

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/14	3 Mos. Ended 3/31/13	% Change
Operating Revenues	\$ 30,818	\$ 29,420	4.8
Operating Expenses			
Cost of services and sales	11,189	10,932	2.4
Selling, general and administrative expense	8,332	8,148	2.3
Depreciation and amortization expense	4,137	4,118	0.5
Total Operating Expenses	<u>23,658</u>	<u>23,198</u>	2.0
Operating Income	7,160	6,222	15.1
Equity in earnings of unconsolidated businesses	1,902	(5)	*
Other income and (expense), net	(894)	39	*
Interest expense	(1,214)	(537)	*
Income Before Provision for Income Taxes	6,954	5,719	21.6
Provision for income taxes	(968)	(864)	12.0
Net Income	<u>\$ 5,986</u>	<u>\$ 4,855</u>	23.3
Net income attributable to noncontrolling interests	\$ 2,039	2,903	(29.8)
Net income attributable to Verizon	3,947	1,952	*
Net Income	<u>\$ 5,986</u>	<u>\$ 4,855</u>	23.3
Basic Earnings per Common Share			
Net income attributable to Verizon	\$ 1.15	\$.68	69.1
<i>Weighted average number of common shares (in millions)</i>	3,425	2,866	
Diluted Earnings per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$ 1.15	\$.68	69.1
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	3,430	2,872	

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	3/31/14	12/31/13	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 2,907	\$ 53,528	\$ (50,621)
Short-term investments	637	601	36
Accounts receivable, net	12,131	12,439	(308)
Inventories	881	1,020	(139)
Prepaid expenses and other	6,716	3,406	3,310
Total current assets	23,272	70,994	(47,722)
Plant, property and equipment	223,841	220,865	2,976
Less accumulated depreciation	134,785	131,909	2,876
	89,056	88,956	100
Investments in unconsolidated businesses	889	3,432	(2,543)
Wireless licenses	72,713	75,747	(3,034)
Goodwill	24,647	24,634	13
Other intangible assets, net	5,839	5,800	39
Other assets	5,146	4,535	611
Total Assets	\$ 221,562	\$ 274,098	\$ (52,536)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 2,152	\$ 3,933	\$ (1,781)
Accounts payable and accrued liabilities	14,984	16,453	(1,469)
Other	8,217	6,664	1,553
Total current liabilities	25,353	27,050	(1,697)
Long-term debt	107,617	89,658	17,959
Employee benefit obligations	26,977	27,682	(705)
Deferred income taxes	41,597	28,639	12,958
Other liabilities	6,167	5,653	514
Equity			
Common stock	424	297	127
Contributed capital	10,976	37,939	(26,963)
Reinvested earnings	3,534	1,782	1,752
Accumulated other comprehensive income	1,290	2,358	(1,068)
Common stock in treasury, at cost	(3,794)	(3,961)	167
Deferred compensation - employee stock ownership plans and other	281	421	(140)
Noncontrolling interests	1,140	56,580	(55,440)
Total equity	13,851	95,416	(81,565)
Total Liabilities and Equity	\$ 221,562	\$ 274,098	\$ (52,536)

