



4Q

INVESTOR QUARTERLY
FOURTH QUARTER

2013

VZ

January 21, 2014

Earnings Release

3-7

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Fourth Quarter 2013 Highlights

Consolidated

- > \$1.76 in earnings per share (EPS), compared with a loss of \$1.48 in EPS in 4Q 2012, including significant non-operational items in both quarters, primarily related to the annual actuarial valuation of benefit plans and mark-to-market pension adjustments.
- > 66 cents in adjusted EPS (non-GAAP), a 73.7 percent increase compared with adjusted EPS of 38 cents per share in 4Q 2012 that included 7 cents per share in impacts from Superstorm Sandy.

Wireless

- > 8.0 percent year-over-year increase in service revenues in 4Q 2013; 7.5 percent year-over-year increase in retail service revenues; 29.5 percent operating income margin and 47.0 percent segment EBITDA margin on service revenues (non-GAAP).
- > 1.7 million retail net additions, excluding acquisitions and adjustments; 1.6 million retail postpaid net additions; low retail postpaid churn of 0.96 percent; 102.8 million total retail connections, 96.8 million total retail postpaid connections.
- > 4G LTE service now available to nearly 305 million people in more than 500 markets across the U.S.

Wireline

- > 6.4 percent year-over-year increase in consumer revenues; consumer ARPU (average revenue per user) up 10.8 percent year over year.
- > 15.6 percent year-over-year increase in FiOS revenues; 126,000 FiOS Internet and 92,000 FiOS Video net additions, with continued increased sales penetration for both services.

NEW YORK — Verizon Communications Inc. (NYSE, Nasdaq: VZ) today reported another strong quarter of earnings, revenue and cash-flow growth.

With fourth-quarter 2013 EPS of \$1.76 (adjusted, non-GAAP, 66 cents), Verizon has posted year-over-year double-digit percentage growth in operating income and EPS in all four quarters of 2013, and in seven of the past eight quarters.

Lowell McAdam, Verizon chairman and CEO, said: “Verizon delivered a total return of 18.6 percent to our shareholders in 2013, while attracting more customers than our competitors and improving our financial performance. This included more than 20 percent year-over-year increases in operating cash flow and EPS. In 2014, we look forward to acquiring sole ownership of Verizon Wireless, the best asset in the global wireless industry, and leveraging all our assets to deliver innovative products to customers and more value to shareholders.”

Verizon reported \$1.76 in EPS in fourth-quarter 2013, compared with a loss of \$1.48 per share in fourth-quarter 2012. Results in both quarters included significant non-operational items.

Fourth-quarter 2013 results included an after-tax gain of \$3.7 billion, or \$1.29 per share, primarily non-cash and related to the annual actuarial valuation of benefit plans and mark-to-market pension adjustments. This favorable accounting adjustment was partially offset by after-tax charges of \$540 million, or 19 cents per share, for transaction costs related to the acquisition of Vodafone Group PLC’s indirect 45 percent interest in Verizon Wireless. Assuming approval of Verizon and Vodafone shareholders later this month, the closing of the acquisition is planned for Feb. 21 and would be immediately accretive to earnings by about 10 percent.

Fourth-quarter 2012 charges totaled \$1.86 per share — \$1.55 per share for the annual actuarial valuation of benefit plans and mark-to-market pension adjustments, and 31 cents per share for the early retirement of debt and other restructuring activities.

On a comparable basis, Verizon reported 66 cents in adjusted EPS (non-GAAP) in fourth-quarter 2013, a 73.7 percent increase compared with adjusted EPS of 38 cents in fourth-quarter 2012 that also included 7 cents per share in impacts from Superstorm Sandy.

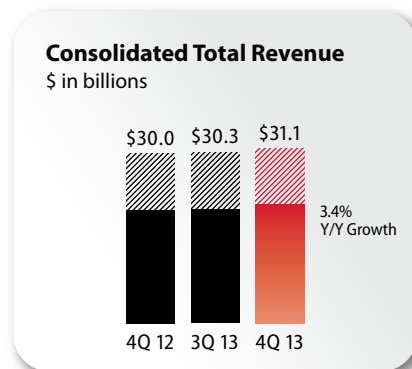
For the full year, Verizon reported \$4.00 in EPS in 2013, compared with 31 cents per share in 2012. On an adjusted basis (non-GAAP), Verizon reported \$2.84 in adjusted EPS in 2013, a 26.8 percent increase from \$2.24 in adjusted EPS in 2012.

Consolidated Results Highlighted by Revenue, Margin and Cash-Flow Growth

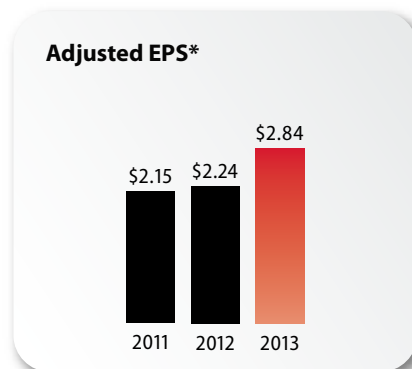
With revenue growth across all strategic areas — Verizon Wireless, FiOS and strategic enterprise services — Verizon generated total operating revenues of \$120.6 billion for full-year 2013, an increase of 4.1 percent, or \$4.7 billion, compared with 2012.

