
- Net debt/Adjusted EBITDA of 1.3x*

* Adjusted for non-operational/one-time items.

Strong free cash flow generation
Two-thirds of revenues are in higher growth areas.

Growth across all strategic areas Y/Y:
- Wireless service: +7.7%
- Wireless data: +25.5%
- FiOS: +26.8%
- Strategic enterprise: +7.5%

Note: Results above are adjusted for non-operational items.
- Strong growth in traditional customers and other connections
  - 94.1M total customers
  - 102.2M total connections
- Retail postpaid remains key focus
  - 88% of traditional customer base
  - 68% on family share plans
- 26% of retail postpaid base have smartphones

Data driving revenue growth
- Retail postpaid ARPU growth of 2.5% Y/Y
- Retail postpaid churn improvement
- Web and email services revenue up 43.3% Y/Y
- Messaging revenue up 9.6% Y/Y
**Smartphones and Internet Devices**

- **Accelerating smartphone penetration**
  - More than 75% of 4Q postpaid net adds are smartphones

- **9.0% of retail postpaid base upgraded in 4Q**
  - ~63% of smartphone upgrades new to category

- **5.8M internet devices in postpaid base**
  - 323K net adds in 4Q

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**Smartphone Penetration***

<table>
<thead>
<tr>
<th></th>
<th>4Q '09</th>
<th>3Q '10</th>
<th>4Q '10</th>
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<tbody>
<tr>
<td></td>
<td>15%</td>
<td>23%</td>
<td>26%</td>
</tr>
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</table>

**Up 1,100 bps Y/Y**

**Smartphone Sales*** (as % of Total Phone Sales)

<table>
<thead>
<tr>
<th></th>
<th>4Q '09</th>
<th>3Q '10</th>
<th>4Q '10</th>
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<tbody>
<tr>
<td></td>
<td>29%</td>
<td>43%</td>
<td>49%</td>
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</table>

**Up 2,000 bps Y/Y**

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* Results reflect percentage of retail postpaid base.

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**Strong adoption of smartphones and internet devices**

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* WIRELESS

10
$6.7B EBITDA, up 14.6% Y/Y

Margin expansion driven by:
- Growing data revenues
- Cost savings initiatives
- Alltel synergy savings

Sustained industry-leading profitability and cash generation

Service EBITDA Margin

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Margin (%)</th>
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<tbody>
<tr>
<td>4Q '09</td>
<td>44.6%</td>
</tr>
<tr>
<td>3Q '10</td>
<td>47.2%</td>
</tr>
<tr>
<td>4Q '10</td>
<td>47.5%</td>
</tr>
</tbody>
</table>

Up 290 bps Y/Y

Revenue growth and margin expansion
- **Consumer revenue up 1.6% Y/Y**
- **FiOS success continues**
  - FiOS revenue grew 26.8% Y/Y
  - $146+ FiOS ARPU, up over 4% Y/Y
- **Global Enterprise up 1.3% Y/Y**
  - 3rd quarter of sequential revenue improvement
- **Strategic enterprise services revenue up 7.5% Y/Y**
• FiOS now 53% of consumer revenue

• FiOS TV subscribers
  – 3.5M subscribers
  – 182K net adds
  – 28% penetration

• FiOS Internet subscribers
  – 4.1M subscribers
  – 197K net adds
  – 32% penetration

Broadband and video driving growth
Global Enterprise Revenue ($B)

- $3.9 4Q '09
- $3.9 3Q '10
- $4.0 4Q '10

1.3% Y/Y Growth

- Strategic enterprise services 44% of Global Enterprise revenue
- Strategic Services outpaced decline in Core Services
- Early signs of recovery

Global Enterprise trends improving
WIRELINE Wholesale Markets

- Route rationalization strategy drove revenue significantly lower
- Pricing changes initiated in 2Q
  - $179M Y/Y or (37%) decline in international voice revenue
  - Y/Y decline (5.5%) excluding international voice revenue
- Initiatives having desired effect
  - Absolute margin dollars up

Wholesale revenue decline stable without international pricing pressure
Improved cost structure driving margin expansion

- 3rd consecutive quarter of sequential EBITDA margin improvement
- Cost reduction initiatives on track
  - Total cash expenses down 3.9% or $321M Y/Y
  - Reduced force by 16K Y/Y
- Cost focus will continue
Summary

• Solid earnings momentum
• Strong Wireless growth with record-high profitability
• Improving Wireline performance
• Disciplined capital spending
• Free cash flow improvement
• Strong balance sheet

Driving increased shareholder value