

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/11	3 Mos. Ended 3/31/10	% Change
Operating Revenues	\$ 26,990	\$ 26,913	0.3
Operating Expenses			
Cost of services and sales	11,229	10,652	5.4
Selling, general & administrative expense	7,284	7,698	(5.4)
Depreciation and amortization expense	4,024	4,122	(2.4)
Total Operating Expenses	<u>22,537</u>	<u>22,472</u>	0.3
Operating Income	4,453	4,441	0.3
Equity in earnings of unconsolidated businesses	101	133	(24.1)
Other income and (expense), net	36	46	(21.7)
Interest expense	(709)	(680)	4.3
Income Before Provision for Income Taxes	<u>3,881</u>	<u>3,940</u>	(1.5)
Provision for income taxes	(617)	(1,622)	(62.0)
Net Income	<u>\$ 3,264</u>	<u>\$ 2,318</u>	40.8
Net income attributable to noncontrolling interest	\$ 1,825	\$ 1,875	(2.7)
Net income attributable to Verizon	1,439	443	*
Net Income	<u>\$ 3,264</u>	<u>\$ 2,318</u>	40.8
Basic Earnings per Common Share			
Net income attributable to Verizon	\$.51	\$.16	*
<i>Weighted average number of common shares (in millions)</i>	2,830	2,836	
Diluted Earnings per Common Share ⁽¹⁾			
Net income attributable to Verizon	\$.51	\$.16	*
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	2,834	2,837	

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.

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

* Not meaningful

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	3/31/11	12/31/10	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 14,007	\$ 6,668	\$ 7,339
Short-term investments	723	545	178
Accounts receivable, net	11,028	11,781	(753)
Inventories	1,245	1,131	114
Prepaid expenses and other	2,920	2,223	697
Total current assets	29,923	22,348	7,575
Plant, property and equipment	211,704	211,655	49
Less accumulated depreciation	123,459	123,944	(485)
	88,245	87,711	534
Investments in unconsolidated businesses	3,732	3,497	235
Wireless licenses	73,049	72,996	53
Goodwill	21,993	21,988	5
Other intangible assets, net	5,655	5,830	(175)
Other assets	5,511	5,635	(124)
Total Assets	\$ 228,108	\$ 220,005	\$ 8,103
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 11,823	\$ 7,542	\$ 4,281
Accounts payable and accrued liabilities	13,810	15,702	(1,892)
Other	7,114	7,353	(239)
Total current liabilities	32,747	30,597	2,150
Long-term debt	49,374	45,252	4,122
Employee benefit obligations	27,543	28,164	(621)
Deferred income taxes	23,578	22,818	760
Other liabilities	6,002	6,262	(260)
Equity			
Common stock	297	297	-
Contributed capital	37,914	37,922	(8)
Reinvested earnings	4,427	4,368	59
Accumulated other comprehensive income	1,293	1,049	244
Common stock in treasury, at cost	(5,189)	(5,267)	78
Deferred compensation - employee stock ownership plans and other	246	200	46
Noncontrolling interest	49,876	48,343	1,533
Total equity	88,864	86,912	1,952
Total Liabilities and Equity	\$ 228,108	\$ 220,005	\$ 8,103

Verizon - Selected Financial and Operating Statistics

Unaudited	3/31/11	12/31/10
Total debt (in millions)	\$ 61,197	\$ 52,794
Net debt (in millions)	\$ 47,190	\$ 46,126
Net debt / Adjusted EBITDA ⁽¹⁾	1.4x	1.3x
Common shares outstanding end of period (in millions)	2,829	2,827
Total employees	196,200	194,400
Cash dividends declared per common share	\$ 0.4875	\$ 0.4875

Footnotes:

(1) The adjusted EBITDA excludes the effects of non-recurring or 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 3/31/11	3 Mos. Ended 3/31/10	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 3,264	\$ 2,318	\$ 946
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	4,024	4,122	(98)
Employee retirement benefits	373	543	(170)
Deferred income taxes	790	2,445	(1,655)
Provision for uncollectible accounts	270	371	(101)
Equity in earnings of unconsolidated businesses, net of dividends received	(86)	(120)	34
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(2,070)	(1,043)	(1,027)
Other, net	(1,530)	(1,552)	22
Net cash provided by operating activities	5,035	7,084	(2,049)
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(4,363)	(3,423)	(940)
Acquisitions of licenses, investments and businesses, net of cash acquired	(104)	(274)	170
Net change in short-term investments	24	(40)	64
Other, net	68	114	(46)
Net cash used in investing activities	(4,375)	(3,623)	(752)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	6,440	-	6,440
Repayments of long-term borrowings and capital lease obligations	(552)	(519)	(33)
Increase (decrease) in short-term obligations, excluding current maturities	2,384	(97)	2,481
Dividends paid	(1,379)	(1,347)	(32)
Proceeds from sale of common stock	70	-	70
Other, net	(284)	(470)	186
Net cash provided by (used in) financing activities	6,679	(2,433)	9,112
Increase in cash and cash equivalents	7,339	1,028	6,311
Cash and cash equivalents, beginning of period	6,668	2,009	4,659
Cash and cash equivalents, end of period	\$ 14,007	\$ 3,037	\$ 10,970

Verizon Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/11	3 Mos. Ended 3/31/10	% Change
Revenues			
Retail service	\$ 13,674	\$ 13,034	4.9
Other service	637	432	47.5
Service	14,311	13,466	6.3
Equipment	1,689	992	70.3
Other	881	854	3.2
Total Revenues	16,881	15,312	10.2
Operating Expenses			
Cost of services and sales	5,880	4,675	25.8
Selling, general & administrative expense	4,751	4,492	5.8
Depreciation and amortization expense	1,899	1,812	4.8
Total Operating Expenses	12,530	10,979	14.1
Operating Income	\$ 4,351	\$ 4,333	0.4
Operating Income Margin	25.8%	28.3%	
Segment EBITDA	\$ 6,250	\$ 6,145	1.7
Segment EBITDA Service Margin	43.7%	45.6%	

Footnotes:

The segment financial results and metrics above are adjusted to exclude the effects of non-recurring or 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.

