VERIZON COMMUNICATIONS INC
Form 8-K
January 29, 2003

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report: January 29, 2003
(Date of earliest event reported)

VERIZON COMMUNICATIONS INC.
(Exact name of registrant as specified in its charter)

Delaware	1-8606	23-22
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Id

1095 Avenue of the Americas, New York, New York	1003
(Address of principal executive offices)	(Zip C

Registrant's telephone number, including area code: (212) 395-2121

Not applicable
(Former name or former address, if changed since last report)

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Item 9. Regulation FD Disclosure.

Set forth below is a press release issued by Verizon Communications Inc. on January 29, 2003 announcing earnings for the fourth quarter of 2002 and the year ended December 31, 2002, and providing its financial outlook for 2003.

NEWS RELEASE [VERIZON LOGO]

FOR IMMEDIATE RELEASE
JAN. 29, 2003

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VERIZON COMMUNICATIONS REPORTS STRONG YEARLY OPERATIONAL GROWTH AND GIVES OUTLOOK FOR 2003

FOURTH-QUARTER HIGHLIGHTS

- 964,000 Verizon Wireless net customer additions, excluding acquisitions; 32.5 million total customers
- 566,000 long-distance net customer additions, for a total of 10.4 million -- making Verizon the U.S.'s third largest long-distance carrier for consumers
- 148,000 new net digital subscriber lines (DSL), for a total of 1.8 million lines

2002 HIGHLIGHTS

- Met or exceeded year-end targets for revenue growth, diluted EPS (earnings per share), capital expenditures, debt management, and long-distance and DSL customers
- Total debt reduced by $10.2 billion, to $54.1 billion from $64.3 billion, a 15.9 percent decrease
- Net debt (total debt less cash and cash equivalents) reduced by $10.7 billion, to $52.6 billion from $63.3 billion, a 16.9 percent decrease; commercial paper reduced 83.6 percent, to $2.1 billion from $12.8 billion
- $4.8 billion in free cash flow (cash from operating activities less capital expenditures of $12.0 billion, capitalized non-network software and dividends)

2003 GUIDANCE

- EPS of $2.70 to $2.80, after offsets from reduced pension income, reduced income from 2002 access line sales, and expensing stock options
- Comparable revenue growth of 0 to 2 percent
- Capital expenditures (including capitalized non-network software) of $12.5 to $13.5 billion

o Net debt of $49 to $51 billion

NEW YORK -- Verizon Communications Inc. (NYSE:VZ) today announced fourth-quarter 2002 diluted EPS of 83 cents, or 79 cents before special items, on the strength of comparable quarterly revenue growth and expense reduction, and continued strong sales of wireless, long-distance, DSL and bundled product offerings.

For the fourth quarter, Verizon's reported earnings were $2.3 billion, or 83 cents per share, including a net of $99 million, or 4 cents per share, in special items. Nearly $1.2 billion in gains, primarily associated with $1.1 billion in tax benefits, were largely offset by after-tax charges totaling $1.1 billion, including $604 million primarily for pension and benefit costs related to prior force reductions, $292 million for costs related to the bankruptcy of Genuity Inc., $129 million for merger transition costs, and $42 million in other items. This is the final quarter that Verizon will incur transition costs.

Reported operating revenues were $17.2 billion, and operations and support expenses were $11.0 billion in the fourth quarter 2002. Revenues, operating expenses and statistics described on a comparable basis exclude special gains and charges and the effects of the sale of 1.27 million switched access lines during third quarter 2002, and include the consolidation of Telecomunicaciones de Puerto Rico, Inc. (PRTC) and the deconsolidation of CTI Holdings S.A. beginning in 2002.

Fourth-quarter operating revenues, on a comparable basis, increased 1.5 percent to $17.2 billion from $17.0 billion, including a double-digit increase for the second consecutive quarter in Verizon Wireless revenues, which grew 16.3 percent to $5.2 billion, from $4.4 billion in the fourth quarter of 2001. Fourth-quarter operations and support expenses, on a comparable basis, declined 3.5 percent to $9.6 billion, from $9.9 billion in fourth quarter 2001.

Also today, Verizon Wireless will withdraw its registration statement for an initial public offering of equity securities, filed with the Securities and Exchange Commission, given the ongoing strong cash flow at Verizon Wireless and the lack of significant funding requirements that need to be addressed.