Consolidated Highlights

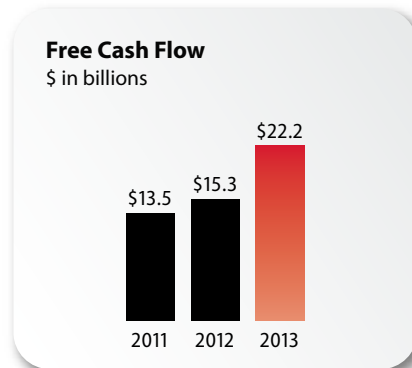
- > Total operating revenues in fourth-quarter 2013 were \$31.1 billion, a 3.4 percent increase compared with fourth-quarter 2012, with 84 percent of revenues generated by Verizon Wireless, FiOS and strategic enterprise services.
- > For full-year 2013, increased revenues and effective cost management resulted in operating income of \$32.0 billion. After adjusting for pension and benefit impacts and other non-operational items, this represented more than 21 percent growth in adjusted operating income (non-GAAP) compared with 2012.
- > Consolidated operating income margin was 26.5 percent for 2013, compared with 11.4 percent for 2012. Consolidated EBITDA margin (based on earnings before interest, taxes, depreciation and amortization) was 40.3 percent for 2013, compared with 25.6 percent for 2012. On an adjusted basis (non-GAAP), consolidated EBITDA margin increased 260 basis



Wireless Wireline



*Excludes non-operational items.



points in 2013 compared with 2012, to 34.9 percent. This was Verizon's highest adjusted full-year consolidated EBITDA margin (non-GAAP) in eight years.

> Cash flow from operating activities totaled \$38.8 billion in 2013, a 23.3 percent increase compared with 2012. Capital expenditures totaled \$16.6 billion in 2013, compared with \$16.2 billion in 2012. Verizon estimates investments in the range of \$16.5 billion to \$17 billion for capital expenditures in 2014, with a continued decrease in capital spending as a percentage of total revenues.

> Free cash flow (non-GAAP, cash flow from operations less capital expenditures) totaled \$22.2 billion in 2013, an increase of 45.1 percent, or \$6.9 billion, compared with 2012. From this \$22.2 billion, Verizon returned \$5.9 billion in dividends to shareholders, including a seventh consecutive year of a quarterly dividend increase.

> Verizon estimates its cash contributions in 2014 for pension funding requirements will be \$1.2 billion.

Verizon Wireless Delivers Strong Customer Additions, Revenue Growth and Profitability

In fourth-quarter 2013, Verizon Wireless delivered strong growth in retail net connections and service revenues, an increase in smartphone penetration, and continued low retail postpaid churn.

Wireless Financial Highlights

> Total revenues were \$21.1 billion in fourth-quarter 2013, up 5.7 percent year over year. Service revenues in the quarter totaled \$17.7 billion, up 8.0 percent year over year — marking the fifth consecutive quarter of at least 8 percent growth. Retail service revenues grew 7.5 percent year over year, to \$17.0 billion.

> For full-year 2013, total revenues were \$81.0 billion, up 6.8 percent over 2012, and service revenues were \$69.0 billion in 2013, up 8.3 percent year over year.

> Retail postpaid ARPA (average revenue per account) grew 7.1 percent over fourth-quarter 2012, to \$157.21 per month.

> In fourth-quarter 2013, wireless operating income margin was 29.5 percent, and segment EBITDA margin on service revenues (non-GAAP) was 47.0 percent, up 560 basis points from fourth-quarter 2012. For full-year 2013, operating income margin was 32.1 percent, up 340 basis points from 2012; segment EBITDA margin was 49.5 percent, up 290 basis points year over year.

Wireless Operational Highlights

> Verizon Wireless added 1.7 million retail net connections in the fourth quarter, including 1.6 million retail postpaid net connections. The company added 4.1 million net retail postpaid connections in 2013. These additions exclude acquisitions and adjustments.

> At the end of 2013, the company had 102.8 million retail connections, a 4.7 percent increase year over year — including 96.8 million retail postpaid connections.

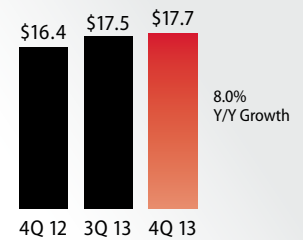
> Verizon Wireless had 35.1 million retail postpaid accounts at the end of the fourth quarter and an average of 2.8 connections per account, up 4.5 percent year over year.

> At year-end 2013, smartphones accounted for 70 percent of the Verizon Wireless retail postpaid customer phone base, up from 67 percent at the end of third-quarter 2013.

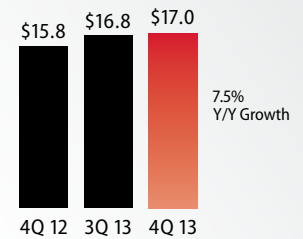
> Retail postpaid churn was 0.96 percent in fourth-quarter 2013, up 1 basis point year over year and down 1 basis point from third-quarter 2013. Total retail churn was 1.27 percent in fourth-quarter 2013, up 3 basis points year over year.

> Verizon Wireless has substantially completed deployment of its 4G LTE network, covering more than 99 percent of its current 3G network footprint. The Verizon Wireless 4G LTE network is now available to 97 percent of the U.S. population in more than 500 markets covering nearly 305 million people, including those in areas served by the company's LTE in Rural America partners.

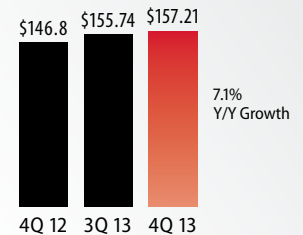
Wireless Service Revenue
\$ in billions



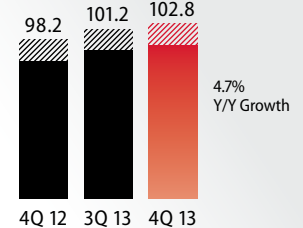
Wireless Retail Service Revenue
\$ in billions



Wireless Retail Postpaid ARPA



Wireless Retail Connections
millions



■ Retail Postpaid ▨ Retail Prepaid

> The company continued to enhance its 4G LTE smartphone lineup. In the fourth quarter, Verizon Wireless launched the Nokia Lumia 2520, the Samsung S4 mini and Galaxy III mini, the HTC One Max and the BlackBerry Z30. The company also launched the Verizon Ellipsis Jetpack and Verizon Ellipsis 7 Tablet, and the Delphi Connect with 4G LTE, which offers vehicle diagnostics as well as a mobile hotspot for up to five connected devices.

> In November, Verizon Wireless opened its first Destination Store at Mall of America in Minneapolis. The store, containing more than 9,000 square feet, features lifestyle zones that help customers discover the latest gadgets, devices and solutions.

