

**IDEARC INC.**  
**Consolidated Statements of Income**

**Reported (GAAP)**

**Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	9 Mos. Ended 9/30/08	9 Mos. Ended 9/30/07	% Change
<b>Operating Revenue</b>			
Print products	\$ 2,038	\$ 2,189	(6.9)
Internet	223	210	6.2
Other	3	3	-
<b>Total Operating Revenue</b>	<u>2,264</u>	<u>2,402</u>	(5.7)
<b>Operating Expense</b>			
Selling	541	544	(0.6)
Cost of sales (exclusive of depreciation and amortization)	461	469	(1.7)
General and administrative	306	291	5.2
Depreciation and amortization	59	66	(10.6)
<b>Total Operating Expense</b>	<u>1,367</u>	<u>1,370</u>	(0.2)
<b>Operating Income</b>	897	1,032	(13.1)
Interest expense, net	491	505	(2.8)
<b>Income Before Provision for Income Taxes</b>	<u>406</u>	<u>527</u>	(23.0)
Provision for income taxes	146	198	(26.3)
<b>Net Income</b>	<u>\$ 260</u>	<u>\$ 329</u>	(21.0)
<b>Basic and Diluted Earnings per Common Share <sup>(1)</sup></b>	\$ 1.78	\$ 2.25	(20.9)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	
<b>Dividends Declared per Common Share</b>	\$ .3425	\$ 1.0275	

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

These schedules are preliminary and subject to change pending the Company's filing of its Form 10-Q.

**Note:**

<sup>(1)</sup> 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 September 30, 2008 Compared to Three Months Ended September 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/08	3 Mos. Ended 9/30/07	% Change
<b>Operating Revenue</b>			
Print products	\$ 659	\$ 721	(8.6)
Internet	75	69	8.7
Other	1	1	-
<b>Total Operating Revenue</b>	<u>735</u>	<u>791</u>	(7.1)
<b>Operating Expense</b>			
Selling	176	171	2.9
Cost of sales (exclusive of depreciation and amortization)	151	149	1.3
General and administrative	110	91	20.9
Depreciation and amortization	19	22	(13.6)
<b>Total Operating Expense</b>	<u>456</u>	<u>433</u>	5.3
<b>Operating Income</b>	279	358	(22.1)
Interest expense, net	162	168	(3.6)
<b>Income Before Provision for Income Taxes</b>	<u>117</u>	<u>190</u>	(38.4)
Provision for income taxes	44	73	(39.7)
<b>Net Income</b>	<u>\$ 73</u>	<u>\$ 117</u>	(37.6)
<b>Basic and Diluted Earnings per Common Share</b> <sup>(1)</sup>	\$ .50	\$ .80	(37.5)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	
<b>Dividends Declared per Common Share</b>	\$ -	\$ .3425	

**Note:**

<sup>(1)</sup> 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)<sup>(1)</sup>****Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	9 Mos. Ended 9/30/08	9 Mos. Ended 9/30/07	% Change
<b>Operating Revenue</b>			
Print products	\$ 2,038	\$ 2,189	(6.9)
Internet	223	210	6.2
Other	3	3	-
<b>Total Operating Revenue</b>	<u>2,264</u>	<u>2,402</u>	(5.7)
<b>Operating Expense</b>			
Selling	541	544	(0.6)
Cost of sales (exclusive of depreciation and amortization)	461	469	(1.7)
General and administrative	277	221	25.3
Depreciation and amortization	59	66	(10.6)
<b>Total Operating Expense</b>	<u>1,338</u>	<u>1,300</u>	2.9
<b>Operating Income</b>	926	1,102	(16.0)
Interest expense, net	491	505	(2.8)
<b>Income Before Provision for Income Taxes</b>	<u>435</u>	<u>597</u>	(27.1)
Provision for income taxes	156	223	(30.0)
<b>Net Income</b>	<u>\$ 279</u>	<u>\$ 374</u>	(25.4)
<b>Basic and Diluted Earnings per Common Share <sup>(2)</sup></b>	\$ 1.91	\$ 2.56	(25.4)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	

**Notes:**

<sup>(1)</sup> These consolidated statements of income provide a comparison of the nine months ended September 30, 2008 adjusted pro forma results to the nine months ended September 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.