A YEAR OF GREAT PROGRESS

Chief Executive Officer Ivan Seidenberg said, "We achieved great progress in 2002. Our business model proved strong enough to carry us through a very difficult economic environment and allowed us to anticipate and adapt to the unprecedented technological changes in our

industry. Throughout the year, we have focused on execution, generating cash flow and maintaining operational excellence, and we delivered on our financial and operational targets. While conserving capital, we met customer demands through product and packaging innovations and by using advanced technology to efficiently provide more capabilities through our world-class wireline and wireless networks."

Seidenberg added, "Our wireless, long-distance and DSL businesses continue to position Verizon well in growth markets. We have built an excellent foundation for 2003. Our continuing product innovation, combined with the quality of our customer service and the sophistication, scope and reliability of our networks, has Verizon poised for more customer growth in the year ahead."

In the fourth quarter, Verizon saw gains in EBITDA margins on a comparable basis. (EBITDA is determined by adding depreciation and amortization to operating income; EBITDA margin is calculated by dividing EBITDA by total operating revenues, or service revenues for Verizon Wireless.) Verizon's consolidated EBITDA margin was 44.4 percent in the quarter, a 290 basis-point improvement over fourth quarter 2001. Verizon Wireless' EBITDA margin was 40.1 percent, a 520 basis-point improvement over the prior year's quarter. The EBITDA margin at Verizon's largest business unit, Domestic Telecom, was 45.1 percent in the quarter, a 270 basis-point improvement over fourth quarter 2001.

This also marked the eighth consecutive quarter that Domestic Telecom has reduced its operations and support expenses over the prior-year period. On a comparable basis with the fourth quarter 2001, these expenses decreased by 7.1 percent, to $5.5 billion, in the fourth quarter 2002. Year-over-year on a comparable basis, these expenses were reduced by $1.3 billion in 2002.

CUSTOMER GROWTH

Operationally in the fourth quarter, Verizon Wireless added 964,000 customers on a net basis, 34.8 percent more than in the prior year's quarter. Verizon added 566,000 long-distance customers on a net basis to become the nation's third-largest provider of consumer long-distance service, with 10.4 million customers. Net additions of DSL lines exceeded 148,000 in the quarter, for a year-end total of 1.8 million lines and a year-over-year increase of 50 percent.

For the year, the total number of customers increased by 3.1 million, including acquisitions, for Verizon Wireless and 3 million for Verizon long distance. Nearly 570,000 customers subscribe to the Verizon "Veriations" package plans that were introduced less than six months ago. These plans bundle local services with various combinations of long distance, wireless and Internet access in a discounted package available on one bill.

YEAR-END FINANCIALS: STRONG CASH MANAGEMENT

Verizon's 2002 earnings, before special items, were $8.4 billion, or $3.05 a share, compared to $8.2 billion, or $3.00 a share, in 2001. On a comparable basis, operating revenues were flat for the year, at $67.0 billion, while operating expenses declined 1.4 percent to $51.2 billion, from $51.9 billion in 2001.

Total debt decreased 15.9 percent to $54.1 billion at year-end 2002, compared to $64.3 billion at year-end 2001. Verizon reduced commercial paper by $10.7 billion in 2002, to $2.1 billion at year-end 2002 compared to $12.8 billion at year-end 2001. Net debt was $52.6 billion at year-end 2002, which was at a lower level than the company's guidance.

Free cash flow improved by $7.8 billion for the year, aided by improved cash from operations and by reductions in capital expenditures, which totaled $12.0 billion in 2002 compared to $17.4 billion in 2001.

At year-end 2002, Verizon recorded a balance sheet adjustment for additional minimum liability (AML), in accordance with FAS 87 accounting rules. AML is the difference between the funded status and the accrued benefit obligation for each pension plan, determined on a plan-by-plan basis. Verizon's adjustment increased its employee benefit liabilities by $1.3 billion. This non-cash adjustment was recorded as an after-tax reduction in shareowners' investment of approximately $811 million.

Seidenberg said, "We produced strong cash-management results in 2002, and we expect to continue this trend in 2003. Our guidance reflects a view that while the effects of the economic downturn may persist, we will be in a position to further reduce debt and operating expense. At the same time, we expect to stabilize revenue declines in certain markets, use our new nationwide long-distance capabilities to make inroads into the business market, and grow revenues in consumer markets through continued product and packaging innovation for wireline, wireless, long-distance and DSL services."