Verizon - Selected Financial and Operating Statistics

Unaudited	3/31/14	12/31/13
Total debt (in millions)	\$ 109,769	\$ 93,591
Net debt (in millions)	\$ 106,862	\$ 40,063
Net debt / Adjusted EBITDA ⁽¹⁾	2.5x	1.0x
Common shares outstanding end of period (in millions)	4,141	2,862
Total employees	176,900	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	3 Mos. Ended 3/31/14	3 Mos. Ended 3/31/13	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 5,986	\$ 4,855	\$ 1,131
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	4,137	4,118	19
Employee retirement benefits	281	295	(14)
Deferred income taxes	(155)	878	(1,033)
Provision for uncollectible accounts	231	260	(29)
Equity in earnings of unconsolidated businesses, net of dividends received	(1,894)	14	(1,908)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,626)	(1,491)	(135)
Other, net	179	(1,398)	1,577
Net cash provided by operating activities	7,139	7,531	(392)
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(4,150)	(3,602)	(548)
Acquisitions of investments and businesses, net of cash acquired	(157)	(21)	(136)
Acquisitions of wireless licenses, net	(213)	(117)	(96)
Other, net	(11)	141	(152)
Net cash used in investing activities	(4,531)	(3,599)	(932)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	16,952	500	16,452
Repayments of long-term borrowings and capital lease obligations	(7,951)	(73)	(7,878)
Increase in short-term obligations, excluding current maturities	252	581	(329)
Dividends paid	(1,517)	(1,472)	(45)
Proceeds from sale of common stock	34	56	(22)
Purchase of common stock for treasury	-	(153)	153
Acquisition of noncontrolling interest	(58,886)	-	(58,886)
Other, net	(2,113)	(989)	(1,124)
Net cash used in financing activities	(53,229)	(1,550)	(51,679)
Increase (decrease) in cash and cash equivalents	(50,621)	2,382	(53,003)
Cash and cash equivalents, beginning of period	53,528	3,093	50,435
Cash and cash equivalents, end of period	\$ 2,907	\$ 5,475	\$ (2,568)

Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/14	3 Mos. Ended 3/31/13	% Change
Operating Revenues			
Retail service	\$ 17,246	\$ 16,169	6.7
Other service	741	559	32.6
Service	17,987	16,728	7.5
Equipment	1,870	1,813	3.1
Other	1,022	982	4.1
Total Operating Revenues	20,879	19,523	6.9
Operating Expenses			
Cost of services and sales	5,856	5,651	3.6
Selling, general and administrative expense	5,644	5,448	3.6
Depreciation and amortization expense	2,061	2,006	2.7
Total Operating Expenses	13,561	13,105	3.5
Operating Income	\$ 7,318	\$ 6,418	14.0
Operating Income Margin	35.0%	32.9%	
Segment EBITDA	\$ 9,379	\$ 8,424	11.3
Segment EBITDA Service Margin	52.1%	50.4%	

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.

Wireless – Selected Operating Statistics

Unaudited	3/31/14	3/31/13	% Change
Connections ('000)			
Retail postpaid	97,273	93,186	4.4
Retail prepaid	6,057	5,744	5.4
Retail	103,330	98,930	4.4

Unaudited	3 Mos. Ended 3/31/14	3 Mos. Ended 3/31/13	% Change
Net Add Detail ('000)⁽¹⁾			
Retail postpaid	539	677	(20.4)
Retail prepaid	10	43	(76.7)
Retail	549	720	(23.8)

Account Statistics			
Retail Postpaid Accounts ('000) ⁽²⁾	35,061	34,943	0.3
Retail postpaid ARPA	\$ 159.67	\$ 150.27	6.3
Retail postpaid connections per account ⁽²⁾	2.77	2.67	3.7

Churn Detail		
Retail postpaid	1.07%	1.01%
Retail	1.37%	1.30%

Retail Postpaid Connection Statistics		
Total Smartphone postpaid % of phones activated	90.1%	84.3%
Total Smartphone postpaid phone base ⁽²⁾	72.3%	61.4%
Total Internet postpaid base ⁽²⁾	11.3%	9.6%

Other Operating Statistics			
Capital expenditures (in millions)	\$ 2,554	\$ 1,992	28.2

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 3/31/14	3 Mos. Ended 3/31/13	% Change
Operating Revenues			
Consumer retail	\$ 3,840	\$ 3,616	6.2
Small business	624	638	(2.2)
Mass Markets	4,464	4,254	4.9
Strategic services	2,110	2,073	1.8
Core	1,496	1,697	(11.8)
Global Enterprise	3,606	3,770	(4.4)
Global Wholesale	1,591	1,699	(6.4)
Other	129	107	20.6
Total Operating Revenues	9,790	9,830	(0.4)
Operating Expenses			
Cost of services and sales	5,459	5,457	-
Selling, general and administrative expense	2,151	2,265	(5.0)
Depreciation and amortization expense	2,033	2,095	(3.0)
Total Operating Expenses	9,643	9,817	(1.8)
Operating Income	\$ 147	\$ 13	*
Operating Income Margin	1.5%	0.1%	
Segment EBITDA	\$ 2,180	\$ 2,108	3.4
Segment EBITDA Margin	22.3%	21.4%	