Wireline Highlighted by Strong Consumer Revenue Growth

Verizon’s wireline segment reported continued strong results for consumer services, where year-over-year quarterly revenues now have grown by more than 4 percent for six consecutive quarters—a growth rate the company considers sustainable. In enterprise and wholesale markets, sales of global enterprise strategic services continued to increase and constitute a larger percentage of the revenue base.

Wireline Financial Highlights

> In fourth-quarter 2013, consumer revenues were \$3.8 billion, an increase of 6.4 percent compared with fourth-quarter 2012. Consumer ARPU for wireline services increased to \$117.06 in fourth-quarter 2013, up 10.8 percent compared with fourth-quarter 2012.

> Representing 73 percent of total consumer revenues, FiOS consumer revenues grew 14.9 percent, to nearly \$2.8 billion, in fourth-quarter 2013, compared with fourth-quarter 2012. Total FiOS revenues grew 15.6 percent over the same period.

> Wireline operating income margin was 1.0 percent for 2013, up from 0.2 percent for 2012. Segment EBITDA margin (non-GAAP) was 22.2 percent for 2013, flat compared with 22.1 percent when excluding storm impacts for 2012. Verizon expects the wireline segment EBITDA margin to increase in 2014.

> Sales of strategic services to global enterprise customers increased 2.3 percent compared with fourth-quarter 2012 and represented 59 percent of total enterprise revenues. Strategic services include cloud and data center services, security and IT solutions, advanced communications, strategic networking and telematics services.

Wireline Operational Highlights

> In fourth-quarter 2013, Verizon added 126,000 net new FiOS Internet connections and 92,000 net new FiOS Video connections. Verizon had a total of 6.1 million FiOS Internet and 5.3 million FiOS Video connections at year-end 2013, representing year-over-year increases of 11.9 percent and 11.3 percent, respectively.

> FiOS penetration (subscribers as a percentage of potential subscribers) continued to increase. FiOS Internet penetration was 39.5 percent at the end of fourth-quarter 2013, compared with 37.3 percent at the end of fourth-quarter 2012. In the same periods, FiOS Video penetration was 35.0 percent, compared with 33.3 percent. The FiOS network passed 18.6 million premises by year-end 2013.

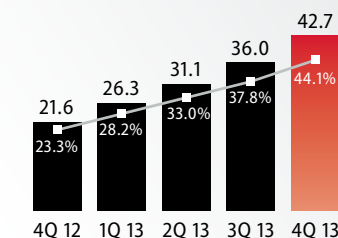
> By the end of fourth-quarter 2013, 46 percent of consumer FiOS Internet customers subscribed to FiOS Quantum, which provides speeds ranging from 50 to 500 megabits per second, up from 41 percent at the end of third-quarter 2013. In fourth-quarter 2013, 55 percent of consumer FiOS Internet sales were for speeds of at least 50 megabits per second.

> Broadband connections totaled more than 9.0 million at year-end 2013, a 2.5 percent year-over-year increase. Net broadband connections increased by 20,000 in fourth-quarter 2013, as FiOS Internet net additions more than offset a decline in DSL-based High Speed Internet connections.

> Verizon has been replacing high-maintenance portions of its residential copper network with fiber optics to provide enhanced services and to reduce ongoing repair costs. In 2013,

4G LTE Devices

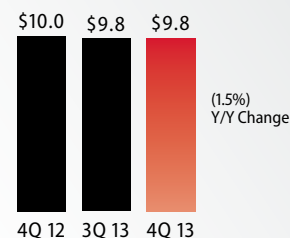
millions



□ Percent of Retail Postpaid Connections

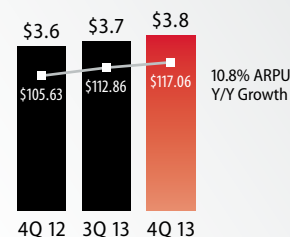
Wireline Total Revenue

\$ in billions



Wireline Consumer Revenue

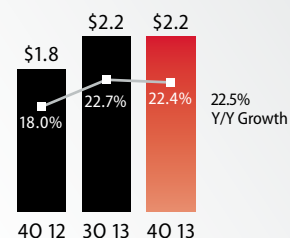
\$ in billions



□ Consumer ARPU

Wireline Segment EBITDA

\$ in billions



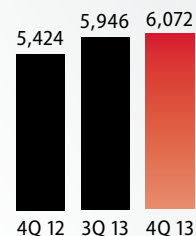
□ EBITDA Margin %

Verizon migrated 330,000 homes to fiber, exceeding the target of 300,000 migrations within FiOS markets. By year-end, Verizon had fewer than 1 million consumer customers served by copper in FiOS markets.

> Verizon Enterprise Solutions began deploying innovative cloud, security, M2M (machine-to-machine) and other wireline and wireless business technology solutions for a variety of new clients around the globe in the quarter, including Autonet, CME Group, FrieslandCampina, Hyundai, Tesco, U.S. Department of Treasury, Internal Revenue Service, U.S. Department of Veterans Affairs, U.S. Agency for International Development, Defense Information Systems Agency and U.S. Department of the Interior.

NOTE: See the accompanying schedules and www.verizon.com/investor for reconciliations to generally accepted accounting principles (GAAP) for non-GAAP financial measures cited in this document.

Total FiOS Internet Subscribers
thousands



Advertisement

This communication is deemed an advertisement for the purposes of the U.K. prospectus rules and is not a prospectus or a prospectus equivalent document. Any decision to subscribe for, purchase, otherwise acquire, sell or otherwise dispose of any Verizon Communications Inc. shares must be made only on the basis of the information contained in and incorporated by reference into the U.K. prospectus published by Verizon in connection with the proposed transaction with Vodafone Group Plc. Copies of the U.K. prospectus are available from Verizon’s registered offices and on Verizon’s website at www.verizon.com/investor/shareownersservices.