2003 GUIDANCE

Revenue growth, on a comparable basis, is anticipated to be 0 to 2 percent in 2003.

The company anticipates that operational growth will contribute from 6 to 18 cents in EPS -- offset 41 to 43 cents by reduced pension income of 30 to 32 cents, reduced income from 2002 access line sales of 9 cents, and an accounting change of 2 cents to expense stock options. This results in a 2003 EPS target of $2.70 to $2.80, compared to last year's $3.05.

Capital expenditures, including capitalized non-network software, are targeted in the $12.5 to $13.5 billion range, compared to $13.1 billion in equivalent expenditures in 2002.

The company expects to once again generate significant free cash flow, which will continue to be utilized in its debt reduction program. Year-end net debt is targeted to decline to approximately $49 to $51 billion.

ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS

Effective Jan. 1, 2003, Verizon has adopted new accounting rules (SFAS 143) for recognizing the costs of legal obligations associated with the retirement of fixed assets. Verizon has not yet finalized the impact of adopting SFAS 143 but expects to record a one-time net income benefit of approximately $2 billion in the first quarter 2003 and an ongoing annual net income benefit of approximately 1 to 2 cents per share.

REPORTED RESULTS FOR 2002

For the year, reported earnings were $4.1 billion, or $1.49 a share, including a net charge of $4.3 billion, or $1.56 a share. This net charge includes special gains of $4.0 billion related to the sales of assets and tax benefits. These gains were more than offset by charges, including $5.7 billion in investment-related items associated with Genuity, CANTV in Venezuela and other interests; $1.3 billion related to severance, pension and benefit costs; nearly $0.5 billion for the cumulative effects of an accounting change; merger transition costs of $0.3 billion; and other items totaling $0.5 billion.

Reported operating revenues and operations and support expenses were $67.6 billion and $42.0 billion, respectively, for the year.

BUSINESS SEGMENT HIGHLIGHTS

Following are fourth-quarter and year-end 2002 highlights from Verizon's four business segments.

DOMESTIC TELECOM:

Current and prior periods exclude the 1.27 million switched access lines sold during the third quarter of 2002.

- More than half of Verizon's 10.4 million long-distance customers are in states in the former Bell Atlantic territory, and long-distance market share among consumers is more than 35 percent in New York and Massachusetts. Verizon has 2.7 million long-distance customers in New York and Connecticut, nearly 1 million customers in both Massachusetts and Pennsylvania, and nearly 500,000 customers in New Jersey.

- ONE-BILL service, which provides Verizon local, long-distance and wireless charges on a single monthly bill, is now available in 20 of the 29 states where Verizon provides wireline services, with more than 150,000 customers enrolled in the service.

- In November, Verizon's Enterprise Services Group launched its Enterprise Advance initiative to interconnect the company's local networks and provide large business and government customers with advanced communications services. Initial sales were generated based on the new regional availability of frame relay and SONET (Synchronous Optical Network) services that provide reliable high-speed transport.

- Data services revenues grew to more than $1.85 billion in the quarter, driven by nearly 7 percent quarterly growth over the same period last year for data transport services and 9.2 percent growth for the year. Annual data revenue reached nearly $7.3 billion.

- In the network services market, special access revenues increased 9.5 percent in the quarter, to $1.38 billion. For the year, special access revenues grew 11.6 percent, to $5.5 billion.

- Domestic access line equivalents increased 4.5 percent to 135.8 million, compared to the fourth quarter 2001.

VERIZON WIRELESS:

- Verizon Wireless continued its focus on quality, profitable growth. The company's strong fourth-quarter performance was due to its continued low churn, low-cost structure, increasing average revenue per user (ARPU) and strong demand for Verizon Wireless branded products.

- Retail net adds in the quarter were 929,000, up 18.4 percent over the fourth quarter 2001. The company also added 6,000 new customers from property acquisitions and 35,000 from reseller operations. The company's retail customer base grew 14.7 percent year-over-year to 31.4 million of the company's 32.5 million total customers.

- Monthly service revenue per subscriber increased to more than $49 for the quarter, up 6 percent over the prior year's quarter.

