

IDEARC INC.**Consolidated Statements of Income****Reported (GAAP)****Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	6 Mos. Ended 6/30/08	6 Mos. Ended 6/30/07	% Change
Operating Revenue			
Print products	\$ 1,379	\$ 1,468	(6.1)
Internet	148	141	5.0
Other	2	2	-
Total Operating Revenue	<u>1,529</u>	<u>1,611</u>	(5.1)
Operating Expense			
Selling	370	376	(1.6)
Cost of sales (exclusive of depreciation and amortization)	304	314	(3.2)
General and administrative	197	203	(3.0)
Depreciation and amortization	40	44	(9.1)
Total Operating Expense	<u>911</u>	<u>937</u>	(2.8)
Operating Income	618	674	(8.3)
Interest expense, net	329	337	(2.4)
Income Before Provision for Income Taxes	<u>289</u>	<u>337</u>	(14.2)
Provision for income taxes	102	125	(18.4)
Net Income	<u>\$ 187</u>	<u>\$ 212</u>	(11.8)
Basic and Diluted Earnings per Common Share ⁽¹⁾	\$ 1.28	\$ 1.45	(11.7)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	
Dividends Declared per Common Share	\$.3425	\$.6850	

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

Note:

⁽¹⁾ Equity based awards granted in 2007 and 2008 had no material impact on the calculation of diluted earnings per common share.

IDEARC INC.**Consolidated Statements of Income****Reported (GAAP)****Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/08	3 Mos. Ended 6/30/07	% Change
Operating Revenue			
Print products	\$ 683	\$ 731	(6.6)
Internet	75	73	2.7
Other	1	1	-
Total Operating Revenue	<u>759</u>	<u>805</u>	(5.7)
Operating Expense			
Selling	185	188	(1.6)
Cost of sales (exclusive of depreciation and amortization)	157	156	0.6
General and administrative	118	97	21.6
Depreciation and amortization	20	22	(9.1)
Total Operating Expense	<u>480</u>	<u>463</u>	3.7
Operating Income	279	342	(18.4)
Interest expense, net	163	167	(2.4)
Income Before Provision for Income Taxes	<u>116</u>	<u>175</u>	(33.7)
Provision for income taxes	40	66	(39.4)
Net Income	<u>\$ 76</u>	<u>\$ 109</u>	(30.3)
Basic and Diluted Earnings per Common Share ⁽¹⁾	\$.52	\$.75	(30.7)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	
Dividends Declared per Common Share	\$ -	\$.3425	

Note:

⁽¹⁾ Equity based awards granted in 2007 and 2008 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⁾****Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	6 Mos. Ended 6/30/08	6 Mos. Ended 6/30/07	% Change
Operating Revenue			
Print products	\$ 1,379	\$ 1,468	(6.1)
Internet	148	141	5.0
Other	2	2	-
Total Operating Revenue	<u>1,529</u>	<u>1,611</u>	(5.1)
Operating Expense			
Selling	370	376	(1.6)
Cost of sales (exclusive of depreciation and amortization)	304	314	(3.2)
General and administrative	172	151	13.9
Depreciation and amortization	40	44	(9.1)
Total Operating Expense	<u>886</u>	<u>885</u>	0.1
Operating Income	643	726	(11.4)
Interest expense, net	329	337	(2.4)
Income Before Provision for Income Taxes	<u>314</u>	<u>389</u>	(19.3)
Provision for income taxes	111	143	(22.4)
Net Income	<u>\$ 203</u>	<u>\$ 246</u>	(17.5)
Basic and Diluted Earnings per Common Share ⁽²⁾	\$ 1.39	\$ 1.69	(17.8)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	

Notes:

