



# **4th Quarter 2006 Earnings Conference Call**

**January 29, 2007**

# "Safe Harbor" Statement



**NOTE: This presentation contains statements about expected future events and financial results that are forward-looking and subject to risks and uncertainties. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. The following important factors could affect future results and could cause those results to differ materially from those expressed in the forward-looking statements: materially adverse changes in economic and industry conditions and labor matters, including workforce levels and labor negotiations, and any resulting financial and/or operational impact, in the markets served by us or by companies in which we have substantial investments; material changes in available technology; technology substitution; an adverse change in the ratings afforded our debt securities by nationally accredited ratings organizations; the final results of federal and state regulatory proceedings concerning our provision of retail and wholesale services and judicial review of those results; the effects of competition in our markets; the timing, scope and financial impacts of our deployment of fiber-to-the-premises broadband technology; the ability of Verizon Wireless to continue to obtain sufficient spectrum resources; changes in our accounting assumptions that regulatory agencies, including the SEC, may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; the timing of the closings of the sales of our Latin American and Caribbean properties; and the extent and timing of our ability to obtain revenue enhancements and cost savings following our business combination with MCI, Inc.**

This presentation includes certain non-GAAP financial measures as defined under SEC rules. As required by those rules we have provided a reconciliation of those measures to the most directly comparable GAAP measure in materials on our website at [www.verizon.com/investor](http://www.verizon.com/investor).

# 2006 Highlights



## Transforming the Business

MCI

Idearc

Int'l

Spectrum

Share  
Buyback

Debt  
Reduction

Attractive  
Dividend

### Wireless

- ↑ Highest level of net adds +7.7M
- ↑ Highest level of customer loyalty <1.1% retail churn
- ↑ Expanded ARPU and margins

### Broadband

- ↑ Doubled fiber deployed & homes open for sale
- ↑ Exceeded video growth forecast – 207k subs
- ↑ Reduced cost to:
  - pass - (22%)
  - connect - (28%)

### Business

- ↑ Successful integration
- ↑ Restored Y/Y revenue growth +2.7% in 4<sup>th</sup> Qtr (Proforma)
- ↑ Stabilized the business

## Strategic Network Assets

**Foundation for continued growth**

**4Q '06**

# Consolidated Results



	<u>4Q '06<sup>1</sup></u>	<u>4Q Y/Y Change</u>		<u>2006 Pro forma<sup>1</sup> Y/Y Change</u>
		<u>Adjusted<sup>1</sup></u>	<u>Pro forma<sup>1</sup></u>	
Revenue	\$22.6B	+26.1%	+3.9%	+3.3%
Cash Expense	\$15.3B	+37.6%	+5.4%	+3.0%
Operating Income	\$3.7B	+9.0%	+4.5%	+10.1%
Operating Income Margin	16.2%	(250)bps	+10bps	+100bps

**EPS of \$0.62<sup>1</sup>**

**EPS from Continuing Operations of \$0.52<sup>1</sup>**

<sup>1</sup> Excludes special items

**Strong momentum**

# Cash Flow



	<u>Annual</u>	<u>Y/Y Change</u>
Cash Flow from Continuing Operations	\$23.0B	+\$2.6B
Capital Expenditures	\$17.1B	+\$2.1B
Debt	\$36.4B	(\$1.9B)
Net Debt	\$33.1B	(\$4.4B)
Net Cash Flow/Debt	57.8%	+630bps
Net Debt/EBITDA <sup>1</sup>	1.15x	(0.30x)

<sup>1</sup> Excludes special items

**Strong & sustainable cash flow**

**Wireless**

# 2006 Operational Highlights



- Expanded wireless broadband capabilities
- Introduced innovative products and services
- Became industry leader in retail customers
- Improved upon best customer loyalty
- Delivered industry-leading financial results

***Gained market share***

**Wireless**

# Financial Results



	<u>4Q '06</u>	<u>Y/Y Change</u>	<u>Sequential Change</u>
Total Revenue	\$10.1B	+16.3%	+2.3%
Operating Income Margin	25.0%	(80)bps	(120)bps
EBITDA	\$3.8B	+8.0%	(1.4%)
EBITDA Margin	43.2%	(360)bps	(180)bps
Cash Exp per Customer	\$28.46	+\$2.19	+\$0.61
Capital Expenditures	\$1.8B	\$295M	+\$194M

