

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/12	3 Mos. Ended 12/31/11	% Change	12 Mos. Ended 12/31/12	12 Mos. Ended 12/31/11	% Change
Operating Revenues	\$ 30,045	\$ 28,436	5.7	\$ 115,846	\$ 110,875	4.5
Operating Expenses						
Cost of services and sales	13,069	12,090	8.1	46,275	45,875	0.9
Selling, general and administrative expense	16,008	13,278	20.6	39,951	35,624	12.1
Depreciation and amortization expense	4,137	4,180	(1.0)	16,460	16,496	(0.2)
Total Operating Expenses	<u>33,214</u>	<u>29,548</u>	12.4	<u>102,686</u>	<u>97,995</u>	4.8
Operating Income (Loss)	(3,169)	(1,112)	*	13,160	12,880	2.2
Equity in earnings of unconsolidated businesses	87	97	(10.3)	324	444	(27.0)
Other income and (expense), net	(1,079)	(84)	*	(1,016)	(14)	*
Interest expense	(575)	(703)	(18.2)	(2,571)	(2,827)	(9.1)
Income (Loss) Before (Provision) Benefit for Income Taxes	<u>(4,736)</u>	<u>(1,802)</u>	*	<u>9,897</u>	<u>10,483</u>	(5.6)
(Provision) Benefit for income taxes	2,810	1,590	76.7	660	(285)	*
Net Income (Loss)	<u>\$ (1,926)</u>	<u>\$ (212)</u>	*	<u>\$ 10,557</u>	<u>\$ 10,198</u>	3.5
Net income attributable to noncontrolling interest	\$ 2,303	\$ 1,811	27.2	\$ 9,682	\$ 7,794	24.2
Net income (loss) attributable to Verizon	(4,229)	(2,023)	*	875	2,404	(63.6)
Net Income (Loss)	<u>\$ (1,926)</u>	<u>\$ (212)</u>	*	<u>\$ 10,557</u>	<u>\$ 10,198</u>	3.5
Basic Earnings (Loss) per Common Share						
Net income (loss) attributable to Verizon	\$ (1.48)	\$ (.71)	*	\$.31	\$.85	(63.5)
<i>Weighted average number of common shares (in millions)</i>	<i>2,862</i>	<i>2,835</i>		<i>2,853</i>	<i>2,833</i>	
Diluted Earnings (Loss) per Common Share ⁽¹⁾						
Net income (loss) attributable to Verizon	\$ (1.48)	\$ (.71)	*	\$.31	\$.85	(63.5)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	<i>2,862</i>	<i>2,835</i>		<i>2,862</i>	<i>2,839</i>	

Footnotes:

(1) If there is a net loss, diluted EPS is the same as basic EPS. Diluted Earnings per Common Share includes the dilutive effect of shares issuable under our stock-based compensation plans.

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

* Not meaningful

Condensed Consolidated Balance Sheets

(dollars in millions)

Unaudited	12/31/12	12/31/11	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 3,093	\$ 13,362	\$ (10,269)
Short-term investments	470	592	(122)
Accounts receivable, net	12,576	11,776	800
Inventories	1,075	940	135
Prepaid expenses and other	4,021	4,269	(248)
Total current assets	21,235	30,939	(9,704)
Plant, property and equipment	209,575	215,626	(6,051)
Less accumulated depreciation	120,933	127,192	(6,259)
	88,642	88,434	208
Investments in unconsolidated businesses	3,401	3,448	(47)
Wireless licenses	77,744	73,250	4,494
Goodwill	24,139	23,357	782
Other intangible assets, net	5,933	5,878	55
Other assets	4,128	5,155	(1,027)
Total Assets	\$ 225,222	\$ 230,461	\$ (5,239)
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 4,369	\$ 4,849	\$ (480)
Accounts payable and accrued liabilities	16,182	14,689	1,493
Other	6,405	11,223	(4,818)
Total current liabilities	26,956	30,761	(3,805)
Long-term debt	47,618	50,303	(2,685)
Employee benefit obligations	34,346	32,957	1,389
Deferred income taxes	24,677	25,060	(383)
Other liabilities	6,092	5,472	620
Equity			
Common stock	297	297	-
Contributed capital	37,990	37,919	71
Reinvested earnings (Accumulated deficit)	(3,734)	1,179	(4,913)
Accumulated other comprehensive income	2,235	1,269	966
Common stock in treasury, at cost	(4,071)	(5,002)	931
Deferred compensation - employee stock ownership plans and other	440	308	132
Noncontrolling interest	52,376	49,938	2,438
Total equity	85,533	85,908	(375)
Total Liabilities and Equity	\$ 225,222	\$ 230,461	\$ (5,239)

