

IDEARC INC.
Consolidated Statements of Income

Reported (GAAP)

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
Operating Revenue			
Print products	\$ 696	\$ 737	(5.6)
Internet	73	68	7.4
Other	1	1	-
Total Operating Revenue	<u>770</u>	<u>806</u>	(4.5)
Operating Expense			
Selling	185	188	(1.6)
Cost of sales (exclusive of depreciation and amortization)	147	158	(7.0)
General and administrative	79	106	(25.5)
Depreciation and amortization	20	22	(9.1)
Total Operating Expense	<u>431</u>	<u>474</u>	(9.1)
Operating Income	339	332	2.1
Interest expense, net	166	170	(2.4)
Income Before Provision for Income Taxes	<u>173</u>	<u>162</u>	6.8
Provision for income taxes	62	59	5.1
Net Income	<u>\$ 111</u>	<u>\$ 103</u>	7.8
Basic and Diluted Earnings per Common Share ⁽¹⁾	\$.76	\$.70	8.6
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	
Dividends Declared per Common Share	\$.3425	\$.3425	

Prior period amounts presented above and in the following schedules have been reclassified to conform to current year presentation.

Note:

⁽¹⁾ Restricted stock awards granted in 2007 had no material impact on the calculation of diluted earnings per common share.

IDEARC INC.**Consolidated Statements of Income****Adjusted Pro Forma (Non-GAAP)⁽¹⁾****Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	% Change
Operating Revenue			
Print products	\$ 696	\$ 737	(5.6)
Internet	73	68	7.4
Other	1	1	-
Total Operating Revenue	<u>770</u>	<u>806</u>	(4.5)
Operating Expense			
Selling	185	188	(1.6)
Cost of sales (exclusive of depreciation and amortization)	147	158	(7.0)
General and administrative	71	81	(12.3)
Depreciation and amortization	20	22	(9.1)
Total Operating Expense	<u>423</u>	<u>449</u>	(5.8)
Operating Income	347	357	(2.8)
Interest expense, net	166	170	(2.4)
Income Before Provision for Income Taxes	<u>181</u>	<u>187</u>	(3.2)
Provision for income taxes	65	68	(4.4)
Net Income	<u>\$ 116</u>	<u>\$ 119</u>	(2.5)
Basic and Diluted Earnings per Common Share ⁽²⁾	\$.79	\$.82	(3.7)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	

Notes:

⁽¹⁾ These consolidated statements of income provide a comparison of the three months ended March 31, 2008 adjusted pro forma results to the three months ended March 31, 2007 adjusted pro forma results. The following schedules provide reconciliations from our reported GAAP results to adjusted pro forma non-GAAP results for the periods shown above.

⁽²⁾ Restricted stock awards granted in 2007 had no material impact on the calculation of diluted earnings per common share.

IDEARC INC.**Consolidated Statements of Income****Reported (GAAP)****Three Months Ended March 31, 2008 Compared to Three Months Ended December 31, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 12/31/07	% Change
Operating Revenue			
Print products	\$ 696	\$ 711	(2.1)
Internet	73	75	(2.7)
Other	1	1	-
Total Operating Revenue	<u>770</u>	<u>787</u>	(2.2)
Operating Expense			
Selling	185	184	0.5
Cost of sales (exclusive of depreciation and amortization)	147	154	(4.5)
General and administrative	79	116	(31.9)
Depreciation and amortization	20	22	(9.1)
Total Operating Expense	<u>431</u>	<u>476</u>	(9.5)
Operating Income	339	311	9.0
Interest expense, net	166	171	(2.9)
Income Before Provision for Income Taxes	<u>173</u>	<u>140</u>	23.6
Provision for income taxes	62	40	55.0
Net Income	<u>\$ 111</u>	<u>\$ 100</u>	11.0
Basic and Diluted Earnings per Common Share ⁽¹⁾	\$.76	\$.68	11.8
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	
Dividends Declared per Common Share	\$.3425	\$.3425	

Note:

⁽¹⁾ Restricted stock awards granted in 2007 had no material impact on the calculation of diluted earnings per common share.