***Profitable growth***

**Wireless**

# Revenue Summary



	<u>4Q '06</u>	<u>Y/Y Change</u>	<u>Sequential Change</u>
Total Revenue	\$10.1B	+16.3%	+2.3%
Service Revenue	\$8.7B	+16.9%	+2.5%
Service ARPU	\$50.12	+\$0.76	(\$0.47)
Retail Service ARPU	\$50.78	+\$0.84	(\$0.43)
Data Revenue	\$1.4B	+87.6%	+14.5%
Data ARPU	\$7.91	+\$3.06	+\$0.75
Data % of Service Revenue	15.8%	+600bps	+170bps

***ARPU expansion driven by data***

**Wireless**

# Quality Customer Growth

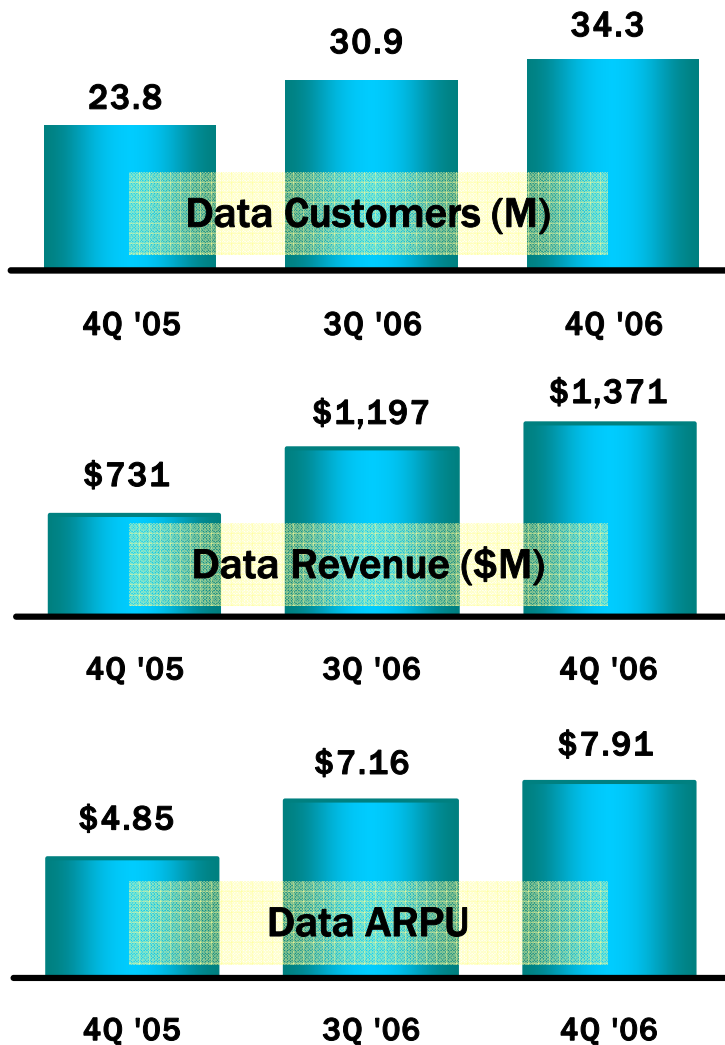


	<u>4Q '06</u>	<u>Y/Y Change</u>	<u>Sequential Change</u>
Total Customers	59.1M	+7.7M	+2.3M
Total Customer Churn	1.14%	(8)bps	(10)bps
Retail Customers	56.8M	+7.8M	+2.2M
Retail Churn	1.10%	(8)bps	(5)bps
Retail Post-paid Customers	54.7M	+7.2M	+2.1M
Retail Post-paid Churn	0.89%	(13)bps	(6)bps

***Industry-leading retail growth***

Wireless

# Data Services Growing



■ \$4.5B in 2006, up 100%

■ 16% of service revenues

■ 51% of service revenue growth

■ Over one-third of revenue from business applications

*Creating new opportunities*

# Wireless 2007 Priorities



- **Continue to expand and improve most reliable network**
- **Deliver industry-best customer experience**
- **Expand retail customer revenue market share**
- **Post industry-leading financial performance**

***Execute on fundamentals***

- **Expanded broadband capable lines and doubled fiber deployment**
- **Expanded global capabilities and IP-suite of products**
- **Successfully launched video business**
- **Added 2.4M customers to bundled services**
- **Reduced headcount by 9,200**

