

condensed consolidated statements of income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
Operating Revenues	\$ 23,833	\$ 22,584	5.5
Operating Expenses			
Cost of services and sales	9,517	8,912	6.8
Selling, general & administrative expense	6,401	6,343	0.9
Depreciation and amortization expense	3,582	3,533	1.4
Total Operating Expenses	19,500	18,788	3.8
Operating Income	4,333	3,796	14.1
Equity in earnings of unconsolidated businesses	97	160	(39.4)
Other income and (expense), net	23	48	(52.1)
Interest expense	(459)	(485)	(5.4)
Minority interest	(1,407)	(1,154)	21.9
Income Before Provision for Income Taxes, Discontinued Operations and Extraordinary Item	2,587	2,365	9.4
Provision for income taxes	(945)	(881)	7.3
Income Before Discontinued Operations and Extraordinary Item	1,642	1,484	10.6
Income from discontinued operations, net of tax ⁽¹⁾	—	142	*
Extraordinary item, net of tax	—	(131)	*
Net Income	\$ 1,642	\$ 1,495	9.8
Basic Earnings per Common Share⁽²⁾			
Income before discontinued operations and extraordinary item	\$.57	\$.51	11.8
Income from discontinued operations, net of tax	—	.05	*
Extraordinary item, net of tax	—	(.05)	*
Net income	\$.57	\$.51	11.8
Weighted average number of common shares (in millions)	2,863	2,909	
Diluted Earnings per Common Share⁽²⁾⁽³⁾			
Income before discontinued operations and extraordinary item	\$.57	\$.51	11.8
Income from discontinued operations, net of tax	—	.05	*
Extraordinary item, net of tax	—	(.05)	*
Net income	\$.57	\$.51	11.8
Weighted average number of common shares — assuming dilution (in millions)	2,865	2,911	

Footnotes:

(1) Discontinued operations includes a gain on the sale of Telecomunicaciones de Puerto Rico, Inc. (TELPRI) of \$70 million, net of tax. The disposition of this non-strategic business was completed on March 30, 2007.

(2) EPS totals may not add due to rounding.

(3) Diluted earnings per share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represent the only potential dilution.

* Not meaningful

condensed consolidated statements of income before special items

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
Operating Revenues			
Wireline	\$ 12,287	\$ 12,456	(1.4)
Domestic Wireless	11,669	10,307	13.2
Other	(123)	(179)	(31.3)
Total Operating Revenues	23,833	22,584	5.5
Operating Expenses			
Cost of services and sales	9,496	8,910	6.6
Selling, general & administrative expense	6,290	6,231	0.9
Depreciation and amortization expense	3,582	3,533	1.4
Total Operating Expenses	19,368	18,674	3.7
Operating Income			
	4,465	3,910	14.2
Equity in earnings of unconsolidated businesses	97	160	(39.4)
Other income and (expense), net	23	48	(52.1)
Interest expense	(459)	(485)	(5.4)
Minority interest	(1,407)	(1,154)	21.9
Income Before Provision for Income Taxes and Discontinued Operations			
	2,719	2,479	9.7
Provision for income taxes	(978)	(921)	6.2
Income Before Discontinued Operations			
	1,741	1,558	11.7
Income from discontinued operations, net of tax ⁽¹⁾	—	72	*
Net Income Before Special Items			
	\$ 1,741	\$ 1,630	6.8
Basic Adjusted Earnings per Common Share⁽²⁾			
Income before discontinued operations	\$.61	\$.54	13.0
Income from discontinued operations, net of tax	—	.02	*
Net income	\$.61	\$.56	8.9
Weighted average number of common shares (in millions)	2,863	2,909	
Diluted Adjusted Earnings per Common Share⁽²⁾⁽³⁾			
Income before discontinued operations	\$.61	\$.54	13.0
Income from discontinued operations, net of tax	—	.02	*
Net income	\$.61	\$.56	8.9
Weighted average number of common shares — assuming dilution (in millions)	2,865	2,911	

Footnotes:

(1) Discontinued operations excludes a gain on the sale of Telecomunicaciones de Puerto Rico, Inc. (TELPRI) of \$70 million, net of tax. The disposition of this non-strategic business was completed on March 30, 2007.