Verizon Wireless – Selected Operating Statistics

Unaudited	3/31/11	3/31/10	% Change
Connections (000)			
Retail postpaid	84,031	80,912	3.9
Retail prepaid	4,383	4,803	(8.7)
Retail	88,414	85,715	3.1
Wholesale & other connections	15,608	12,304	26.9
Total connections	104,022	98,019	6.1

Unaudited	3 Mos. Ended 3/31/11	3 Mos. Ended 3/31/10	% Change
Net Add Detail ⁽¹⁾ (000)			
Retail postpaid	906	412	*
Retail prepaid	(27)	(146)	(81.5)
Retail	879	266	*
Wholesale & other connections	897	1,240	(27.7)
Total connections	1,776	1,506	17.9

Churn Detail

Retail postpaid	1.01%	1.05%
Retail	1.33%	1.42%

Revenue & ARPU Statistics

Total data revenues (in millions)	\$ 5,458	\$ 4,464	22.3
Retail postpaid data ARPU	\$ 20.51	\$ 17.49	17.3
Total data as a % of service revenues	38.1%	33.2%	
Retail service ARPU	\$ 51.88	\$ 50.78	2.2
Retail postpaid ARPU	\$ 53.52	\$ 52.36	2.2

Retail Postpaid Connection Statistics

Smartphone sales as a % of total phones	60.0%	35.6%
% smartphone phone base	32.2%	18.6%
% Internet base	7.3%	6.3%

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,735	\$ 1,770	54.5
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Footnotes:

(1) Connection net additions exclude acquisitions and adjustments.

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Intersegment transactions have not been eliminated.

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* Not meaningful

Wireline – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/11	3 Mos. Ended 3/31/10	% Change
Operating Revenues			
Consumer retail	\$ 3,383	\$ 3,320	1.9
Small business	695	708	(1.8)
Mass Markets	4,078	4,028	1.2
Strategic services	1,774	1,573	12.8
Other	2,042	2,206	(7.4)
Global Enterprise	3,816	3,779	1.0
Global Wholesale	2,042	2,299	(11.2)
Other	211	269	(21.6)
Total Operating Revenues	10,147	10,375	(2.2)
Operating Expenses			
Cost of services and sales	5,462	5,741	(4.9)
Selling, general & administrative expense	2,290	2,450	(6.5)
Depreciation and amortization expense	2,107	2,063	2.1
Total Operating Expenses	9,859	10,254	(3.9)
Operating Income	\$ 288	\$ 121	*
Operating Income Margin	2.8%	1.2%	
Segment EBITDA	\$ 2,395	\$ 2,184	9.7
Segment EBITDA Margin	23.6%	21.1%	

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.

* Not meaningful

Wireline – Selected Operating Statistics

Unaudited	3/31/11	3/31/10	% Change
Connections (000)			
FiOS TV Subscribers	3,664	2,914	25.7
FiOS Internet Subscribers	4,289	3,466	23.7
FiOS Digital Voice residence connections	977	93	*
FiOS Digital connections	8,930	6,473	38.0
HSI and other	4,201	4,775	(12.0)
Total Broadband connections	8,490	8,241	3.0
Primary residence switched access connections	11,359	13,258	(14.3)
Primary residence connections	12,336	13,351	(7.6)
Total retail residence voice connections	13,327	14,587	(8.6)
Total voice connections	25,454	27,719	(8.2)

Unaudited	3 Mos. Ended 3/31/11	3 Mos. Ended 3/31/10	% Change
Net Add Detail (000)			
FiOS TV Subscribers	192	164	17.1
FiOS Internet Subscribers	207	180	15.0
FiOS Digital Voice residence connections	160	74	*
FiOS Digital connections	559	418	33.7
HSI and other	(109)	(99)	10.1
Total Broadband connections	98	81	21.0
Primary residence switched access connections	(398)	(385)	3.4
Primary residence connections	(238)	(311)	(23.5)
Total retail residence voice connections	(289)	(378)	(23.5)
Total voice connections	(547)	(604)	(9.4)

Revenue & ARPU Statistics

Consumer ARPU	\$	90.55	\$	81.93	10.5
FiOS revenues (in millions)	\$	1,941	\$	1,569	23.7
Strategic services as a % of total Enterprise revenues		46.5%		41.6%	

Other Operating Statistics

Capital expenditures (in millions)	\$	1,465	\$	1,566	(6.4)
Wireline employees (000)		92.0		108.0	
FiOS Internet Open for Sale (000)		12,962		11,968	
FiOS Internet penetration		33.1%		29.0%	
FiOS Video Open for Sale (000)		12,585		11,479	
FiOS Video penetration		29.1%		25.4%	

Footnotes:

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