

Dear Shareholder,



Hans Vestberg
Chairman and
Chief Executive Officer

I am deeply proud of all of the ways that my Verizon colleagues are making this world better, every day.

Since becoming Verizon's chief executive officer in August, one of my top priorities has been to meet with our customers, our employees and with you – our investors.

What I heard was inspiring. Over and over, people expressed a deep pride in what Verizon stands for, and in what we are achieving in the world.

As many of you have told me, our company has unique strengths. These include our network leadership, our dedication to serving our customers and our talented employees: the V Team.

By now, you've all heard me say how excited I am about the future of our company. That optimism comes from my conversations with you. But it also comes from our actual performance, and in 2018, those results were strong.

I also want to share another observation from my conversations over the past few months: I am more convinced than ever that Verizon can perform at an even higher gear. We are already one of the most successful companies in the world, but we can be the very best.

Recently, I outlined our plan to reach that level. I call it Verizon 2.0 – because it represents both a continuation of our proud past and a decisive step into a future that will demand much more of us.

I think of it as “building tomorrow with the best of today.”

To give you a sense of what this means, I want to share with you our Verizon 2.0 2019 objectives.

First, redouble our longstanding commitment to leadership in customer satisfaction.

While this list of priorities is not otherwise in rank order, it's not a coincidence that our customers are listed first. Verizon has the strongest customer loyalty in our industry, and we fully intend to keep it that way. This requires a lot of very hard work, day in and day out, but we have the best team and are focused on building best-in-class digital experiences, across all products and services, for all customers.

Verizon's customer-centered mentality has always been one of our core assets. If anything, it will become even more essential as

market competition and innovation cycles continue to accelerate.

We take this focus on the customer so seriously that we are reorganizing our entire company around it. As of April 2019, we will be built around three customer-facing operational groups: Verizon Consumer; Verizon Business; and Verizon Media, which includes our content holdings.

Second, deliver revenue and profitability growth, and execute on process improvement initiatives.

We want to build on the momentum of our strong 2018 financial and operating results.

In 2018, we reported 2.5 million postpaid net additions, highlighted by smartphone net additions of 2 million, which were up 13 percent from the prior year. In 2018 we also significantly strengthened our balance sheet, with full-year cash flow from operations totaling \$34.3 billion, up \$10.0 billion year over year.

With the flexibility of our strong balance sheet, we reduced total net debt by \$4.7 billion, invested \$16.7 billion in capital for future growth, and returned \$9.8 billion to shareholders, as our Board increased the dividend for the 12th year in a row.

Third, expand our lead in 5G and set industry standards with our Intelligent Edge Network architecture.

As you know, Verizon is far and away the established leader in 4G LTE wireless networks. In 2018, we widened our network leadership position, and this was once again recognized by leading third-party evaluators. Customers rated Verizon a clear winner for the 11th year in a row, according to the J.D. Power 2019 Wireless Network Quality Performance Study. We continue to lead in customer service, customer loyalty and network performance, which is why we remain the largest wireless carrier.

But in today's tech marketplace, “established leadership” isn't enough. We're surging ahead in 5G – a network technology more powerful than anything that has come before. In fact, to call it a new generation of wireless is an understatement. This is the network that will enable broad-scale deployment of the Internet of Things (IoT) and other Fourth Industrial Revolution technologies.



In 2018, Verizon was the first in the world to launch commercial 5G with residential broadband deployments beginning in Los Angeles, Sacramento, Houston and Indianapolis. In 2019, we will introduce mobile 5G.

Taken together, our industry-standard 4G LTE and our unmatched 5G infrastructure form a wholly interoperable Intelligent Edge Network that is, quite simply, the most capable and resilient wireless platform in the world – a platform powerful enough to support the transformative business and consumer applications that are rapidly arriving on the market.

Network leadership also means building out our Network-as-a-Service (NaaS) solutions to deliver seamless experiences to any customer segment.

Verizon has long been a pioneer in offering customized infrastructure to help businesses carry out their own digital transformations, and we are proud to be recognized by the respected industry-analysis firm Gartner once again as a leader for Network Services, Managed Security Services and Unified Communications as a Service in its 2018 Gartner Magic Quadrant reports.

That's the 11th year in a row that Verizon has received the Gartner recognition for Network Services – and the sixth year in a row for Managed Security Services. But again, established leadership isn't enough for us. We are going to relentlessly advance in defining the frontiers of what NaaS can achieve for organizations across all sectors.

With our leading network as a foundation, we plan to take our services above the network layer with Verizon Media and our IoT solutions, including our telematics business, and position ourselves to win in emerging growth industries.

Just like we want our business customers to have highly customized options, we will insist on bringing our at-home customers a full range of personalized choices. That means building out our 5G Home and Yahoo programming content.

It also means drawing upon Verizon's extraordinary technical and creative talent to generate new content optimized for the 5G future. This past September, at Mobile World Congress Americas, we showcased a whole new level of content – extended reality, or XR. This represents the intersection of virtual reality (VR), augmented reality (AR) and mixed reality (MR).

One demonstration, by Envrmt by Verizon, showed how users wearing VR headsets were able to attend a concert involving an orchestra of about 100 instruments. As users moved through various sections of the auditorium, they could hear different instruments at different levels, just as they would in a real performance.

This is just one more example of how Verizon's network leadership is translating into amazing new opportunities for our company – and for our customers.

In addition, to prevail in today's ever-evolving tech sector, it's vital to recognize that the next market-making idea could come from absolutely anywhere, at any time. That means we have to do more than just open our door to outside innovation – we need to tear down our walls.

