

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/13	3 Mos. Ended 9/30/12	% Change	9 Mos. Ended 9/30/13	9 Mos. Ended 9/30/12	% Change
Operating Revenues	\$ 30,279	\$ 29,007	4.4	\$ 89,485	\$ 85,801	4.3
Operating Expenses						
Cost of services and sales	10,960	10,991	(0.3)	32,925	33,206	(0.8)
Selling, general and administrative expense	8,037	8,366	(3.9)	24,232	23,943	1.2
Depreciation and amortization expense	4,154	4,167	(0.3)	12,423	12,323	0.8
Total Operating Expenses	<u>23,151</u>	<u>23,524</u>	(1.6)	<u>69,580</u>	<u>69,472</u>	0.2
Operating Income	7,128	5,483	30.0	19,905	16,329	21.9
Equity in earnings of unconsolidated businesses	19	62	(69.4)	134	237	(43.5)
Other income, net	20	10	*	84	63	33.3
Interest expense	(555)	(632)	(12.2)	(1,606)	(1,996)	(19.5)
Income Before Provision for Income Taxes	6,612	4,923	34.3	18,517	14,633	26.5
Provision for income taxes	(1,034)	(631)	63.9	(2,886)	(2,150)	34.2
Net Income	<u>\$ 5,578</u>	<u>\$ 4,292</u>	30.0	<u>\$ 15,631</u>	<u>\$ 12,483</u>	25.2
Net income attributable to noncontrolling interests	\$ 3,346	\$ 2,699	24.0	\$ 9,201	\$ 7,379	24.7
Net income attributable to Verizon	2,232	1,593	40.1	6,430	5,104	26.0
Net Income	<u>\$ 5,578</u>	<u>\$ 4,292</u>	30.0	<u>\$ 15,631</u>	<u>\$ 12,483</u>	25.2
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.78	\$.56	39.3	\$ 2.24	\$ 1.79	25.1
Weighted average number of common shares (in millions)	2,866	2,857		2,866	2,850	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$.78	\$.56	39.3	\$ 2.24	\$ 1.79	25.1
Weighted average number of common shares-assuming dilution (in millions)	2,874	2,866		2,874	2,859	

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	9/30/13	12/31/12	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 56,710	\$ 3,093	\$ 53,617
Short-term investments	631	470	161
Accounts receivable, net	12,111	12,576	(465)
Inventories	1,193	1,075	118
Prepaid expenses and other	3,060	4,021	(961)
Total current assets	73,705	21,235	52,470
Plant, property and equipment	218,336	209,575	8,761
Less accumulated depreciation	129,809	120,933	8,876
	88,527	88,642	(115)
Investments in unconsolidated businesses	3,423	3,401	22
Wireless licenses	76,503	77,744	(1,241)
Goodwill	24,339	24,139	200
Other intangible assets, net	5,732	5,933	(201)
Other assets	4,446	4,128	318
Total Assets	\$ 276,675	\$ 225,222	\$ 51,453
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 8,202	\$ 4,369	\$ 3,833
Accounts payable and accrued liabilities	15,622	16,182	(560)
Other	6,467	6,405	62
Total current liabilities	30,291	26,956	3,335
Long-term debt	90,938	47,618	43,320
Employee benefit obligations	33,738	34,346	(608)
Deferred income taxes	25,821	24,677	1,144
Other liabilities	5,622	6,092	(470)
Equity			
Common stock	297	297	-
Contributed capital	37,918	37,990	(72)
Accumulated deficit	(1,768)	(3,734)	1,966
Accumulated other comprehensive income	2,118	2,235	(117)
Common stock in treasury, at cost	(3,970)	(4,071)	101
Deferred compensation - employee stock ownership plans and other	390	440	(50)
Noncontrolling interests	55,280	52,376	2,904
Total equity	90,265	85,533	4,732
Total Liabilities and Equity	\$ 276,675	\$ 225,222	\$ 51,453

Verizon - Selected Financial and Operating Statistics

Unaudited	9/30/13	12/31/12
Total debt (in millions)	\$ 99,140	\$ 51,987
Net debt (in millions)	\$ 42,430	\$ 48,894
Net debt / Adjusted EBITDA ⁽¹⁾	1.1x	1.3x
Common shares outstanding end of period (in millions)	2,862	2,859
Total employees	178,300	183,400
Quarterly cash dividends declared per common share	\$ 0.5300	\$ 0.5150

Footnotes:

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

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

Condensed Consolidated Statements of Cash Flows

(dollars in millions)