IDEARC INC.**Consolidated Statements of Income****Adjusted Pro Forma (Non-GAAP)⁽¹⁾****Three Months Ended March 31, 2008 Compared to Three Months Ended December 31, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 12/31/07	% Change
Operating Revenue			
Print products	\$ 696	\$ 711	(2.1)
Internet	73	75	(2.7)
Other	1	1	-
Total Operating Revenue	<u>770</u>	<u>787</u>	(2.2)
Operating Expense			
Selling	185	184	0.5
Cost of sales (exclusive of depreciation and amortization)	147	154	(4.5)
General and administrative	71	99	(28.3)
Depreciation and amortization	20	22	(9.1)
Total Operating Expense	<u>423</u>	<u>459</u>	(7.8)
Operating Income	347	328	5.8
Interest expense, net	166	171	(2.9)
Income Before Provision for Income Taxes	<u>181</u>	<u>157</u>	15.3
Provision for income taxes	65	47	38.3
Net Income	<u>\$ 116</u>	<u>\$ 110</u>	5.5
Basic and Diluted Earnings per Common Share ⁽²⁾	\$.79	\$.75	5.9
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	

Note:

⁽¹⁾ These consolidated statements of income provide a comparison of the three months ended March 31, 2008 adjusted pro forma results to the three months ended December 31, 2007 adjusted pro forma results. The following schedules provide reconciliations from our reported GAAP results to adjusted pro forma non-GAAP results for the periods shown above.

⁽²⁾ Restricted stock awards granted in 2007 had no material impact on the calculation of diluted earnings per common share.

IDEARC INC.
Consolidated Statements of Income

Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP)
Three Months Ended March 31, 2008

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/08	Transition Costs		3 Mos. Ended 3/31/08
		Reported (GAAP)	Stock-Based Compensation ⁽³⁾	
Operating Revenue				
Print products	\$ 696	\$ -	\$ -	\$ 696
Internet	73	-	-	73
Other	1	-	-	1
Total Operating Revenue	770	-	-	770
Operating Expense				
Selling	185	-	-	185
Cost of sales (exclusive of depreciation and amortization)	147	-	-	147
General and administrative	79	(1)	(7)	71
Depreciation and amortization	20	-	-	20
Total Operating Expense	431	(1)	(7)	423
Operating Income	339	1	7	347
Interest expense, net	166	-	-	166
Income Before Provision for Income Taxes	173	1	7	181
Provision for income taxes	62	-	3	65
Net Income	\$ 111	\$ 1	\$ 4	\$ 116
Basic and Diluted Earnings per Common Share	\$.76	\$.01	\$.03	\$.79
Operating Income	\$ 339	\$ 1	\$ 7	\$ 347
Depreciation and Amortization	20	-	-	20
EBITDA (non-GAAP)⁽¹⁾	\$ 359	\$ 1	\$ 7	\$ 367
Operating Income margin ⁽²⁾	44.0%			45.1%
Impact of depreciation and amortization	2.6%			2.6%
EBITDA margin (non-GAAP)⁽¹⁾	46.6%			47.7%

Notes:

(1) EBITDA is a non-GAAP measure that represents earnings before interest, taxes, depreciation, and amortization. EBITDA margin is a non-GAAP measure calculated by dividing EBITDA by total operating revenue.

(2) Operating income margin is calculated by dividing operating income by total operating revenue.

(3) The stock-based compensation costs relate to a one-time incentive compensation award granted to most of the Company's employees in January 2007.

(4) Separation costs are costs associated with becoming a stand-alone entity as a result of the spin-off from Verizon.