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	3/31/14	3/31/13	% Change
Connections ('000)			
FiOS Video Subscribers	5,319	4,895	8.7
FiOS Internet Subscribers	6,170	5,612	9.9
FiOS Digital Voice residence connections	4,350	3,531	23.2
FiOS Digital connections	15,839	14,038	12.8
HSI	2,861	3,282	(12.8)
Total Broadband connections	9,031	8,894	1.5
Primary residence switched access connections	6,224	7,593	(18.0)
Primary residence connections	10,574	11,124	(4.9)
Total retail residence voice connections	11,048	11,725	(5.8)
Total voice connections	20,733	22,191	(6.6)

Unaudited	3 Mos. Ended 3/31/14	3 Mos. Ended 3/31/13	% Change
Net Add Detail ('000)			
FiOS Video Subscribers	57	169	(66.3)
FiOS Internet Subscribers	98	188	(47.9)
FiOS Digital Voice residence connections	102	304	(66.4)
FiOS Digital connections	257	661	(61.1)
HSI	(82)	(89)	(7.9)
Total Broadband connections	16	99	(83.8)
Primary residence switched access connections	(257)	(389)	(33.9)
Primary residence connections	(155)	(85)	82.4
Total retail residence voice connections	(181)	(124)	46.0
Total voice connections	(352)	(312)	12.8

Revenue and ARPU Statistics

Consumer ARPU	\$ 120.17	\$ 107.95	11.3
FiOS revenues (in millions)	\$ 3,041	\$ 2,633	15.5
Strategic services as a % of total Enterprise revenues	58.5%	55.0%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,385	\$ 1,434	(3.4)
Wireline employees ('000)	80.9	85.2	
FiOS Video Open for Sale ('000)	15,184	14,374	
FiOS Video penetration	35.0%	34.1%	
FiOS Internet Open for Sale ('000)	15,530	14,703	
FiOS Internet penetration	39.7%	38.2%	

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.

Reconciliations - Consolidated Verizon

Unaudited	(dollars in millions)	
	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/14
Consolidated Operating Revenues	\$ 29,420	\$ 30,818

Adjusted EBITDA

Unaudited	(dollars in millions)							
	3 Mos. Ended 6/30/12	3 Mos. Ended 9/30/12	3 Mos. Ended 12/31/12	3 Mos. Ended 3/31/13	3 Mos. Ended 6/30/13	3 Mos. Ended 9/30/13	3 Mos. Ended 12/31/13	3 Mos. Ended 3/31/14
Verizon Consolidated EBITDA								
Consolidated net income (loss)	\$ 4,285	\$ 4,292	\$ (1,926)	\$ 4,855	\$ 5,198	\$ 5,578	\$ 7,916	\$ 5,986
Add / (Subtract):								
Provision (benefit) for income taxes	793	631	(2,810)	864	988	1,034	2,844	968
Interest expense	679	632	575	537	514	555	1,061	1,214
Other (income) and expense, net	(34)	(10)	1,079	(39)	(25)	(20)	250	894
Equity in earnings of unconsolidated businesses	(72)	(62)	(87)	5	(120)	(19)	(8)	(1,902)
Operating income (loss)	5,651	5,483	(3,169)	6,222	6,555	7,128	12,063	7,160
Add Depreciation and amortization expense	4,128	4,167	4,137	4,118	4,151	4,154	4,183	4,137
Consolidated EBITDA	\$ 9,779	\$ 9,650	\$ 968	\$ 10,340	\$ 10,706	\$ 11,282	\$ 16,246	\$ 11,297
Other Items (Before Tax)								
Severance, Pension, and Benefit Charges (Credits)	-	-	7,186	-	(237)	-	(5,995)	-
Gain on Spectrum License Transactions	-	-	-	-	-	(278)	-	-
Litigation Settlements	-	384	-	-	-	-	-	-
Other Non-Operational Costs	-	-	276	-	-	-	-	-
	-	384	7,462	-	(237)	(278)	(5,995)	-
Consolidated Adjusted EBITDA	\$ 9,779	\$ 10,034	\$ 8,430	\$ 10,340	\$ 10,469	\$ 11,004	\$ 10,251	\$ 11,297
Consolidated Operating Income Margin				21.1%				23.2%
Consolidated EBITDA Margin				35.1%				36.7%

