

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/13	3 Mos. Ended 12/31/12	% Change	12 Mos. Ended 12/31/13	12 Mos. Ended 12/31/12	% Change
Operating Revenues	\$ 31,065	\$ 30,045	3.4	\$ 120,550	\$ 115,846	4.1
Operating Expenses						
Cost of services and sales	11,962	13,069	(8.5)	44,887	46,275	(3.0)
Selling, general and administrative expense	2,857	16,008	(82.2)	27,089	39,951	(32.2)
Depreciation and amortization expense	4,183	4,137	1.1	16,606	16,460	0.9
Total Operating Expenses	<u>19,002</u>	<u>33,214</u>	(42.8)	<u>88,582</u>	<u>102,686</u>	(13.7)
Operating Income (Loss)	12,063	(3,169)	*	31,968	13,160	*
Equity in earnings of unconsolidated businesses	8	87	(90.8)	142	324	(56.2)
Other income and (expense), net	(250)	(1,079)	(76.8)	(166)	(1,016)	(83.7)
Interest expense	(1,061)	(575)	84.5	(2,667)	(2,571)	3.7
Income (Loss) Before (Provision) Benefit for Income Taxes	<u>10,760</u>	<u>(4,736)</u>	*	<u>29,277</u>	<u>9,897</u>	*
(Provision) Benefit for income taxes	(2,844)	2,810	*	(5,730)	660	*
Net Income (Loss)	<u>\$ 7,916</u>	<u>\$ (1,926)</u>	*	<u>\$ 23,547</u>	<u>\$ 10,557</u>	*
Net income attributable to noncontrolling interests	\$ 2,849	\$ 2,303	23.7	\$ 12,050	\$ 9,682	24.5
Net income (loss) attributable to Verizon	5,067	(4,229)	*	11,497	875	*
Net Income (Loss)	<u>\$ 7,916</u>	<u>\$ (1,926)</u>	*	<u>\$ 23,547</u>	<u>\$ 10,557</u>	*
Basic Earnings (Loss) per Common Share						
Net income (loss) attributable to Verizon	\$ 1.77	\$ (1.48)	*	\$ 4.01	\$.31	*
<i>Weighted average number of common shares (in millions)</i>	2,867	2,862		2,866	2,853	
Diluted Earnings (Loss) per Common Share ⁽¹⁾						
Net income (loss) attributable to Verizon	\$ 1.76	\$ (1.48)	*	\$ 4.00	\$.31	*
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	2,875	2,862		2,874	2,862	

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	12/31/13	12/31/12	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 53,528	\$ 3,093	\$ 50,435
Short-term investments	601	470	131
Accounts receivable, net	12,439	12,576	(137)
Inventories	1,020	1,075	(55)
Prepaid expenses and other	3,406	4,021	(615)
Total current assets	70,994	21,235	49,759
Plant, property and equipment	220,865	209,575	11,290
Less accumulated depreciation	131,909	120,933	10,976
	88,956	88,642	314
Investments in unconsolidated businesses	3,432	3,401	31
Wireless licenses	75,747	77,744	(1,997)
Goodwill	24,634	24,139	495
Other intangible assets, net	5,800	5,933	(133)
Other assets	4,535	4,128	407
Total Assets	\$ 274,098	\$ 225,222	\$ 48,876
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 3,933	\$ 4,369	\$ (436)
Accounts payable and accrued liabilities	16,453	16,182	271
Other	6,664	6,405	259
Total current liabilities	27,050	26,956	94
Long-term debt	89,658	47,618	42,040
Employee benefit obligations	27,682	34,346	(6,664)
Deferred income taxes	28,639	24,677	3,962
Other liabilities	5,653	6,092	(439)
Equity			
Common stock	297	297	-
Contributed capital	37,939	37,990	(51)
Reinvested earnings (Accumulated deficit)	1,782	(3,734)	5,516
Accumulated other comprehensive income	2,358	2,235	123
Common stock in treasury, at cost	(3,961)	(4,071)	110
Deferred compensation - employee stock ownership plans and other	421	440	(19)
Noncontrolling interests	56,580	52,376	4,204
Total equity	95,416	85,533	9,883
Total Liabilities and Equity	\$ 274,098	\$ 225,222	\$ 48,876

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/13	12/31/12
Total debt (in millions)	\$ 93,591	\$ 51,987
Net debt (in millions)	\$ 40,063	\$ 48,894
Net debt / Adjusted EBITDA ⁽¹⁾	1.0x	1.3x
Common shares outstanding end of period (in millions)	2,862	2,859
Total employees	176,800	183,400
Quarterly cash dividends declared per common share	\$ 0.530	\$ 0.515