That's why Verizon developed our 4G LTE Innovation Centers – and it's why we established a 5G incubator in New York City at Alley, a membership community for entrepreneurs. We recognize the immense value of collaboration between our internal teams and a diverse array of external partners, large and small, across an expanse of industries and capabilities. Since that time, we broadened our portfolio of innovation centers with new 5G labs in four additional major centers of tech innovation: Palo Alto, Los Angeles, Washington D.C. and Greater Boston (Waltham, MA).

These new labs will explore the boundaries of 5G technology; co-create new applications and hardware; and introduce our engineers and content creators to local trailblazers in industries ranging from entertainment and media to cybersecurity and emergency response.

Fourth, foster a diverse organizational environment that embraces change, sparks curiosity and encourages strategic risk taking.

Even as Verizon is committed to pulling in great ideas and collaborations from outside our organization, we know the demands of the market also require us to develop a world-class internal creative capacity. If anything, this will be the most important ingredient for success in the years to come.

At Verizon, we define our shared purpose as follows: Deliver the



Our goal has always been to improve lives through innovation.

The evolution of wireless networks

1G



1G was about voice; being able to talk on a phone most anywhere without a cord attached.

2G



2G advanced short messaging (or texting) as a new way to chat.

3G



3G provided network speeds needed for smartphones and sending images.

4G



4G boosted connectivity options with speedier data-transfer rates.

5G



5G combines greater data-transfer speeds and heightened processing power to enable IoT connectivity on a massive scale.

promise of the digital world by enabling people, businesses and society to innovate and drive positive change.

For us, that begins within our own company, with a staunch commitment to all forms of diversity. It means working in constructive partnership with our unions and employees worldwide – from the corporate office to the storefront. It means consciously creating a workplace where ideas and perspectives can circulate freely, and where all employees are treated with dignity and respect.

Fifth, carry forward Verizon's commitment to responsible business practices and making the world a better place.

This isn't a mere add-on to our "real work." It's a logical extension of our core business, which is the empowerment of human connectivity and creativity. We call this "humanability" – our commitment to expanding the possibilities of people everywhere.

One way this manifests itself is in our Verizon Innovative Learning initiative, which provides under-resourced students and schools with free technology, free internet access, and hands-on learning experiences to help them prepare for an increasingly tech-driven society.

Another way that 5G and other Verizon offerings contribute directly to a better world and a more inspiring future is through greater sustainability. For starters, advanced sensor technology – embedded in everything from farmland to "intelligent asphalt" – is already helping communities and businesses make far more efficient use of energy and water resources.

Additionally, 5G-driven applications like IoT and autonomous vehicles will enable companies of all sizes to design, manufacture, package, distribute and reuse their products using less raw material, fuel and waste.

Our connected solutions can also help our customers save energy and reduce their carbon footprint. We work with the Carbon Trust, a respected nonprofit, to measure the yearly reduction in CO2 equivalent (CO2e) emissions our customers are achieving through the use of our products and services.

I am deeply proud of all of the ways my colleagues are making this world better, every day. We know it all starts with serving the customer, and it culminates in our returns to you – the investors who make our business possible.

On behalf of everyone at Verizon, we thank you and wish you a happy and healthy 2019.

Hans Vestberg
Chairman and Chief Executive Officer
Verizon Communications Inc.

Dear Shareholder,

I'm grateful to have one more opportunity to thank you for all that you have invested in Verizon over the years – including these past seven remarkable years, when I have had the great privilege of serving as your CEO.

It's been the honor of a lifetime to work with you, and with our amazing V Team. Together, we've brought one of the world's greatest technology companies to the doorstep of an exciting new era. In the years ahead, many of the most important technologies will center on ultrafast, highly connected networks. This means Verizon will be at the leading edge of what's coming. We wouldn't have it any other way, and I know you wouldn't either.

I would encourage you to read my successor's letter. Hans Vestberg is without any doubt one of the most impressive, forward-looking technology executives in the world. I have absolute confidence in his ability to lead this company through what I strongly suspect will be its most dynamic and successful period yet. The management team that he has assembled to shepherd the company into the next era is one of the strongest of any corporation, building on decades and decades of leadership experience.

I've been at Verizon throughout all of the generations of wireless technology, and as proud as I am of all that we've achieved with 4G LTE, the fifth generation will bring a whole new paradigm for our industry and our world. The 5G network isn't just a next-generation technology; it's the technology that will make all next-generation innovations possible.

Everything from advanced robotics to wearable tech to the Internet of Things – what they all have in common is a reliance on extremely powerful networks. 5G is the first network that will allow them to begin hitting their potential at full-market scale.

This coming Fourth Industrial Revolution (4IR) will be transformative, and deeply exciting. I look forward to seeing what it will achieve in such areas as carbon-efficient manufacturing, long-distance learning and immersive entertainment.

I also look forward to what I expect – and hope – will be rich conversations about how 4IR breakthroughs can continue to benefit humanity, and how we can remain conscious stewards of a highly connected society and the powerful technologies that it will enable.

One thing I do know: Verizon will be at the vanguard of these and related developments, and it will stand by a main tenet of its Credo: "Integrity is at the core of who we are."

As long as we keep that bedrock commitment to integrity – and I am certain that we will – Verizon will remain an excellent leader for our industry, and an excellent investment for you.

Thank you again for being with us on this amazing journey.



A handwritten signature in black ink that reads "Lowell".

Lowell McAdam
Former Chairman and
Chief Executive Officer