- The company continued to lead the industry in low-cost structure as cash expense per subscriber decreased more than 2 percent for the quarter and 1 percent for the year. EBITDA margin increased for the quarter and the year, to 40.1 percent and 39.1 percent, respectively.

- Retail churn for both the quarter and for 2002 continued to decrease year-over-year. Including post-pay and pre-pay, retail churn was 2.1 percent in the quarter and for the year. Churn in the retail post-pay segment, which is 91 percent of the company's base, was even lower -- at 1.8 percent for the fourth quarter and the year. Total churn, including retail and resellers, was 2.1 percent in the quarter, and 2.3 percent for the year.

- Quarterly EBITDA increased more than 34 percent to $1.9 billion, while EBITDA for the year was up more than 15 percent to $6.9 billion. Service revenues for the quarter grew almost 17 percent to $4.7 billion, with total revenues up more than 16 percent to $5.2 billion. For the year, service revenues and total revenues each grew nearly 11 percent to $17.7 billion and $19.3 billion, respectively.

- Coupled with this growth, the company reduced its capital expenditures in 2002 to $4.4 billion from $5.0 billion in 2001, excluding capitalized non-network software.

- The company continued to invest in its premier network to preserve quality and gain new efficiencies. Network usage increased more than 45 percent in 2002 over 2001, while efficiency as measured by percentage of capital expenditures to revenue, capital expenditures per minutes of use and cost per minutes of use continued to improve.

- Demand for the company's data and text services continued to increase in the quarter. The company also launched more data-friendly devices with color screens, 1X speeds, and Get It Now capability for downloading games, entertainment and other applications. Text messaging continued to grow dramatically, with the number of billed messages increasing more than 43 percent over the prior quarter.

- Product innovation in the fourth quarter included a suite of services for corporate customers that enables them to receive alerts from and access and navigate their corporate e-mail and voice mail using their wireless phones and voice commands.

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INTERNATIONAL:

Reflects deconsolidation of CTI to the equity method and consolidation of PRTC in both the current and prior periods.

- Fourth-quarter revenues were $731 million, bringing full-year revenues to $3.0 billion, compared to $813 million and $3.2 billion in the fourth quarter and full-year 2001, respectively. The revenue decline reflects weak economic conditions and declining foreign exchange rates. Operating income improved 6.6 percent in the quarter, to $146 million, due primarily to cost reductions driven by improved productivity.

- The number of proportionate wireless customers in Verizon's core Americas properties grew by 12.8 percent to 3.0 million, compared to the prior year. Total proportionate wireless customers served by Verizon's International investments is now 8.7 million, compared to 8.9 million in 2001. Adjusted for assets sold during 2002, total proportionate wireless subscribers grew 12 percent.

- During 2002, International successfully implemented roaming agreements that enable customers of Verizon affiliates in Canada, Mexico and Puerto Rico to have seamless roaming services on the Verizon Wireless network when they are in the United States.

- During the fourth quarter, Verizon sold its 5.4 percent interest in Cable & Wireless plc. The transaction, which is part of the company's continuing efforts to sell non-strategic assets, resulted in proceeds of approximately $281 million. The impact of this sale has been removed from Verizon's International segment results and from Verizon's income before non-recurring items.

INFORMATION SERVICES:

- Fourth-quarter revenues from Verizon's directory publishing and electronic commerce operations of $1.4 billion decreased 3.8 percent primarily due to the impact of changes in publication dates. Revenues for 2002 of $4.3 billion were down slightly compared to 2001, reflecting the sale of certain wireline properties and related directories as well as reduced affiliate revenue.

- Revenues from SuperPages.com, Verizon's domestic Internet directory service, grew 43.3 percent and 63.7 percent over the fourth quarter and the year, respectively, as Information Services continues to be the dominant leader in online directory services. SuperPages.com yellow pages searches grew 28.7 percent and 82.4 percent over the fourth quarter and the year, respectively.

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Verizon Communications (NYSE:VZ) is one of the world's leading providers of communications services. Verizon companies are the largest providers of wireline and wireless communications in the United States, with 135.8 million access line equivalents and 32.5 million Verizon Wireless customers. Verizon is also the largest directory publisher in the world. With more than $67 billion in annual revenues and 229,500 employees, Verizon's global presence extends to 33 countries in the Americas, Europe, Asia and the Pacific. For more information on Verizon, visit www.verizon.com.

