

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/12	% Change
Operating Revenues	\$ 29,420	\$ 28,242	4.2
Operating Expenses			
Cost of services and sales	10,932	11,319	(3.4)
Selling, general and administrative expense	8,148	7,700	5.8
Depreciation and amortization expense	4,118	4,028	2.2
Total Operating Expenses	<u>23,198</u>	<u>23,047</u>	0.7
Operating Income	6,222	5,195	19.8
Equity in earnings of unconsolidated businesses	(5)	103	*
Other income and (expense), net	39	19	*
Interest expense	(537)	(685)	(21.6)
Income Before Provision for Income Taxes	5,719	4,632	23.5
Provision for income taxes	(864)	(726)	19.0
Net Income	<u>\$ 4,855</u>	<u>\$ 3,906</u>	24.3
Net income attributable to noncontrolling interest	\$ 2,903	\$ 2,220	30.8
Net income attributable to Verizon	1,952	1,686	15.8
Net Income	<u>\$ 4,855</u>	<u>\$ 3,906</u>	24.3
Basic Earnings per Common Share			
Net income attributable to Verizon	\$.68	\$.59	15.3
<i>Weighted average number of common shares (in millions)</i>	2,866	2,842	
Diluted Earnings per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$.68	\$.59	15.3
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	2,872	2,849	

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	3/31/13	12/31/12	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 5,475	\$ 3,093	\$ 2,382
Short-term investments	660	470	190
Accounts receivable, net	11,814	12,576	(762)
Inventories	798	1,075	(277)
Prepaid expenses and other	6,511	4,021	2,490
Total current assets	25,258	21,235	4,023
Plant, property and equipment	212,082	209,575	2,507
Less accumulated depreciation	123,901	120,933	2,968
	88,181	88,642	(461)
Investments in unconsolidated businesses	3,321	3,401	(80)
Wireless licenses	75,645	77,744	(2,099)
Goodwill	24,132	24,139	(7)
Other intangible assets, net	5,827	5,933	(106)
Other assets	3,822	4,128	(306)
Total Assets	\$ 226,186	\$ 225,222	\$ 964
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 10,888	\$ 4,369	\$ 6,519
Accounts payable and accrued liabilities	14,030	16,182	(2,152)
Other	6,571	6,405	166
Total current liabilities	31,489	26,956	4,533
Long-term debt	41,993	47,618	(5,625)
Employee benefit obligations	34,048	34,346	(298)
Deferred income taxes	24,993	24,677	316
Other liabilities	6,075	6,092	(17)
Equity			
Common stock	297	297	-
Contributed capital	37,894	37,990	(96)
Accumulated deficit	(3,255)	(3,734)	479
Accumulated other comprehensive income	2,056	2,235	(179)
Common stock in treasury, at cost	(3,994)	(4,071)	77
Deferred compensation - employee stock ownership plans and other	312	440	(128)
Noncontrolling interest	54,278	52,376	1,902
Total equity	87,588	85,533	2,055
Total Liabilities and Equity	\$ 226,186	\$ 225,222	\$ 964

Verizon - Selected Financial and Operating Statistics

Unaudited	3/31/13	12/31/12
Total debt (in millions)	\$ 52,881	\$ 51,987
Net debt (in millions)	\$ 47,406	\$ 48,894
Net debt / Adjusted EBITDA ⁽¹⁾	1.2x	1.3x
Common shares outstanding end of period (in millions)	2,861	2,859
Total employees	181,900	183,400
Quarterly cash dividends declared per common share	\$ 0.515	\$ 0.515

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	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/12	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 4,855	\$ 3,906	\$ 949
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	4,118	4,028	90
Employee retirement benefits	295	375	(80)
Deferred income taxes	878	656	222
Provision for uncollectible accounts	260	278	(18)
Equity in earnings of unconsolidated businesses, net of dividends received	14	(89)	103
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,491)	(1,580)	89
Other, net	(1,398)	(1,617)	219
Net cash provided by operating activities	<u>7,531</u>	<u>5,957</u>	<u>1,574</u>
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(3,602)	(3,565)	(37)
Acquisitions of investments and businesses, net of cash acquired	(21)	(140)	119
Acquisitions of wireless licenses, net	(117)	(25)	(92)
Net change in short-term investments	18	16	2
Other, net	123	41	82
Net cash used in investing activities	<u>(3,599)</u>	<u>(3,673)</u>	<u>74</u>
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	500	-	500
Repayments of long-term borrowings and capital lease obligations	(73)	(1,828)	1,755
Increase (decrease) in short-term obligations, excluding current maturities	581	(1,734)	2,315
Dividends paid	(1,472)	(1,291)	(181)
Proceeds from sale of common stock	56	69	(13)
Purchase of common stock for treasury	(153)	-	(153)
Special distribution to noncontrolling interest	-	(4,500)	4,500
Other, net	(989)	(453)	(536)
Net cash used in financing activities	<u>(1,550)</u>	<u>(9,737)</u>	<u>8,187</u>
Increase (decrease) in cash and cash equivalents	2,382	(7,453)	9,835
Cash and cash equivalents, beginning of period	3,093	13,362	(10,269)
Cash and cash equivalents, end of period	\$ 5,475	\$ 5,909	\$ (434)

Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/12	% Change
Operating Revenues			
Retail service	\$ 16,169	\$ 14,886	8.6
Other service	559	524	6.7
Service	<u>16,728</u>	<u>15,410</u>	8.6
Equipment	1,813	1,838	(1.4)
Other	982	1,025	(4.2)
Total Operating Revenues	<u>19,523</u>	<u>18,273</u>	6.8
Operating Expenses			
Cost of services and sales	5,651	5,910	(4.4)
Selling, general and administrative expense	5,448	5,228	4.2
Depreciation and amortization expense	2,006	1,918	4.6
Total Operating Expenses	<u>13,105</u>	<u>13,056</u>	0.4
Operating Income	\$ 6,418	\$ 5,217	23.0
Operating Income Margin	32.9%	28.6%	
Segment EBITDA	\$ 8,424	\$ 7,135	18.1
Segment EBITDA Service Margin	50.4%	46.3%	

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	3/31/13	3/31/12	% Change
Connections ('000)			
Retail postpaid	93,186	87,963	5.9
Retail prepaid	5,744	5,025	14.3
Retail	98,930	92,988	6.4

Unaudited	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/12	% Change
Net Add Detail ('000)⁽¹⁾			
Retail postpaid	677	501	35.1
Retail prepaid	43	233	(81.5)
Retail	720	734	(1.9)

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾	34,943	34,569	1.1
Retail postpaid ARPA	\$ 150.27	\$ 140.58	6.9
Retail postpaid connections per account ⁽²⁾	2.67	2.54	5.1

Churn Detail

Retail postpaid	1.01%	0.96%
Retail	1.30%	1.24%

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones sold	85.1%	72.4%
Total Smartphone postpaid phone base ⁽²⁾	61.4%	46.8%
Total Internet postpaid base ⁽²⁾	9.6%	8.3%

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,992	\$ 1,885	5.7
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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.

Wireline – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/12	% Change
Operating Revenues			
Consumer retail	\$ 3,589	\$ 3,441	4.3
Small business	651	662	(1.7)
Mass Markets	4,240	4,103	3.3
Strategic services	2,087	1,969	6.0
Core	1,666	1,883	(11.5)
Global Enterprise	3,753	3,852	(2.6)
Global Wholesale	1,727	1,861	(7.2)
Other	110	129	(14.7)
Total Operating Revenues	9,830	9,945	(1.2)
Operating Expenses			
Cost of services and sales	5,457	5,572	(2.1)
Selling, general and administrative expense	2,265	2,126	6.5
Depreciation and amortization expense	2,095	2,090	0.2
Total Operating Expenses	9,817	9,788	0.3
Operating Income	\$ 13	\$ 157	(91.7)
Operating Income Margin	0.1%	1.6%	
Segment EBITDA	\$ 2,108	\$ 2,247	(6.2)
Segment EBITDA Margin	21.4%	22.6%	

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.

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

Wireline – Selected Operating Statistics

Unaudited	3/31/13	3/31/12	% Change
Connections ('000)			
FiOS Video Subscribers	4,895	4,353	12.5
FiOS Internet Subscribers	5,612	5,010	12.0
FiOS Digital Voice residence connections	3,531	2,298	53.7
FiOS Digital connections	14,038	11,661	20.4
HSI	3,282	3,764	(12.8)
Total Broadband connections	8,894	8,774	1.4
Primary residence switched access connections	7,593	9,344	(18.7)
Primary residence connections	11,124	11,642	(4.4)
Total retail residence voice connections	11,725	12,421	(5.6)
Total voice connections	22,191	23,700	(6.4)

Unaudited	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/12	% Change
Net Add Detail ('000)			
FiOS Video Subscribers	169	180	(6.1)
FiOS Internet Subscribers	188	193	(2.6)
FiOS Digital Voice residence connections	304	414	(26.6)
FiOS Digital connections	661	787	(16.0)
HSI	(89)	(89)	-
Total Broadband connections	99	104	(4.8)
Primary residence switched access connections	(389)	(562)	(30.8)
Primary residence connections	(85)	(148)	(42.6)
Total retail residence voice connections	(124)	(205)	(39.5)
Total voice connections	(312)	(437)	(28.6)

Revenue and ARPU Statistics

Consumer ARPU	\$ 107.15	\$ 97.88	9.5
FiOS revenues (in millions)	\$ 2,633	\$ 2,288	15.1
Strategic services as a % of total Enterprise revenues	55.6%	51.1%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,434	\$ 1,537	(6.7)
Wireline employees ('000)	85.2	90.8	
FiOS Video Open for Sale ('000)	14,374	13,460	
FiOS Video penetration	34.1%	32.3%	
FiOS Internet Open for Sale ('000)	14,703	13,780	
FiOS Internet penetration	38.2%	36.4%	

Footnotes:

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