(2) EPS totals may not add due to rounding.

(3) Diluted earnings per share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represent the only potential dilution.

* Not meaningful

condensed consolidated statements of income – reconciliations

First Quarter 2008

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08 Reported (GAAP)	Special and Non-Recurring Items		3 Mos. Ended 3/31/08 Before Special Items
		Merger Integration Costs	Access Line Spin-Off Related Charges	
Operating Revenues	\$ 23,833	\$ —	\$ —	\$ 23,833
Operating Expenses				
Cost of services and sales	9,517	(5)	(16)	9,496
Selling, general & administrative expense	6,401	(24)	(87)	6,290
Depreciation and amortization expense	3,582	—	—	3,582
Total Operating Expenses	19,500	(29)	(103)	19,368
Operating Income	4,333	29	103	4,465
Equity in earnings of unconsolidated businesses	97	—	—	97
Other income and (expense), net	23	—	—	23
Interest expense	(459)	—	—	(459)
Minority interest	(1,407)	—	—	(1,407)
Income Before Provision for Income Taxes	2,587	29	103	2,719
Provision for income taxes	(945)	(11)	(22)	(978)
Net Income	\$ 1,642	\$ 18	\$ 81	\$ 1,741
Basic Earnings per Common Share⁽¹⁾				
Net income	\$.57	\$.01	\$.03	\$.61
Diluted Earnings per Common Share⁽¹⁾				
Net income	\$.57	\$.01	\$.03	\$.61

Footnote:

(1) EPS totals may not add due to rounding.

Note: See www.verizon.com/investor for a reconciliation of other non-GAAP measures included in this *Quarterly Bulletin*.

condensed consolidated statements of income – reconciliations

First Quarter 2007

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/07 Reported (GAAP)	Special and Non-Recurring Items			3 Mos. Ended 3/31/07 Before Special Items
		Merger Integration Costs	Sale of Puerto Rico, Net	Loss on CANTV	
Operating Revenues	\$ 22,584	\$ —	\$ —	\$ —	\$ 22,584
Operating Expenses					
Cost of services and sales	8,912	(2)	—	—	8,910
Selling, general & administrative expense	6,343	(12)	(100)	—	6,231
Depreciation and amortization expense	3,533	—	—	—	3,533
Total Operating Expenses	18,788	(14)	(100)	—	18,674
Operating Income	3,796	14	100	—	3,910
Equity in earnings of unconsolidated businesses	160	—	—	—	160
Other income and (expense), net	48	—	—	—	48
Interest expense	(485)	—	—	—	(485)
Minority interest	(1,154)	—	—	—	(1,154)
Income Before Provision for Income Taxes, Discontinued Operations and Extraordinary Item	2,365	14	100	—	2,479
Provision for income taxes	(881)	(5)	(35)	—	(921)
Income Before Discontinued Operations and Extraordinary Item	1,484	9	65	—	1,558
Income from discontinued operations, net of tax	142	—	(70)	—	72
Extraordinary item, net of tax	(131)	—	—	131	—
Net Income	\$ 1,495	\$ 9	\$ (5)	\$ 131	\$ 1,630
Basic Earnings per Common Share⁽¹⁾					
Income before discontinued operations and extraordinary item	\$.51	\$ —	\$.02	\$ —	\$.54
Income from discontinued operations, net of tax	.05	—	(.02)	—	.02
Extraordinary item, net of tax	(.05)	—	—	.05	—
Net income	\$.51	\$ —	\$ —	\$.05	\$.56
Diluted Earnings per Common Share⁽¹⁾					
Income before discontinued operations	\$.51	\$ —	.02	\$ —	\$.54
Income from discontinued operations, net of tax	.05	—	(.02)	—	.02
Extraordinary item, net of tax	(.05)	—	—	.05	—
Net income	\$.51	\$ —	\$ —	\$.05	\$.56

Footnote:

(1) EPS totals may not add due to rounding.