Forward-Looking Statements

In this communication we have made forward-looking statements. These statements are based on our estimates and assumptions and are subject to risks and uncertainties. Forward-looking statements include the information concerning our possible or assumed future results of operations. Forward-looking statements also include those preceded or followed by the words “anticipates,” “believes,” “estimates,” “hopes” or similar expressions. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors, along with those discussed in our filings with the Securities and Exchange Commission (the “SEC”), could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: the ability to realize the expected benefits of our proposed transaction with Vodafone in the timeframe expected or at all; the ability to complete the Vodafone transaction in the timeframe expected or at all and the costs that could be required to do so; failure to obtain applicable regulatory or shareholder approvals in connection with the Vodafone transaction in a timely manner or at all; failure to satisfy other closing conditions to the Vodafone transaction or events giving rise to termination of the transaction agreement; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations or adverse conditions in the credit markets affecting the cost, including interest rates, and/or availability of further financing; significantly increased levels of indebtedness as a result of the Vodafone transaction; changes in tax laws or treaties, or in their interpretation; adverse conditions in the U.S. and international economies; material adverse changes in labor matters, including labor negotiations, and any resulting financial and/or operational impact; material changes in technology or technology substitution; disruption of our key suppliers’ provisioning of products or services; changes in the regulatory environment in which we operate, including any increase in restrictions on our ability to operate our networks; breaches of net-work or information technology security, natural disasters, terrorist attacks or acts of war or significant litigation and any resulting financial impact not covered by insurance; the effects of competition in the markets in which we operate; changes in accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; significant increases in benefit plan costs or lower investment returns on plan assets; and the inability to implement our business strategies.

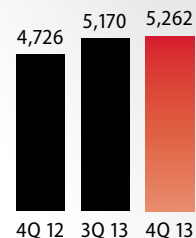
No Offer or Solicitation

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval nor shall there be any offer or sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, or pursuant to an exemption from the registration requirements thereof.

Additional Information and Where to Find It

Verizon Communications Inc. has filed with the SEC a registration statement on Form S-4 containing a prospectus with respect to the Verizon securities to be offered in the proposed transaction with Vodafone (the “prospectus”). Verizon also filed with the SEC a proxy statement with respect to the special meeting of the Verizon shareholders to be held in connection with the proposed transaction (the “proxy statement”). The registration statement on Form S-4 was declared effective by the SEC on December 10, 2013. Verizon mailed the prospectus to certain Vodafone shareholders and the proxy statement to Verizon shareholders on or about December 11, 2013. **VODAFONE SHAREHOLDERS ARE URGED TO READ CAREFULLY THE PROSPECTUS AND VERIZON SHAREHOLDERS ARE URGED TO READ CAREFULLY THE PROXY STATEMENT, EACH TOGETHER WITH OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC, IN THEIR ENTIRETY BECAUSE THEY CONTAIN OR WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION AND RELATED MATTERS.** Investors and shareholders can obtain free copies of the prospectus, the proxy statement and other documents filed with the SEC by the parties through the website maintained by the SEC at www.sec.gov. In addition, investors and shareholders can obtain free copies of the prospectus, the proxy statement and other documents filed with the SEC by Verizon by contacting Verizon’s Assistant Corporate Secretary, Verizon Communications Inc., 140 West Street, 29th Floor, New York, New York 10007. These materials are also available on Verizon’s website at www.verizon.com/investor.

Total FiOS Video Subscribers
thousands



Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

| Unaudited | 3 Mos. Ended 12/31/13 | 3 Mos. Ended 12/31/12 | % Change | 12 Mos. Ended 12/31/13 | 12 Mos. Ended 12/31/12 | % Change |
|---------------------------------------------------------------------------------------|--------------------------|--------------------------|----------|---------------------------|---------------------------|----------|
| Operating Revenues | \$ 31,065 | \$ 30,045 | 3.4 | \$ 120,550 | \$ 115,846 | 4.1 |
| Operating Expenses | | | | | | |
| Cost of services and sales | 11,962 | 13,069 | (8.5) | 44,887 | 46,275 | (3.0) |
| Selling, general and administrative expense | 2,857 | 16,008 | (82.2) | 27,089 | 39,951 | (32.2) |
| Depreciation and amortization expense | 4,183 | 4,137 | 1.1 | 16,606 | 16,460 | 0.9 |
| Total Operating Expenses | 19,002 | 33,214 | (42.8) | 88,582 | 102,686 | (13.7) |
| Operating Income (Loss) | 12,063 | (3,169) | * | 31,968 | 13,160 | * |
| Equity in earnings of unconsolidated businesses | 8 | 87 | (90.8) | 142 | 324 | (56.2) |
| Other income and (expense), net | (250) | (1,079) | (76.8) | (166) | (1,016) | (83.7) |
| Interest expense | (1,061) | (575) | 84.5 | (2,667) | (2,571) | 3.7 |
| Income (Loss) Before (Provision) Benefit for Income Taxes | 10,760 | (4,736) | * | 29,277 | 9,897 | * |
| (Provision) Benefit for income taxes | (2,844) | 2,810 | * | (5,730) | 660 | * |
| Net Income (Loss) | \$ 7,916 | \$ (1,926) | * | \$ 23,547 | \$ 10,557 | * |
| Net income attributable to noncontrolling interests | \$ 2,849 | \$ 2,303 | 23.7 | \$ 12,050 | \$ 9,682 | 24.5 |
| Net income (loss) attributable to Verizon | 5,067 | (4,229) | * | 11,497 | 875 | * |
| Net Income (Loss) | \$ 7,916 | \$ (1,926) | * | \$ 23,547 | \$ 10,557 | * |
| Basic Earnings (Loss) per Common Share | | | | | | |
| Net income (loss) attributable to Verizon | \$ 1.77 | \$ (1.48) | * | \$ 4.01 | \$.31 | * |
| <i>Weighted average number of common shares (in millions)</i> | 2,867 | 2,862 | | 2,866 | 2,853 | |
| Diluted Earnings (Loss) per Common Share⁽¹⁾ | | | | | | |
| Net income (loss) attributable to Verizon | \$ 1.76 | \$ (1.48) | * | \$ 4.00 | \$.31 | * |
| <i>Weighted average number of common shares — assuming dilution (in millions)</i> | 2,875 | 2,862 | | 2,874 | 2,862 | |

Footnotes:

(1) If there is a net loss, diluted EPS is the same as basic EPS. Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans.

