A TRUER CONNECTION

“We see expanding opportunities to build truer connections with our customers and communities by using our unique platforms to meet crucial needs across America and the world. Verizon will create new and more effective products, solutions and processes that will make us an even more valuable partner to our customers, communities and shareowners.”

Lowell McAdam
Chairman and Chief Executive Officer
Verizon Communications

Dear Shareowner,

The enduring source of Verizon’s value is the central role we play in an industry vital to the global economy and deeply embedded in the lives of our customers. Whether it’s through iconic products that improve people’s lives, creative strategies that open new markets and expand access to technology, collaborations that promote innovation or initiatives that apply our technology to urgent social issues, Verizon is the standard-bearer for the industry and a leader in delivering the benefits of our empowering technology to the world. We have extraordinary assets and a leadership team committed to thinking in the broadest sense about how to use our potential to solve problems and move the world forward.

As we look ahead, we are taking steps to use these great assets in big ways for big results — creating value for shareowners and showing the immense power of our industry to benefit society.

For Verizon, our most exciting growth opportunities occur where business and social interests intersect. You will read about both in this report, which for the first time combines our annual report with highlights of our corporate responsibility initiatives. Under the rubric of “shared success,” we are using our technological and philanthropic resources to address the world’s unmet social and environmental needs. In the process, we’re fueling the social innovation that will open new markets, drive our growth and reinforce Verizon’s vital role in the digital world.
2011 Results
Our financial performance in 2011 testifies to Verizon’s fundamental strength. Revenues totaled $110.9 billion, up 6.2 percent on an adjusted basis, reflecting strong performance in wireless, video and enterprise strategic services. Revenues in the fourth quarter grew by 7.7 percent year over year, the highest since we formed Verizon 10 years ago. Cash flow from operating activities totaled $29.8 billion for the year, enabling us to sustain the capital investment necessary to press our advantage of having the best networks in the industry and raise our dividend by 2.6 percent, the fifth consecutive annual increase, bringing our annual dividend to $2.00 a share. All in all, Verizon’s total return to shareowners for 2011 was 18.2 percent, as compared with 8.4 percent for the Dow Jones Industrial Average and 2.1 percent for the S&P 500.

The big news in wireless for 2011 was the rapid deployment of our fourth-generation wireless network, based on 4G LTE technology. Just over a year after its launch in December 2010, this industry-leading network reached 200 million people in 195 markets across the U.S. and now supports a rapidly developing ecosystem of devices and applications that take advantage of its superior coverage and speed. We’re fueling this revolution with our two new Innovation Centers — one focused on devices and the other on applications — where we work with developers and entrepreneurs to tap the incredible potential of 4G LTE to enhance people’s lives and address new markets. (See pages 8–9 for more detail.)

Verizon Wireless ended the year with a total of 107.8 million connections, including a growing number of machine-to-machine devices and mobile “hot spots” that reflect the emerging “Internet of Things” in which connectivity is embedded throughout the physical world. We added the iPhone to our robust product line-up, which also includes a growing number of 4G LTE devices that operate on the Android platform. All of this is driving smartphone penetration and fueling 21 percent annual growth in wireless data revenue. We are very proud of receiving the number-one ranking for customer satisfaction from a major consumer publication again this year and were excited to see that PCWorld put 4G LTE at the top of its “100 Best Products of 2011.”

We continue to transform our consumer wireline business around video and broadband. Our all-fiber FiOS network now passes 16.5 million homes — about 60 percent of our wireline territory — and provides a high-quality platform for delivering broadband services, streaming video and other high-bandwidth services. FiOS now accounts for more than 60 percent of our consumer wireline revenues and helps make up for the decline in revenues from traditional services. As of the fourth quarter, we had 4.8 million FiOS Internet subscribers and 4.2 million FiOS Video subscribers. Our service continues to receive high ratings from J. D. Power and PCMag.com, and we are partnering with such industry leaders as Microsoft and Redbox to develop next-generation video services that will leverage this tremendous platform.
With a high-speed global Internet backbone and an extensive network of data centers and connection points around the world, Verizon has a strong foundation for providing advanced services and integrated industry solutions to multinational corporations. Revenues from enterprise strategic services grew by more than 15 percent in 2011 and now make up about 50 percent of our large business revenues. Most experts see “cloud services”—that is, storing digital information in networked servers so it can be delivered anywhere in the world to any device—as the next great computing platform for global businesses. In 2011, we made major strides to establish ourselves as a leader in cloud-based services by acquiring two companies, Terremark and CloudSwitch, which complement our existing expertise in managed security services and accelerate our global IT services strategy. We believe that no one is better positioned than Verizon to provide the integrated solutions enterprises are looking for, and we are very excited about the potential for growth going forward.