<sup>(2)</sup> 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)<sup>(1)</sup>****Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/08	3 Mos. Ended 9/30/07	% Change
<b>Operating Revenue</b>			
Print products	\$ 659	\$ 721	(8.6)
Internet	75	69	8.7
Other	1	1	-
<b>Total Operating Revenue</b>	<u>735</u>	<u>791</u>	(7.1)
<b>Operating Expense</b>			
Selling	176	171	2.9
Cost of sales (exclusive of depreciation and amortization)	151	149	1.3
General and administrative	106	73	45.2
Depreciation and amortization	19	22	(13.6)
<b>Total Operating Expense</b>	<u>452</u>	<u>415</u>	8.9
<b>Operating Income</b>	283	376	(24.7)
Interest expense, net	162	168	(3.6)
<b>Income Before Provision for Income Taxes</b>	<u>121</u>	<u>208</u>	(41.8)
Provision for income taxes	45	80	(43.8)
<b>Net Income</b>	<u>\$ 76</u>	<u>\$ 128</u>	(40.6)
<b>Basic and Diluted Earnings per Common Share <sup>(2)</sup></b>	\$ .52	\$ .88	(40.9)
Basic and diluted weighted-average common shares outstanding (in millions)	146	146	

**Notes:**

<sup>(1)</sup> These consolidated statements of income provide a comparison of the three months ended September 30, 2008 adjusted pro forma results to the three months ended September 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.

<sup>(2)</sup> 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)**
**Nine Months Ended September 30, 2008**

(dollars in millions, except per share amounts)

Unaudited	9 Mos. Ended 9/30/08	Adjustments			9 Mos. Ended 9/30/08
		Reported (GAAP)	Stock-Based Compensation <sup>(3)</sup>	Separation Costs <sup>(4)</sup>	
<b>Operating Revenue</b>					
Print products	\$ 2,038	\$ -	\$ -	\$ -	\$ 2,038
Internet	223	-	-	-	223
Other	3	-	-	-	3
<b>Total Operating Revenue</b>	<b>2,264</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,264</b>
<b>Operating Expense</b>					
Selling	541	-	-	-	541
Cost of sales (exclusive of depreciation and amortization)	461	-	-	-	461
General and administrative	306	(4)	(14)	(11)	277
Depreciation and amortization	59	-	-	-	59
<b>Total Operating Expense</b>	<b>1,367</b>	<b>(4)</b>	<b>(14)</b>	<b>(11)</b>	<b>1,338</b>
<b>Operating Income</b>	<b>897</b>	<b>4</b>	<b>14</b>	<b>11</b>	<b>926</b>
Interest expense, net	491	-	-	-	491
<b>Income Before Provision for Income Taxes</b>	<b>406</b>	<b>4</b>	<b>14</b>	<b>11</b>	<b>435</b>
Provision for income taxes	146	1	5	4	156
<b>Net Income</b>	<b>\$ 260</b>	<b>\$ 3</b>	<b>\$ 9</b>	<b>\$ 7</b>	<b>\$ 279</b>
<b>Basic and Diluted Earnings per Common Share</b>	<b>\$ 1.78</b>	<b>\$ .02</b>	<b>\$ .06</b>	<b>\$ .05</b>	<b>\$ 1.91</b>
Operating Income	\$ 897	\$ 4	\$ 14	\$ 11	\$ 926
Depreciation and Amortization	59	-	-	-	59
<b>EBITDA (non-GAAP)<sup>(1)</sup></b>	<b>\$ 956</b>	<b>\$ 4</b>	<b>\$ 14</b>	<b>\$ 11</b>	<b>\$ 985</b>
Operating Income margin <sup>(2)</sup>	39.6%				40.9%
Impact of depreciation and amortization	2.6%				2.6%
<b>EBITDA margin (non-GAAP)<sup>(1)</sup></b>	<b>42.2%</b>				<b>43.5%</b>

**Notes:**

<sup>(1)</sup> 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.

<sup>(2)</sup> Operating income margin is calculated by dividing operating income by total operating revenue.

<sup>(3)</sup> Stock-based compensation reflects costs associated with a one-time incentive compensation award granted to most of the Company's employees in January 2007.

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

<sup>(5)</sup> 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 September 30, 2008**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/08	Adjustments		3 Mos. Ended 9/30/08
		Reported (GAAP)	Restructuring Costs <sup>(3)</sup>	
<b>Operating Revenue</b>				
Print products	\$ 659	\$ -		\$ 659
Internet	75	-		75
Other	1	-		1
<b>Total Operating Revenue</b>	<b>735</b>	<b>-</b>		<b>735</b>
<b>Operating Expense</b>				
Selling	176	-		176
Cost of sales (exclusive of depreciation and amortization)	151	-		151
General and administrative	110	(4)		106
Depreciation and amortization	19	-		19
<b>Total Operating Expense</b>	<b>456</b>	<b>(4)</b>		<b>452</b>
<b>Operating Income</b>	<b>279</b>	<b>4</b>		<b>283</b>
Interest expense, net	162	-		162
<b>Income Before Provision for Income Taxes</b>	<b>117</b>	<b>4</b>		<b>121</b>
Provision for income taxes	44	1		45
<b>Net Income</b>	<b>\$ 73</b>	<b>\$ 3</b>		<b>\$ 76</b>
<b>Basic and Diluted Earnings per Common Share</b>	<b>\$ .50</b>	<b>\$ .02</b>		<b>\$ .52</b>
Operating Income	\$ 279	\$ 4		\$ 283
Depreciation and Amortization	19	-		19
<b>EBITDA (non-GAAP) <sup>(1)</sup></b>	<b>\$ 298</b>	<b>\$ 4</b>		<b>\$ 302</b>
Operating Income margin <sup>(2)</sup>	37.9%			38.5%
Impact of depreciation and amortization	2.6%			2.6%
<b>EBITDA margin (non-GAAP) <sup>(1)</sup></b>	<b>40.5%</b>			<b>41.1%</b>