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

* Not meaningful

Condensed Consolidated Balance Sheets

| Unaudited | 12/31/13 | 12/31/12 | (dollars in millions) | Change |
|------------------------------------------------------------------|-------------------|-------------------|-----------------------|---------------|
| Assets | | | \$ | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 53,528 | \$ 3,093 | \$ | 50,435 |
| Short-term investments | 601 | 470 | | 131 |
| Accounts receivable, net | 12,439 | 12,576 | | (137) |
| Inventories | 1,020 | 1,075 | | (55) |
| Prepaid expenses and other | 3,406 | 4,021 | | (615) |
| Total current assets | 70,994 | 21,235 | | 49,759 |
| Plant, property and equipment | 220,865 | 209,575 | | 11,290 |
| Less accumulated depreciation | 131,909 | 120,933 | | 10,976 |
| | 88,956 | 88,642 | | 314 |
| Investments in unconsolidated businesses | 3,432 | 3,401 | | 31 |
| Wireless licenses | 75,747 | 77,744 | | (1,997) |
| Goodwill | 24,634 | 24,139 | | 495 |
| Other intangible assets, net | 5,800 | 5,933 | | (133) |
| Other assets | 4,535 | 4,128 | | 407 |
| Total Assets | \$ 274,098 | \$ 225,222 | \$ | 48,876 |
| Liabilities and Equity | | | | |
| Current liabilities | | | | |
| Debt maturing within one year | \$ 3,933 | \$ 4,369 | \$ | (436) |
| Accounts payable and accrued liabilities | 16,453 | 16,182 | | 271 |
| Other | 6,664 | 6,405 | | 259 |
| Total current liabilities | 27,050 | 26,956 | | 94 |
| Long-term debt | 89,658 | 47,618 | | 42,040 |
| Employee benefit obligations | 27,682 | 34,346 | | (6,664) |
| Deferred income taxes | 28,639 | 24,677 | | 3,962 |
| Other liabilities | 5,653 | 6,092 | | (439) |
| Equity | | | | |
| Common stock | 297 | 297 | | — |
| Contributed capital | 37,939 | 37,990 | | (51) |
| Reinvested earnings (Accumulated deficit) | 1,782 | (3,734) | | 5,516 |
| Accumulated other comprehensive income | 2,358 | 2,235 | | 123 |
| Common stock in treasury, at cost | (3,961) | (4,071) | | 110 |
| Deferred compensation — employee stock ownership plans and other | 421 | 440 | | (19) |
| Noncontrolling interests | 56,580 | 52,376 | | 4,204 |
| Total equity | 95,416 | 85,533 | | 9,883 |
| Total Liabilities and Equity | \$ 274,098 | \$ 225,222 | \$ | 48,876 |

Verizon — Selected Financial and Operating Statistics

| Unaudited | 12/31/13 | 12/31/12 |
|-------------------------------------------------------|-----------|-----------|
| Total debt (in millions) | \$ 93,591 | \$ 51,987 |
| Net debt (in millions) | \$ 40,063 | \$ 48,894 |
| Net debt / Adjusted EBITDA ⁽¹⁾ | 1.0x | 1.3x |
| Common shares outstanding end of period (in millions) | 2,862 | 2,859 |
| Total employees | 176,800 | 183,400 |
| Quarterly cash dividends declared per common share | \$ 0.530 | \$ 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 | 12 Mos. Ended 12/31/13 | 12 Mos. Ended 12/31/12 | \$ Change |
|------------------------------------------------------------------------------------------------------|---------------------------|---------------------------|-----------|
| Cash Flows From Operating Activities | | | |
| Net Income | \$ 23,547 | \$ 10,557 | \$ 12,990 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization expense | 16,606 | 16,460 | 146 |
| Employee retirement benefits | (5,052) | 8,198 | (13,250) |
| Deferred income taxes | 5,785 | (952) | 6,737 |
| Provision for uncollectible accounts | 993 | 972 | 21 |
| Equity in earnings of unconsolidated businesses, net of dividends received | (102) | 77 | (179) |
| Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses | (5) | (403) | 398 |
| Other, net | (2,954) | (3,423) | 469 |
| Net cash provided by operating activities | 38,818 | 31,486 | 7,332 |
| Cash Flows From Investing Activities | | | |
| Capital expenditures (including capitalized software) | (16,604) | (16,175) | (429) |
| Acquisitions of investments and businesses, net of cash acquired | (494) | (913) | 419 |
| Acquisitions of wireless licenses | (580) | (3,935) | 3,355 |
| Proceeds from dispositions of wireless licenses | 2,111 | — | 2,111 |
| Net change in short-term investments | 63 | 27 | 36 |
| Other, net | 671 | 494 | 177 |
| Net cash used in investing activities | (14,833) | (20,502) | 5,669 |
| Cash Flows From Financing Activities | | | |
| Proceeds from long-term borrowings | 49,166 | 4,489 | 44,677 |
| Repayments of long-term borrowings and capital lease obligations | (8,163) | (6,403) | (1,760) |
| Decrease in short-term obligations, excluding current maturities | (142) | (1,437) | 1,295 |
| Dividends paid | (5,936) | (5,230) | (706) |
| Proceeds from sale of common stock | 85 | 315 | (230) |
| Purchase of common stock for treasury | (153) | — | (153) |
| Special distribution to noncontrolling interests | (3,150) | (8,325) | 5,175 |
| Other, net | (5,257) | (4,662) | (595) |
| Net cash provided by (used in) financing activities | 26,450 | (21,253) | 47,703 |
| Increase (decrease) in cash and cash equivalents | 50,435 | (10,269) | 60,704 |
| Cash and cash equivalents, beginning of period | 3,093 | 13,362 | (10,269) |
| Cash and cash equivalents, end of period | \$ 53,528 | \$ 3,093 | \$ 50,435 |

