

condensed consolidated statements of income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/09	3 Mos. Ended 6/30/08	% Change	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08	% Change
Operating Revenues	\$ 26,861	\$ 24,124	11.3	\$ 53,452	\$ 47,957	11.5
Operating Expenses						
Cost of services and sales	10,481	9,466	10.7	20,789	18,983	9.5
Selling, general & administrative expense	7,871	6,528	20.6	15,432	12,929	19.4
Depreciation and amortization expense	4,091	3,584	14.1	8,119	7,166	13.3
Total Operating Expenses	22,443	19,578	14.6	44,340	39,078	13.5
Operating Income	4,418	4,546	(2.8)	9,112	8,879	2.6
Equity in earnings of unconsolidated businesses	128	150	(14.7)	256	247	3.6
Other income and (expense), net	11	92	(88.0)	64	115	(44.3)
Interest expense	(787)	(403)	95.3	(1,712)	(862)	98.6
Income Before Provision for Income Taxes	3,770	4,385	(14.0)	7,720	8,379	(7.9)
Provision for income taxes	(610)	(981)	(37.8)	(1,350)	(1,926)	(29.9)
Net income	\$ 3,160	\$ 3,404	(7.2)	\$ 6,370	\$ 6,453	(1.3)
Net income attributable to noncontrolling interest	1,677	1,522	10.2	3,242	2,929	10.7
Net income attributable to Verizon	1,483	1,882	(21.2)	3,128	3,524	(11.2)
Net Income	\$ 3,160	\$ 3,404	(7.2)	\$ 6,370	\$ 6,453	(1.3)
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.52	\$.66	(21.2)	\$ 1.10	\$ 1.23	(10.6)
Weighted average number of common shares (in millions)	2,841	2,850		2,841	2,856	
Diluted Earnings per Common Share⁽¹⁾						
Net income attributable to Verizon	\$.52	\$.66	(21.2)	\$ 1.10	\$ 1.23	(10.6)
Weighted average number of common shares — assuming dilution (in millions)	2,841	2,851		2,841	2,858	

Footnotes:

(1) Diluted Earnings per Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

condensed consolidated statements of income before special items

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/09	3 Mos. Ended 6/30/08	% Change	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08	% Change
Operating Revenues⁽¹⁾						
Domestic Wireless	\$ 15,480	\$ 12,118	27.7	\$ 30,602	\$ 23,787	28.7
Wireline	11,488	12,113	(5.2)	23,055	24,139	(4.5)
Other	(107)	(107)	*	(205)	(227)	(9.7)
Total Operating Revenues	26,861	24,124	11.3	53,452	47,699	12.1
Operating Expenses⁽¹⁾						
Cost of services and sales	10,457	9,458	10.6	20,704	18,853	9.8
Selling, general & administrative expense	7,389	6,500	13.7	14,810	12,737	16.3
Depreciation and amortization expense	4,000	3,584	11.6	7,983	7,106	12.3
Total Operating Expenses	21,846	19,542	11.8	43,497	38,696	12.4
Operating Income	5,015	4,582	9.5	9,955	9,003	10.6
Operating income impact of divested operations ⁽¹⁾	—	—	—	—	44	(100.0)
Equity in earnings of unconsolidated businesses	128	150	(14.7)	256	247	3.6
Other income and (expense), net	11	92	(88.0)	66	115	(42.6)
Interest expense	(740)	(403)	83.6	(1,457)	(862)	69.0
Income Before Provision for Income Taxes	4,414	4,421	(0.2)	8,820	8,547	3.2
Provision for income taxes	(905)	(995)	(9.0)	(1,822)	(1,973)	(7.7)
Net Income Before Special Items	\$ 3,509	\$ 3,426	2.4	\$ 6,998	\$ 6,574	6.4
Net income attributable to noncontrolling interest	1,713	1,522	12.5	3,411	2,929	16.5
Net income attributable to Verizon	1,796	1,904	(5.7)	3,587	3,645	(1.6)
Net Income Before Special Items	\$ 3,509	\$ 3,426	2.4	\$ 6,998	\$ 6,574	6.4
Basic Adjusted Earnings per Common Share						
Net income attributable to Verizon	\$.63	\$.67	(6.0)	\$ 1.26	\$ 1.28	(1.6)
Weighted average number of common shares (in millions)	2,841	2,850		2,841	2,856	
Diluted Adjusted Earnings per Common Share⁽²⁾						
Net income attributable to Verizon	\$.63	\$.67	(6.0)	\$ 1.26	\$ 1.28	(1.6)
Weighted average number of common shares — assuming dilution (in millions)	2,841	2,851		2,841	2,858	

