

Condensed Consolidated Statements of Income

Unaudited	(dollars in millions, except per share amounts)		
	3 Mos. Ended 3/31/10	3 Mos. Ended 3/31/09	% Change
Operating Revenues	\$ 26,913	\$ 26,591	1.2
Operating Expenses			
Cost of services and sales	10,717	10,308	4.0
Selling, general & administrative expense	7,724	7,561	2.2
Depreciation and amortization expense	4,121	4,028	2.3
Total Operating Expenses	22,562	21,897	3.0
Operating Income	4,351	4,694	(7.3)
Equity in earnings of unconsolidated businesses	133	128	3.9
Other income and (expense), net	45	53	(15.1)
Interest expense	(680)	(925)	(26.5)
Income Before Provision for Income Taxes	3,849	3,950	(2.6)
Provision for income taxes	(1,565)	(740)	*
Net Income	\$ 2,284	\$ 3,210	(28.8)
Net income attributable to noncontrolling interest	1,875	1,565	19.8
Net income attributable to Verizon	409	1,645	(75.1)
Net Income	\$ 2,284	\$ 3,210	(28.8)
Basic Earnings per Common Share			
Net income attributable to Verizon	\$.14	\$.58	(75.9)
Weighted average number of common shares (in millions)	2,836	2,841	
Diluted Earnings per Common Share⁽¹⁾			
Net income attributable to Verizon	\$.14	\$.58	(75.9)
Weighted average number of common shares — assuming dilution (in millions)	2,837	2,841	

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.

* Not meaningful

Condensed Consolidated Balance Sheets

Unaudited	3/31/10	12/31/09	(dollars in millions) \$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 3,037	\$ 2,009	\$ 1,028
Short-term investments	520	490	30
Accounts receivable, net	11,969	12,573	(604)
Inventories	1,113	1,426	(313)
Prepaid expenses and other	5,766	5,247	519
Total current assets	22,405	21,745	660
Plant, property and equipment	231,771	229,381	2,390
Less accumulated depreciation	139,937	137,052	2,885
	91,834	92,329	(495)
Investments in unconsolidated businesses	3,685	3,535	150
Wireless licenses	72,256	72,067	189
Goodwill	22,472	22,472	—
Other intangible assets, net	6,510	6,764	(254)
Other assets	8,185	8,339	(154)
Total Assets	\$ 227,347	\$ 227,251	\$ 96
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 7,129	\$ 7,205	\$ (76)
Accounts payable and accrued liabilities	14,569	15,223	(654)
Other	6,365	6,708	(343)
Total current liabilities	28,063	29,136	(1,073)
Long-term debt	54,424	55,051	(627)
Employee benefit obligations	31,770	32,622	(852)
Deferred income taxes	21,665	19,310	2,355
Other liabilities	6,773	6,765	8
Equity			
Common stock	297	297	—
Contributed capital	40,108	40,108	—
Reinvested earnings	16,658	17,592	(934)
Accumulated other comprehensive loss	(11,442)	(11,479)	37
Common stock in treasury, at cost	(5,277)	(5,000)	(277)
Deferred compensation — employee stock ownership plans and other	118	88	30
Noncontrolling interest	44,190	42,761	1,429
Total equity	84,652	84,367	285
Total Liabilities and Equity	\$ 227,347	\$ 227,251	\$ 96

The unaudited consolidated balance sheets are based on preliminary information.

Condensed Consolidated Statements of Cash Flows

	(dollars in millions)		
Unaudited	3 Mos. Ended 3/31/10	3 Mos. Ended 3/31/09	\$ Change
Cash Flows From Operating Activities			
Net income	\$ 2,284	\$ 3,210	\$ (926)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	4,121	4,028	93
Employee retirement benefits	667	502	165
Deferred income taxes	2,389	604	1,785
Provision for uncollectible accounts	371	358	13
Equity in earnings of unconsolidated businesses, net of dividends received	(120)	(117)	(3)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,043)	(393)	(650)
Other, net	(1,552)	(1,570)	18
Net cash provided by operating activities	7,117	6,622	495
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(3,456)	(3,707)	251
Acquisitions of licenses, investments and businesses, net of cash acquired	(274)	(5,118)	4,844
Net change in short-term investments	(40)	80	(120)
Other, net	114	(14)	128
Net cash used in investing activities	(3,656)	(8,759)	5,103
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	—	7,052	(7,052)
Repayments of long-term borrowings and capital lease obligations	(519)	(16,865)	16,346
Increase (decrease) in short-term obligations, excluding current maturities	(97)	7,908	(8,005)
Dividends paid	(1,347)	(1,307)	(40)
Other, net	(470)	(454)	(16)
Net cash used in financing activities	(2,433)	(3,666)	1,233
Increase (decrease) in cash and cash equivalents	1,028	(5,803)	6,831
Cash and cash equivalents, beginning of period	2,009	9,782	(7,773)
Cash and cash equivalents, end of period	\$ 3,037	\$ 3,979	\$ (942)

