

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/12	3 Mos. Ended 6/30/11	% Change	6 Mos. Ended 6/30/12	6 Mos. Ended 6/30/11	% Change
Operating Revenues	\$ 28,552	\$ 27,536	3.7	\$ 56,794	\$ 54,526	4.2
Operating Expenses						
Cost of services and sales	10,896	11,158	(2.3)	22,215	22,387	(0.8)
Selling, general and administrative expense	7,877	7,373	6.8	15,577	14,657	6.3
Depreciation and amortization expense	4,128	4,113	0.4	8,156	8,137	0.2
Total Operating Expenses	<u>22,901</u>	<u>22,644</u>	1.1	<u>45,948</u>	<u>45,181</u>	1.7
Operating Income	5,651	4,892	15.5	10,846	9,345	16.1
Equity in earnings of unconsolidated businesses	72	121	(40.5)	175	222	(21.2)
Other income and (expense), net	34	10	*	53	46	15.2
Interest expense	(679)	(717)	(5.3)	(1,364)	(1,426)	(4.3)
Income Before Provision for Income Taxes	5,078	4,306	17.9	9,710	8,187	18.6
Provision for income taxes	(793)	(702)	13.0	(1,519)	(1,319)	15.2
Net Income	<u>\$ 4,285</u>	<u>\$ 3,604</u>	18.9	<u>\$ 8,191</u>	<u>\$ 6,868</u>	19.3
Net income attributable to noncontrolling interest	\$ 2,460	\$ 1,995	23.3	\$ 4,680	\$ 3,820	22.5
Net income attributable to Verizon	<u>1,825</u>	<u>1,609</u>	13.4	<u>3,511</u>	<u>3,048</u>	15.2
Net Income	<u>\$ 4,285</u>	<u>\$ 3,604</u>	18.9	<u>\$ 8,191</u>	<u>\$ 6,868</u>	19.3
Basic Earnings per Common Share						
Net income attributable to Verizon	\$.64	\$.57	12.3	\$ 1.23	\$ 1.08	13.9
<i>Weighted average number of common shares (in millions)</i>	2,849	2,832		2,846	2,831	
Diluted Earnings per Common Share ⁽¹⁾						
Net income attributable to Verizon	\$.64	\$.57	12.3	\$ 1.23	\$ 1.07	15.0
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	2,858	2,838		2,854	2,837	

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	6/30/12	12/31/11	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 10,001	\$ 13,362	\$ (3,361)
Short-term investments	777	592	185
Accounts receivable, net	11,595	11,776	(181)
Inventories	856	940	(84)
Prepaid expenses and other	3,901	4,269	(368)
Total current assets	27,130	30,939	(3,809)
Plant, property and equipment	217,739	215,626	2,113
Less accumulated depreciation	129,844	127,192	2,652
	87,895	88,434	(539)
Investments in unconsolidated businesses	3,539	3,448	91
Wireless licenses	73,303	73,250	53
Goodwill	23,478	23,357	121
Other intangible assets, net	5,726	5,878	(152)
Other assets	5,001	5,155	(154)
Total Assets	\$ 226,072	\$ 230,461	\$ (4,389)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 5,912	\$ 4,849	\$ 1,063
Accounts payable and accrued liabilities	13,973	14,689	(716)
Other	6,468	11,223	(4,755)
Total current liabilities	26,353	30,761	(4,408)
Long-term debt	46,479	50,303	(3,824)
Employee benefit obligations	31,909	32,957	(1,048)
Deferred income taxes	25,649	25,060	589
Other liabilities	5,254	5,472	(218)
Equity			
Common stock	297	297	-
Contributed capital	37,932	37,919	13
Reinvested earnings	1,845	1,179	666
Accumulated other comprehensive income	1,147	1,269	(122)
Common stock in treasury, at cost	(4,438)	(5,002)	564
Deferred compensation - employee stock ownership plans and other	367	308	59
Noncontrolling interest	53,278	49,938	3,340
Total equity	90,428	85,908	4,520
Total Liabilities and Equity	\$ 226,072	\$ 230,461	\$ (4,389)

Verizon - Selected Financial and Operating Statistics

Unaudited	6/30/12	12/31/11
Total debt (in millions)	\$ 52,391	\$ 55,152
Net debt (in millions)	\$ 42,390	\$ 41,790
Net debt / Adjusted EBITDA ⁽¹⁾	1.2x	1.2x
Common shares outstanding end of period (in millions)	2,849	2,834
Total employees	188,200	193,900
Quarterly cash dividends declared per common share	\$ 0.50	\$ 0.50

