

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/14	3 Mos. Ended 9/30/13	% Change	9 Mos. Ended 9/30/14	9 Mos. Ended 9/30/13	% Change
Operating Revenues	\$ 31,586	\$ 30,279	4.3	\$ 93,887	\$ 89,485	4.9
Operating Expenses						
Cost of services and sales	12,252	10,960	11.8	35,528	32,925	7.9
Selling, general and administrative expense	8,277	8,037	3.0	24,159	24,232	(0.3)
Depreciation and amortization expense	4,167	4,154	0.3	12,465	12,423	0.3
Total Operating Expenses	<u>24,696</u>	<u>23,151</u>	6.7	<u>72,152</u>	<u>69,580</u>	3.7
Operating Income	6,890	7,128	(3.3)	21,735	19,905	9.2
Equity in earnings (losses) of unconsolidated businesses	(48)	19	*	1,811	134	*
Other income and (expense), net	71	20	*	(757)	84	*
Interest expense	(1,255)	(555)	*	(3,633)	(1,606)	*
Income Before Provision for Income Taxes	5,658	6,612	(14.4)	19,156	18,517	3.5
Provision for income taxes	(1,864)	(1,034)	80.3	(5,052)	(2,886)	75.1
Net Income	<u>\$ 3,794</u>	<u>\$ 5,578</u>	(32.0)	<u>\$ 14,104</u>	<u>\$ 15,631</u>	(9.8)
Net income attributable to noncontrolling interests	\$ 99	\$ 3,346	(97.0)	\$ 2,248	\$ 9,201	(75.6)
Net income attributable to Verizon	3,695	2,232	65.5	11,856	6,430	84.4
Net Income	<u>\$ 3,794</u>	<u>\$ 5,578</u>	(32.0)	<u>\$ 14,104</u>	<u>\$ 15,631</u>	(9.8)
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.89	\$.78	14.1	\$ 3.03	\$ 2.24	35.3
<i>Weighted average number of common shares (in millions)</i>	4,152	2,866		3,912	2,866	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$.89	\$.78	14.1	\$ 3.03	\$ 2.24	35.3
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,159	2,874		3,919	2,874	

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	9/30/14	12/31/13	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 7,218	\$ 53,528	\$ (46,310)
Short-term investments	635	601	34
Accounts receivable, net	13,283	12,439	844
Inventories	1,206	1,020	186
Prepaid expenses and other	2,431	3,406	(975)
Total current assets	24,773	70,994	(46,221)
Plant, property and equipment	230,452	220,865	9,587
Less accumulated depreciation	140,520	131,909	8,611
	89,932	88,956	976
Investments in unconsolidated businesses	818	3,432	(2,614)
Wireless licenses	75,303	75,747	(444)
Goodwill	24,617	24,634	(17)
Other intangible assets, net	5,738	5,800	(62)
Other assets	5,112	4,535	577
Total Assets	\$ 226,293	\$ 274,098	\$ (47,805)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 1,603	\$ 3,933	\$ (2,330)
Accounts payable and accrued liabilities	17,055	16,453	602
Other	8,231	6,664	1,567
Total current liabilities	26,889	27,050	(161)
Long-term debt	107,627	89,658	17,969
Employee benefit obligations	25,770	27,682	(1,912)
Deferred income taxes	42,289	28,639	13,650
Other liabilities	5,750	5,653	97
Equity			
Common stock	424	297	127
Contributed capital	11,089	37,939	(26,850)
Reinvested earnings	6,964	1,782	5,182
Accumulated other comprehensive income	1,175	2,358	(1,183)
Common stock in treasury, at cost	(3,465)	(3,961)	496
Deferred compensation – employee stock ownership plans and other	390	421	(31)
Noncontrolling interests	1,391	56,580	(55,189)
Total equity	17,968	95,416	(77,448)
Total Liabilities and Equity	\$ 226,293	\$ 274,098	\$ (47,805)