2012 Strategy
As our 2011 performance attests, Verizon’s assets give us a strong foundation for growth. In 2012 and beyond, we will build on our wireless broadband, FiOS and global Internet backbone networks by putting together unique, integrated solutions that can be delivered to any device, giving customers new ways to manage their digital lives, transforming how businesses operate and offering innovative approaches to society’s most pressing concerns.

This latest phase in Verizon’s transformation to a global solutions company has already begun. We will complete our nationwide build out of 4G LTE by mid-2013 and have announced our plans to purchase additional wireless spectrum that will increase our network’s availability and capacity. (See page 13 for more information on our rural broadband initiative.) Spectrum is rocket fuel for innovation in wireless, and we are excited about extending our already sizable lead in LTE by accelerating its benefits.
to the marketplace. Verizon Wireless also entered an agreement with four major U.S. cable companies to jointly market a “quadruple play” of services — wireless, video, voice and Internet — across the country. As part of that agreement, Verizon Wireless will be collaborating on product innovations — much as we’re doing today in the LTE space — that can be delivered to any device over LTE, FIOS or cable networks, creating integrated solutions to the challenges of customers’ complex digital lives.

Similarly, we’re improving our ability to be a strategic partner for large-business, government and wholesale customers. We have created a new Enterprise Solutions marketing and sales organization that brings our wireline, mobility and cloud capabilities together. Since acquiring MCI in 2006, Verizon has invested significantly in building the necessary infrastructure of advanced communications, cloud, security and mobility platforms to serve the business market, and we believe there’s not a company in the world that we can’t help be more effective in using information to solve business problems. Now we have the organizational infrastructure to match these physical assets, and we’re prepared to kick into a higher gear as a major solutions provider in the global marketplace.

We are also committed to making Verizon work better by battling bureaucracy, streamlining products and processes, and improving customer service. This is a particular passion of mine, and our leadership team is committed to delivering measurable results that will improve both the bottom line and customer satisfaction.

As we look broadly at how technology is transforming business and society, we see expanding opportunities ahead for us to use our unique network platforms to make a difference in the world. Software-based solutions are beginning to revolutionize large swaths of the economy — from video and financial services to health care, energy and education — and wireless and cloud-based technologies are extending these benefits more widely as they bring more people and places into the digital economy.

Pursuing these new market opportunities is Verizon’s major strategic thrust and, as you will read in this report, the focus of our philanthropic and community activities. Already, we’re developing integrated video services that can be distributed to any screen across any network. We’re leveraging our expertise in security and systems integration to address the huge unmet need for technology solutions in the health care marketplace. We’re working with manufacturers and utility companies to embed machine-to-machine telematics in cars and utility grids, which offers a new way to attack the issue of energy conservation. And through our foundation, we’re using our philanthropic resources to address the needs of underserved populations and develop innovative technology solutions in areas like education, health care and energy management.
By putting our technology to work in solving the big challenges of business and society, Verizon becomes the disruptor in markets that will drive growth in the future. As we bring these new solutions to the marketplace, we will drive shareowner value by diversifying our revenues, leveraging our existing capital investment and broadening our global reach. Most of all, we will deepen our connection to our customers and stakeholders, proving ourselves an even more valuable partner in creating thriving, sustainable communities.

A Truer Connection

I want to thank our employees, who continue to show their dedication to customers and — with their work to restore service after floods, hurricanes and fires — proved once again that, when it comes to responding to a crisis, nobody is better than Verizon. Being a good corporate citizen is at the heart of the Verizon Credo, and our employees’ service to our communities — more than 674,000 volunteer hours dedicated in 2011 — is the best evidence of our commitment to making the world a better place than it was yesterday. That’s why Verizon earned the No. 1 ranking in our industry in Fortune magazine’s 2012 list of the World’s Most Admired Companies.

I am also grateful to our Board of Directors for another year of strategic guidance and for their support in helping us make a smooth leadership transition in 2011.

Additionally, all shareowners owe a deep debt of gratitude to Ivan Seidenberg, who retired in 2011 as Verizon’s chairman and chief executive officer after an extraordinary career. (See article on page 7.) His strategic vision defined Verizon as one of the world’s great technology companies, and his personal integrity and pragmatic idealism inspired generations of Verizon leaders. I am proud to count myself among them.

As I look ahead to my first full year as Verizon’s chief executive officer, I am confident in the foundation our company has built for success in this dynamic industry: namely, the best assets in the business and a culture based on strong values and a belief in the positive impact we can have on the world. Now, our focus will be to use all of these fantastic tools to deliver integrated solutions for customers and drive shareowner value. By leveraging all our capabilities, we’ll become more global, more innovative and more integrated. And by constantly seeking to create a truer connection between our business interests and those of our customers and communities, we believe we can become an even bigger force for good in the world — and, in doing so, extend our legacy of growth and shareowner value creation for many years to come.

Lowell McAdam
Chairman and Chief Executive Officer
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