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	6 Mos. Ended 6/30/12	6 Mos. Ended 6/30/11	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 8,191	\$ 6,868	\$ 1,323
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	8,156	8,137	19
Employee retirement benefits	751	726	25
Deferred income taxes	1,237	1,501	(264)
Provision for uncollectible accounts	521	498	23
Equity in earnings of unconsolidated businesses, net of dividends received	(149)	(195)	46
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,136)	(2,361)	1,225
Other, net	(2,300)	(2,382)	82
Net cash provided by operating activities	<u>15,271</u>	<u>12,792</u>	<u>2,479</u>
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(7,430)	(8,918)	1,488
Acquisitions of licenses, investments and businesses, net of cash acquired	(242)	(1,668)	1,426
Net change in short-term investments	21	47	(26)
Other, net	67	667	(600)
Net cash used in investing activities	<u>(7,584)</u>	<u>(9,872)</u>	<u>2,288</u>
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	-	6,440	(6,440)
Repayments of long-term borrowings and capital lease obligations	(1,891)	(7,356)	5,465
Increase (decrease) in short-term obligations, excluding current maturities	(887)	1,012	(1,899)
Dividends paid	(2,587)	(2,759)	172
Proceeds from sale of common stock	210	122	88
Special distribution to noncontrolling interest	(4,500)	-	(4,500)
Other, net	(1,393)	(807)	(586)
Net cash used in financing activities	<u>(11,048)</u>	<u>(3,348)</u>	<u>(7,700)</u>
Decrease in cash and cash equivalents	(3,361)	(428)	(2,933)
Cash and cash equivalents, beginning of period	13,362	6,668	6,694
Cash and cash equivalents, end of period	\$ 10,001	\$ 6,240	\$ 3,761

Verizon Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/12	3 Mos. Ended 6/30/11	% Change	6 Mos. Ended 6/30/12	6 Mos. Ended 6/30/11	% Change
Operating Revenues						
Retail service	\$ 15,230	\$ 14,019	8.6	\$ 30,116	\$ 27,693	8.7
Other service	546	688	(20.6)	1,070	1,325	(19.2)
Service	<u>15,776</u>	<u>14,707</u>	7.3	<u>31,186</u>	<u>29,018</u>	7.5
Equipment	1,768	1,753	0.9	3,606	3,442	4.8
Other	1,033	833	24.0	2,058	1,714	20.1
Total Operating Revenues	<u>18,577</u>	<u>17,293</u>	7.4	<u>36,850</u>	<u>34,174</u>	7.8
Operating Expenses						
Cost of services and sales	5,558	5,829	(4.6)	11,468	11,709	(2.1)
Selling, general and administrative expense	5,295	4,794	10.5	10,523	9,545	10.2
Depreciation and amortization expense	2,011	1,978	1.7	3,929	3,877	1.3
Total Operating Expenses	<u>12,864</u>	<u>12,601</u>	2.1	<u>25,920</u>	<u>25,131</u>	3.1
Operating Income	\$ 5,713	\$ 4,692	21.8	\$ 10,930	\$ 9,043	20.9
Operating Income Margin	30.8%	27.1%		29.7%	26.5%	
Segment EBITDA	\$ 7,724	\$ 6,670	15.8	\$ 14,859	\$ 12,920	15.0
Segment EBITDA Service Margin	49.0%	45.4%		47.6%	44.5%	

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.

Verizon Wireless – Selected Operating Statistics

Unaudited	6/30/12	6/30/11	% Change
Connections ('000)			
Retail postpaid	88,838	85,290	4.2
Retail prepaid	5,316	4,445	19.6
Retail	94,154	89,735	4.9

Unaudited	3 Mos. Ended 6/30/12	3 Mos. Ended 6/30/11	% Change	6 Mos. Ended 6/30/12	6 Mos. Ended 6/30/11	% Change
Net Add Detail ('000)⁽¹⁾						
Retail postpaid	888	1,257	(29.4)	1,389	2,163	(35.8)
Retail prepaid	290	61	*	523	34	*
Retail	1,178	1,318	(10.6)	1,912	2,197	(13.0)

Churn Detail

Retail postpaid	0.84%	0.89%	0.90%	0.95%
Retail	1.11%	1.22%	1.18%	1.28%

Revenue and ARPU Statistics

Total data revenues (in millions)	\$ 6,885	\$ 5,810	18.5	\$ 13,493	\$ 11,268	19.7
Retail postpaid data ARPU	\$ 24.53	\$ 21.26	15.4	\$ 24.16	\$ 20.89	15.7
Total data as a % of service revenues	43.6%	39.5%		43.3%	38.8%	
Retail service ARPU	\$ 54.29	\$ 52.49	3.4	\$ 53.98	\$ 52.18	3.4
Retail postpaid ARPU	\$ 56.13	\$ 54.12	3.7	\$ 55.78	\$ 53.82	3.6

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones sold	73.0%	59.5%	72.7%	59.7%
Total Smartphone postpaid phone base			49.7%	35.9%
Total Internet postpaid base			8.5%	7.5%

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,048	\$ 2,667	(23.2)	\$ 3,933	\$ 5,402	(27.2)
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Footnotes:

(1) Connection net additions exclude acquisitions and adjustments.