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VERIZON'S ONLINE NEWS CENTER: Verizon news releases, executive speeches and biographies, media contacts and other information are available at Verizon's News Center on the World Wide Web at www.verizon.com/news. To receive news releases by e-mail, visit the News Center and register for customized automatic delivery of Verizon news releases.

NOTE: This press release 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: the duration and extent of the current economic downturn; materially adverse changes in economic or labor conditions 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; our ability to satisfy regulatory merger conditions; the ability of Verizon Wireless to continue to obtain sufficient spectrum resources; our ability to recover insurance proceeds relating to equipment losses and other adverse financial impacts resulting from the terrorist attacks on Sept. 11, 2001; and 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.

VERIZON COMMUNICATIONS INC.
CONSOLIDATED STATEMENTS OF INCOME

(dollars in

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. 12
OPERATING REVENUES	$ 17,214	$ 17,011	1.2	$
Operations and support expense	11,001	12,714	(13.5)	
Depreciation and amortization expense	3,427	3,495	(1.9)	
Sales of assets, net	--	355	(100.0)	

OPERATING INCOME	2,786	447	*	
Income (loss) from unconsolidated businesses	12	(1,736)	*	
Other income and (expense), net	34	181	(81.2)	
Interest expense	(822)	(742)	10.8	
Minority interest	(342)	(89)	*	
Mark-to-market adjustment - financial instruments	14	(16)	*	
Benefit (provision) for income taxes	608	(71)	*	
	--------	--------		--
INCOME (LOSS) FROM CONTINUING OPERATIONS	2,290	(2,026)	*	
Extraordinary item, net of tax	--	(11)	(100.0)	
Cumulative effect of accounting change	--	--	--	
	--------	--------		--
NET INCOME (LOSS)	$ 2,290	$ (2,037)	*	$
	========	========		==
DILUTED EARNINGS PER SHARE (1)	$ .83	$ (.75)	*	$
Weighted average number of common shares-assuming dilution (in millions)	2,772	2,716		

FOOTNOTE:

(1) Diluted Earnings per Share include the dilutive effect of shares issuable under our stock-based compensation plans and exchangeable equity interests, which represent the only potential dilution. There is no impact of dilutive securities in the fourth quarter of 2001, since a net loss from continuing operations was reported.

* Not meaningful

VERIZON COMMUNICATIONS INC.
CONSOLIDATED STATEMENTS OF INCOME BEFORE NON-RECURRING ITEMS

(dollars in mil

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. 12/
OPERATING REVENUES (1)				
Domestic Telecom	$ 10,027	$ 10,296	(2.6)	$ 4
Domestic Wireless	5,166	4,443	16.3	1
International	731	813	(10.1)	
Information Services	1,374	1,428	(3.8)	
Other	(84)	(14)	*	
	--------	--------		---
TOTAL OPERATING REVENUES	17,214	16,966	1.5	6
	--------	--------		---
OPERATING EXPENSES (1)				
Operations and support expense	9,570	9,921	(3.5)	3
Depreciation and amortization expense	3,426	3,519	(2.6)	1
	--------	--------		---
TOTAL OPERATING EXPENSES	12,996	13,440	(3.3)	5

OPERATING INCOME	4,218	3,526	19.6	1
Operating income impact of operations sold (1)	--	165	(100.0)	
Income from unconsolidated businesses	151	197	(23.4)	
Other income and (expense), net	34	176	(80.7)	
Interest expense	(822)	(722)	13.9	(
Minority interest	(358)	(162)	*	(
Provision for income taxes	(1,032)	(1,087)	(5.1)	(
ADJUSTED NET INCOME	$ 2,191	$ 2,093	4.7	$
DILUTED ADJUSTED EARNINGS PER SHARE (2)	$ .79	$ .77	2.6	$
Weighted average number of common shares-assuming dilution (in millions)	2,772	2,734		

FOOTNOTES:

(1) Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results excluding significant operations sold, the previously announced Domestic Telecom access lines, as follows:

Revenues	$ --	$ 243	$
Expenses	$ --	$ 78	$

Also, reflects the deconsolidation of CTI to the equity method and the consolidation of PRTC in both current and prior years.