⁽¹⁾ These consolidated statements of income provide a comparison of the six months ended June 30, 2008 adjusted pro forma results to the six months ended June 30, 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⁾ Equity based awards granted in 2007 and 2008 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 June 30, 2008 Compared to Three Months Ended June 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/08	3 Mos. Ended 6/30/07	% Change
Operating Revenue			
Print products	\$ 683	\$ 731	(6.6)
Internet	75	73	2.7
Other	1	1	-
Total Operating Revenue	<u>759</u>	<u>805</u>	(5.7)
Operating Expense			
Selling	185	188	(1.6)
Cost of sales (exclusive of depreciation and amortization)	157	156	0.6
General and administrative	101	70	44.3
Depreciation and amortization	20	22	(9.1)
Total Operating Expense	<u>463</u>	<u>436</u>	6.2
Operating Income	296	369	(19.8)
Interest expense, net	163	167	(2.4)
Income Before Provision for Income Taxes	<u>133</u>	<u>202</u>	(34.2)
Provision for income taxes	46	75	(38.7)
Net Income	<u>\$ 87</u>	<u>\$ 127</u>	(31.5)
Basic and Diluted Earnings per Common Share ⁽²⁾	\$.60	\$.87	(31.0)
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 June 30, 2008 adjusted pro forma results to the three months ended June 30, 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⁾ Equity based awards granted in 2007 and 2008 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)
Six Months Ended June 30, 2008

(dollars in millions, except per share amounts)

Unaudited	6 Mos. Ended 6/30/08	Non-Recurring Items			6 Mos. Ended 6/30/08 Adjusted Pro Forma (Non-GAAP)
		Reported (GAAP)	Stock-Based Compensation ⁽³⁾	Separation Costs ⁽⁴⁾	
Operating Revenue					
Print products	\$ 1,379	\$ -	\$ -	\$ -	\$ 1,379
Internet	148	-	-	-	148
Other	2	-	-	-	2
Total Operating Revenue	1,529	-	-	-	1,529
Operating Expense					
Selling	370	-	-	-	370
Cost of sales (exclusive of depreciation and amortization)	304	-	-	-	304
General and administrative	197	(4)	(14)	(7)	172
Depreciation and amortization	40	-	-	-	40
Total Operating Expense	911	(4)	(14)	(7)	886
Operating Income	618	4	14	7	643
Interest expense, net	329	-	-	-	329
Income Before Provision for Income Taxes	289	4	14	7	314
Provision for income taxes	102	1	5	3	111
Net Income	\$ 187	\$ 3	\$ 9	\$ 4	\$ 203
Basic and Diluted Earnings per Common Share	\$ 1.28	\$.02	\$.06	\$.03	\$ 1.39
Operating Income	\$ 618	\$ 4	\$ 14	\$ 7	\$ 643
Depreciation and Amortization	40	-	-	-	40
EBITDA (non-GAAP)⁽¹⁾	\$ 658	\$ 4	\$ 14	\$ 7	\$ 683
Operating Income margin ⁽²⁾	40.4%				42.1%
Impact of depreciation and amortization	2.6%				2.6%
EBITDA margin (non-GAAP)⁽¹⁾	43.0%				44.7%

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 reflects costs associated with a one-time incentive compensation award granted to most of the Company's employees in January 2007.

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

⁽⁵⁾ Restructuring costs are associated with strategic organizational realignment and market exit activities.

IDEARC INC.
Consolidated Statements of Income

Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP)
Three Months Ended June 30, 2008

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/08	Non-Recurring Items			3 Mos. Ended 6/30/08
		Reported (GAAP)	Stock Based Compensation ⁽³⁾	Separation Costs ⁽⁴⁾	
Operating Revenue					
Print products	\$ 683	\$ -	\$ -	\$ -	\$ 683
Internet	75	-	-	-	75
Other	1	-	-	-	1
Total Operating Revenue	759	-	-	-	759
Operating Expense					
Selling	185	-	-	-	185
Cost of sales (exclusive of depreciation and amortization)	157	-	-	-	157
General and administrative	118	(3)	(7)	(7)	101
Depreciation and amortization	20	-	-	-	20
Total Operating Expense	480	(3)	(7)	(7)	463
Operating Income	279	3	7	7	296
Interest expense, net	163	-	-	-	163
Income Before Provision for Income Taxes	116	3	7	7	133
Provision for income taxes	40	1	2	3	46
Net Income	\$ 76	\$ 2	\$ 5	\$ 4	\$ 87
Basic and Diluted Earnings per Common Share	\$.52	\$.01	\$.04	\$.03	\$.60
Operating Income	\$ 279	\$ 3	\$ 7	\$ 7	\$ 296
Depreciation and Amortization	20	-	-	-	20
EBITDA (non-GAAP)⁽¹⁾	\$ 299	\$ 3	\$ 7	\$ 7	\$ 316
Operating Income margin ⁽²⁾	36.8%				39.0%
Impact of depreciation and amortization	2.6%				2.6%
EBITDA margin (non-GAAP)⁽¹⁾	39.4%				41.6%