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/12	12/31/11
Total debt (in millions)	\$ 51,987	\$ 55,152
Net debt (in millions)	\$ 48,894	\$ 41,790
Net debt / Adjusted EBITDA ⁽¹⁾	1.3x	1.2x
Common shares outstanding end of period (in millions)	2,859	2,834
Total employees	183,400	193,900
Quarterly cash dividends declared per common share	\$ 0.515	\$ 0.500

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	12 Mos. Ended 12/31/12	12 Mos. Ended 12/31/11	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 10,557	\$ 10,198	\$ 359
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	16,460	16,496	(36)
Employee retirement benefits	8,198	7,426	772
Deferred income taxes	(952)	(223)	(729)
Provision for uncollectible accounts	972	1,026	(54)
Equity in earnings of unconsolidated businesses, net of dividends received	77	36	41
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(403)	(2,279)	1,876
Other, net	(3,423)	(2,900)	(523)
Net cash provided by operating activities	31,486	29,780	1,706
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(16,175)	(16,244)	69
Acquisitions of investments and businesses, net of cash acquired	(913)	(1,797)	884
Acquisitions of Wireless licenses, net	(3,935)	(221)	(3,714)
Net change in short-term investments	27	35	(8)
Other, net	494	977	(483)
Net cash used in investing activities	(20,502)	(17,250)	(3,252)
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	4,489	11,060	(6,571)
Repayments of long-term borrowings and capital lease obligations	(6,403)	(11,805)	5,402
Increase (decrease) in short-term obligations, excluding current maturities	(1,437)	1,928	(3,365)
Dividends paid	(5,230)	(5,555)	325
Proceeds from sale of common stock	315	241	74
Special distribution to noncontrolling interest	(8,325)	-	(8,325)
Other, net	(4,662)	(1,705)	(2,957)
Net cash used in financing activities	(21,253)	(5,836)	(15,417)
Increase (decrease) in cash and cash equivalents	(10,269)	6,694	(16,963)
Cash and cash equivalents, beginning of period	13,362	6,668	6,694
Cash and cash equivalents, end of period	\$ 3,093	\$ 13,362	\$ (10,269)

Verizon Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/12	3 Mos. Ended 12/31/11	% Change	12 Mos. Ended 12/31/12	12 Mos. Ended 12/31/11	% Change
Operating Revenues						
Retail service	\$ 15,786	\$ 14,562	8.4	\$ 61,440	\$ 56,660	8.4
Other service	607	544	11.6	2,293	2,497	(8.2)
Service	16,393	15,106	8.5	63,733	59,157	7.7
Equipment	2,559	2,215	15.5	8,023	7,457	7.6
Other	1,042	933	11.7	4,112	3,540	16.2
Total Operating Revenues	19,994	18,254	9.5	75,868	70,154	8.1
Operating Expenses						
Cost of services and sales	7,332	6,707	9.3	24,490	24,086	1.7
Selling, general and administrative expense	5,877	5,167	13.7	21,650	19,579	10.6
Depreciation and amortization expense	1,994	2,045	(2.5)	7,960	7,962	-
Total Operating Expenses	15,203	13,919	9.2	54,100	51,627	4.8
Operating Income	\$ 4,791	\$ 4,335	10.5	\$ 21,768	\$ 18,527	17.5
Operating Income Margin	24.0%	23.7%		28.7%	26.4%	
Segment EBITDA	\$ 6,785	\$ 6,380	6.3	\$ 29,728	\$ 26,489	12.2
Segment EBITDA Service Margin	41.4%	42.2%		46.6%	44.8%	

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	12/31/12	12/31/11	% Change
Connections ('000)			
Retail postpaid	92,530	87,382	5.9
Retail prepaid	5,700	4,785	19.1
Retail	98,230	92,167	6.6

Unaudited	3 Mos. Ended 12/31/12	3 Mos. Ended 12/31/11	% Change	12 Mos. Ended 12/31/12	12 Mos. Ended 12/31/11	% Change
Net Add Detail ('000)⁽¹⁾						
Retail postpaid	2,100	1,207	74.0	5,024	4,252	18.2
Retail prepaid	142	252	(43.7)	893	372	*
Retail	2,242	1,459	53.7	5,917	4,624	28.0

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾				35,057	34,561	1.4
Retail postpaid ARPA	\$ 146.80	\$ 137.69	6.6	\$ 144.04	\$ 134.51	7.1
Retail postpaid connections per account ⁽²⁾				2.64	2.53	4.3