(2) Prior year depreciation and amortization includes amortization of $.04 per diluted share for the quarter and $.14 per diluted share year-to-date related to intangible assets that are no longer being amortized, as required by SFAS 142.

* Not meaningful

VERIZON COMMUNICATIONS INC.
EARNINGS RECONCILIATIONS

(dollars in

	3 Mos. Ended 12/31/02		3 Mos. Ended 12/31/01		12 Mos. Ended	
Unaudited	Net Income	Diluted EPS	Net Income	Diluted EPS	Net Income	Di
REPORTED EARNINGS (LOSS)	$ 2,290	$ .83	$ (2,037)	$ (.75)	$ 4,079	$
Non-recurring items:						
Mark-to-market adjustment - financial instruments	(13)	--	15	.01	15	

Sales of assets and investments, net (1)	--	--	229	.08	(1,895)
Transition costs	129	.05	184	.07	288
Severance, pension and benefit charges	604	.22	1,001	.37	1,264
Cumulative effect of accounting change	--	--	--	--	496
International restructuring	--	--	26	.01	--
Investment-related charges / (gains)					
CANTV	--	--	--	--	1,400
MFN	--	--	--	--	436
CTI	--	--	637	.23	190
Genuity	292	.11	1,251	.46	2,735
Telus	--	--	--	--	430
C&W	(45)	(.02)	90	.03	230
Other	--	--	591	.22	231
NorthPoint settlement	--	--	--	--	114
Tax benefits	(1,121)	(.40)	--	--	(2,104)
Other special items (2)	55	.02	106	.04	454
EARNINGS BEFORE NON-RECURRING ITEMS (3)	$ 2,191	$ .79	$ 2,093	$ .77	$ 8,363

FOOTNOTES:

(1) Year-to-date includes $229 million related to the third quarter 2002 sale of TCNZ securities.

(2) Year-to-date 2002 includes $183 million related to WorldCom financial exposure.

(3) Totals for Diluted EPS do not add for all periods due to rounding in EPS calculations.

VERIZON COMMUNICATIONS INC.
SELECTED FINANCIAL AND OPERATING STATISTICS

(dollars in millions, exc

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	12 Mos. E 12/3
Debt ratio-end of period	62.4%	66.4%	
Book value per common share	$ 11.89	$ 11.98	$ 1
Cash dividends declared per common share	$ .385	$ .385	$
Common shares outstanding (in millions)			
End of period	2,743	2,716	2

Capital expenditures			
Domestic Telecom	$ 2,254	$ 3,010	$ 6
Domestic Wireless	1,373	1,664	4
International	209	180	
Information Services	15	24	
Other	25	16	
Total	$ 3,876	$ 4,894	$ 11
Total employees (1)	229,497	250,309	229

FOOTNOTE:

(1) Prior period adjusted to reflect a comparable figure.

VERIZON COMMUNICATIONS INC.
CONSOLIDATED BALANCE SHEETS

(dollars in m

Unaudited	12/31/02	12/31/01	
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,438	$ 979	$
Short-term investments	2,042	1,991	
Accounts receivable, net	12,598	14,254	
Inventories	1,502	1,968	
Net assets held for sale	--	1,199	
Prepaid expenses and other	3,341	2,796	
Total current assets	20,921	23,187	
Plant, property and equipment	178,028	169,586	
Less accumulated depreciation	103,532	95,167	
	74,496	74,419	
Investments in unconsolidated businesses	4,988	10,202	
Intangible assets	46,739	44,262	
Other assets	20,324	18,725	
TOTAL ASSETS	$ 167,468	$ 170,795	$
LIABILITIES AND SHAREOWNERS' INVESTMENT			
Current liabilities			
Debt maturing within one year	$ 9,288	$ 18,669	$
Accounts payable and accrued liabilities	12,745	13,947	

Other	5,014	5,404	
Total current liabilities	27,047	38,020	
Long-term debt	44,791	45,657	
Employee benefit obligations	15,390	11,898	
Deferred income taxes	19,468	16,543	
Other liabilities	4,015	3,989	
Minority interest	24,141	22,149	
Shareowners' investment			
Common stock	275	275	
Contributed capital	24,685	24,676	
Reinvested earnings	10,536	10,704	
Accumulated other comprehensive loss	(2,110)	(1,187)	
	33,386	34,468	
Less common stock in treasury, at cost	218	1,182	
Less deferred compensation - employee stock ownership plans and other	552	747	
Total shareowners' investment	32,616	32,539	
TOTAL LIABILITIES AND SHAREOWNERS' INVESTMENT	$ 167,468	$ 170,795	$

