

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/14	3 Mos. Ended 6/30/13	% Change	6 Mos. Ended 6/30/14	6 Mos. Ended 6/30/13	% Change
Operating Revenues	\$ 31,483	\$ 29,786	5.7	\$ 62,301	\$ 59,206	5.2
Operating Expenses						
Cost of services and sales	12,087	11,033	9.6	23,276	21,965	6.0
Selling, general and administrative expense	7,550	8,047	(6.2)	15,882	16,195	(1.9)
Depreciation and amortization expense	4,161	4,151	0.2	8,298	8,269	0.4
Total Operating Expenses	<u>23,798</u>	<u>23,231</u>	2.4	<u>47,456</u>	<u>46,429</u>	2.2
Operating Income	7,685	6,555	17.2	14,845	12,777	16.2
Equity in earnings (losses) of unconsolidated businesses	(43)	120	*	1,859	115	*
Other income and (expense), net	66	25	*	(828)	64	*
Interest expense	(1,164)	(514)	*	(2,378)	(1,051)	*
Income Before Provision for Income Taxes	6,544	6,186	5.8	13,498	11,905	13.4
Provision for income taxes	(2,220)	(988)	*	(3,188)	(1,852)	72.1
Net Income	<u>\$ 4,324</u>	<u>\$ 5,198</u>	(16.8)	<u>\$ 10,310</u>	<u>\$ 10,053</u>	2.6
Net income attributable to noncontrolling interests	\$ 110	\$ 2,952	(96.3)	\$ 2,149	\$ 5,855	(63.3)
Net income attributable to Verizon	4,214	2,246	87.6	8,161	4,198	94.4
Net Income	<u>\$ 4,324</u>	<u>\$ 5,198</u>	(16.8)	<u>\$ 10,310</u>	<u>\$ 10,053</u>	2.6
Basic Earnings per Common Share						
Net income attributable to Verizon	\$ 1.02	\$.78	30.8	\$ 2.15	\$ 1.46	47.3
<i>Weighted average number of common shares (in millions)</i>	4,147	2,865		3,789	2,866	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$ 1.01	\$.78	29.5	\$ 2.15	\$ 1.46	47.3
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,153	2,872		3,795	2,873	

Footnotes:

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

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

* Not meaningful

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	6/30/14	12/31/13	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 5,776	\$ 53,528	\$ (47,752)
Short-term investments	648	601	47
Accounts receivable, net	12,966	12,439	527
Inventories	1,073	1,020	53
Prepaid expenses and other	2,424	3,406	(982)
Total current assets	22,887	70,994	(48,107)
Plant, property and equipment	227,475	220,865	6,610
Less accumulated depreciation	137,763	131,909	5,854
	89,712	88,956	756
Investments in unconsolidated businesses	852	3,432	(2,580)
Wireless licenses	75,270	75,747	(477)
Goodwill	24,663	24,634	29
Other intangible assets, net	5,781	5,800	(19)
Other assets	5,262	4,535	727
Total Assets	\$ 224,427	\$ 274,098	\$ (49,671)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 2,283	\$ 3,933	\$ (1,650)
Accounts payable and accrued liabilities	16,521	16,453	68
Other	7,689	6,664	1,025
Total current liabilities	26,493	27,050	(557)
Long-term debt	107,696	89,658	18,038
Employee benefit obligations	26,342	27,682	(1,340)
Deferred income taxes	42,027	28,639	13,388
Other liabilities	5,857	5,653	204
Equity			
Common stock	424	297	127
Contributed capital	11,038	37,939	(26,901)
Reinvested earnings	5,551	1,782	3,769
Accumulated other comprehensive income	1,188	2,358	(1,170)
Common stock in treasury, at cost	(3,638)	(3,961)	323
Deferred compensation – employee stock ownership plans and other	338	421	(83)
Noncontrolling interests	1,111	56,580	(55,469)
Total equity	16,012	95,416	(79,404)
Total Liabilities and Equity	\$ 224,427	\$ 274,098	\$ (49,671)

Verizon - Selected Financial and Operating Statistics

Unaudited	6/30/14	12/31/13
Total debt (in millions)	\$ 109,979	\$ 93,591
Net debt (in millions)	\$ 104,203	\$ 40,063
Net debt / Adjusted EBITDA ⁽¹⁾	2.4x	1.0x
Common shares outstanding end of period (in millions)	4,145	2,862
Total employees	177,800	176,800
Quarterly cash dividends declared per common share	\$ 0.530	\$ 0.530

Footnotes:

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

The unaudited condensed consolidated balance sheets are based on preliminary information.