Verizon Wireless — Selected Financial Results

(dollars in millions)

| Unaudited | 3 Mos. Ended 12/31/13 | 3 Mos. Ended 12/31/12 | % Change | 12 Mos. Ended 12/31/13 | 12 Mos. Ended 12/31/12 | % Change |
|---------------------------------------------|--------------------------|--------------------------|--------------|---------------------------|---------------------------|-------------|
| Operating Revenues | | | | | | |
| Retail service | \$ 16,967 | \$ 15,786 | 7.5 | \$ 66,334 | \$ 61,440 | 8.0 |
| Other service | 744 | 607 | 22.6 | 2,699 | 2,293 | 17.7 |
| Service | 17,711 | 16,393 | 8.0 | 69,033 | 63,733 | 8.3 |
| Equipment | 2,421 | 2,559 | (5.4) | 8,111 | 8,023 | 1.1 |
| Other | 993 | 1,042 | (4.7) | 3,879 | 4,112 | (5.7) |
| Total Operating Revenues | 21,125 | 19,994 | 5.7 | 81,023 | 75,868 | 6.8 |
| Operating Expenses | | | | | | |
| Cost of services and sales | 6,546 | 7,332 | (10.7) | 23,648 | 24,490 | (3.4) |
| Selling, general and administrative expense | 6,261 | 5,877 | 6.5 | 23,176 | 21,650 | 7.0 |
| Depreciation and amortization expense | 2,089 | 1,994 | 4.8 | 8,202 | 7,960 | 3.0 |
| Total Operating Expenses | 14,896 | 15,203 | (2.0) | 55,026 | 54,100 | 1.7 |
| Operating Income | \$ 6,229 | \$ 4,791 | 30.0 | \$ 25,997 | \$ 21,768 | 19.4 |
| Operating Income Margin | 29.5% | 24.0% | | 32.1% | 28.7% | |
| Segment EBITDA | \$ 8,318 | \$ 6,785 | 22.6 | \$ 34,199 | \$ 29,728 | 15.0 |
| Segment EBITDA Service Margin | 47.0% | 41.4% | | 49.5% | 46.6% | |

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.

Verizon Wireless — Selected Operating Statistics

| Unaudited | 12/31/13 | 12/31/12 | % Change |
|---------------------------|----------|----------|----------|
| Connections ('000) | | | |
| Retail postpaid | 96,752 | 92,530 | 4.6 |
| Retail prepaid | 6,047 | 5,700 | 6.1 |
| Retail | 102,799 | 98,230 | 4.7 |

| Unaudited | 3 Mos. Ended 12/31/13 | 3 Mos. Ended 12/31/12 | % Change | 12 Mos. Ended 12/31/13 | 12 Mos. Ended 12/31/12 | % Change |
|--------------------------------------------------------|--------------------------|--------------------------|----------|---------------------------|---------------------------|----------|
| Net Add Detail ('000)⁽¹⁾ | | | | | | |
| Retail postpaid | 1,573 | 2,100 | (25.1) | 4,118 | 5,024 | (18.0) |
| Retail prepaid | 80 | 142 | (43.7) | 354 | 893 | (60.4) |
| Retail | 1,653 | 2,242 | (26.3) | 4,472 | 5,917 | (24.4) |
| Account Statistics | | | | | | |
| Retail Postpaid Accounts ('000) ⁽²⁾ | | | | 35,083 | 35,057 | 0.1 |
| Retail postpaid ARPA | \$ 157.21 | \$ 146.80 | 7.1 | \$ 153.93 | \$ 144.04 | 6.9 |
| Retail postpaid connections per account ⁽²⁾ | | | | 2.76 | 2.64 | 4.5 |
| Churn Detail | | | | | | |
| Retail postpaid | 0.96% | 0.95% | | 0.97% | 0.91% | |
| Retail | 1.27% | 1.24% | | 1.27% | 1.19% | |
| Retail Postpaid Connection Statistics | | | | | | |
| Total Smartphone postpaid % of phones activated | 88.9% | 85.4% | | 85.7% | 77.1% | |
| Total Smartphone postpaid phone base ⁽²⁾ | | | | 70.0% | 58.1% | |
| Total Internet postpaid base ⁽²⁾ | | | | 10.7% | 9.3% | |
| Other Operating Statistics | | | | | | |
| Capital expenditures (in millions) | \$ 2,705 | \$ 2,791 | (3.1) | \$ 9,425 | \$ 8,857 | 6.4 |

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 12/31/13 | 3 Mos. Ended 12/31/12 | % Change | 12 Mos. Ended 12/31/13 | 12 Mos. Ended 12/31/12 | % Change |
|---------------------------------------------|--------------------------|--------------------------|--------------|---------------------------|---------------------------|--------------|
| Operating Revenues | | | | | | |
| Consumer retail | \$ 3,796 | \$ 3,569 | 6.4 | \$ 14,737 | \$ 14,043 | 4.9 |
| Small business | 642 | 660 | (2.7) | 2,591 | 2,659 | (2.6) |
| Mass Markets | 4,438 | 4,229 | 4.9 | 17,328 | 16,702 | 3.7 |
| Strategic services | 2,139 | 2,090 | 2.3 | 8,420 | 8,052 | 4.6 |
| Core | 1,507 | 1,756 | (14.2) | 6,283 | 7,247 | (13.3) |
| Global Enterprise | 3,646 | 3,846 | (5.2) | 14,703 | 15,299 | (3.9) |
| Global Wholesale | 1,632 | 1,770 | (7.8) | 6,714 | 7,240 | (7.3) |
| Other | 129 | 145 | (11.0) | 478 | 539 | (11.3) |
| Total Operating Revenues | 9,845 | 9,990 | (1.5) | 39,223 | 39,780 | (1.4) |
| Operating Expenses | | | | | | |
| Cost of services and sales | 5,581 | 5,878 | (5.1) | 21,928 | 22,413 | (2.2) |
| Selling, general and administrative expense | 2,060 | 2,313 | (10.9) | 8,595 | 8,883 | (3.2) |
| Depreciation and amortization expense | 2,073 | 2,125 | (2.4) | 8,327 | 8,424 | (1.2) |
| Total Operating Expenses | 9,714 | 10,316 | (5.8) | 38,850 | 39,720 | (2.2) |
| Operating Income (Loss) | \$ 131 | \$ (326) | * | \$ 373 | \$ 60 | * |
| Operating Income Margin | 1.3% | (3.3)% | | 1.0% | 0.2% | |
| Segment EBITDA | \$ 2,204 | \$ 1,799 | 22.5 | \$ 8,700 | \$ 8,484 | 2.5 |
| Segment EBITDA Margin | 22.4% | 18.0% | | 22.2% | 21.3% | |

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.