***Network investments driving growth***

	4Q '06 <sup>1</sup>	Y/Y Change		Sequential Change <sup>1</sup>
		Reported <sup>1</sup>	Pro forma <sup>1</sup>	
Revenue	\$12.7B	+36.1%	(3.5%)	(0.5%)
<i>Data Revenue</i>	\$4.2B	+92.8%	+9.5%	+3.2%
Cash Expense	\$9.2B	+50.3%	(3.5%)	(1.4%)
Operating Income	\$1.1B	+9.5%	(3.7%)	+1.2%
Operating Income Margin	8.9%	(220)bps	Flat	+10bps
Capital Expenditures	\$2.9B	+\$864M	N/A	+\$581M

<sup>1</sup> Excludes special items, excluding capital expenditures

**Results on target**

# Telecom Revenue Summary



	4Q '06	Y/Y Change		Sequential Change
		Adjusted	Pro forma	
Consumer Retail	\$3.7B	(2.4%)	(2.4%)	(0.7%)
Small/Medium Business	\$1.3B	(1.2%)	(1.2%)	(1.1%)
Former MCI Mass Markets	\$0.5B	NM	(30.1%)	(13.3%)
<b>Total Mass Markets</b>	<b>\$5.5B</b>	<b>8.8%</b>	<b>(5.9%)</b>	<b>(2.2%)</b>
Wholesale Services	\$2.1B	(9.1%)	(3.1%)	(2.0%)
Other	\$0.6B	(18.1%)	(31.0%)	(0.2%)
<b>Total Telecom</b>	<b>\$8.2B</b>	<b>+1.4%</b>	<b>(7.6%)</b>	<b>(2.0%)</b>

*Key drivers improving*

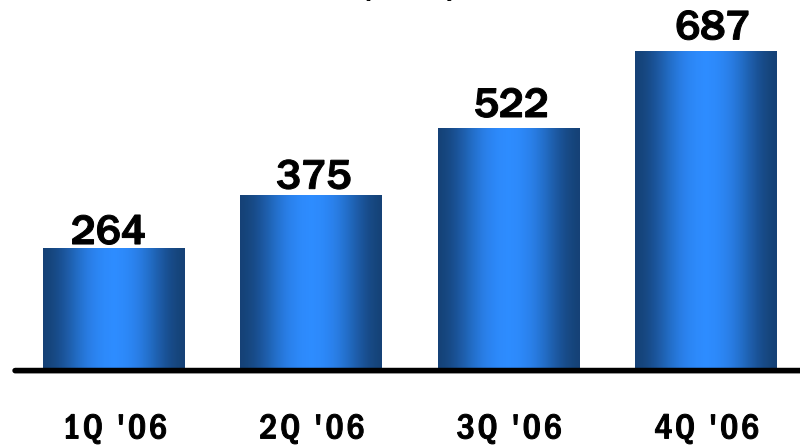
	4Q '06	Y/Y Change	Sequential Change
<b>Consumer Retail</b>			
Voice Primary Lines <sup>fvZ</sup>	22.7M	(6.0%)	(366)
Broadband	6.1M	+1.7M	+375
Video	0.8M	+0.4M	+133
<b>Primary Consumer Units</b>	29.6M	2.4%	+142
Additional Lines	2.6M	(16.3%)	(115)
<b>Consumer RGU's</b>	32.2M	0.5%	+27
<b>Total Access Lines</b>	45.1M	(7.6%)	(893)

*Expanding customer relationships*

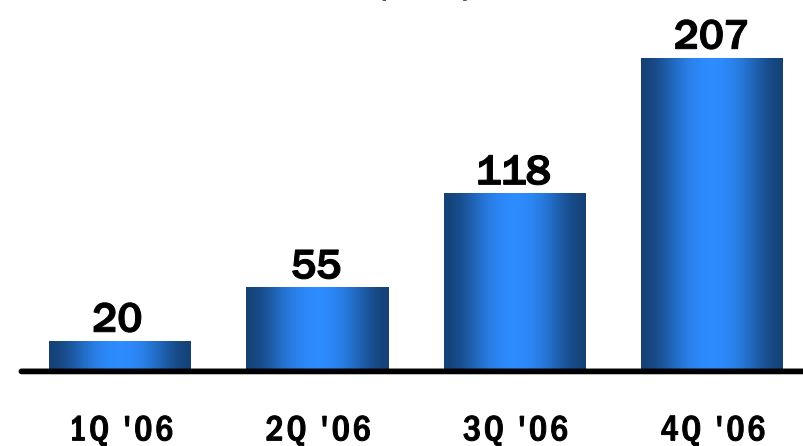
# Telecom FiOS Customers



### Internet Subscribers (000)



### TV Subscribers (000)



2.6M	3.1M	3.8M	4.8M
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Homes  
Open  
for Sale

