

Condensed Consolidated Statements of Income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/11	3 Mos. Ended 12/31/10	% Change	12 Mos. Ended 12/31/11	12 Mos. Ended 12/31/10	% Change
Operating Revenues	\$ 28,436	\$ 26,395	7.7	\$ 110,875	\$ 106,565	4.0
Operating Expenses						
Cost of services and sales	12,090	10,610	13.9	45,875	44,149	3.9
Selling, general & administrative expense	13,278	5,291	*	35,624	31,366	13.6
Depreciation and amortization expense	4,180	4,083	2.4	16,496	16,405	0.6
Total Operating Expenses	<u>29,548</u>	<u>19,984</u>	47.9	<u>97,995</u>	<u>91,920</u>	6.6
Operating Income (Loss)	(1,112)	6,411	*	12,880	14,645	(12.1)
Equity in earnings of unconsolidated businesses	97	113	(14.2)	444	508	(12.6)
Other income and (expense), net	(84)	43	*	(14)	54	*
Interest expense	(703)	(567)	24.0	(2,827)	(2,523)	12.0
Income (Loss) Before (Provision) Benefit for Income Taxes	(1,802)	6,000	*	10,483	12,684	(17.4)
(Provision) benefit for income taxes	1,590	(1,352)	*	(285)	(2,467)	(88.4)
Net Income (Loss)	<u>\$ (212)</u>	<u>\$ 4,648</u>	*	<u>\$ 10,198</u>	<u>\$ 10,217</u>	(0.2)
Net income attributable to noncontrolling interest	\$ 1,811	\$ 2,009	(9.9)	\$ 7,794	\$ 7,668	1.6
Net income (loss) attributable to Verizon	(2,023)	2,639	*	2,404	2,549	(5.7)
Net Income (Loss)	<u>\$ (212)</u>	<u>\$ 4,648</u>	*	<u>\$ 10,198</u>	<u>\$ 10,217</u>	(0.2)
Basic Earnings (Loss) per Common Share						
Net income (loss) attributable to Verizon	\$ (.71)	\$.93	*	\$.85	\$.90	(5.6)
<i>Weighted average number of common shares (in millions)</i>	2,835	2,829		2,833	2,830	
Diluted Earnings (Loss) per Common Share ⁽¹⁾						
Net income (loss) attributable to Verizon	\$ (.71)	\$.93	*	\$.85	\$.90	(5.6)
<i>Weighted average number of common shares-assuming dilution (in millions)</i>	2,835	2,831		2,839	2,833	

Footnotes:

(1) If there is a net loss, diluted EPS is the same as basic EPS. Diluted Earnings per 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	12/31/11	12/31/10	\$ Change
Assets			
Current assets			
Cash and cash equivalents	\$ 13,362	\$ 6,668	\$ 6,694
Short-term investments	592	545	47
Accounts receivable, net	11,776	11,781	(5)
Inventories	940	1,131	(191)
Prepaid expenses and other	4,269	2,223	2,046
Total current assets	30,939	22,348	8,591
Plant, property and equipment	215,626	211,655	3,971
Less accumulated depreciation	127,192	123,944	3,248
	88,434	87,711	723
Investments in unconsolidated businesses	3,448	3,497	(49)
Wireless licenses	73,250	72,996	254
Goodwill	23,357	21,988	1,369
Other intangible assets, net	5,878	5,830	48
Other assets	5,155	5,635	(480)
Total Assets	\$ 230,461	\$ 220,005	\$ 10,456
Liabilities and Equity			
Current liabilities			
Debt maturing within one year	\$ 4,849	\$ 7,542	\$ (2,693)
Accounts payable and accrued liabilities	14,689	15,702	(1,013)
Other	11,223	7,353	3,870
Total current liabilities	30,761	30,597	164
Long-term debt	50,303	45,252	5,051
Employee benefit obligations	32,957	28,164	4,793
Deferred income taxes	25,060	22,818	2,242
Other liabilities	5,472	6,262	(790)
Equity			
Common stock	297	297	-
Contributed capital	37,919	37,922	(3)
Reinvested earnings	1,179	4,368	(3,189)
Accumulated other comprehensive income	1,269	1,049	220
Common stock in treasury, at cost	(5,002)	(5,267)	265
Deferred compensation - employee stock ownership plans and other	308	200	108
Noncontrolling interest	49,938	48,343	1,595
Total equity	85,908	86,912	(1,004)
Total Liabilities and Equity	\$ 230,461	\$ 220,005	\$ 10,456

