Verizon Pennsylvania Inc.

Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2009 and 2008

Verizon Pennsylvania Inc.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(dollars in millions) (unaudited)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Operating Revenues				
(including $71, $108, $176 and $218 from affiliates)	**$ 802**	$ 825	**$ 1,636**	$ 1,653
Operating Expenses				
(including $338, $293, $684 and $573 to affiliates)				
Cost of services and sales (exclusive of items shown below)	**257**	286	**583**	591
Selling, general and administrative expense	**258**	272	**525**	504
Depreciation and amortization expense	**151**	152	**300**	302
Total Operating Expenses	**666**	710	**1,408**	1,397
Operating Income	**136**	115	**228**	256
Other income and (expense), net				
(including $1, $1, $3 and $1 from affiliates)	**1**	---	**3**	2
Interest expense				
(including $(20), $(14), $(37) and $(27) from affiliates)	**(37)**	(28)	**(71)**	(62)
Income Before Provision for Income Taxes	**100**	87	**160**	196
Provision for income taxes	**(40)**	(36)	**(61)**	(79)
Net Income	**$ 60**	$ 51	**$ 99**	$ 117

See Notes to Condensed Consolidated Financial Statements

Verizon Pennsylvania Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in millions) (unaudited)	At June 30, 2009	At December 31, 2008
Assets		
Current assets		
Short-term investments	**$ 1**	$ 16
Notes receivable from affiliates	**250**	423
Accounts receivable:		
Trade and other, net of allowances for uncollectibles of $43 and $47	**427**	391
Affiliates	**302**	102
Materials and supplies	**59**	57
Prepaid expenses	**37**	8
Deferred income taxes	**45**	48
Deferred charges and other	**59**	57
Total current assets	**1,180**	1,102
Plant, property and equipment	**14,964**	14,663
Less accumulated depreciation	**10,043**	9,817
	4,921	4,846
Intangible assets, net	**15**	3
Prepaid pension asset	**826**	818
Other assets	**104**	111
Total assets	**$ 7,046**	$ 6,880
Liabilities and Shareowner's Investment		
Current liabilities		
Debt maturing within one year:		
Notes payable to affiliates	**$ 1,386**	$ 1,175
Other	**3**	3
Accounts payable and accrued liabilities:		
Affiliates	**326**	235
Other	**224**	201
Other current liabilities	**184**	203
Total current liabilities	**2,123**	1,817
Long-term debt	**1,480**	1,491
Employee benefit obligations	**1,188**	1,175
Deferred credits and other liabilities		
Deferred income taxes	**607**	545
Unamortized investment tax credits	**14**	15
Other	**242**	234
	863	794
Shareowner's investment		
Common stock ($20 par value per share)	**1,222**	1,222
Authorized shares: 80,210,000		
Outstanding shares: 79,732,681		
Reinvested earnings	**170**	381
Total shareowner's investment	**1,392**	1,603
Total liabilities and shareowner's investment	**$ 7,046**	$ 6,880

See Notes to Condensed Consolidated Financial Statements

Verizon Pennsylvania Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(dollars in millions) (unaudited)	Six Months Ended June 30, 2009	2008
Net Cash Provided by Operating Activities	**$ 276**	$ 388
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	**(367)**	(396)
Net change in short-term investments	**15**	45
Change in notes receivable from affiliates	**173**	(39)
Other, net	**1**	---
Net cash used in investing activities	**(178)**	(390)
Cash Flows from Financing Activities		
Principal repayment of borrowings and capital lease obligations	**(1)**	(2)
Net change in notes payable to affiliates	**211**	1
Dividends paid	**(310)**	---
Net change in outstanding checks drawn on controlled disbursement accounts	**2**	3
Net cash provided by (used in) financing activities	**(98)**	2
Net change in cash	**---**	---
Cash, beginning of period	**---**	---
Cash, end of period	**$ ---**	$ ---

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation and Recent Accounting Pronouncements

Verizon Pennsylvania Inc. (Verizon Pennsylvania or the Company) is a wholly owned subsidiary of Verizon Communications Inc. (Verizon). The unaudited condensed consolidated financial statements include the accounts of Verizon Pennsylvania Inc. and its 95.34% owned subsidiary, Verizon Online Pennsylvania Partnership, a venture that is jointly owned by Verizon Pennsylvania and Verizon North Inc. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim periods. These financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial position for the interim periods shown including normal recurring accruals and other items. All significant intercompany accounts and transactions have been eliminated. We have evaluated subsequent events through August 28, 2009, the date these condensed consolidated financial statements were issued. The results for the interim periods are not necessarily indicative of results for the full year. The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For a more complete discussion of significant accounting policies and certain other information, you should refer to our December 31, 2008 audited financial statements.

The adoption of the following accounting pronouncements during the first six months of 2009 did not result in a significant impact to our condensed consolidated financial statements:

On June 15, 2009, we adopted the accounting pronouncement regarding the general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before the financial statements are issued. This pronouncement was effective prospectively for interim and annual reporting periods ending after June 15, 2009.

On June 15, 2009, we adopted the accounting pronouncement that amends the requirements for disclosures about fair value of financial instruments, regarding the fair value of financial instruments for annual, as well as interim, reporting periods. This pronouncement was effective prospectively for all interim and annual reporting periods ending after June 15, 2009.

2. Shareowner's Investment

(dollars in millions)	**Common Stock**	**Reinvested Earnings**
Balance at December 31, 2008	$ 1,222	$ 381
Net income	---	99
Dividends paid	---	(310)
Balance at June 30, 2009	$ 1,222	$ 170

Net income and comprehensive income were the same for the three and six months ended June 30, 2009 and 2008, respectively.

3. Fair Value Measurements

Assets measured at fair value on a recurring basis as of June 30, 2009 primarily include derivative contracts totaling $45 million that are comprised of interest rate swaps and 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.

The fair value of our short-term and long-term debt, excluding capital leases, is determined based on market quotes for similar terms and maturities or future cash flows discounted at current rates. The fair value of our long-term and short-term debt, excluding capital leases, was approximately $2,878 million and $2,539 million at June 30, 2009 and December 31, 2008, respectively, as compared to the carrying value of approximately $2,809 million and $2,598 million at June 30, 2009 and December 31, 2008, respectively.

4. Commitments and Contingencies

Various legal actions and regulatory proceedings are pending to which we are a party and claims which, if asserted, may lead to other legal actions. We have established reserves for specific liabilities in connection with regulatory and legal matters that we currently deem to be probable and estimable. We do not expect that the ultimate resolution of pending regulatory and legal matters in future periods will have a material effect on our financial condition, but it could have a material effect on our results of operations.

From time to time, state regulatory decisions require us to assure customers that we will provide a level of service performance that falls within prescribed parameters. There are penalties associated with failing to meet those service parameters and we, from time to time, pay such penalties. We do not expect these penalties to have a material effect on our financial condition, but they could have a material effect on our results of operations.

5. Subsequent Event

On August 3, 2009, we declared a dividend in the amount of $30 million to our parent, Verizon.