VERIZON COMMUNICATIONS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited	12 Mos. Ended 12/31/02	12
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before extraordinary item and cumulative effect of accounting change	$ 4,584	
Adjustments to reconcile income before extraordinary item and cumulative effect of accounting change to net cash provided by operating activities:		
Depreciation and amortization	13,423	
Sales of assets, net	(2,747)	
Mark-to-market adjustment - financial instruments	14	
Employee retirement benefits	(501)	
Deferred income taxes	1,722	
Provision for uncollectible accounts	2,905	
Loss from unconsolidated businesses	4,414	
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,800)	
Other, net	86	

Net cash provided by operating activities	22,100
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	(11,984)
Acquisitions, net of cash acquired, and investments	(1,093)
Proceeds from disposition of businesses	4,638
Proceeds from spectrum payment refund	1,740
Net change in short-term investments	(168)
Other, net	39
Net cash used in investing activities	(6,828)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term borrowings	7,882
Repayments of long-term borrowings and capital lease obligations	(8,460)
Decrease in short-term obligations, excluding current maturities	(11,024)
Dividends paid	(4,200)
Proceeds from sale of common stock	915
Other, net	74
Net cash provided by (used in) financing activities	(14,813)
INCREASE IN CASH AND CASH EQUIVALENTS	459
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	979
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,438

VERIZON COMMUNICATIONS INC.
DOMESTIC TELECOM - SELECTED FINANCIAL RESULTS

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. Ende 12/31/0
OPERATING REVENUES				
Local services	$ 4,906	$ 5,277	(7.0)	$ 20,27
Network access services	3,341	3,210	4.1	13,29
Long distance services	777	784	(.9)	3,17
Other services	1,003	1,025	(2.1)	3,97
TOTAL OPERATING REVENUES	10,027	10,296	(2.6)	40,71
OPERATING EXPENSES				
Operations and support	5,506	5,928	(7.1)	22,29
Depreciation and amortization	2,359	2,373	(.6)	9,43
TOTAL OPERATING EXPENSES	7,865	8,301	(5.3)	31,73

OPERATING INCOME	$ 2,162	$ 1,995	8.4	$ 8,98
OPERATING INCOME MARGIN	21.6%	19.4%		22.
EBITDA	$ 4,521	$ 4,368	3.5	$ 18,41
EBITDA MARGIN	45.1%	42.4%		45.

FOOTNOTES:

The segment financial results above are adjusted to exclude the effects of non-recurring items. The company's chief decision makers exclude these items in assessing business unit performance, primarily due to their non-operational nature.

Intercompany and intersegment transactions have not been eliminated.

EBITDA is determined by adding depreciation and amortization to operating income. EBITDA margin is calculated by dividing EBITDA by total operating revenues.

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results.

VERIZON COMMUNICATIONS INC.
DOMESTIC TELECOM - SELECTED OPERATING STATISTICS

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. En 12/31
Switched access lines in service (000)				
Residence	37,460	38,542	(2.8)	37,
Business	19,992	21,092	(5.2)	19,
Public	522	591	(11.7)	
Total	57,974	60,225	(3.7)	57,
Special DS0 equivalents	77,823	69,769	11.5	77,
Total voice grade equivalents (000)	135,797	129,994	4.5	135,
Resale & UNE-P lines (000)	4,235	3,659	15.7	4,
Minutes of use from Carriers and CLECs (in millions)	62,111	69,227	(10.3)	256,
Long distance subscribers (excl. Verizon CLEC) (000)	10,404	7,443	39.8	10,
High capacity and digital data revenues ($ in millions)				
Data transport	$ 1,665	$ 1,557	6.9	$ 6,
Data solutions	188	203	(7.4)	
Total revenues	$ 1,853	$ 1,760	5.3	$ 7,

FOOTNOTE:

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results.