Churn Detail

Retail postpaid	0.95%	0.94%		0.91%	0.95%	
Retail	1.24%	1.23%		1.19%	1.26%	

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones sold	86.5%	70.3%		78.4%	62.6%	
Total Smartphone postpaid phone base ⁽²⁾				58.1%	43.5%	
Total Internet postpaid base ⁽²⁾				9.3%	8.1%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,791	\$ 1,787	56.2	\$ 8,857	\$ 8,973	(1.3)
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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 12/31/12	3 Mos. Ended 12/31/11	% Change	12 Mos. Ended 12/31/12	12 Mos. Ended 12/31/11	% Change
Operating Revenues						
Consumer retail	\$ 3,569	\$ 3,429	4.1	\$ 14,043	\$ 13,606	3.2
Small business	660	684	(3.5)	2,659	2,731	(2.6)
Mass Markets	4,229	4,113	2.8	16,702	16,337	2.2
Strategic services	2,090	1,984	5.3	8,052	7,575	6.3
Core	1,756	1,945	(9.7)	7,247	8,047	(9.9)
Global Enterprise	3,846	3,929	(2.1)	15,299	15,622	(2.1)
Global Wholesale	1,770	1,938	(8.7)	7,240	7,973	(9.2)
Other	145	159	(8.8)	539	750	(28.1)
Total Operating Revenues	9,990	10,139	(1.5)	39,780	40,682	(2.2)
Operating Expenses						
Cost of services and sales	5,878	5,511	6.7	22,413	22,158	1.2
Selling, general and administrative expense	2,313	2,213	4.5	8,883	9,107	(2.5)
Depreciation and amortization expense	2,125	2,115	0.5	8,424	8,458	(0.4)
Total Operating Expenses	10,316	9,839	4.8	39,720	39,723	-
Operating Income (Loss)	\$ (326)	\$ 300	*	\$ 60	\$ 959	(93.7)
Operating Income Margin	(3.3)%	3.0%		0.2%	2.4%	
Segment EBITDA	\$ 1,799	\$ 2,415	(25.5)	\$ 8,484	\$ 9,417	(9.9)
Segment EBITDA Margin	18.0%	23.8%		21.3%	23.1%	

Footnotes:

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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	12/31/12	12/31/11	% Change
Connections ('000)			
FiOS Video Subscribers	4,726	4,173	13.3
FiOS Internet Subscribers	5,424	4,817	12.6
FiOS Digital Voice residence connections	3,227	1,884	71.3
FiOS Digital connections	13,377	10,874	23.0
HSI	3,371	3,853	(12.5)
Total Broadband connections	8,795	8,670	1.4
Primary residence switched access connections	7,982	9,906	(19.4)
Primary residence connections	11,209	11,790	(4.9)
Total retail residence voice connections	11,849	12,626	(6.2)
Total voice connections	22,503	24,137	(6.8)

Unaudited	3 Mos. Ended 12/31/12	3 Mos. Ended 12/31/11	% Change	12 Mos. Ended 12/31/12	12 Mos. Ended 12/31/11	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	134	194	(30.9)	553	701	(21.1)
FiOS Internet Subscribers	144	201	(28.4)	607	735	(17.4)
FiOS Digital Voice residence connections	289	424	(31.8)	1,343	1,067	25.9
FiOS Digital connections	567	819	(30.8)	2,503	2,503	-
HSI	(117)	(103)	13.6	(482)	(457)	5.5
Total Broadband connections	27	98	(72.4)	125	278	(55.0)
Primary residence switched access connections	(402)	(550)	(26.9)	(1,924)	(1,851)	3.9
Primary residence connections	(113)	(126)	(10.3)	(581)	(784)	(25.9)
Total retail residence voice connections	(156)	(183)	(14.8)	(777)	(990)	(21.5)
Total voice connections	(344)	(382)	(9.9)	(1,634)	(1,864)	(12.3)

Revenue and ARPU Statistics

Consumer ARPU	\$	105.63	\$	96.43	9.5	\$	101.77	\$	93.07	9.3
FiOS revenues (in millions)	\$	2,565	\$	2,216	15.7	\$	9,722	\$	8,293	17.2
Strategic services as a % of total Enterprise revenues		54.3%		50.5%			52.6%		48.5%	

Other Operating Statistics

Capital expenditures (in millions)	\$	1,725	\$	1,632	5.7	\$	6,342	\$	6,399	(0.9)
Wireline employees ('000)							86.4		91.8	
FiOS Video Open for Sale ('000)							14,200		13,250	
FiOS Video penetration							33.3%		31.5%	
FiOS Internet Open for Sale ('000)							14,528		13,585	
FiOS Internet penetration							37.3%		35.5%	

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.