IDEARC INC.
Consolidated Statements of Income

Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP)
Three Months Ended March 31, 2007

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 3/31/07	Transition Costs		3 Mos. Ended 3/31/07
		Reported (GAAP)	Stock-Based Compensation ⁽³⁾	
Operating Revenue				
Print products	\$ 737	\$ -	\$ -	\$ 737
Internet	68	-	-	68
Other	1	-	-	1
Total Operating Revenue	806	-	-	806
Operating Expense				
Selling	188	-	-	188
Cost of sales (exclusive of depreciation and amortization)	158	-	-	158
General and administrative	106	(9)	(16)	81
Depreciation and amortization	22	-	-	22
Total Operating Expense	474	(9)	(16)	449
Operating Income	332	9	16	357
Interest expense, net	170	-	-	170
Income Before Provision for Income Taxes	162	9	16	187
Provision for income taxes	59	3	6	68
Net Income	\$ 103	\$ 6	\$ 10	\$ 119
Basic and Diluted Earnings per Common Share	\$.70	\$.04	\$.07	\$.82
Operating Income	\$ 332	\$ 9	\$ 16	\$ 357
Depreciation and Amortization	22	-	-	22
EBITDA (non-GAAP)⁽¹⁾	\$ 354	\$ 9	\$ 16	\$ 379
Operating Income margin ⁽²⁾	41.2%			44.3%
Impact of depreciation and amortization	2.7%			2.7%
EBITDA margin (non-GAAP)⁽¹⁾	43.9%			47.0%

Notes:

(1) EBITDA is a non-GAAP measure that represents earnings before interest, taxes, depreciation, and amortization. EBITDA margin is a non-GAAP measure calculated by dividing EBITDA by total operating revenue.

(2) Operating income margin is calculated by dividing operating income by total operating revenue.

(3) The stock-based compensation costs relate to a one-time incentive compensation award granted to most of the Company's employees in January 2007.

(4) Separation costs are costs associated with becoming a stand-alone entity as a result of the spin-off from Verizon.

IDEARC INC.
Consolidated Statements of Income

Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP)
Three Months Ended December 31, 2007

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/07	Transition Costs		3 Mos. Ended 12/31/07
		Reported (GAAP)	Stock-Based Compensation ⁽³⁾	
Operating Revenue				
Print products	\$ 711	\$ -	\$ -	\$ 711
Internet	75	-	-	75
Other	1	-	-	1
Total Operating Revenue	787	-	-	787
Operating Expense				
Selling	184	-	-	184
Cost of sales (exclusive of depreciation and amortization)	154	-	-	154
General and administrative	116	2	(19)	99
Depreciation and amortization	22	-	-	22
Total Operating Expense	476	2	(19)	459
Operating Income	311	(2)	19	328
Interest expense, net	171	-	-	171
Income Before Provision for Income Taxes	140	(2)	19	157
Provision for income taxes	40	(1)	8	47
Net Income	\$ 100	\$ (1)	\$ 11	\$ 110
Basic and Diluted Earnings per Common Share	\$.68	\$ (.01)	\$.08	\$.75
Operating Income	\$ 311	\$ (2)	\$ 19	\$ 328
Depreciation and Amortization	22	-	-	22
EBITDA (non-GAAP)⁽¹⁾	\$ 333	\$ (2)	\$ 19	\$ 350
Operating Income margin ⁽²⁾	39.5%			41.7%
Impact of depreciation and amortization	2.8%			2.8%
EBITDA margin (non-GAAP)⁽¹⁾	42.3%			44.5%

Notes:

(1) EBITDA is a non-GAAP measure that represents earnings before interest, taxes, depreciation, and amortization. EBITDA margin is a non-GAAP measure calculated by dividing EBITDA by total operating revenue.

(2) Operating income margin is calculated by dividing operating income by total operating revenue.

(3) The stock-based compensation costs relate to a one-time incentive compensation award granted to most of the Company's employees in January 2007.

(4) Separation costs are costs associated with becoming a stand-alone entity as a result of the spin-off from Verizon.