VERIZON COMMUNICATIONS INC.
VERIZON WIRELESS - SELECTED OPERATING RESULTS

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. En 12/31
REVENUES				
Service revenues	$ 4,713	$ 4,031	16.9	$ 17,
Equipment and other	453	412	10.0	1,
TOTAL REVENUES	5,166	4,443	16.3	19,
OPERATING EXPENSES				
Operations and support	3,278	3,035	8.0	12,
Depreciation and amortization	899	960	(6.4)	3,
TOTAL OPERATING EXPENSES	4,177	3,995	4.6	15,
OPERATING INCOME	$ 989	$ 448	120.8	$ 3,
EBITDA	$ 1,888	$ 1,408	34.1	$ 6,
EBITDA MARGIN	40.1%	34.9%		3
SELECTED OPERATING STATISTICS				
Subscribers (000)	32,491	29,398	10.5	32,
Penetration	14.3%	13.3%		1
Subscriber net adds in period* (000)	970	715	35.7	3,
Total churn rate, including prepaid	2.1%	2.7%		

FOOTNOTES:

The segment financial results above are adjusted to exclude the effects of non-recurring items. The company's chief decision makers exclude these items in assessing business unit performance, primarily due to their non-operational nature.

Intercompany and intersegment transactions have not been eliminated.

Prior year depreciation and amortization includes amortization related to intangible assets that are no longer being amortized, as required by SFAS 142.

EBITDA is determined by adding depreciation and amortization to operating income. EBITDA margin is calculated by dividing EBITDA by service revenues.

* Includes acquisition of 6,000 subscribers in fourth quarter 2002, 411,000 subscribers in the third quarter of 2002 and 68,000 subscribers in the first quarter of 2002.

VERIZON COMMUNICATIONS INC.
INTERNATIONAL - SELECTED FINANCIAL RESULTS

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. 12/
OPERATING REVENUES	$ 731	$ 813	(10.1)	$
OPERATING EXPENSES				
Operations and support	458	536	(14.6)	
Depreciation and amortization	127	140	(9.3)	
TOTAL OPERATING EXPENSES	585	676	(13.5)	
OPERATING INCOME	$ 146	$ 137	6.6	$
EBITDA	$ 273	$ 277	(1.4)	$
EBITDA MARGIN	37.3%	34.1%		
INCOME FROM UNCONSOLIDATED BUSINESSES	$ 184	$ 202	(8.9)	$
PROPORTIONATE INFORMATION				
Revenues	$ 1,349	$ 1,454	(7.2)	$
Operating income	$ 268	$ 334	(19.8)	$
Operating cash flow	$ 486	$ 574	(15.3)	$
Access lines (000)	3,241	3,247	(.2)	
Wireless subscribers (000)	8,704	8,865	(1.8)	

FOOTNOTES:

The segment financial results above are adjusted to exclude the effects of non-recurring items. The company's chief decision makers exclude these items in assessing business unit performance, primarily due to their non-operational nature.

Intercompany and intersegment transactions have not been eliminated.

Certain reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results. Also, reflects the deconsolidation of CTI to the equity method and the consolidation of PRTC in both current and prior years.

EBITDA is determined by adding depreciation and amortization to operating income. EBITDA margin is calculated by dividing EBITDA by operating revenues.

VERIZON COMMUNICATIONS INC.

INFORMATION SERVICES - SELECTED FINANCIAL RESULTS

Unaudited	3 Mos. Ended 12/31/02	3 Mos. Ended 12/31/01	% Change	12 Mos. 12
OPERATING REVENUES	$ 1,374	$ 1,428	(3.8)	$
OPERATING EXPENSES				
Operations and support	607	607	--	
Depreciation and amortization	22	17	29.4	
TOTAL OPERATING EXPENSES	629	624	.8	
OPERATING INCOME	$ 745	$ 804	(7.3)	$
EBITDA	$ 767	$ 821	(6.6)	$
EBITDA MARGIN	55.8%	57.5%		

FOOTNOTES:

The segment financial results above are adjusted to exclude the effects of non-recurring items. The company's chief decision makers exclude these items in assessing business unit performance, primarily due to their non-operational nature.

Intercompany and intersegment transactions have not been eliminated.

EBITDA is determined by adding depreciation and amortization to operating income. EBITDA margin is calculated by dividing EBITDA by operating revenues.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Verizon Communications Inc.
(Registrant)

Date: January 29, 2003

/s/ John F. Killian

John F. Killian
Senior Vice President and Controller