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 12/31/13	12 Mos. Ended 12/31/12	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 23,547	\$ 10,557	\$ 12,990
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	16,606	16,460	146
Employee retirement benefits	(5,052)	8,198	(13,250)
Deferred income taxes	5,785	(952)	6,737
Provision for uncollectible accounts	993	972	21
Equity in earnings of unconsolidated businesses, net of dividends received	(102)	77	(179)
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(5)	(403)	398
Other, net	(2,954)	(3,423)	469
Net cash provided by operating activities	<u>38,818</u>	<u>31,486</u>	<u>7,332</u>
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(16,604)	(16,175)	(429)
Acquisitions of investments and businesses, net of cash acquired	(494)	(913)	419
Acquisitions of wireless licenses	(580)	(3,935)	3,355
Proceeds from dispositions of wireless licenses	2,111	-	2,111
Net change in short-term investments	63	27	36
Other, net	671	494	177
Net cash used in investing activities	<u>(14,833)</u>	<u>(20,502)</u>	<u>5,669</u>
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	49,166	4,489	44,677
Repayments of long-term borrowings and capital lease obligations	(8,163)	(6,403)	(1,760)
Decrease in short-term obligations, excluding current maturities □	(142)	(1,437)	1,295
Dividends paid	(5,936)	(5,230)	(706)
Proceeds from sale of common stock	85	315	(230)
Purchase of common stock for treasury	(153)	-	(153)
Special distribution to noncontrolling interests	(3,150)	(8,325)	5,175
Other, net	(5,257)	(4,662)	(595)
Net cash provided by (used in) financing activities	<u>26,450</u>	<u>(21,253)</u>	<u>47,703</u>
Increase (decrease) in cash and cash equivalents	50,435	(10,269)	60,704
Cash and cash equivalents, beginning of period	3,093	13,362	(10,269)
Cash and cash equivalents, end of period	<u>\$ 53,528</u>	<u>\$ 3,093</u>	<u>\$ 50,435</u>

Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/13	3 Mos. Ended 12/31/12	% Change	12 Mos. Ended 12/31/13	12 Mos. Ended 12/31/12	% Change
Operating Revenues						
Retail service	\$ 16,967	\$ 15,786	7.5	\$ 66,334	\$ 61,440	8.0
Other service	744	607	22.6	2,699	2,293	17.7
Service	<u>17,711</u>	<u>16,393</u>	8.0	<u>69,033</u>	<u>63,733</u>	8.3
Equipment	2,421	2,559	(5.4)	8,111	8,023	1.1
Other	993	1,042	(4.7)	3,879	4,112	(5.7)
Total Operating Revenues	<u>21,125</u>	<u>19,994</u>	5.7	<u>81,023</u>	<u>75,868</u>	6.8
Operating Expenses						
Cost of services and sales	6,546	7,332	(10.7)	23,648	24,490	(3.4)
Selling, general and administrative expense	6,261	5,877	6.5	23,176	21,650	7.0
Depreciation and amortization expense	<u>2,089</u>	<u>1,994</u>	4.8	<u>8,202</u>	<u>7,960</u>	3.0
Total Operating Expenses	<u>14,896</u>	<u>15,203</u>	(2.0)	<u>55,026</u>	<u>54,100</u>	1.7
Operating Income	\$ 6,229	\$ 4,791	30.0	\$ 25,997	\$ 21,768	19.4
Operating Income Margin	29.5%	24.0%		32.1%	28.7%	
Segment EBITDA	\$ 8,318	\$ 6,785	22.6	\$ 34,199	\$ 29,728	15.0
Segment EBITDA Service Margin	47.0%	41.4%		49.5%	46.6%	

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.

Wireless – Selected Operating Statistics

Unaudited	12/31/13	12/31/12	% Change
Connections ('000)			
Retail postpaid	96,752	92,530	4.6
Retail prepaid	6,047	5,700	6.1
Retail	102,799	98,230	4.7

Unaudited	3 Mos. Ended 12/31/13	3 Mos. Ended 12/31/12	% Change	12 Mos. Ended 12/31/13	12 Mos. Ended 12/31/12	% Change
Net Add Detail ('000)⁽¹⁾						
Retail postpaid	1,573	2,100	(25.1)	4,118	5,024	(18.0)
Retail prepaid	80	142	(43.7)	354	893	(60.4)
Retail	1,653	2,242	(26.3)	4,472	5,917	(24.4)

Account Statistics

Retail Postpaid Accounts ('000) ⁽²⁾				35,083	35,057	0.1
Retail postpaid ARPA	\$ 157.21	\$ 146.80	7.1	\$ 153.93	\$ 144.04	6.9
Retail postpaid connections per account ⁽²⁾				2.76	2.64	4.5

Churn Detail

Retail postpaid	0.96%	0.95%		0.97%	0.91%	
Retail	1.27%	1.24%		1.27%	1.19%	

Retail Postpaid Connection Statistics

Total Smartphone postpaid % of phones activated	88.9%	85.4%		85.7%	77.1%	
Total Smartphone postpaid phone base ⁽²⁾				70.0%	58.1%	
Total Internet postpaid base ⁽²⁾				10.7%	9.3%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 2,705	\$ 2,791	(3.1)	\$ 9,425	\$ 8,857	6.4
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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.