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 reflects costs associated with a one-time incentive compensation award granted to most of the Company's employees in January 2007.
- (4) Separation costs reflects costs associated with becoming a stand-alone entity as a result of the spin-off from Verizon.
- (5) Restructuring costs are associated with strategic organizational realignment and market exit activities.

IDEARC INC.**Consolidated Statements of Income****Reconciliation from Reported (GAAP) to Adjusted Pro Forma (Non-GAAP)****Six Months Ended June 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	6 Mos. Ended 6/30/07	Non-Recurring Items		6 Mos. Ended 6/30/07 Adjusted Pro Forma (Non-GAAP)
		Reported (GAAP)	Stock-Based Compensation ⁽³⁾	
Operating Revenue				
Print products	\$ 1,468	\$ -	\$ -	\$ 1,468
Internet	141	-	-	141
Other	2	-	-	2
Total Operating Revenue	1,611	-	-	1,611
Operating Expense				
Selling	376	-	-	376
Cost of sales (exclusive of depreciation and amortization)	314	-	-	314
General and administrative	203	(17)	(35)	151
Depreciation and amortization	44	-	-	44
Total Operating Expense	937	(17)	(35)	885
Operating Income	674	17	35	726
Interest expense, net	337	-	-	337
Income Before Provision for Income Taxes	337	17	35	389
Provision for income taxes	125	6	12	143
Net Income	\$ 212	\$ 11	\$ 23	\$ 246
Basic and Diluted Earnings per Common Share	\$ 1.45	\$.08	\$.16	\$ 1.69
Operating Income	\$ 674	\$ 17	\$ 35	\$ 726
Depreciation and Amortization	44	-	-	44
EBITDA (non-GAAP)⁽¹⁾	\$ 718	\$ 17	\$ 35	\$ 770
Operating Income margin ⁽²⁾	41.9%			45.1%
Impact of depreciation and amortization	2.7%			2.7%
EBITDA margin (non-GAAP)⁽¹⁾	44.6%			47.8%

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 reflects costs associated with a one-time incentive compensation award granted to most of the Company's employees in January 2007.

(4) Separation costs reflects 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 June 30, 2007

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 6/30/07	Non-Recurring Items		3 Mos. Ended 6/30/07 Adjusted Pro Forma (Non-GAAP)
		Reported (GAAP)	Stock Based Compensation ⁽³⁾	
Operating Revenue				
Print products	\$ 731	\$ -	\$ -	\$ 731
Internet	73	-	-	73
Other	1	-	-	1
Total Operating Revenue	805	-	-	805
Operating Expense				
Selling	188	-	-	188
Cost of sales (exclusive of depreciation and amortization)	156	-	-	156
General and administrative	97	(8)	(19)	70
Depreciation and amortization	22	-	-	22
Total Operating Expense	463	(8)	(19)	436
Operating Income	342	8	19	369
Interest expense, net	167	-	-	167
Income Before Provision for Income Taxes	175	8	19	202
Provision for income taxes	66	3	6	75
Net Income	\$ 109	\$ 5	\$ 13	\$ 127
Basic and Diluted Earnings per Common Share	\$.75	\$.03	\$.09	\$.87
Operating Income	\$ 342	\$ 8	\$ 19	\$ 369
Depreciation and Amortization	22	-	-	22
EBITDA (non-GAAP)⁽¹⁾	\$ 364	\$ 8	\$ 19	\$ 391
Operating Income margin ⁽²⁾	42.5%			45.9%
Impact of depreciation and amortization	2.7%			2.7%
EBITDA margin (non-GAAP)⁽¹⁾	45.2%			48.6%

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 reflects costs associated with a one-time incentive compensation award granted to most of the Company's employees in January 2007.