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	6 Mos. Ended 6/30/14	6 Mos. Ended 6/30/13	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 10,310	\$ 10,053	\$ 257
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	8,298	8,269	29
Employee retirement benefits	562	354	208
Deferred income taxes	253	1,812	(1,559)
Provision for uncollectible accounts	473	507	(34)
Equity in earnings of unconsolidated businesses, net of dividends received	(1,841)	(95)	(1,746)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(847)	(1,660)	813
Other, net	(2,404)	(2,092)	(312)
Net cash provided by operating activities	<u>14,804</u>	<u>17,148</u>	<u>(2,344)</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(8,494)	(7,616)	(878)
Acquisitions of investments and businesses, net of cash acquired	(179)	(76)	(103)
Acquisitions of wireless licenses	(271)	(264)	(7)
Proceeds from dispositions of wireless licenses	2,367	-	2,367
Other, net	231	121	110
Net cash used in investing activities	<u>(6,346)</u>	<u>(7,835)</u>	<u>1,489</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	20,245	499	19,746
Repayments of long-term borrowings and capital lease obligations	(11,317)	(2,330)	(8,987)
Increase (decrease) in short-term obligations, excluding current maturities	279	(432)	711
Dividends paid	(3,583)	(2,946)	(637)
Proceeds from sale of common stock	34	74	(40)
Purchase of common stock for treasury	-	(153)	153
Special distribution to noncontrolling interest	-	(3,150)	3,150
Acquisition of noncontrolling interest	(58,886)	-	(58,886)
Other, net	(2,982)	(2,180)	(802)
Net cash used in financing activities	<u>(56,210)</u>	<u>(10,618)</u>	<u>(45,592)</u>
Decrease in cash and cash equivalents	(47,752)	(1,305)	(46,447)
Cash and cash equivalents, beginning of period	53,528	3,093	50,435
Cash and cash equivalents, end of period	\$ 5,776	\$ 1,788	\$ 3,988

Footnotes:

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/14	3 Mos. Ended 6/30/13	% Change	6 Mos. Ended 6/30/14	6 Mos. Ended 6/30/13	% Change
Operating Revenues						
Retail service	\$ 17,288	\$ 16,422	5.3	\$ 34,534	\$ 32,591	6.0
Other service	790	656	20.4	1,531	1,215	26.0
Service	<u>18,078</u>	<u>17,078</u>	5.9	<u>36,065</u>	<u>33,806</u>	6.7
Equipment	2,387	1,953	22.2	4,257	3,766	13.0
Other	<u>1,018</u>	<u>945</u>	7.7	<u>2,040</u>	<u>1,927</u>	5.9
Total Operating Revenues	<u>21,483</u>	<u>19,976</u>	7.5	<u>42,362</u>	<u>39,499</u>	7.2
Operating Expenses						
Cost of services and sales	6,742	5,799	16.3	12,598	11,450	10.0
Selling, general and administrative expense	5,649	5,666	(0.3)	11,293	11,114	1.6
Depreciation and amortization expense	<u>2,107</u>	<u>2,047</u>	2.9	<u>4,168</u>	<u>4,053</u>	2.8
Total Operating Expenses	<u>14,498</u>	<u>13,512</u>	7.3	<u>28,059</u>	<u>26,617</u>	5.4
Operating Income	\$ 6,985	\$ 6,464	8.1	\$ 14,303	\$ 12,882	11.0
Operating Income Margin	32.5%	32.4%		33.8%	32.6%	
Segment EBITDA	\$ 9,092	\$ 8,511	6.8	\$ 18,471	\$ 16,935	9.1
Segment EBITDA Service Margin	50.3%	49.8%		51.2%	50.1%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

Wireless - Selected Operating Statistics

Unaudited	6/30/14	6/30/13	% Change
Connections ('000)			
Retail postpaid	98,593	94,271	4.6
Retail prepaid	6,044	5,853	3.3
Retail	104,637	100,124	4.5

Unaudited	3 Mos. Ended 6/30/14	3 Mos. Ended 6/30/13	% Change	6 Mos. Ended 6/30/14	6 Mos. Ended 6/30/13	% Change
Net Add Detail ('000) ⁽¹⁾						
Retail postpaid	1,441	941	53.1	1,980	1,618	22.4
Retail prepaid	(14)	97	*	(4)	140	*
Retail	1,427	1,038	37.5	1,976	1,758	12.4

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾				35,186	34,958	0.7
Retail postpaid ARPA	\$ 159.73	\$ 152.50	4.7	\$ 159.70	\$ 151.39	5.5
Retail postpaid connections per account ⁽²⁾				2.80	2.70	3.7

Churn Detail

Retail postpaid	0.94%	0.93%		1.00%	0.97%	
Retail	1.25%	1.23%		1.31%	1.27%	

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones activated	90.8%	84.4%		90.4%	84.3%	
Total Smartphone postpaid phone base ⁽²⁾				74.6%	64.4%	
Total Internet postpaid base ⁽²⁾				12.3%	9.9%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,771	\$ 2,278	21.6	\$ 5,325	\$ 4,270	24.7
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Footnotes:

(1) Connection net additions exclude acquisitions and adjustments.