Footnotes:

(1) Reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results for the spin-off of the wireline segment's non-strategic local exchange and related business assets in Maine, New Hampshire and Vermont in the first quarter of 2008. Reclassifications were determined using specific information where available and allocations where data is not maintained on a state-specific basis within the Company's books and records as follows:

Revenues	\$ —	\$ —	\$ —	\$ 258
Expenses	\$ —	\$ —	\$ —	\$ 214

(2) Diluted Earnings per Share includes the dilutive effect of shares issuable under our stock-based compensation plans, which represents the only potential dilution.

* Not meaningful

condensed consolidated statements of income – reconciliations

Second Quarter 2009 and 2008

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/09 Reported (GAAP)	Special and Non-Recurring Items			3 Mos. Ended 6/30/09 Before Special Items
		Merger Integration Costs	Acquisition Related Charges	Severance, Pension and Benefit Charges	
Operating Revenues	\$ 26,861	\$ —	\$ —	\$ —	\$ 26,861
Operating Expenses					
Cost of services and sales	10,481	(24)	—	—	10,457
Selling, general & administrative expense	7,871	(66)	—	(416)	7,389
Depreciation and amortization expense	4,091	(91)	—	—	4,000
Total Operating Expenses	22,443	(181)	—	(416)	21,846
Operating Income	4,418	181	—	416	5,015
Equity in earnings of unconsolidated businesses	128	—	—	—	128
Other income and (expense), net	11	—	—	—	11
Interest expense	(787)	—	47	—	(740)
Income Before Provision for Income Taxes	3,770	181	47	416	4,414
Provision for income taxes	(610)	(91)	(41)	(163)	(905)
Net income	\$ 3,160	\$ 90	\$ 6	\$ 253	\$ 3,509
Net income attributable to noncontrolling interest	1,677	38	(2)	—	1,713
Net income attributable to Verizon	1,483	52	8	253	1,796
Net income	\$ 3,160	\$ 90	\$ 6	\$ 253	\$ 3,509
Basic Earnings per Common Share⁽¹⁾					
Net income attributable to Verizon	\$.52	\$.02	\$ —	\$.09	\$.63
Diluted Earnings per Common Share⁽¹⁾					
Net income attributable to Verizon	\$.52	\$.02	\$ —	\$.09	\$.63

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/08 Reported (GAAP)	Special and Non-Recurring Items		3 Mos. Ended 6/30/08 Before Special Items
		Merger Integration Costs		
Operating Revenues	\$ 24,124	\$ —		\$ 24,124
Operating Expenses				
Cost of services and sales	9,466	(8)		9,458
Selling, general & administrative expense	6,528	(28)		6,500
Depreciation and amortization expense	3,584	—		3,584
Total Operating Expenses	19,578	(36)		19,542
Operating Income	4,546	36		4,582
Equity in earnings of unconsolidated businesses	150	—		150
Other income and (expense), net	92	—		92
Interest expense	(403)	—		(403)
Income Before Provision for Income Taxes	4,385	36		4,421
Provision for income taxes	(981)	(14)		(995)
Net income	\$ 3,404	\$ 22		\$ 3,426
Net income attributable to noncontrolling interest	1,522	—		1,522
Net income attributable to Verizon	1,882	22		1,904
Net income	\$ 3,404	\$ 22		\$ 3,426
Basic Earnings per Common Share⁽¹⁾				
Net income attributable to Verizon	\$.66	\$.01		\$.67
Diluted Earnings per Common Share⁽¹⁾				
Net income attributable to Verizon	\$.66	\$.01		\$.67

Footnote:

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

Note: See www.verizon.com/investor for a reconciliation of other non-GAAP measures.

condensed consolidated statements of income – reconciliations

Second Quarter Year-to-Date 2009 and 2008

(dollars in millions, except per share amounts)