Note: See www.verizon.com/investor for a reconciliation of other non-GAAP measures included in this *Quarterly Bulletin*.

selected financial and operating statistics

(dollars in millions, except per share amounts)		
Unaudited	3/31/08	3/31/07
Debt to debt and shareowners' equity ratio-end of period	41.6%	41.5%
Book value per common share	\$ 17.64	\$ 16.80
Common shares outstanding (in millions)		
End of period	2,851	2,903
Total employees	232,458	238,766
	3 Mos. Ended	3 Mos. Ended
Unaudited	3/31/08	3/31/07
Capital expenditures (including capitalized software)		
Wireline	\$ 2,379	\$ 2,439
Domestic Wireless	1,722	1,721
Other	119	3
Total	\$ 4,220	\$ 4,163
Cash dividends declared per common share	\$ 0.430	\$ 0.405

condensed consolidated balance sheets

Unaudited	3/31/08	12/31/07	(dollars in millions) \$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 5,485	\$ 1,153	\$ 4,332
Short-term investments	1,957	2,244	(287)
Accounts receivable, net	11,048	11,736	(688)
Inventories	1,672	1,729	(57)
Prepaid expenses and other	2,286	1,836	450
Total current assets	<u>22,448</u>	<u>18,698</u>	<u>3,750</u>
Plant, property and equipment	211,834	213,994	(2,160)
Less accumulated depreciation	127,350	128,700	(1,350)
	<u>84,484</u>	<u>85,294</u>	<u>(810)</u>
Investments in unconsolidated businesses	3,653	3,372	281
Wireless licenses	50,833	50,796	37
Goodwill	5,233	5,245	(12)
Other intangible assets, net	4,867	4,988	(121)
Other assets	19,775	18,566	1,209
Total Assets	<u>\$ 191,293</u>	<u>\$ 186,959</u>	<u>\$ 4,334</u>
Liabilities and Shareowners' Investment			
Current liabilities			
Debt maturing within one year	\$ 3,712	\$ 2,954	\$ 758
Accounts payable and accrued liabilities	13,661	14,462	(801)
Other	7,371	7,325	46
Total current liabilities	<u>24,744</u>	<u>24,741</u>	<u>3</u>
Long-term debt	32,134	28,203	3,931
Employee benefit obligations	29,227	29,960	(733)
Deferred income taxes	15,468	14,784	684
Other liabilities	6,041	6,402	(361)
Minority interest	33,399	32,288	1,111
Shareowners' investment			
Common stock	297	297	—
Contributed capital	40,290	40,316	(26)
Reinvested earnings	18,301	17,884	417
Accumulated other comprehensive loss	(4,207)	(4,506)	299
Common stock in treasury, at cost	(4,481)	(3,489)	(992)
Deferred compensation — employee stock ownership plans and other	80	79	1
Total shareowners' investment	<u>50,280</u>	<u>50,581</u>	<u>(301)</u>
Total Liabilities and Shareowners' Investment	<u>\$ 191,293</u>	<u>\$ 186,959</u>	<u>\$ 4,334</u>

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

condensed consolidated statements of cash flows

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	\$ Change
Cash Flows From Operating Activities			
Net income	\$ 1,642	\$ 1,495	\$ 147
Adjustments to reconcile net income to net cash provided by operating activities — continuing operations:			
Depreciation and amortization expense	3,582	3,533	49
Employee retirement benefits	407	430	(23)
Deferred income taxes	682	222	460
Provision for uncollectible accounts	298	281	17
Equity in earnings of unconsolidated businesses, net of dividends received	(90)	(53)	(37)
Extraordinary item, net of tax	—	131	(131)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(564)	(1,116)	552
Other, net	(567)	121	(688)
Net cash provided by operating activities — continuing operations	5,390	5,044	346
Net cash used in operating activities — discontinued operations	—	(527)	527
Net cash provided by operating activities	5,390	4,517	873
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(4,220)	(4,163)	(57)
Acquisitions of businesses and licenses, net of cash acquired, and investments	(931)	(124)	(807)
Net change in short-term investments	241	282	(41)
Other, net	92	61	31
Net cash used in investing activities — continuing operations	(4,818)	(3,944)	(874)
Net cash provided by investing activities — discontinued operations	—	757	(757)
Net cash used in investing activities	(4,818)	(3,187)	(1,631)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	4,194	1,424	2,770
Repayments of long-term borrowings and capital lease obligations	(1,182)	(3,314)	2,132
Increase in short-term obligations, excluding current maturities	2,929	141	2,788
Dividends paid	(1,237)	(1,179)	(58)
Proceeds from sale of common stock	9	110	(101)
Purchase of common stock for treasury	(1,001)	(427)	(574)
Other, net	48	(3)	51
Net cash provided by (used in) financing activities — continuing operations	3,760	(3,248)	7,008
Net cash provided by (used in) financing activities — discontinued operations	—	—	—
Net cash provided by (used in) financing activities	3,760	(3,248)	7,008
Increase (decrease) in cash and cash equivalents	4,332	(1,918)	6,250
Cash and cash equivalents, beginning of period	1,153	3,219	(2,066)
Cash and cash equivalents, end of period	\$ 5,485	\$ 1,301	\$ 4,184