Verizon - Selected Financial and Operating Statistics

Unaudited	12/31/11	12/31/10
Total debt (in millions)	\$ 55,152	\$ 52,794
Net debt (in millions)	\$ 41,790	\$ 46,126
Net debt / Adjusted EBITDA ⁽¹⁾	1.2x	1.3x
Common shares outstanding end of period (in millions)	2,834	2,827
Total employees	193,900	194,400
Cash dividends declared per common share	\$ 0.5000	\$ 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	12 Mos. Ended 12/31/11	12 Mos. Ended 12/31/10	\$ Change
Cash Flows From Operating Activities			
Net Income	\$ 10,198	\$ 10,217	\$ (19)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	16,496	16,405	91
Employee retirement benefits	7,426	3,988	3,438
Deferred income taxes	(223)	3,233	(3,456)
Provision for uncollectible accounts	1,026	1,246	(220)
Equity in earnings of unconsolidated businesses, net of dividends received	36	2	34
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(2,279)	202	(2,481)
Other, net	(2,900)	(1,930)	(970)
Net cash provided by operating activities	<u>29,780</u>	<u>33,363</u>	<u>(3,583)</u>
Cash Flows From Investing Activities			
Capital expenditures (including capitalized software)	(16,244)	(16,458)	214
Acquisitions of licenses, investments and businesses, net of cash acquired	(2,018)	(1,438)	(580)
Proceeds from dispositions	-	2,594	(2,594)
Net change in short-term investments	35	(3)	38
Other, net	977	251	726
Net cash used in investing activities	<u>(17,250)</u>	<u>(15,054)</u>	<u>(2,196)</u>
Cash Flows From Financing Activities			
Proceeds from long-term borrowings	11,060	-	11,060
Repayments of long-term borrowings and capital lease obligations	(11,805)	(8,136)	(3,669)
Increase (decrease) in short-term obligations, excluding current maturities	1,928	(1,097)	3,025
Dividends paid	(5,555)	(5,412)	(143)
Proceeds from sale of common stock	241	-	241
Proceeds from access line spin-off	-	3,083	(3,083)
Other, net	(1,705)	(2,088)	383
Net cash used in financing activities	<u>(5,836)</u>	<u>(13,650)</u>	<u>7,814</u>
Increase in cash and cash equivalents	6,694	4,659	2,035
Cash and cash equivalents, beginning of period	6,668	2,009	4,659
Cash and cash equivalents, end of period	<u>\$ 13,362</u>	<u>\$ 6,668</u>	<u>\$ 6,694</u>

Verizon Wireless – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/11	3 Mos. Ended 12/31/10	% Change	12 Mos. Ended 12/31/11	12 Mos. Ended 12/31/10	% Change
Operating Revenues						
Retail service	\$ 14,562	\$ 13,513	7.8	\$ 56,660	\$ 53,308	6.3
Other service	544	680	(20.0)	2,497	2,321	7.6
Service	15,106	14,193	6.4	59,157	55,629	6.3
Equipment	2,215	1,126	96.7	7,457	4,418	68.8
Other	933	829	12.5	3,540	3,360	5.4
Total Operating Revenues	18,254	16,148	13.0	70,154	63,407	10.6
Operating Expenses						
Cost of services and sales	6,707	4,817	39.2	24,086	19,245	25.2
Selling, general & administrative expense	5,167	4,596	12.4	19,579	18,082	8.3
Depreciation and amortization expense	2,045	1,881	8.7	7,962	7,356	8.2
Total Operating Expenses	13,919	11,294	23.2	51,627	44,683	15.5
Operating Income	\$ 4,335	\$ 4,854	(10.7)	\$ 18,527	\$ 18,724	(1.1)
Operating Income Margin	23.7%	30.1%		26.4%	29.5%	
Segment EBITDA	\$ 6,380	\$ 6,735	(5.3)	\$ 26,489	\$ 26,080	1.6
Segment EBITDA Service Margin	42.2%	47.5%		44.8%	46.9%	

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	12/31/11	12/31/10	% Change
Connections (000)			
Retail postpaid	87,382	83,125	5.1
Retail prepaid	4,785	4,410	8.5
Retail	92,167	87,535	5.3
Wholesale & other connections	16,500	14,711	12.2
Total connections	108,667	102,246	6.3

Unaudited	3 Mos. Ended 12/31/11	3 Mos. Ended 12/31/10	% Change	12 Mos. Ended 12/31/11	12 Mos. Ended 12/31/10	% Change
Net Add Detail ⁽¹⁾ (000)						
Retail postpaid	1,207	872	38.4	4,252	2,529	68.1
Retail prepaid	252	(69)	*	372	(552)	*
Retail	1,459	803	81.7	4,624	1,977	*
Wholesale & other connections	(490)	338	*	1,664	3,540	(53.0)
Total connections	969	1,141	(15.1)	6,288	5,517	14.0

Churn Detail						
Retail postpaid	0.94%	1.01%		0.95%	1.02%	
Retail	1.23%	1.37%		1.26%	1.38%	

Revenue & ARPU Statistics						
Total data revenues (in millions)	\$ 6,278	\$ 5,268	19.2	\$ 23,646	\$ 19,550	21.0
Retail postpaid data ARPU	\$ 22.76	\$ 19.91	14.3	\$ 21.70	\$ 18.78	15.5
Total data as a % of service revenues	41.6%	37.1%		40.0%	35.1%	
Retail service ARPU	\$ 53.14	\$ 51.79	2.6	\$ 52.69	\$ 51.51	2.3
Retail postpaid ARPU	\$ 54.80	\$ 53.45	2.5	\$ 54.34	\$ 53.14	2.3

Retail Postpaid Connection Statistics						
Total Smartphone postpaid % of phones sold	70.3%	49.3%		62.6%	42.0%	
Total Smartphone postpaid phone base				43.5%	28.1%	
Total Internet postpaid base				8.1%	7.0%	

Other Operating Statistics						
Capital expenditures (in millions)	\$ 1,787	\$ 2,233	(20.0)	\$ 8,973	\$ 8,438	6.3

Footnotes:

(1) Connection net additions exclude acquisitions and adjustments.