**Notes:**

<sup>(1)</sup> 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.

<sup>(2)</sup> Operating income margin is calculated by dividing operating income by total operating revenue.

<sup>(3)</sup> 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)****Nine Months Ended September 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	9 Mos. Ended 9/30/07	Adjustments		9 Mos. Ended 9/30/07
		Reported (GAAP)	Stock-Based Compensation <sup>(3)</sup>	
<b>Operating Revenue</b>				
Print products	\$ 2,189	\$ -	\$ -	\$ 2,189
Internet	210	-	-	210
Other	3	-	-	3
<b>Total Operating Revenue</b>	<b>2,402</b>	<b>-</b>	<b>-</b>	<b>2,402</b>
<b>Operating Expense</b>				
Selling	544	-	-	544
Cost of sales (exclusive of depreciation and amortization)	469	-	-	469
General and administrative	291	(21)	(49)	221
Depreciation and amortization	66	-	-	66
<b>Total Operating Expense</b>	<b>1,370</b>	<b>(21)</b>	<b>(49)</b>	<b>1,300</b>
<b>Operating Income</b>	<b>1,032</b>	<b>21</b>	<b>49</b>	<b>1,102</b>
Interest expense, net	505	-	-	505
<b>Income Before Provision for Income Taxes</b>	<b>527</b>	<b>21</b>	<b>49</b>	<b>597</b>
Provision for income taxes	198	8	17	223
<b>Net Income</b>	<b>\$ 329</b>	<b>\$ 13</b>	<b>\$ 32</b>	<b>\$ 374</b>
<b>Basic and Diluted Earnings per Common Share</b>	<b>\$ 2.25</b>	<b>\$ .09</b>	<b>\$ .22</b>	<b>\$ 2.56</b>
Operating Income	\$ 1,032	\$ 21	\$ 49	\$ 1,102
Depreciation and Amortization	66	-	-	66
<b>EBITDA (non-GAAP)<sup>(1)</sup></b>	<b>\$ 1,098</b>	<b>\$ 21</b>	<b>\$ 49</b>	<b>\$ 1,168</b>
Operating Income margin <sup>(2)</sup>	43.0%			45.9%
Impact of depreciation and amortization	2.7%			2.7%
<b>EBITDA margin (non-GAAP)<sup>(1)</sup></b>	<b>45.7%</b>			<b>48.6%</b>

**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) 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 September 30, 2007**

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 9/30/07	Adjustments		3 Mos. Ended 9/30/07 <b>Adjusted Pro Forma (Non-GAAP)</b>
		Reported (GAAP)	Stock Based Compensation <sup>(3)</sup>	
<b>Operating Revenue</b>				
Print products	\$ 721	\$ -	\$ -	\$ 721
Internet	69	-	-	69
Other	1	-	-	1
<b>Total Operating Revenue</b>	<b>791</b>	<b>-</b>	<b>-</b>	<b>791</b>
<b>Operating Expense</b>				
Selling	171	-	-	171
Cost of sales (exclusive of depreciation and amortization)	149	-	-	149
General and administrative	91	(4)	(14)	73
Depreciation and amortization	22	-	-	22
<b>Total Operating Expense</b>	<b>433</b>	<b>(4)</b>	<b>(14)</b>	<b>415</b>
<b>Operating Income</b>	<b>358</b>	<b>4</b>	<b>14</b>	<b>376</b>
Interest expense, net	168	-	-	168
<b>Income Before Provision for Income Taxes</b>	<b>190</b>	<b>4</b>	<b>14</b>	<b>208</b>
Provision for income taxes	73	2	5	80
<b>Net Income</b>	<b>\$ 117</b>	<b>\$ 2</b>	<b>\$ 9</b>	<b>\$ 128</b>
<b>Basic and Diluted Earnings per Common Share</b>	<b>\$ .80</b>	<b>\$ .01</b>	<b>\$ .06</b>	<b>\$ .88</b>
Operating Income	\$ 358	\$ 4	\$ 14	\$ 376
Depreciation and Amortization	22	-	-	22
<b>EBITDA (non-GAAP)<sup>(1)</sup></b>	<b>\$ 380</b>	<b>\$ 4</b>	<b>\$ 14</b>	<b>\$ 398</b>
Operating Income margin <sup>(2)</sup>	45.2%			47.5%
Impact of depreciation and amortization	2.8%			2.8%
<b>EBITDA margin (non-GAAP)<sup>(1)</sup></b>	<b>48.0%</b>			<b>50.3%</b>