wireline selected financial results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
Wireline Operating Revenues			
Verizon Telecom			
Mass Markets	\$ 5,388	\$ 5,506	(2.1)
Wholesale	1,988	1,997	(0.5)
Other	387	461	(16.1)
Verizon Business			
Enterprise Business	3,563	3,571	(0.2)
Wholesale	834	850	(1.9)
International and Other	844	798	5.8
Eliminations	(717)	(727)	(1.4)
Total Operating Revenues	12,287	12,456	(1.4)
Operating Expenses			
Cost of services and sales	6,185	6,029	2.6
Selling, general & administrative expense	2,749	3,025	(9.1)
Depreciation and amortization expense	2,269	2,267	0.1
Total Operating Expenses	11,203	11,321	(1.0)
Operating Income	\$ 1,084	\$ 1,135	(4.5)
Operating Income Margin	8.8%	9.1%	

wireline selected operating statistics

Unaudited	3/31/08	3/31/07	% Change
Switched access lines in service (000)			
Residence	24,112	27,063	(10.9)
Business	16,118	16,755	(3.8)
Public	291	336	(13.4)
Total	40,521	44,154	(8.2)
Wholesale voice connections* (000)	2,796	3,334	(16.1)
Broadband connections (000)	8,501	7,398	14.9

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
High capacity and digital data revenues			
Data transport	\$ 4,543	\$ 3,978	14.2
Data solutions	328	265	23.8
Total revenues	\$ 4,871	\$ 4,243	14.8

Footnote:

*Resale and UNE-P lines, including lines covered under commercial agreements.

The segment financial results above are adjusted to exclude the effects of special and non-recurring items. The company's chief decision makers exclude these items in assessing segment performance, primarily due to their non-operational nature.

Intersegment transactions have not been eliminated.

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

verizon wireless selected financial results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
Revenues			
Service revenues	\$ 10,145	\$ 8,991	12.8
Equipment and other	1,524	1,316	15.8
Total Revenues	11,669	10,307	13.2
Operating Expenses			
Cost of services and sales	3,585	3,022	18.6
Selling, general & administrative expense	3,529	3,300	6.9
Depreciation and amortization expense	1,300	1,256	3.5
Total Operating Expenses	8,414	7,578	11.0
Operating Income	\$ 3,255	\$ 2,729	19.3
Operating Income Margin	27.9%	26.5%	

verizon wireless selected operating statistics

Unaudited	3/31/08	3/31/07	% Change
Total Customers (000)	67,178	60,716	10.6
Retail Customers (000)	65,186	58,458	11.5
3 Mos. Ended			
Unaudited	3/31/08	3 Mos. Ended 3/31/07	% Change
Total Customer net adds in period (1) (000)	1,471	1,664	(11.6)
Retail Customer net adds in period (1) (000)	1,451	1,646	(11.8)
Total churn rate	1.19%	1.13%	
Retail churn rate	1.18%	1.08%	

Footnotes:

The segment financial results above are adjusted to exclude the effects of special and non-recurring items. The company's chief decision makers exclude these items in assessing segment performance, primarily due to their non-operational nature.

Intersegment transactions have not been eliminated.

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

(1) Includes acquisitions and adjustments of 7,000 customers in the first quarter of 2007.