

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/15	3 Mos. Ended 3/31/14	% Change
Operating Revenues	\$ 31,984	\$ 30,818	3.8
Operating Expenses			
Cost of services and sales	12,096	11,189	8.1
Selling, general and administrative expense	7,939	8,332	(4.7)
Depreciation and amortization expense	3,989	4,137	(3.6)
Total Operating Expenses	<u>24,024</u>	<u>23,658</u>	1.5
Operating Income	7,960	7,160	11.2
Equity in earnings (losses) of unconsolidated businesses	(34)	1,902	*
Other income and (expense), net	75	(894)	*
Interest expense	(1,332)	(1,214)	9.7
Income Before Provision for Income Taxes	6,669	6,954	(4.1)
Provision for income taxes	(2,331)	(968)	*
Net Income	<u>\$ 4,338</u>	<u>\$ 5,986</u>	(27.5)
Net income attributable to noncontrolling interests	\$ 119	\$ 2,039	(94.2)
Net income attributable to Verizon	4,219	3,947	6.9
Net Income	<u>\$ 4,338</u>	<u>\$ 5,986</u>	(27.5)
Basic Earnings per Common Share			
Net income attributable to Verizon	\$ 1.03	\$ 1.15	(10.4)
<i>Weighted average number of common shares (in millions)</i>	4,116	3,425	
Diluted Earnings per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$ 1.02	\$ 1.15	(11.3)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	4,121	3,430	

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	3/31/15	12/31/14	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 4,386	\$ 10,598	\$ (6,212)
Short-term investments	547	555	(8)
Accounts receivable, net	12,698	13,993	(1,295)
Inventories	1,076	1,153	(77)
Assets held for sale	893	552	341
Prepaid expenses and other	3,236	2,772	464
Total current assets	22,836	29,623	(6,787)
Plant, property and equipment	210,389	230,508	(20,119)
Less accumulated depreciation	128,747	140,561	(11,814)
	81,642	89,947	(8,305)
Investments in unconsolidated businesses	762	802	(40)
Wireless licenses	75,693	75,341	352
Goodwill	23,303	24,639	(1,336)
Other intangible assets, net	5,779	5,728	51
Non-current assets held for sale	9,580	-	9,580
Deposit for wireless licenses	10,430	921	9,509
Other assets	5,765	5,707	58
Total Assets	\$ 235,790	\$ 232,708	\$ 3,082
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 4,439	\$ 2,735	\$ 1,704
Accounts payable and accrued liabilities	15,189	16,680	(1,491)
Liabilities related to assets held for sale	572	-	572
Other	8,513	8,649	(136)
Total current liabilities	28,713	28,064	649
Long-term debt	108,949	110,536	(1,587)
Employee benefit obligations	33,010	33,280	(270)
Deferred income taxes	42,330	41,578	752
Non-current liabilities related to assets held for sale	943	-	943
Other liabilities	11,086	5,574	5,512
Equity			
Common stock	424	424	-
Contributed capital	10,391	11,155	(764)
Reinvested earnings	4,422	2,447	1,975
Accumulated other comprehensive income	916	1,111	(195)
Common stock in treasury, at cost	(7,093)	(3,263)	(3,830)
Deferred compensation – employee stock ownership plans and other	279	424	(145)
Noncontrolling interests	1,420	1,378	42
Total equity	10,759	13,676	(2,917)
Total Liabilities and Equity	\$ 235,790	\$ 232,708	\$ 3,082

Verizon - Selected Financial and Operating Statistics

Unaudited	3/31/15	12/31/14
Total debt (in millions)	\$ 113,388	\$ 113,271
Net debt (in millions)	\$ 109,002	\$ 102,673
Net debt / Adjusted EBITDA ⁽¹⁾	2.5x	2.4x
Common shares outstanding end of period (in millions)	4,078	4,155
Total employees	176,200	177,300
Quarterly cash dividends declared per common share	\$ 0.550	\$ 0.550

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 3/31/15	3 Mos. Ended 3/31/14	\$ Change
Cash Flows from Operating Activities			
Net Income	\$ 4,338	\$ 5,986	\$ (1,648)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	3,989	4,137	(148)
Employee retirement benefits	284	281	3
Deferred income taxes	823	(155)	978
Provision for uncollectible accounts	383	231	152
Equity in earnings (losses) of unconsolidated businesses, net of dividends received	44	(1,894)	1,938
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(888)	(1,626)	738
Other, net	1,196	179	1,017
Net cash provided by operating activities	<u>10,169</u>	<u>7,139</u>	<u>3,030</u>
Cash Flows from Investing Activities			
Capital expenditures (including capitalized software)	(3,665)	(4,150)	485
Acquisitions of investments and businesses, net of cash acquired	(2)	(157)	155
Acquisitions of wireless licenses	(9,555)	(213)	(9,342)
Other, net	46	(11)	57
Net cash used in investing activities	<u>(13,176)</u>	<u>(4,531)</u>	<u>(8,645)</u>
Cash Flows from Financing Activities			
Proceeds from long-term borrowings	6,497	16,952	(10,455)
Repayments of long-term borrowings and capital lease obligations	(5,576)	(7,951)	2,375
Increase in short-term obligations, excluding current maturities	482	252	230
Dividends paid	(2,153)	(1,517)	(636)
Proceeds from sale of common stock	-	34	(34)
Purchase of common stock for treasury	(5,000)	-	(5,000)
Acquisition of noncontrolling interest	-	(58,886)	58,886
Other, net	2,545	(2,113)	4,658
Net cash used in financing activities	<u>(3,205)</u>	<u>(53,229)</u>	<u>50,024</u>
Decrease in cash and cash equivalents	(6,212)	(50,621)	44,409
Cash and cash equivalents, beginning of period	10,598	53,528	(42,930)
Cash and cash equivalents, end of period	\$ 4,386	\$ 2,907	\$ 1,479