Verizon - Selected Financial and Operating Statistics

Unaudited	9/30/14	12/31/13
Total debt (in millions)	\$ 109,230	\$ 93,591
Net debt (in millions)	\$ 102,012	\$ 40,063
Net debt / Adjusted EBITDA ⁽¹⁾	2.3x	1.0x
Common shares outstanding end of period (in millions)	4,150	2,862
Total employees	178,500	176,800
Quarterly cash dividends declared per common share	\$ 0.550	\$ 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	9 Mos. Ended 9/30/14	9 Mos. Ended 9/30/13	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 14,104	\$ 15,631	\$ (1,527)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	12,465	12,423	42
Employee retirement benefits	843	649	194
Deferred income taxes	914	3,011	(2,097)
Provision for uncollectible accounts	684	746	(62)
Equity in earnings of unconsolidated businesses, net of dividends received	(1,785)	(100)	(1,685)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(816)	(1,078)	262
Other, net	(3,252)	(2,895)	(357)
Net cash provided by operating activities	23,157	28,387	(5,230)
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(12,624)	(11,807)	(817)
Acquisitions of investments and businesses, net of cash acquired	(180)	(81)	(99)
Acquisitions of wireless licenses	(343)	(430)	87
Proceeds from dispositions of wireless licenses	2,367	2,111	256
Proceeds from dispositions of businesses	120	-	120
Other, net	230	184	46
Net cash used in investing activities	(10,430)	(10,023)	(407)
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	21,575	49,166	(27,591)
Repayments of long-term borrowings and capital lease obligations	(12,594)	(2,392)	(10,202)
Decrease in short-term obligations, excluding current maturities	(426)	(324)	(102)
Dividends paid	(5,653)	(4,420)	(1,233)
Proceeds from sale of common stock	34	76	(42)
Purchase of common stock for treasury	-	(153)	153
Special distribution to noncontrolling interest	-	(3,150)	3,150
Acquisition of noncontrolling interest	(58,886)	-	(58,886)
Other, net	(3,087)	(3,550)	463
Net cash provided by (used in) financing activities	(59,037)	35,253	(94,290)
Increase (decrease) in cash and cash equivalents	(46,310)	53,617	(99,927)
Cash and cash equivalents, beginning of period	53,528	3,093	50,435
Cash and cash equivalents, end of period	\$ 7,218	\$ 56,710	\$ (49,492)

Footnotes:

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results.

Wireless - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/14	3 Mos. Ended 9/30/13	% Change	9 Mos. Ended 9/30/14	9 Mos. Ended 9/30/13	% Change
Operating Revenues						
Retail service	\$ 17,556	\$ 16,776	4.6	\$ 52,090	\$ 49,367	5.5
Other service	800	740	8.1	2,331	1,955	19.2
Service	18,356	17,516	4.8	54,421	51,322	6.0
Equipment	2,480	1,924	28.9	6,737	5,690	18.4
Other	999	959	4.2	3,039	2,886	5.3
Total Operating Revenues	21,835	20,399	7.0	64,197	59,898	7.2
Operating Expenses						
Cost of services and sales	7,043	5,652	24.6	19,641	17,102	14.8
Selling, general and administrative expense	5,698	5,801	(1.8)	16,991	16,915	0.4
Depreciation and amortization expense	2,139	2,060	3.8	6,307	6,113	3.2
Total Operating Expenses	14,880	13,513	10.1	42,939	40,130	7.0
Operating Income	\$ 6,955	\$ 6,886	1.0	\$ 21,258	\$ 19,768	7.5
Operating Income Margin	31.9%	33.8%		33.1%	33.0%	
Segment EBITDA	\$ 9,094	\$ 8,946	1.7	\$ 27,565	\$ 25,881	6.5
Segment EBITDA Service Margin	49.5%	51.1%		50.7%	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	9/30/14	9/30/13	% Change
Connections ('000)			
Retail postpaid	100,103	95,185	5.2
Retail prepaid	6,053	5,965	1.5
Retail	106,156	101,150	4.9

Unaudited	3 Mos. Ended 9/30/14	3 Mos. Ended 9/30/13	% Change	9 Mos. Ended 9/30/14	9 Mos. Ended 9/30/13	% Change
Net Add Detail ('000) ⁽¹⁾						
Retail postpaid	1,516	927	63.5	3,496	2,545	37.4
Retail prepaid	9	134	(93.3)	5	274	(98.2)
Retail	1,525	1,061	43.7	3,501	2,819	24.2

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾				35,435	34,972	1.3
Retail postpaid ARPA	\$ 161.24	\$ 155.74	3.5	\$ 160.21	\$ 152.84	4.8
Retail postpaid connections per account ⁽²⁾				2.82	2.72	3.7