(2) Statistics presented as of end of period.

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

* Not meaningful

Wireline - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/14	3 Mos. Ended 6/30/13	% Change	6 Mos. Ended 6/30/14	6 Mos. Ended 6/30/13	% Change
Operating Revenues						
Consumer retail	\$ 3,864	\$ 3,669	5.3	\$ 7,704	\$ 7,285	5.8
Small business	621	635	(2.2)	1,245	1,273	(2.2)
Mass Markets	4,485	4,304	4.2	8,949	8,558	4.6
Strategic services	2,120	2,059	3.0	4,230	4,132	2.4
Core	1,459	1,590	(8.2)	2,955	3,287	(10.1)
Global Enterprise	3,579	3,649	(1.9)	7,185	7,419	(3.2)
Global Wholesale	1,570	1,662	(5.5)	3,161	3,361	(6.0)
Other	125	119	5.0	254	226	12.4
Total Operating Revenues	9,759	9,734	0.3	19,549	19,564	(0.1)
Operating Expenses						
Cost of services and sales	5,461	5,407	1.0	10,920	10,864	0.5
Selling, general and administrative expense	2,034	2,168	(6.2)	4,185	4,433	(5.6)
Depreciation and amortization expense	2,005	2,085	(3.8)	4,038	4,180	(3.4)
Total Operating Expenses	9,500	9,660	(1.7)	19,143	19,477	(1.7)
Operating Income	\$ 259	\$ 74	*	\$ 406	\$ 87	*
Operating Income Margin	2.7%	0.8%		2.1%	0.4%	
Segment EBITDA	\$ 2,264	\$ 2,159	4.9	\$ 4,444	\$ 4,267	4.1
Segment EBITDA Margin	23.2%	22.2%		22.7%	21.8%	

Footnotes:

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Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

* Not meaningful

Wireline - Selected Operating Statistics

Unaudited	6/30/14	6/30/13	% Change
Connections ('000)			
FiOS Video Subscribers	5,419	5,035	7.6
FiOS Internet Subscribers	6,309	5,773	9.3
FiOS Digital Voice residence connections	4,440	3,817	16.3
FiOS Digital connections	16,168	14,625	10.6
HSI	2,768	3,166	(12.6)
Total Broadband connections	9,077	8,939	1.5
Primary residence switched access connections	6,007	7,200	(16.6)
Primary residence connections	10,447	11,017	(5.2)
Total retail residence voice connections	10,903	11,583	(5.9)
Total voice connections	20,391	21,828	(6.6)

Unaudited	3 Mos. Ended 6/30/14	3 Mos. Ended 6/30/13	% Change	6 Mos. Ended 6/30/14	6 Mos. Ended 6/30/13	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	100	140	(28.6)	157	309	(49.2)
FiOS Internet Subscribers	139	161	(13.7)	237	349	(32.1)
FiOS Digital Voice residence connections	90	286	(68.5)	192	590	(67.5)
FiOS Digital connections	329	587	(44.0)	586	1,248	(53.0)
HSI	(93)	(116)	(19.8)	(175)	(205)	(14.6)
Total Broadband connections	46	45	2.2	62	144	(56.9)
Primary residence switched access connections	(217)	(393)	(44.8)	(474)	(782)	(39.4)
Primary residence connections	(127)	(107)	18.7	(282)	(192)	46.9
Total retail residence voice connections	(145)	(142)	2.1	(326)	(266)	22.6
Total voice connections	(342)	(363)	(5.8)	(694)	(675)	2.8

Revenue and ARPU Statistics

Consumer ARPU	\$ 122.57	\$ 110.46	11.0	\$ 121.28	\$ 109.26	11.0
FiOS revenues (in millions)	\$ 3,125	\$ 2,731	14.4	\$ 6,166	\$ 5,364	15.0
Strategic services as a % of total Enterprise revenues	59.2%	56.4%		58.9%	55.7%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,345	\$ 1,515	(11.2)	\$ 2,730	\$ 2,949	(7.4)
Wireline employees ('000)				80.6	84.7	
FiOS Video Open for Sale ('000)				15,372	14,607	
FiOS Video penetration				35.3%	34.5%	
FiOS Internet Open for Sale ('000)				15,722	14,943	
FiOS Internet penetration				40.1%	38.6%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-operational items, as the Company's chief operating decision maker excludes these items in assessing business unit performance.

Intersegment transactions have not been eliminated.

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