**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) 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 September 30, 2008 and December 31, 2007**

(dollars in millions)

Unaudited	9/30/2008	12/31/2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 304	\$ 48
Accounts receivable, net of allowances of \$99 and \$77	377	423
Deferred directory costs	283	312
Prepaid expenses and other	4	10
Total current assets	968	793
Property, plant and equipment	480	471
Less: accumulated depreciation	376	356
	104	115
Goodwill	73	73
Intangible assets, net	291	303
Pension assets	183	171
Non-current deferred tax assets	76	124
Debt issuance costs	78	86
Other non-current assets	5	2
<b>Total Assets</b>	<b>\$ 1,778</b>	<b>\$ 1,667</b>
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 304	\$ 272
Deferred revenue	166	209
Current maturities of long-term debt	104	48
Current deferred taxes	30	28
Other	26	31
Total current liabilities	630	588
Long-term debt	8,928	9,020
Employee benefit obligations	312	327
Unrecognized tax benefits	87	109
Other liabilities	170	223
Stockholders' equity (deficit):		
Common stock (\$.01 par value; 225 million shares authorized, 147,760,445 and 146,795,971 shares issued and outstanding in 2008 and 2007, respectively)	1	1
Additional paid-in capital (deficit)	(8,766)	(8,776)
Retained earnings	571	361
Accumulated other comprehensive loss	(155)	(186)
Total stockholders' equity (deficit)	(8,349)	(8,600)
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 1,778</b>	<b>\$ 1,667</b>

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

(dollars in millions)

Unaudited	9 Months Ended 9/30/08	9 Months Ended 9/30/07
<b>Cash Flows from Operating Activities</b>		
Net Income	\$ 260	\$ 329
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59	66
Employee retirement benefits	1	(4)
Deferred income taxes	17	(5)
Provision for uncollectible accounts	147	111
Stock-based compensation	3	34
Changes in current assets and liabilities		
Accounts receivable	(101)	(193)
Deferred directory costs	29	(5)
Other current assets	6	1
Accounts payable and accrued liabilities	(21)	18
Other, net	(23)	(18)
Net cash provided by operating activities	<u>377</u>	<u>334</u>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures (including capitalized software)	(37)	(31)
Acquisitions	-	(3)
Proceeds from sale of assets	2	26
Other, net	-	4
Net cash used in investing activities	<u>(35)</u>	<u>(4)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of long-term debt	(36)	(36)
Dividends paid to Idearc stockholders	(50)	(150)
Net cash used in financing activities	<u>(86)</u>	<u>(186)</u>
<b>Increase in cash and cash equivalents</b>	<u>256</u>	<u>144</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>48</u>	<u>172</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 304</u>	<u>\$ 316</u>

**IDEARC INC.**  
**Mutli-Product Advertising Sales**

(dollars in millions)

Unaudited	3 Mos. Ended 9/30/08	3 Mos. Ended 9/30/07	3 Mos. Ended 9/30/06	9 Mos. Ended 9/30/08	9 Mos. Ended 9/30/07	9 Mos. Ended 9/30/06
<b>Net Print Products Sales<sup>(1)</sup></b>	\$ 545	\$ 626	\$ 654	\$ 1,802	\$ 2,009	\$ 2,073
<i>% Change year-over-year</i>	(12.9%)	(4.3%)		(10.3%)	(3.1%)	
<b>Net Internet Sales<sup>(2)</sup></b>	75	69	60	223	210	167
<i>% Change year-over-year</i>	8.7%	15.0%		6.2%	25.7%	
<b>Net Multi-Product Advertising Sales<sup>(3)</sup></b>	620	695	714	2,025	2,219	2,240
<i>% Change year-over-year</i>	(10.8%)	(2.7%)		(8.7%)	(0.9%)	

**Notes:**

(1) Net print products sales represents the total sales 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 sales 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 an operating measure used by the Company to compare advertising sales for current advertising publications and products to sales for previous advertising publications and products. 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.