Unaudited	9 Mos. Ended 9/30/13	9 Mos. Ended 9/30/12	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 15,631	\$ 12,483	\$ 3,148
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	12,423	12,323	100
Employee retirement benefits	649	1,126	(477)
Deferred income taxes	3,011	1,665	1,346
Provision for uncollectible accounts	746	709	37
Equity in earnings of unconsolidated businesses, net of dividends received	(100)	(197)	97
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,078)	(197)	(881)
Other, net	(2,895)	(3,154)	259
Net cash provided by operating activities	28,387	24,758	3,629
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(11,807)	(11,315)	(492)
Acquisitions of investments and businesses, net of cash acquired	(81)	(838)	757
Acquisitions of wireless licenses	(430)	(3,816)	3,386
Proceeds from dispositions of wireless licenses	2,111	-	2,111
Net change in short-term investments	(11)	28	(39)
Other, net	195	516	(321)
Net cash used in investing activities	(10,023)	(15,425)	5,402
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	49,166	-	49,166
Repayments of long-term borrowings and capital lease obligations	(2,392)	(2,878)	486
Increase (decrease) in short-term obligations, excluding current maturities	(324)	375	(699)
Dividends paid	(4,420)	(3,887)	(533)
Proceeds from sale of common stock	76	278	(202)
Purchase of common stock for treasury	(153)	-	(153)
Special distribution to noncontrolling interest	(3,150)	(4,500)	1,350
Other, net	(3,550)	(2,369)	(1,181)
Net cash provided by (used in) financing activities	35,253	(12,981)	48,234
Increase (decrease) in cash and cash equivalents	53,617	(3,648)	57,265
Cash and cash equivalents, beginning of period	3,093	13,362	(10,269)
Cash and cash equivalents, end of period	\$ 56,710	\$ 9,714	\$ 46,996

Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/13	3 Mos. Ended 9/30/12	% Change	9 Mos. Ended 9/30/13	9 Mos. Ended 9/30/12	% Change
Operating Revenues						
Retail service	\$ 16,776	\$ 15,538	8.0	\$ 49,367	\$ 45,654	8.1
Other service	740	616	20.1	1,955	1,686	16.0
Service	17,516	16,154	8.4	51,322	47,340	8.4
Equipment	1,924	1,858	3.6	5,690	5,464	4.1
Other	959	1,012	(5.2)	2,886	3,070	(6.0)
Total Operating Revenues	20,399	19,024	7.2	59,898	55,874	7.2
Operating Expenses						
Cost of services and sales	5,652	5,690	(0.7)	17,102	17,158	(0.3)
Selling, general and administrative expense	5,801	5,250	10.5	16,915	15,773	7.2
Depreciation and amortization expense	2,060	2,037	1.1	6,113	5,966	2.5
Total Operating Expenses	13,513	12,977	4.1	40,130	38,897	3.2
Operating Income	\$ 6,886	\$ 6,047	13.9	\$ 19,768	\$ 16,977	16.4
Operating Income Margin	33.8%	31.8%		33.0%	30.4%	
Segment EBITDA	\$ 8,946	\$ 8,084	10.7	\$ 25,881	\$ 22,943	12.8
Segment EBITDA Service Margin	51.1%	50.0%		50.4%	48.5%	

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	9/30/13	9/30/12	% Change
Connections ('000)			
Retail postpaid	95,185	90,354	5.3
Retail prepaid	5,965	5,545	7.6
Retail	101,150	95,899	5.5

Unaudited	3 Mos. Ended 9/30/13	3 Mos. Ended 9/30/12	% Change	9 Mos. Ended 9/30/13	9 Mos. Ended 9/30/12	% Change
Net Add Detail ('000)⁽¹⁾						
Retail postpaid	927	1,535	(39.6)	2,545	2,924	(13.0)
Retail prepaid	134	228	(41.2)	274	751	(63.5)
Retail	1,061	1,763	(39.8)	2,819	3,675	(23.3)

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾				34,972	34,796	0.5
Retail postpaid ARPA	\$ 155.74	\$ 145.42	7.1	\$ 152.84	\$ 143.11	6.8
Retail postpaid connections per account ⁽²⁾				2.72	2.60	4.6

Churn Detail

Retail postpaid	0.97%	0.91%	0.97%	0.90%
Retail	1.28%	1.18%	1.27%	1.18%

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones activated	84.9%	77.3%	84.5%	73.4%
Total Smartphone postpaid phone base ⁽²⁾			67.2%	53.2%
Total Internet postpaid base ⁽²⁾			10.2%	8.8%