Unaudited	6 Mos. Ended 6/30/09 Reported (GAAP)	Special and Non-Recurring Items			6 Mos. Ended 6/30/09 Before Special Items
		Merger Integration Costs	Acquisition Related Charges	Severance, Pension and Benefit Charges	
Operating Revenues	\$ 53,452	\$ —	\$ —	\$ —	\$ 53,452
Operating Expenses					
Cost of services and sales	20,789	(85)	—	—	20,704
Selling, general & administrative expense	15,432	(118)	(88)	(416)	14,810
Depreciation and amortization expense	8,119	(136)	—	—	7,983
Total Operating Expenses	44,340	(339)	(88)	(416)	43,497
Operating Income	9,112	339	88	416	9,955
Equity in earnings of unconsolidated businesses	256	—	—	—	256
Other income and (expense), net	64	—	2	—	66
Interest expense	(1,712)	—	255	—	(1,457)
Income Before Provision for Income Taxes	7,720	339	345	416	8,820
Provision for income taxes	(1,350)	(155)	(154)	(163)	(1,822)
Net income	\$ 6,370	\$ 184	\$ 191	\$ 253	\$ 6,998
Net income attributable to noncontrolling interest	3,242	82	87	—	3,411
Net income attributable to Verizon	3,128	102	104	253	3,587
Net income	\$ 6,370	\$ 184	\$ 191	\$ 253	\$ 6,998
Basic Earnings per Common Share⁽¹⁾					
Net income attributable to Verizon	\$ 1.10	\$.03	\$.04	\$.09	\$ 1.26
Diluted Earnings per Common Share⁽¹⁾					
Net income attributable to Verizon	\$ 1.10	\$.03	\$.04	\$.09	\$ 1.26

(dollars in millions, except per share amounts)

Unaudited	6 Mos. Ended 6/30/08 Reported (GAAP)	Special and Non-Recurring Items			6 Mos. Ended 6/30/08 Before Special Items
		Merger Integration Costs	Access Line Spin-Off Related Charges	Impact of Divested Operations	
Operating Revenues	\$ 47,957	\$ —	\$ —	\$ (258)	\$ 47,699
Operating Expenses					
Cost of services and sales	18,983	(13)	(16)	(101)	18,853
Selling, general & administrative expense	12,929	(52)	(87)	(53)	12,737
Depreciation and amortization expense	7,166	—	—	(60)	7,106
Total Operating Expenses	39,078	(65)	(103)	(214)	38,696
Operating Income	8,879	65	103	(44)	9,003
Operating income impact of divested operations	—	—	—	44	44
Equity in earnings of unconsolidated businesses	247	—	—	—	247
Other income and (expense), net	115	—	—	—	115
Interest expense	(862)	—	—	—	(862)
Income Before Provision for Income Taxes	8,379	65	103	—	8,547
Provision for income taxes	(1,926)	(25)	(22)	—	(1,973)
Net income	\$ 6,453	\$ 40	\$ 81	\$ —	\$ 6,574
Net income attributable to noncontrolling interest	2,929	—	—	—	2,929
Net income attributable to Verizon	3,524	40	81	—	3,645
Net income	\$ 6,453	\$ 40	\$ 81	\$ —	\$ 6,574
Basic Earnings per Common Share⁽¹⁾					
Net income attributable to Verizon	\$ 1.23	\$.01	\$.03	\$ —	\$ 1.28
Diluted Earnings per Common Share⁽¹⁾					
Net income attributable to Verizon	\$ 1.23	\$.01	\$.03	\$ —	\$ 1.28

Footnote:

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

Note: See www.verizon.com/investor for a reconciliation of other non-GAAP measures.

selected financial and operating statistics

(dollars in millions, except per share amounts)

Unaudited	6/30/09	6/30/08
Debt to debt and Verizon's equity ratio-end of period ⁽¹⁾	60.3%	45.9%
Book value per common share ⁽¹⁾	\$ 15.02	\$ 17.87
Common shares outstanding (in millions) End of period	2,841	2,848
Total employees	235,326	228,633