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 3/31/15	3 Mos. Ended 3/31/14	% Change
Operating Revenues			
Retail service	\$ 17,143	\$ 17,246	(0.6)
Other service	771	741	4.0
Service	<u>17,914</u>	<u>17,987</u>	(0.4)
Equipment	3,373	1,870	80.4
Other	<u>1,041</u>	<u>1,022</u>	1.9
Total Operating Revenues	<u>22,328</u>	<u>20,879</u>	6.9
Operating Expenses			
Cost of services and sales	6,959	5,856	18.8
Selling, general and administrative expense	5,369	5,644	(4.9)
Depreciation and amortization expense	<u>2,190</u>	<u>2,061</u>	6.3
Total Operating Expenses	<u>14,518</u>	<u>13,561</u>	7.1
Operating Income	\$ 7,810	\$ 7,318	6.7
Operating Income Margin	35.0%	35.0%	
Segment EBITDA	\$ 10,000	\$ 9,379	6.6
Segment EBITDA Margin	44.8%	44.9%	
Segment EBITDA Service Margin	55.8%	52.1%	

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	3/31/15	3/31/14	% Change
Connections ('000)			
Retail postpaid	102,637	97,273	5.5
Retail prepaid	5,945	6,057	(1.8)
Retail	108,582	103,330	5.1
Net Add Detail ('000) ⁽¹⁾			
Retail postpaid	565	539	4.8
Retail prepaid	(188)	10	*
Retail	377	549	(31.3)
Account Statistics			
Retail Postpaid Accounts ('000) ⁽²⁾	35,516	35,061	1.3
Retail postpaid ARPA	\$ 156.14	\$ 159.67	(2.2)
Retail postpaid connections per account ⁽²⁾	2.89	2.77	4.3
Churn Detail			
Retail postpaid	1.03%	1.07%	
Retail	1.33%	1.37%	
Retail Postpaid Connection Statistics			
Total Smartphone postpaid % of phones activated	91.4%	90.1%	
Total Smartphone postpaid phone base ⁽²⁾	79.9%	72.3%	
Total Internet postpaid base ⁽²⁾	14.8%	11.3%	
Other Operating Statistics			
Capital expenditures (in millions)	\$ 2,419	\$ 2,554	(5.3)

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.

* Not meaningful

Wireline - Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/15	3 Mos. Ended 3/31/14	% Change
Operating Revenues			
Consumer retail	\$ 3,992	\$ 3,840	4.0
Small business	600	624	(3.8)
Mass Markets	<u>4,592</u>	<u>4,464</u>	2.9
Strategic services	2,048	2,071	(1.1)
Core	<u>1,215</u>	<u>1,400</u>	(13.2)
Global Enterprise	3,263	3,471	(6.0)
Global Wholesale	1,524	1,583	(3.7)
Other	<u>90</u>	<u>144</u>	(37.5)
Total Operating Revenues	<u>9,469</u>	<u>9,662</u>	(2.0)
Operating Expenses			
Cost of services and sales	5,287	5,339	(1.0)
Selling, general and administrative expense	2,031	2,149	(5.5)
Depreciation and amortization expense	<u>1,746</u>	<u>2,033</u>	(14.1)
Total Operating Expenses	<u>9,064</u>	<u>9,521</u>	(4.8)
Operating Income	\$ 405	\$ 141	*
Operating Income Margin	4.3%	1.5%	
Segment EBITDA	\$ 2,151	\$ 2,174	(1.1)
Segment EBITDA Margin	22.7%	22.5%	

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.

* Not meaningful

Wireline - Selected Operating Statistics

Unaudited	3/31/15	3/31/14	% Change
Connections ('000)			
FiOS Video Subscribers	5,739	5,319	7.9
FiOS Internet Subscribers	6,749	6,170	9.4
FiOS Digital Voice residence connections	4,661	4,350	7.1
FiOS Digital connections	17,149	15,839	8.3
HSI	2,497	2,861	(12.7)
Total Broadband connections	9,246	9,031	2.4
Primary residence switched access connections	5,397	6,224	(13.3)
Primary residence connections	10,058	10,574	(4.9)
Total retail residence voice connections	10,457	11,048	(5.3)
Total voice connections	19,475	20,733	(6.1)

Unaudited	3 Mos. Ended 3/31/15	3 Mos. Ended 3/31/14	% Change
Net Add Detail ('000)			
FiOS Video Subscribers	90	57	57.9
FiOS Internet Subscribers	133	98	35.7
FiOS Digital Voice residence connections	59	102	(42.2)
FiOS Digital connections	282	257	9.7
HSI	(92)	(82)	12.2
Total Broadband connections	41	16	*
Primary residence switched access connections	(199)	(257)	(22.6)
Primary residence connections	(140)	(155)	(9.7)
Total retail residence voice connections	(158)	(181)	(12.7)
Total voice connections	(320)	(352)	(9.1)

Revenue Statistics

FiOS revenues (in millions)	\$ 3,352	\$ 3,041	10.2
Strategic services as a % of total Enterprise revenues	62.8%	59.7%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,077	\$ 1,385	(22.2)
Wireline employees ('000)	75.5	80.9	
FiOS Video Open for Sale ('000)	15,931	15,184	
FiOS Video penetration	36.0%	35.0%	
FiOS Internet Open for Sale ('000)	16,264	15,530	
FiOS Internet penetration	41.5%	39.7%	

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