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.

* Not meaningful

Wireline – Selected Financial Results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/11	3 Mos. Ended 12/31/10	% Change	12 Mos. Ended 12/31/11	12 Mos. Ended 12/31/10	% Change
Operating Revenues						
Consumer retail	\$ 3,429	\$ 3,385	1.3	\$ 13,606	\$ 13,419	1.4
Small business	684	700	(2.3)	2,731	2,837	(3.7)
Mass Markets	4,113	4,085	0.7	16,337	16,256	0.5
Strategic services	1,990	1,735	14.7	7,607	6,602	15.2
Other	1,939	2,142	(9.5)	8,015	8,714	(8.0)
Global Enterprise	3,929	3,877	1.3	15,622	15,316	2.0
Global Wholesale	1,938	2,098	(7.6)	7,973	8,746	(8.8)
Other	159	229	(30.6)	750	909	(17.5)
Total Operating Revenues	10,139	10,289	(1.5)	40,682	41,227	(1.3)
Operating Expenses						
Cost of services and sales	5,511	5,608	(1.7)	22,158	22,618	(2.0)
Selling, general & administrative expense	2,213	2,267	(2.4)	9,107	9,372	(2.8)
Depreciation and amortization expense	2,115	2,161	(2.1)	8,458	8,469	(0.1)
Total Operating Expenses	9,839	10,036	(2.0)	39,723	40,459	(1.8)
Operating Income	\$ 300	\$ 253	18.6	\$ 959	\$ 768	24.9
Operating Income Margin	3.0%	2.5%		2.4%	1.9%	
Segment EBITDA	\$ 2,415	\$ 2,414	-	\$ 9,417	\$ 9,237	1.9
Segment EBITDA Margin	23.8%	23.5%		23.1%	22.4%	

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.

Wireline – Selected Operating Statistics

Unaudited	12/31/11	12/31/10	% Change
Connections (000)			
FiOS Video Subscribers	4,173	3,472	20.2
FiOS Internet Subscribers	4,817	4,082	18.0
FiOS Digital Voice residence connections	1,884	817	*
FiOS Digital connections	10,874	8,371	29.9
HSI and other	3,853	4,310	(10.6)
Total Broadband connections	8,670	8,392	3.3
Primary residence switched access connections	9,906	11,757	(15.7)
Primary residence connections	11,790	12,574	(6.2)
Total retail residence voice connections	12,626	13,616	(7.3)
Total voice connections	24,137	26,001	(7.2)

Unaudited	3 Mos. Ended 12/31/11	3 Mos. Ended 12/31/10	% Change	12 Mos. Ended 12/31/11	12 Mos. Ended 12/31/10	% Change
Net Add Detail (000)						
FiOS Video Subscribers	194	182	6.6	701	722	(2.9)
FiOS Internet Subscribers	201	197	2.0	735	796	(7.7)
FiOS Digital Voice residence connections	424	145	*	1,067	798	33.7
FiOS Digital connections	819	524	56.3	2,503	2,316	8.1
HSI and other	(103)	(145)	(29.0)	(457)	(564)	(19.0)
Total Broadband connections	98	52	88.5	278	232	19.8
Primary residence switched access connections	(550)	(396)	38.9	(1,851)	(1,886)	(1.9)
Primary residence connections	(126)	(251)	(49.8)	(784)	(1,088)	(27.9)
Total retail residence voice connections	(183)	(303)	(39.6)	(990)	(1,349)	(26.6)
Total voice connections	(382)	(543)	(29.7)	(1,864)	(2,322)	(19.7)

Revenue & ARPU Statistics

Consumer ARPU	\$ 96.43	\$ 88.85	8.5	\$ 93.07	\$ 85.24	9.2
FiOS revenues (in millions)	\$ 2,216	\$ 1,875	18.2	\$ 8,293	\$ 6,904	20.1
Strategic services as a % of total Enterprise revenues	50.6%	44.8%		48.7%	43.1%	

Other Operating Statistics

Capital expenditures (in millions)	\$ 1,632	\$ 2,171	(24.8)	\$ 6,399	\$ 7,269	(12.0)
Wireline employees (000)				91.8	92.3	
FiOS Internet Open for Sale (000)				13,585	12,786	
FiOS Internet penetration				35.5%	31.9%	
FiOS Video Open for Sale (000)				13,250	12,388	
FiOS Video penetration				31.5%	28.0%	

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