* Not meaningful

Wireline — Selected Operating Statistics

| Unaudited | 12/31/13 | 12/31/12 | % Change |
|-----------------------------------------------|----------|----------|----------|
| Connections ('000) | | | |
| FiOS Video Subscribers | 5,262 | 4,726 | 11.3 |
| FiOS Internet Subscribers | 6,072 | 5,424 | 11.9 |
| FiOS Digital Voice residence connections | 4,248 | 3,227 | 31.6 |
| FiOS Digital connections | 15,582 | 13,377 | 16.5 |
| HSI | 2,943 | 3,371 | (12.7) |
| Total Broadband connections | 9,015 | 8,795 | 2.5 |
| Primary residence switched access connections | 6,481 | 7,982 | (18.8) |
| Primary residence connections | 10,729 | 11,209 | (4.3) |
| Total retail residence voice connections | 11,229 | 11,849 | (5.2) |
| Total voice connections | 21,085 | 22,503 | (6.3) |

| Unaudited | 3 Mos. Ended 12/31/13 | 3 Mos. Ended 12/31/12 | % Change | 12 Mos. Ended 12/31/13 | 12 Mos. Ended 12/31/12 | % Change |
|--------------------------------------------------------|--------------------------|--------------------------|----------|---------------------------|---------------------------|----------|
| Net Add Detail ('000) | | | | | | |
| FiOS Video Subscribers | 92 | 134 | (31.3) | 536 | 553 | (3.1) |
| FiOS Internet Subscribers | 126 | 144 | (12.5) | 648 | 607 | 6.8 |
| FiOS Digital Voice residence connections | 179 | 289 | (38.1) | 1,021 | 1,343 | (24.0) |
| FiOS Digital connections | 397 | 567 | (30.0) | 2,205 | 2,503 | (11.9) |
| HSI | (106) | (117) | (9.4) | (428) | (482) | (11.2) |
| Total Broadband connections | 20 | 27 | (25.9) | 220 | 125 | 76.0 |
| Primary residence switched access connections | (340) | (402) | (15.4) | (1,501) | (1,924) | (22.0) |
| Primary residence connections | (161) | (113) | 42.5 | (480) | (581) | (17.4) |
| Total retail residence voice connections | (192) | (156) | 23.1 | (620) | (777) | (20.2) |
| Total voice connections | (372) | (344) | 8.1 | (1,418) | (1,634) | (13.2) |
| Revenue and ARPU Statistics | | | | | | |
| Consumer ARPU | \$ 117.06 | \$ 105.63 | 10.8 | \$ 111.96 | \$ 101.77 | 10.0 |
| FiOS revenues (in millions) | \$ 2,965 | \$ 2,565 | 15.6 | \$ 11,152 | \$ 9,722 | 14.7 |
| Strategic services as a % of total Enterprise revenues | 58.7% | 54.3% | | 57.3% | 52.6% | |
| Other Operating Statistics | | | | | | |
| Capital expenditures (in millions) | \$ 1,762 | \$ 1,725 | 2.1 | \$ 6,229 | \$ 6,342 | (1.8) |
| Wireline employees ('000) | | | | 81.9 | 86.4 | |
| FiOS Video Open for Sale ('000) | | | | 15,022 | 14,200 | |
| FiOS Video penetration | | | | 35.0% | 33.3% | |
| FiOS Internet Open for Sale ('000) | | | | 15,368 | 14,528 | |
| FiOS Internet penetration | | | | 39.5% | 37.3% | |

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.

4Q News Items

Verizon Digital Media Services Acquires upLynk Assets and Operations for Expanded Video Streaming Capabilities

Nov 13, 2013 Continuing to expand its capabilities to efficiently and quickly deliver live events, linear television and video on demand, Verizon Digital Media Services has acquired the assets and operations of upLynk, a leading technology and television cloud company.

The exclusive technology of upLynk simplifies the complex issues content owners face by streamlining the process of uploading and encoding TV Everywhere for live, linear and video on-demand content.

With this acquisition of upLynk's assets and operations, Digital Media Services customers can take advantage of increased speed to market, simplified workflows and access to a highly efficient and data-rich broadcast cloud technology that leverages Verizon's video platform and global network.

Verizon Earns Frost & Sullivan's 2013 North American Market Share Leadership Award for Managed Security Services

Dec 9, 2013 Frost & Sullivan has awarded the 2013 Market Share Leadership Award for Managed Security Services to Verizon Enterprise Solutions. This award is presented to the managed security services provider that has demonstrated excellence in capturing market share within its industry and providing leading solutions capabilities.

This year's award recognizes Verizon's accelerated leadership in linking threat, risk and compliance for clients. According to the report's findings, "Verizon's resources and experience have put the company in a commanding position to collect and analyze behaviors and indicators associated with potential incidents and to develop threat indicator patterns across this broad set of data."

Verizon Receives FCC Approvals Needed for Acquisition of Verizon Wireless

Dec 4, 2013 Verizon Communications Inc. (NYSE, Nasdaq: VZ) announced that it has received the approvals needed from the Federal Communications Commission to acquire Vodafone's U.S. group with the principal asset of 45 percent of Verizon Wireless.