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 6/30/12	3 Mos. Ended 6/30/11	% Change	6 Mos. Ended 6/30/12	6 Mos. Ended 6/30/11	% Change
Operating Revenues						
Consumer retail	\$ 3,478	\$ 3,394	2.5	\$ 6,919	\$ 6,777	2.1
Small business	667	682	(2.2)	1,329	1,377	(3.5)
Mass Markets	4,145	4,076	1.7	8,248	8,154	1.2
Strategic services	1,983	1,900	4.4	3,952	3,665	7.8
Core	1,837	2,056	(10.7)	3,720	4,107	(9.4)
Global Enterprise	3,820	3,956	(3.4)	7,672	7,772	(1.3)
Global Wholesale	1,827	2,030	(10.0)	3,688	4,072	(9.4)
Other	139	185	(24.9)	268	396	(32.3)
Total Operating Revenues	9,931	10,247	(3.1)	19,876	20,394	(2.5)
Operating Expenses						
Cost of services and sales	5,500	5,504	(0.1)	11,072	10,966	1.0
Selling, general and administrative expense	2,141	2,308	(7.2)	4,267	4,598	(7.2)
Depreciation and amortization expense	2,102	2,117	(0.7)	4,192	4,224	(0.8)
Total Operating Expenses	9,743	9,929	(1.9)	19,531	19,788	(1.3)
Operating Income	\$ 188	\$ 318	(40.9)	\$ 345	\$ 606	(43.1)
Operating Income Margin	1.9%	3.1%		1.7%	3.0%	
Segment EBITDA	\$ 2,290	\$ 2,435	(6.0)	\$ 4,537	\$ 4,830	(6.1)
Segment EBITDA Margin	23.1%	23.8%		22.8%	23.7%	

Footnotes:

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Intersegment transactions have not been eliminated.

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

Wireline – Selected Operating Statistics

Unaudited	6/30/12	6/30/11	% Change
Connections ('000)			
FiOS Video Subscribers	4,473	3,848	16.2
FiOS Internet Subscribers	5,144	4,478	14.9
FiOS Digital Voice residence connections	2,648	1,195	*
FiOS Digital connections	12,265	9,521	28.8
HSI	3,632	4,074	(10.8)
Total Broadband connections	8,776	8,552	2.6
Primary residence switched access connections	8,843	10,946	(19.2)
Primary residence connections	11,491	12,141	(5.4)
Total retail residence voice connections	12,222	13,087	(6.6)
Total voice connections	23,278	24,997	(6.9)

Unaudited	3 Mos. Ended 6/30/12	3 Mos. Ended 6/30/11	% Change	6 Mos. Ended 6/30/12	6 Mos. Ended 6/30/11	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	120	184	(34.8)	300	376	(20.2)
FiOS Internet Subscribers	134	189	(29.1)	327	396	(17.4)
FiOS Digital Voice residence connections	350	218	60.6	764	378	*
FiOS Digital connections	604	591	2.2	1,391	1,150	21.0
HSI	(132)	(127)	3.9	(221)	(236)	(6.4)
Total Broadband connections	2	62	(96.8)	106	160	(33.8)
Primary residence switched access connections	(501)	(413)	21.3	(1,063)	(811)	31.1
Primary residence connections	(151)	(195)	(22.6)	(299)	(433)	(30.9)
Total retail residence voice connections	(199)	(240)	(17.1)	(404)	(529)	(23.6)
Total voice connections	(422)	(457)	(7.7)	(859)	(1,004)	(14.4)

Revenue and ARPU Statistics

Consumer ARPU	\$ 100.26	\$ 92.44	8.5	\$ 99.70	\$ 91.41	9.1
FiOS revenues (in millions)	\$ 2,380	\$ 2,027	17.4	\$ 4,668	\$ 3,968	17.6
Strategic services as a % of total Enterprise revenues	51.9%	48.0%		51.5%	47.2%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,596	\$ 1,685	(5.3)	\$ 3,133	\$ 3,150	(0.5)
Wireline employees ('000)				88.6	93.2	
FiOS Video Open for Sale ('000)				13,721	12,870	
FiOS Video penetration				32.6%	29.9%	
FiOS Internet Open for Sale ('000)				14,044	13,202	
FiOS Internet penetration				36.6%	33.9%	

Footnotes:

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* Not meaningful