Selected Financial and Operating Statistics

Unaudited	3/31/10	3/31/09
Debt to debt and Verizon's equity ratio-end of period ⁽¹⁾	60.3%	62.3%
Book value per common share ⁽¹⁾	\$ 14.31	\$ 14.73
Common shares outstanding (in millions) End of period	2,827	2,841
Total employees	217,100	237,255

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/10	3 Mos. Ended 3/31/09
Capital expenditures (including capitalized software)		
Domestic Wireless	\$ 1,770	\$ 1,551
Wireline	1,566	2,003
Other	120	153
Total	\$ 3,456	\$ 3,707
Cash dividends declared per common share	\$ 0.475	\$ 0.460

Footnote:

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

Verizon Wireless — Selected Financial Results

	(dollars in millions)		
Unaudited	3 Mos. Ended 3/31/10	3 Mos. Ended 3/31/09	% Change
Revenues			
Service revenues	\$ 13,845	\$ 13,075	5.9
Equipment and other	1,938	2,047	(5.3)
Total Revenues	15,783	15,122	4.4
Operating Expenses			
Cost of services and sales	4,775	4,660	2.5
Selling, general & administrative expense	4,642	4,442	4.5
Depreciation and amortization expense	1,812	1,749	3.6
Total Operating Expenses	11,229	10,851	3.5
Operating Income	\$ 4,554	\$ 4,271	6.6
Operating Income Margin	28.9%	28.2%	

Verizon Wireless — Selected Operating Statistics

	(numbers in thousands)		
Unaudited	3/31/10	3/31/09	% Change
Total Customers	92,801	86,552	7.2
Retail Customers	87,811	84,095	4.4
	(numbers in thousands)		
Unaudited	3 Mos. Ended 3/31/10	3 Mos. Ended 3/31/09	% Change
Total Customer net adds in period ⁽¹⁾	1,552	14,496	(89.3)
Retail Customer net adds in period ⁽²⁾	288	14,074	(98.0)
Total churn rate	1.40%	1.47%	
Retail churn rate	1.46%	1.47%	

Footnotes:

(1) Includes acquisitions and adjustments of 13,219 and 4 customers in the first quarter of 2009 and 2010, respectively.

(2) Includes acquisitions and adjustments of 12,813 and 4 customers in the first quarter of 2009 and 2010, respectively.

The segment financial results above are adjusted to exclude the effects of other non-operational items as the Company's chief 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

	3 Mos. Ended 3/31/10	3 Mos. Ended 3/31/09	(dollars in millions)
Unaudited			% Change
Wireline Operating Revenues			
Mass Markets	\$ 4,585	\$ 4,590	(0.1)
Global Enterprise	3,993	4,050	(1.4)
Global Wholesale	2,347	2,416	(2.9)
Other	307	511	(39.9)
Total Operating Revenues	11,232	11,567	(2.9)
Operating Expenses			
Cost of services and sales	6,114	5,895	3.7
Selling, general & administrative expense	2,678	2,766	(3.2)
Depreciation and amortization expense	2,268	2,215	2.4
Total Operating Expenses	11,060	10,876	1.7
Operating Income	\$ 172	\$ 691	(75.1)
Operating Income Margin	1.5%	6.0%	

Wireline — Selected Operating Statistics

	(numbers in thousands)		
Unaudited	3/31/10	3/31/09	% Change
Switched access lines in service			
Total Residence (includes Primary residence)	17,871	20,285	(11.9)
Primary residence	15,843	17,621	(10.1)
Business			
Public	13,811	14,685	(6.0)
	167	227	(26.4)
Total	31,849	35,197	(9.5)
Broadband connections			
FiOS Internet Subscribers	9,310	8,925	4.3
FiOS TV Subscribers	3,618	2,779	30.2
	3,029	2,217	36.6

Footnotes:

The segment financial results above are adjusted to exclude the effects of other non-operational items as the Company's chief 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.