Specifically, the FCC approved Verizon's foreign ownership petition should post-closing foreign ownership of Verizon exceed 25 percent, and entered its consent to certain pro forma license transfers.

The transaction remains subject to customary closing conditions, including the approval of both companies' shareholders.

Verizon Communications Declares Quarterly Dividend

Dec 5, 2013 The Board of Directors of Verizon Communications Inc. (NYSE, Nasdaq: VZ) declared a quarterly dividend of 53 cents per outstanding share, unchanged from the previous quarter. The dividend is payable on Feb. 3, 2014, to Verizon Communications shareowners of record at the close of business on Jan. 10, 2014.

Verizon Wireless Celebrates Three Years (and Counting) of 4G LTE

Dec 5, 2013 Verizon Wireless celebrates the three-year anniversary of the launch of 4G LTE technology. On this date in 2010, customers in 39 markets across the U.S. became the first to experience that game-changer in mobile technology.

Fast forward three years, and Verizon Wireless now has more than 500 markets covering more than 303 million people in 50 states, or 95 percent of the U.S. population. With the most reliable 4G LTE network, the largest footprint, and deployment of its Advanced Wireless Services (AWS) spectrum now adding capacity nationwide, the company is ahead of the competition in terms of quality, coverage and technology.

Verizon Plans to Acquire EdgeCast Networks

Dec 9, 2013 Driving to deepen and enhance its video delivery and web services capabilities, Verizon announced an agreement under which the company will acquire EdgeCast, an industry leader in content delivery networks.

Verizon Digital Media Services ("VDMS") will integrate EdgeCast complementary capabilities to further improve and increase its ability to meet the exponential growth in online digital media content, as well as broaden its portfolio of site acceleration services for digital enterprises.

"EdgeCast's industry-leading technology and strategically placed assets, combined with VDMS' video solutions, improves our ability to deliver the rich, reliable and quality digital media services that our customers have come to expect", said Bob Toohey, president of VDMS.

Verizon Wireless Announces Spectrum License Transactions

Jan 6, 2014 Verizon Wireless has signed agreements to transfer its 700 MHz A Block spectrum licenses to T-Mobile USA in exchange for cash and spectrum licenses in the AWS and PCS bands which Verizon Wireless will use to add capacity to its 4G LTE network, the largest in the nation. The transactions are subject to approval by the FCC as well as review under the Hart Scott Rodino Act, and are expected to close in the first half of 2014.

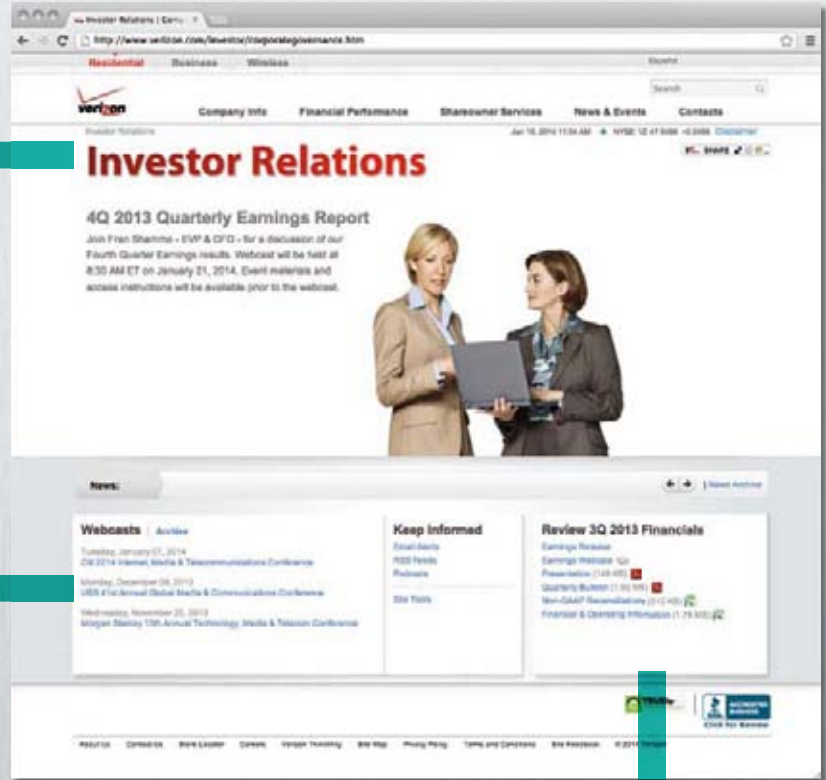
Under one agreement, Verizon Wireless will transfer 15 lower 700 MHz A Block licenses to T-Mobile in exchange for a payment of \$2.365 billion. Under a second agreement, Verizon Wireless will transfer eight additional lower 700 MHz A Block licenses in exchange for the transfer by T-Mobile to Verizon Wireless of various AWS and PCS licenses in the major markets of Los Angeles, San Francisco, Dallas, Atlanta and Detroit as well as other markets.








Investor Relations

4Q 2013 Quarterly Earnings Report

Join Fran Shammo — EVP & CFO — for a discussion of our Fourth Quarter Earnings results. Webcast will be held at 8:30 AM ET on January 21, 2014. Event materials and access instructions will be available prior to the webcast.



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| <p>Webcasts Archive</p> <p>Tuesday, January 07, 2014 Citi 2014 Internet, Media & Telecommunications Conference</p> <p>Monday, December 09, 2013 UBS 41st Annual Global Media & Communications Conference</p> <p>Wednesday, November 20, 2013 Morgan Stanley 13th Annual Technology, Media & Telecom Conference</p> | <p>Keep Informed</p> <p>Email Alerts RSS Feeds Podcasts</p> <hr/> <p>Site Tools</p> | <p>Review 3Q 2013 Financials</p> <p>Earnings Release Earnings Webcast  Presentation (148 KB)  Quarterly Bulletin (1.90 MB)  Non-GAAP Reconciliations (512 KB)  Financial & Operating Information (1.78 MB) </p> |
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