413K	692K	1.2M	2.4M
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***Accelerating customer growth***

# Revenue Summary



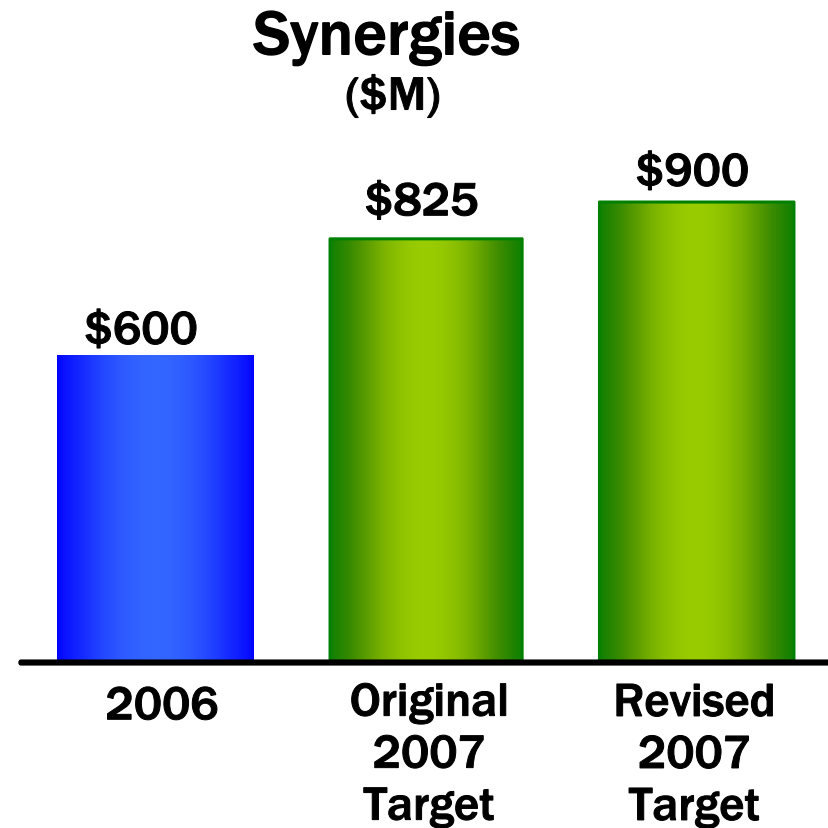
	<u>4Q '06</u>	<u>Y/Y Change<sup>1</sup></u>	<u>Sequential Change</u>
<b>Enterprise Business</b>	<b>\$3.7B</b>	<b>+4.7%</b>	<b>+2.8%</b>
<b>Wholesale Services</b>	<b>\$0.8B</b>	<b>(4.2%)</b>	<b>+2.6%</b>
<b>International and Other</b>	<b>\$0.8B</b>	<b>+1.7%</b>	<b>(0.4%)</b>
<b>Total Revenues</b>	<b>\$5.3B</b>	<b>+2.7%</b>	<b>+2.3%</b>
<b>Strategic Services</b>	<b>\$1.1B</b>	<b>+27.3%</b>	<b>+7.5%</b>

<sup>1</sup> Y/Y change based on pro forma results

***Improving trends***



- Integration on schedule
- IT system consolidation in progress
- Focused on reducing access costs



*Synergies improving profitability*

# Wireline 2007 Priorities



## Telecom

- Continue to expand broadband capabilities
- Top 10 MSO video provider
- Improve retention & ARPU

## Business

- Lead globally
- Implement next-generation global IP/MPLS network
- Accelerate strategic service revenue

- Provide industry best customer experience
  - Improve profitability

***Delivering value to customers***

# Summary and Outlook



- **Strong financial and operational results in 2006**
- **Creating the foundation for sustainable long-term organic growth**
- **Continuing to invest in the network**
- **Improving top-line growth**
- **Continue to focus on creating shareholder value**
  - **Complete international property and ME, NH, and VT access line sales**
  - **Share repurchase program**

***Continued profitable growth***