Churn Detail

Retail postpaid	1.00%	0.97%		1.00%	0.97%	
Retail	1.29%	1.28%		1.30%	1.27%	

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones activated	91.0%	84.9%		90.6%	84.5%	
Total Smartphone postpaid phone base ⁽²⁾				76.5%	67.2%	
Total Internet postpaid base ⁽²⁾				13.1%	10.2%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,483	\$ 2,450	1.3	\$ 7,808	\$ 6,720	16.2
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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 9/30/14	3 Mos. Ended 9/30/13	% Change	9 Mos. Ended 9/30/14	9 Mos. Ended 9/30/13	% Change
Operating Revenues						
Consumer retail	\$ 3,902	\$ 3,735	4.5	\$ 11,606	\$ 11,020	5.3
Small business	613	639	(4.1)	1,858	1,912	(2.8)
Mass Markets	4,515	4,374	3.2	13,464	12,932	4.1
Strategic services	2,068	2,048	1.0	6,214	6,059	2.6
Core	1,316	1,491	(11.7)	4,099	4,590	(10.7)
Global Enterprise	3,384	3,539	(4.4)	10,313	10,649	(3.2)
Global Wholesale	1,552	1,631	(4.8)	4,713	4,992	(5.6)
Other	125	113	10.6	379	339	11.8
Total Operating Revenues	9,576	9,657	(0.8)	28,869	28,912	(0.1)
Operating Expenses						
Cost of services and sales	5,325	5,342	(0.3)	16,006	15,925	0.5
Selling, general and administrative expense	2,048	2,094	(2.2)	6,228	6,517	(4.4)
Depreciation and amortization expense	1,978	2,074	(4.6)	6,016	6,254	(3.8)
Total Operating Expenses	9,351	9,510	(1.7)	28,250	28,696	(1.6)
Operating Income	\$ 225	\$ 147	53.1	\$ 619	\$ 216	*
Operating Income Margin	2.3%	1.5%		2.1%	0.7%	
Segment EBITDA	\$ 2,203	\$ 2,221	(0.8)	\$ 6,635	\$ 6,470	2.6
Segment EBITDA Margin	23.0%	23.0%		23.0%	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	9/30/14	9/30/13	% Change
Connections ('000)			
FiOS Video Subscribers	5,533	5,170	7.0
FiOS Internet Subscribers	6,471	5,946	8.8
FiOS Digital Voice residence connections	4,514	4,069	10.9
FiOS Digital connections	16,518	15,185	8.8
HSI	2,675	3,049	(12.3)
Total Broadband connections	9,146	8,995	1.7
Primary residence switched access connections	5,794	6,821	(15.1)
Primary residence connections	10,308	10,890	(5.3)
Total retail residence voice connections	10,743	11,421	(5.9)
Total voice connections	20,089	21,457	(6.4)

Unaudited	3 Mos. Ended 9/30/14	3 Mos. Ended 9/30/13	% Change	9 Mos Ended 9/30/14	9 Mos Ended 9/30/13	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	114	135	(15.6)	271	444	(39.0)
FiOS Internet Subscribers	162	173	(6.4)	399	522	(23.6)
FiOS Digital Voice residence connections	74	252	(70.6)	266	842	(68.4)
FiOS Digital connections	350	560	(37.5)	936	1,808	(48.2)
HSI	(93)	(117)	(20.5)	(268)	(322)	(16.8)
Total Broadband connections	69	56	23.2	131	200	(34.5)
Primary residence switched access connections	(213)	(379)	(43.8)	(687)	(1,161)	(40.8)
Primary residence connections	(139)	(127)	9.4	(421)	(319)	32.0
Total retail residence voice connections	(160)	(162)	(1.2)	(486)	(428)	13.6
Total voice connections	(302)	(371)	(18.6)	(996)	(1,046)	(4.8)

Revenue and ARPU Statistics

Consumer ARPU	\$ 125.32	\$ 113.65	10.3	\$ 122.60	\$ 110.81	10.6
FiOS revenues (in millions)	\$ 3,200	\$ 2,823	13.4	\$ 9,366	\$ 8,187	14.4
Strategic services as a % of total Enterprise revenues	61.1%	57.9%		60.3%	56.9%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,464	\$ 1,518	(3.6)	\$ 4,194	\$ 4,467	(6.1)
Wireline employees ('000)				79.4	83.6	
FiOS Video Open for Sale ('000)				15,602	14,824	
FiOS Video penetration				35.5%	34.9%	
FiOS Internet Open for Sale ('000)				15,945	15,167	
FiOS Internet penetration				40.6%	39.2%	

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.