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,450	\$ 2,133	14.9	\$ 6,720	\$ 6,066	10.8
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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 9/30/13	3 Mos. Ended 9/30/12	% Change	9 Mos. Ended 9/30/13	9 Mos. Ended 9/30/12	% Change
Operating Revenues						
Consumer retail	\$ 3,709	\$ 3,555	4.3	\$ 10,941	\$ 10,474	4.5
Small business	650	670	(3.0)	1,949	1,999	(2.5)
Mass Markets	4,359	4,225	3.2	12,890	12,473	3.3
Strategic services	2,115	2,010	5.2	6,281	5,962	5.4
Core	1,553	1,771	(12.3)	4,776	5,491	(13.0)
Global Enterprise	3,668	3,781	(3.0)	11,057	11,453	(3.5)
Global Wholesale	1,669	1,782	(6.3)	5,082	5,470	(7.1)
Other	118	126	(6.3)	349	394	(11.4)
Total Operating Revenues	9,814	9,914	(1.0)	29,378	29,790	(1.4)
Operating Expenses						
Cost of services and sales	5,483	5,463	0.4	16,347	16,535	(1.1)
Selling, general and administrative expense	2,102	2,303	(8.7)	6,535	6,570	(0.5)
Depreciation and amortization expense	2,074	2,107	(1.6)	6,254	6,299	(0.7)
Total Operating Expenses	9,659	9,873	(2.2)	29,136	29,404	(0.9)
Operating Income	\$ 155	\$ 41	*	\$ 242	\$ 386	(37.3)
Operating Income Margin	1.6%	0.4%		0.8%	1.3%	
Segment EBITDA	\$ 2,229	\$ 2,148	3.8	\$ 6,496	\$ 6,685	(2.8)
Segment EBITDA Margin	22.7%	21.7%		22.1%	22.4%	

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.

* Not meaningful

Wireline – Selected Operating Statistics

Unaudited	9/30/13	9/30/12	% Change
Connections ('000)			
FiOS Video Subscribers	5,170	4,592	12.6
FiOS Internet Subscribers	5,946	5,280	12.6
FiOS Digital Voice residence connections	4,069	2,938	38.5
FiOS Digital connections	15,185	12,810	18.5
HSI	3,049	3,488	(12.6)
Total Broadband connections	8,995	8,768	2.6
Primary residence switched access connections	6,821	8,384	(18.6)
Primary residence connections	10,890	11,322	(3.8)
Total retail residence voice connections	11,421	12,005	(4.9)
Total voice connections	21,457	22,847	(6.1)

Unaudited	3 Mos. Ended 9/30/13	3 Mos. Ended 9/30/12	% Change	9 Mos. Ended 9/30/13	9 Mos. Ended 9/30/12	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	135	119	13.4	444	419	6.0
FiOS Internet Subscribers	173	136	27.2	522	463	12.7
FiOS Digital Voice residence connections	252	290	(13.1)	842	1,054	(20.1)
FiOS Digital connections	560	545	2.8	1,808	1,936	(6.6)
HSI	(117)	(144)	(18.8)	(322)	(365)	(11.8)
Total Broadband connections	56	(8)	*	200	98	*
Primary residence switched access connections	(379)	(459)	(17.4)	(1,161)	(1,522)	(23.7)
Primary residence connections	(127)	(169)	(24.9)	(319)	(468)	(31.8)
Total retail residence voice connections	(162)	(217)	(25.3)	(428)	(621)	(31.1)
Total voice connections	(371)	(431)	(13.9)	(1,046)	(1,290)	(18.9)

Revenue and ARPU Statistics

Consumer ARPU	\$	112.86	\$	103.86	8.7	\$	110.02	\$	102.02	7.8
FiOS revenues (in millions)	\$	2,823	\$	2,489	13.4	\$	8,187	\$	7,157	14.4
Strategic services as a % of total Enterprise revenues		57.7%		53.2%			56.8%		52.1%	

Other Operating Statistics

Capital expenditures (in millions)	\$	1,518	\$	1,484	2.3	\$	4,467	\$	4,617	(3.2)
Wireline employees ('000)							83.6		87.4	
FiOS Video Open for Sale ('000)							14,824		13,957	
FiOS Video penetration							34.9%		32.9%	
FiOS Internet Open for Sale ('000)							15,167		14,283	
FiOS Internet penetration							39.2%		37.0%	

Footnotes:

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* Not meaningful