Wireline – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/13	3 Mos. Ended 12/31/12	% Change	12 Mos. Ended 12/31/13	12 Mos. Ended 12/31/12	% Change
Operating Revenues						
Consumer retail	\$ 3,796	\$ 3,569	6.4	\$ 14,737	\$ 14,043	4.9
Small business	642	660	(2.7)	2,591	2,659	(2.6)
Mass Markets	4,438	4,229	4.9	17,328	16,702	3.7
Strategic services	2,139	2,090	2.3	8,420	8,052	4.6
Core	1,507	1,756	(14.2)	6,283	7,247	(13.3)
Global Enterprise	3,646	3,846	(5.2)	14,703	15,299	(3.9)
Global Wholesale	1,632	1,770	(7.8)	6,714	7,240	(7.3)
Other	129	145	(11.0)	478	539	(11.3)
Total Operating Revenues	9,845	9,990	(1.5)	39,223	39,780	(1.4)
Operating Expenses						
Cost of services and sales	5,581	5,878	(5.1)	21,928	22,413	(2.2)
Selling, general and administrative expense	2,060	2,313	(10.9)	8,595	8,883	(3.2)
Depreciation and amortization expense	2,073	2,125	(2.4)	8,327	8,424	(1.2)
Total Operating Expenses	9,714	10,316	(5.8)	38,850	39,720	(2.2)
Operating Income (Loss)	\$ 131	\$ (326)	*	\$ 373	\$ 60	*
Operating Income Margin	1.3%	(3.3)%		1.0%	0.2%	
Segment EBITDA	\$ 2,204	\$ 1,799	22.5	\$ 8,700	\$ 8,484	2.5
Segment EBITDA Margin	22.4%	18.0%		22.2%	21.3%	

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	12/31/13	12/31/12	% Change
Connections ('000)			
FiOS Video Subscribers	5,262	4,726	11.3
FiOS Internet Subscribers	6,072	5,424	11.9
FiOS Digital Voice residence connections	4,248	3,227	31.6
FiOS Digital connections	15,582	13,377	16.5
HSI	2,943	3,371	(12.7)
Total Broadband connections	9,015	8,795	2.5
Primary residence switched access connections	6,481	7,982	(18.8)
Primary residence connections	10,729	11,209	(4.3)
Total retail residence voice connections	11,229	11,849	(5.2)
Total voice connections	21,085	22,503	(6.3)

Unaudited	3 Mos. Ended 12/31/13	3 Mos. Ended 12/31/12	% Change	12 Mos. Ended 12/31/13	12 Mos. Ended 12/31/12	% Change
Net Add Detail ('000)						
FiOS Video Subscribers	92	134	(31.3)	536	553	(3.1)
FiOS Internet Subscribers	126	144	(12.5)	648	607	6.8
FiOS Digital Voice residence connections	179	289	(38.1)	1,021	1,343	(24.0)
FiOS Digital connections	397	567	(30.0)	2,205	2,503	(11.9)
HSI	(106)	(117)	(9.4)	(428)	(482)	(11.2)
Total Broadband connections	20	27	(25.9)	220	125	76.0
Primary residence switched access connections	(340)	(402)	(15.4)	(1,501)	(1,924)	(22.0)
Primary residence connections	(161)	(113)	42.5	(480)	(581)	(17.4)
Total retail residence voice connections	(192)	(156)	23.1	(620)	(777)	(20.2)
Total voice connections	(372)	(344)	8.1	(1,418)	(1,634)	(13.2)

Revenue and ARPU Statistics

Consumer ARPU	\$ 117.06	\$ 105.63	10.8	\$ 111.96	\$ 101.77	10.0
FiOS revenues (in millions)	\$ 2,965	\$ 2,565	15.6	\$ 11,152	\$ 9,722	14.7
Strategic services as a % of total Enterprise revenues	58.7%	54.3%		57.3%	52.6%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,762	\$ 1,725	2.1	\$ 6,229	\$ 6,342	(1.8)
Wireline employees ('000)				81.9	86.4	
FiOS Video Open for Sale ('000)				15,022	14,200	
FiOS Video penetration				35.0%	33.3%	
FiOS Internet Open for Sale ('000)				15,368	14,528	
FiOS Internet penetration				39.5%	37.3%	

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.