IDEARC INC.**Consolidated Balance Sheets****Reported (GAAP)****As of March 31, 2008 and December 31, 2007**

(dollars in millions)

Unaudited	3/31/2008	12/31/2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 179	\$ 48
Accounts receivable, net of allowances of \$85 and \$77	414	423
Deferred directory costs	311	312
Prepaid expenses and other	7	10
Total current assets	911	793
Property, plant and equipment	473	471
Less: accumulated depreciation	364	356
	109	115
Goodwill	73	73
Intangible assets, net	298	303
Pension assets	174	171
Non-current deferred tax assets	166	124
Debt issuance costs	84	86
Other noncurrent assets	2	2
Total Assets	\$ 1,817	\$ 1,667
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 340	\$ 272
Deferred revenue	209	209
Current maturities of long-term debt	67	48
Current deferred taxes	24	28
Other	28	31
Total current liabilities	668	588
Long-term debt	8,989	9,020
Employee benefit obligations	321	327
Unrecognized tax benefits	107	109
Other liabilities	360	223
Stockholders' equity (deficit):		
Common stock (\$.01 par value; 225 million shares authorized, 146,527,395 and 146,795,971 shares issued and outstanding in 2008 and 2007, respectively)	1	1
Additional paid-in capital (deficit)	(8,775)	(8,776)
Retained earnings	422	361
Accumulated other comprehensive loss	(276)	(186)
Total stockholders' equity (deficit)	(8,628)	(8,600)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 1,817	\$ 1,667

IDEARC INC.
Consolidated Statements of Cash Flows
Reported (GAAP)
Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

(dollars in millions)

Unaudited	3 Months Ended 3/31/08	3 Months Ended 3/31/07
Cash Flows from Operating Activities		
Net Income	\$ 111	\$ 103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20	22
Employee retirement benefits	2	5
Deferred income taxes	2	(1)
Provision for uncollectible accounts	39	32
Stock-based compensation	(5)	12
Changes in current assets and liabilities		
Accounts receivable	(30)	(84)
Deferred directory costs	1	(15)
Other current assets	4	(1)
Accounts payable and accrued liabilities	63	133
Other, net	(5)	(5)
Net cash provided by operating activities	<u>202</u>	<u>201</u>
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	(9)	(10)
Net cash used in investing activities	<u>(9)</u>	<u>(10)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(12)	(12)
Dividends paid to Idearc stockholders	(50)	(50)
Net cash used in financing activities	<u>(62)</u>	<u>(62)</u>
Increase in cash and cash equivalents	<u>131</u>	<u>129</u>
Cash and cash equivalents, beginning of year	<u>48</u>	<u>172</u>
Cash and cash equivalents, end of period	<u>\$ 179</u>	<u>\$ 301</u>

IDEARC INC.
Mutli-Product Advertising Sales

(dollars in millions)

Unaudited	3 Mos. Ended 3/31/08	3 Mos. Ended 3/31/07	3 Mos. Ended 3/31/06
Net Print Products Revenue⁽¹⁾	\$ 652	\$ 705	\$ 722
<i>% Change year-over-year</i>	(7.5%)	(2.4%)	
Net Internet Revenue⁽²⁾	73	68	52
<i>% Change year-over-year</i>	7.4%	30.8%	
Net Multi-Product Advertising Sales⁽³⁾	725	773	774
<i>% Change year-over-year</i>	(6.2%)	(0.1%)	

Notes:

(1) Net print products revenue represents the total revenue value (less a provision for sales allowances) of directories published that will be amortized over the life of the directories, which is typically 12 months. Directories from preceding periods have been aligned to match the publication schedule of 2008 publications, allowing for a meaningful comparison of current publications to previous publications.

(2) Net Internet revenue represents total revenue for our fixed-fee and performance-based advertising products less a provision for sales allowances. Fixed-fee advertising includes advertisement placement on our Superpages.com website, and website development and hosting for our advertisers. Revenue from fixed-fee advertisers is recognized monthly over the life of the advertising service. Performance-based advertising revenue is earned when consumers connect with our Superpages.com advertisers by a "click" on their Internet advertising or a phone call to their business. Revenue from performance-based advertising is recognized when there is evidence that qualifying transactions have occurred.

(3) Net multi-product advertising sales is a statistical measure. It is important to distinguish net multi-product advertising sales from total operating revenue, which on our financial statements is recognized under the deferral and amortization method.