Net Debt to Adjusted EBITDA Ratio

Unaudited	(dollars in millions)		
	3/31/13	12/31/13	3/31/14
Verizon Net Debt			
Debt maturing within one year	\$ 10,888	\$ 3,933	\$ 2,152
Long-term debt	41,993	89,658	107,617
Total Debt	52,881	93,591	109,769
Less Cash and cash equivalents	5,475	53,528	2,907
Net Debt	\$ 47,406	\$ 40,063	\$ 106,862
Net Debt to Adjusted EBITDA Ratio	1.2x	1.0x	2.5x

Free Cash Flow

Unaudited	(dollars in millions)		
	3 Mos. Ended 3/31/13	3 Mos. Ended 3/31/14	\$ Change
Net cash provided by operating activities	\$ 7,531	\$ 7,139	
Less Capital expenditures	3,602	4,150	
Free Cash Flow	\$ 3,929	\$ 2,989	
Less free cash flow attributable to noncontrolling interest	2,404	-	
Illustrative Free Cash Flow Attributable to Verizon	\$ 1,525	\$ 2,989	\$ 1,464

Reconciliations - Consolidated Verizon

Adjusted and Illustrative Net Income - Verizon

(dollars in millions)

3 Mos. Ended

Unaudited

3/31/14

Reported Net Income attributable to Verizon	\$	3,947
Wireless transaction costs		260
Early debt redemption costs		575
Gain on sale of Omnitel interest		(1,888)
Adjusted Net Income		<u>2,894</u>
Income from Vodafone noncontrolling interest		1,183
Wireless transaction costs		(267)
Elimination of Omnitel equity income		(24)
Illustrative Net Income	\$	<u>3,786</u>

Adjusted and Illustrative EPS

3 Mos. Ended

3 Mos. Ended

3 Mos. Ended

Unaudited

3/31/13

12/31/13

3/31/14

Earnings Per Common Share, Reported	\$	0.68	\$	1.76	\$	1.15
Severance, pension and benefit credits		-		(1.29)		-
Early debt redemption costs		-		-		0.17
Wireless transaction costs		-		0.19		0.08
Gain on sale of Omnitel interest		-		-		(0.55)
Adjusted EPS	\$	<u>0.68</u>	\$	<u>0.66</u>	\$	<u>0.84</u>
Income from Vodafone noncontrolling interest						0.29
Wireless transaction costs						(0.06)
Elimination of Omnitel equity income						(0.01)
Dilutive effect of share issuance						(0.14)
Illustrative EPS	\$					<u>0.91</u>

Note: EPS may not add due to rounding.

Reconciliations - Segments

Wireless

Unaudited	(dollars in millions)		
	3 Mos. Ended 3/31/13	3 Mos. Ended 12/31/13	3 Mos. Ended 3/31/14
Wireless Segment EBITDA			
Operating income	\$ 6,418	\$ 6,229	\$ 7,318
Add Depreciation and amortization expense	2,006	2,089	2,061
Wireless Segment EBITDA	\$ 8,424	\$ 8,318	\$ 9,379
Wireless total operating revenues	\$ 19,523	\$ 21,125	\$ 20,879
Wireless service revenues	\$ 16,728	\$ 17,711	\$ 17,987
Wireless operating income margin	32.9%	29.5%	35.0%
Wireless Segment EBITDA service margin	50.4%	47.0%	52.1%

Wireline

Unaudited	(dollars in millions)		
	3 Mos. Ended 3/31/13	3 Mos. Ended 12/31/13	3 Mos. Ended 3/31/14
Wireline Segment EBITDA			
Operating income	\$ 13	\$ 131	\$ 147
Add Depreciation and amortization expense	2,095	2,073	2,033
Wireline Segment EBITDA	\$ 2,108	\$ 2,204	\$ 2,180
Wireline total operating revenues	\$ 9,830	\$ 9,845	\$ 9,790
Wireline operating income margin	0.1%	1.3%	1.5%
Wireline Segment EBITDA margin	21.4%	22.4%	22.3%