(4) Separation costs reflects 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 June 30, 2008 and December 31, 2007**

(dollars in millions)

Unaudited	6/30/2008	12/31/2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 127	\$ 48
Accounts receivable, net of allowances of \$83 and \$77	408	423
Deferred directory costs	312	312
Prepaid expenses and other	5	10
Total current assets	<u>852</u>	<u>793</u>
Property, plant and equipment	476	471
Less: accumulated depreciation	<u>368</u>	<u>356</u>
	108	115
Goodwill	73	73
Intangible assets, net	295	303
Pension assets	182	171
Non-current deferred tax assets	84	124
Debt issuance costs	81	86
Other non-current assets	3	2
Total Assets	<u>\$ 1,678</u>	<u>\$ 1,667</u>
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 233	\$ 272
Deferred revenue	197	209
Current maturities of long-term debt	85	48
Current deferred taxes	23	28
Other	25	31
Total current liabilities	<u>563</u>	<u>588</u>
Long-term debt	8,959	9,020
Employee benefit obligations	316	327
Unrecognized tax benefits	87	109
Other liabilities	185	223
Stockholders' equity (deficit):		
Common stock (\$.01 par value; 225 million shares authorized, 147,776,287 and 146,795,971 shares issued and outstanding in 2008 and 2007, respectively)	1	1
Additional paid-in capital (deficit)	(8,769)	(8,776)
Retained earnings	498	361
Accumulated other comprehensive loss	(162)	(186)
Total stockholders' equity (deficit)	<u>(8,432)</u>	<u>(8,600)</u>
Total Liabilities and Stockholders' Equity (Deficit)	<u>\$ 1,678</u>	<u>\$ 1,667</u>

IDEARC INC.
Consolidated Statements of Cash Flows
Reported (GAAP)
Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

(dollars in millions)

Unaudited	6 Months Ended 6/30/08	6 Months Ended 6/30/07
Cash Flows from Operating Activities		
Net Income	\$ 187	\$ 212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40	44
Employee retirement benefits	(1)	10
Deferred income taxes	7	1
Provision for uncollectible accounts	87	64
Stock-based compensation	1	28
Changes in current assets and liabilities		
Accounts receivable	(72)	(152)
Deferred directory costs	-	(31)
Other current assets	5	1
Accounts payable and accrued liabilities	(66)	(25)
Other, net	(12)	(14)
Net cash provided by operating activities	<u>176</u>	<u>138</u>
Cash Flows from Investing Activities		
Capital expenditures (including capitalized software)	(25)	(22)
Proceeds from sale of assets	2	1
Other, net	-	4
Net cash used in investing activities	<u>(23)</u>	<u>(17)</u>
Cash Flows from Financing Activities		
Repayment of long-term debt	(24)	(24)
Dividends paid to Idearc stockholders	(50)	(100)
Net cash used in financing activities	<u>(74)</u>	<u>(124)</u>
Increase (decrease) in cash and cash equivalents	<u>79</u>	<u>(3)</u>
Cash and cash equivalents, beginning of year	<u>48</u>	<u>172</u>
Cash and cash equivalents, end of period	<u>\$ 127</u>	<u>\$ 169</u>

IDEARC INC.
Multi-Product Advertising Sales

(dollars in millions)

Unaudited	3 Mos. Ended 6/30/08	3 Mos. Ended 6/30/07	3 Mos. Ended 6/30/06	6 Mos. Ended 6/30/08	6 Mos. Ended 6/30/07	6 Mos. Ended 6/30/06
Net Print Products Revenue⁽¹⁾	\$ 606	\$ 678	\$ 697	\$ 1,257	\$ 1,383	\$ 1,419
<i>% Change year-over-year</i>	(10.6%)	(2.7%)		(9.1%)	(2.5%)	
Net Internet Revenue⁽²⁾	75	73	55	148	141	107
<i>% Change year-over-year</i>	2.7%	32.7%		5.0%	31.8%	
Net Multi-Product Advertising Sales⁽³⁾	681	751	752	1,405	1,524	1,526
<i>% Change year-over-year</i>	(9.3%)	(0.1%)		(7.8%)	(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. Previously reported amounts have been changed to reflect subsequent adjustments.

(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.