Unaudited	3 Mos. Ended 6/30/09	3 Mos. Ended 6/30/08	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08
Capital expenditures (including capitalized software)				
Domestic Wireless	\$ 1,783	\$ 1,528	\$ 3,334	\$ 3,250
Wireline	2,338	2,456	4,341	4,835
Other	266	193	419	312
Total	\$ 4,387	\$ 4,177	\$ 8,094	\$ 8,397
Cash dividends declared per common share	\$ 0.46	\$ 0.43	\$ 0.92	\$ 0.86

Footnote:

(1) Calculations are based on the equity position attributable to Verizon, which excludes noncontrolling interests.

condensed consolidated balance sheets

(dollars in millions)

Unaudited	6/30/09	12/31/08	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 820	\$ 9,782	\$ (8,962)
Short-term investments	360	509	(149)
Accounts receivable, net	12,170	11,703	467
Inventories	2,775	2,092	683
Prepaid expenses and other	5,339	1,989	3,350
Total current assets	21,464	26,075	(4,611)
Plant, property and equipment	224,150	215,605	8,545
Less accumulated depreciation	133,848	129,059	4,789
	90,302	86,546	3,756
Investments in unconsolidated businesses	3,513	3,393	120
Wireless licenses	71,708	61,974	9,734
Goodwill	22,189	6,035	16,154
Other intangible assets, net	7,232	5,199	2,033
Other investments	—	4,781	(4,781)
Other assets	8,591	8,349	242
Total Assets	\$ 224,999	\$ 202,352	\$ 22,647
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 5,440	\$ 4,993	\$ 447
Accounts payable and accrued liabilities	14,685	13,814	871
Other	6,243	7,099	(856)
Total current liabilities	26,368	25,906	462
Long-term debt	59,469	46,959	12,510
Employee benefit obligations	32,162	32,512	(350)
Deferred income taxes	17,737	11,769	5,968
Other liabilities	6,442	6,301	141
Equity			
Common stock	297	297	—
Contributed capital	40,102	40,291	(189)
Reinvested earnings	19,765	19,250	515
Accumulated other comprehensive loss	(12,742)	(13,372)	630
Common stock in treasury, at cost	(4,836)	(4,839)	3
Deferred compensation — employee stock ownership plans and other	86	79	7
Noncontrolling interest	40,149	37,199	2,950
Total equity	82,821	78,905	3,916
Total Liabilities and Equity	\$ 224,999	\$ 202,352	\$ 22,647

The unaudited consolidated balance sheets are based on preliminary information.

condensed consolidated statements of cash flows

Unaudited	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08	(dollars in millions) \$ Change
Cash Flows From Operating Activities			
Net income	\$ 6,370	\$ 6,453	\$ (83)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	8,119	7,166	953
Employee retirement benefits	1,420	808	612
Deferred income taxes	1,296	1,774	(478)
Provision for uncollectible accounts	643	494	149
Equity in earnings of unconsolidated businesses, net of dividends received	173	507	(334)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(2,070)	(2,309)	239
Other, net	(1,814)	(2,258)	444
Net cash provided by operating activities	<u>14,137</u>	<u>12,635</u>	<u>1,502</u>
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(8,094)	(8,397)	303
Acquisitions of licenses, investments and businesses, net of cash acquired	(5,367)	(14,493)	9,126
Net change in short-term investments	119	736	(617)
Other, net	64	(114)	178
Net cash used in investing activities	<u>(13,278)</u>	<u>(22,268)</u>	<u>8,990</u>
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	12,040	8,144	3,896
Repayments of long-term borrowings and capital lease obligations	(18,173)	(1,849)	(16,324)
Increase (decrease) in short-term obligations, excluding current maturities	(103)	6,929	(7,032)
Dividends paid	(2,614)	(2,464)	(150)
Proceeds from sale of common stock	—	15	(15)
Purchase of common stock for treasury	—	(1,117)	1,117
Other, net	(971)	(596)	(375)
Net cash provided by (used in) financing activities	<u>(9,821)</u>	<u>9,062</u>	<u>(18,883)</u>
Decrease in cash and cash equivalents	(8,962)	(571)	(8,391)
Cash and cash equivalents, beginning of period	9,782	1,153	8,629
Cash and cash equivalents, end of period	\$ 820	\$ 582	\$ 238

verizon wireless — selected financial results

(dollars in millions)						
Unaudited	3 Mos. Ended 6/30/09	3 Mos. Ended 6/30/08	% Change	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08	% Change
Revenues						
Service revenues	\$ 13,349	\$ 10,492	27.2	\$ 26,424	\$ 20,637	28.0
Equipment and other	2,131	1,626	31.1	4,178	3,150	32.6
Total Revenues	15,480	12,118	27.7	30,602	23,787	28.7
Operating Expenses						
Cost of services and sales	4,825	3,744	28.9	9,485	7,329	29.4
Selling, general & administrative expense	4,469	3,588	24.6	8,911	7,117	25.2
Depreciation and amortization expense	1,727	1,323	30.5	3,476	2,623	32.5
Total Operating Expenses	11,021	8,655	27.3	21,872	17,069	28.1
Operating Income	\$ 4,459	\$ 3,463	28.8	\$ 8,730	\$ 6,718	29.9
Operating Income Margin	28.8%	28.6%		28.5%	28.2%	

verizon wireless — selected operating statistics

(numbers in thousands)			
Unaudited	6/30/09	6/30/08	% Change
Total Customers	87,694	68,681	27.7
Retail Customers	85,240	66,680	27.8

Unaudited	3 Mos. Ended 6/30/09	3 Mos. Ended 6/30/08	% Change	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08	% Change
Total Customer net adds in period ⁽¹⁾	1,142	1,503	(24.0)	15,638	2,974	*
Retail Customer net adds in period ⁽²⁾	1,145	1,494	(23.4)	15,219	2,945	*
Total churn rate	1.37%	1.12%		1.42%	1.16%	
Retail churn rate	1.36%	1.11%		1.41%	1.15%	

Footnotes:

(1) Includes acquisitions and adjustments of 46 customers in second quarter of 2008; and 13,219 customers in the first quarter of 2009.

(2) Includes acquisitions and adjustments of 46 customers in second quarter of 2008; and 12,813 customers in the first quarter of 2009.

The segment financial results above are adjusted to exclude the effects of special and non-recurring items. The company's chief decision maker excludes these items in assessing business unit 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.

* Not meaningful

wireline — selected financial results

Unaudited	(dollars in millions)					
	3 Mos. Ended 6/30/09	3 Mos. Ended 6/30/08	% Change	6 Mos. Ended 6/30/09	6 Mos. Ended 6/30/08	% Change
Wireline Operating Revenues⁽¹⁾						
Mass Markets	\$ 4,959	\$ 4,947	0.2	\$ 9,883	\$ 9,839	0.4
Global Enterprise	3,704	3,972	(6.7)	7,447	7,848	(5.1)
Global Wholesale	2,409	2,605	(7.5)	4,798	5,237	(8.4)
Other	416	589	(29.4)	927	1,215	(23.7)
Total Operating Revenues	11,488	12,113	(5.2)	23,055	24,139	(4.5)
Operating Expenses⁽¹⁾						
Cost of services and sales	5,947	5,997	(0.8)	11,842	12,078	(2.0)
Selling, general & administrative expense	2,726	2,808	(2.9)	5,492	5,504	(0.2)
Depreciation and amortization expense	2,260	2,245	0.7	4,475	4,454	0.5
Total Operating Expenses	10,933	11,050	(1.1)	21,809	22,036	(1.0)
Operating Income	\$ 555	\$ 1,063	(47.8)	\$ 1,246	\$ 2,103	(40.8)
Operating Income Margin	4.8%	8.8%		5.4%	8.7%	

wireline — selected operating statistics

Unaudited	(numbers in thousands)		
	6/30/09	6/30/08	% Change
Switched access lines in service			
Total Residence (includes Primary residence)	19,655	22,416	(12.3)
Primary residence	17,165	19,113	(10.2)
Business	14,444	15,395	(6.2)
Public	214	273	(21.6)
Total	34,313	38,084	(9.9)
Broadband connections	9,111	8,330	9.4
FIOS Internet Subscribers	3,082	1,974	56.1
FIOS TV Subscribers	2,517	1,382	82.1

Footnotes:

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

Intersegment transactions have not been eliminated.

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