THE WORLD’S BIGGEST CHALLENGES DESERVE EVEN BIGGER SOLUTIONS.

{ POWERFUL ANSWERS }
**FINANCIAL HIGHLIGHTS**

**CORPORATE HIGHLIGHTS**

- $15.3 billion in free cash flow (non-GAAP)
- 4.5% growth in operating revenues
- 13.2% total shareholder return
- 3.0% annual dividend increase
- 5.9 million wireless retail connection net additions
- 0.91% wireless retail postpaid churn
- 8.4% growth in wireless retail service revenue
- 607,000 FiOS Internet subscriber net additions
- 553,000 FiOS Video subscriber net additions
- 17.2% growth in FiOS revenue
- 6.3% growth in Enterprise Strategic Services revenue

Note: Prior-period amounts have been reclassified to reflect comparable results.

See www.verizon.com/investor for reconciliations to U.S. generally accepted accounting principles (GAAP) for the non-GAAP financial measures included in this annual report.

In keeping with Verizon’s commitment to protect the environment, this report was printed on paper certified by the Forest Stewardship Council (FSC). By selecting FSC-certified paper, Verizon is making a difference by supporting responsible forest management practices.
Dear Shareowner,
2012 was a year of accelerating momentum, for Verizon and the communications industry. The revolution in mobile, broadband and cloud networks picked up steam—continuing to disrupt and transform huge sectors of our society, from finance to entertainment to healthcare. To compete and grow in such a dynamic environment requires a commitment to innovation, a focus on continuous improvement and service excellence, a rigorous attention to building shareholder value and a deep belief in the social benefits of our empowering technology.

Over the past year we demonstrated our leadership on all these fronts.

At the core of our growth strategy is our commitment to using our technology to address the world’s big challenges. How can we improve the lives of our customers? How can technology make businesses more efficient? How will innovation in healthcare, education and energy management transform society for the better? As you will see in this report, Verizon’s networks provide a platform for answering these questions in new and powerful ways—creating new growth opportunities for our company and expanding our positive impact on society.
SUPERIOR NETWORKS

At Verizon we have always believed that innovation in networks is the foundation for growth across the whole industry. Our strength rests on having the best, most reliable wireless, broadband and global Internet networks in the industry, and over the years we have consistently invested our capital to reinforce and extend our lead and get ahead of the trends that are driving growth in our industry.

The importance of this strategy has never been more evident than in 2012.

Explosive demand for mobile data is arguably the biggest driver of growth in the technology industry today. Verizon helped usher in this innovative era in 2010 with the launch of our 4G LTE wireless network, which delivers the speed and capacity required for wireless data and video, and we have led the industry in deploying this vital resource across the U.S. As of January 22, 2013, Verizon’s 4G LTE network covered nearly 89 percent of the U.S. population, and we expect to cover nearly our entire 3G network footprint by the end of this year. To further support the increased bandwidth necessary for growth in wireless data, we acquired additional wireless spectrum in 2012 from a consortium of cable companies, putting us in a strong position to capitalize on this growth trend for the foreseeable future.

We showed the same commitment to building and reinforcing our core assets in our wireline networks. With data traffic on the Internet backbone multiplying rapidly, we expanded the capacity of our global Internet network, connecting most of the major cities in the U.S. and the busiest routes in Europe and Asia with networks that can deliver 100 gigabits per second (Gbps) speeds. We also continue to redefine our residential broadband network around fiber with our innovative FiOS network, which takes fiber all the way to customers’ homes. Not only does FiOS transform our customers’ broadband experience, it also is far more efficient than the legacy copper network. FiOS now reaches about two-thirds of our wireline footprint, and we’re systematically upgrading customers from copper to the fiber platform that provides better service for them and lower costs for us.
INNOVATIVE PRODUCTS AND SERVICES

Building on our cornerstone of network excellence, we are delivering a steady stream of innovative products that are shifting our center of gravity toward growth markets. Meeting customer demand for wireless data and smartphones, we launched dozens of 4G LTE phones and Internet devices. We revolutionized wireless pricing with our new “Share Everything” plans, which allow customers to share text, talk and data among up to ten different devices. This is accelerating the adoption of these new devices and helped push smartphone penetration to 58 percent by the end of 2012. Our commitment to quality has been recognized by J. D. Power, which has rated Verizon Wireless number-one in customer service in four consecutive surveys.

FiOS is proving to be another platform for growth, with its Internet and video services accounting for 68 percent of consumer wireline revenues. We are leveraging the tremendous capabilities of fiber-optics with FiOS Quantum, which delivers speeds of up to 300 megabits per second (Mbps) and was named by PCMag.com the fastest residential broadband service in the country. With customers connecting an increasing array of computers, game players, televisions and other devices in the home to their broadband connection, we believe the virtually unlimited capacity of fiber will give us a sustainable competitive edge in the consumer market.

In our enterprise business, we are building or acquiring the platforms to ride on our network that will enable us to deliver the services that global enterprises require. For example, we acquired two companies in 2011, Terremark and CloudSwitch, that give us a core competency in the fast-growing market for enterprise cloud and security services. Another key acquisition is Hughes Telematics, Inc. (HTI), a leading provider of machine-to-machine, fleet and connected car services. As Internet connectivity is built into electronic equipment, appliances, buildings and utility grids, new technology solutions are emerging in such fields as healthcare, energy, transportation and e-commerce. Verizon will use the HTI machine-to-machine platform to be a big player in these emerging growth markets.

All of these initiatives are transforming our growth profile. Consumer wireline revenues grew by 3.2 percent for the year—the best in a decade—fueled by double-digit growth in FiOS. Wireless had 5.9 million retail connection net additions—with fourth-quarter net adds in retail postpaid the highest in our history—for an industry leading total of 98.2 million retail connections, and saw total operating revenues increase by 8.1 percent. Despite continuing economic challenges in global markets, revenues from strategic business services grew by 6.3 percent.

TRANSFORMING THE BUSINESS THROUGH STRATEGIC PARTNERSHIPS

With technology permeating every corner of business and society, no single company can deliver everything customers want and need without having great partners. At Verizon, partnerships are a fundamental piece of our growth strategy, helping us branch into new markets, stimulate innovation and broaden our geographic reach.

In 2012, we took several major steps to create strategic advantages through collaboration.
Today’s customers want to be able to access video content on any screen — TV, personal computer, tablet or cellphone — wherever and whenever it’s convenient for them. To address this demand, Verizon Wireless is partnering with the nation’s major cable companies to deliver video solutions on a national scale across our 4G LTE wireless and cable networks. We are also using this partnership to encourage content developers and entrepreneurs to develop innovative mobile video services that we can deliver over these powerful platforms.

In addition, we’re giving customers more video options through a new venture with Redbox Automated Retail, LLC, a subsidiary of Coinstar, Inc. Our new service, Redbox Instant by Verizon, offers on-demand video streaming powered by Verizon’s cloud computing technologies and IP networks, supplemented by Redbox’s network of more than 42,000 DVD rental kiosks nationwide.

More broadly, we are helping to stimulate the innovation process that will drive the transformative power of mobile and machine-to-machine technologies into new markets. We have two Innovation Centers in Waltham, Massachusetts and San Francisco, California where we bring entrepreneurs, developers and partners together with Verizon network engineers in state-of-the-art laboratories to develop new LTE products and get them to market quickly. This collaboration with more than 125 different partners is producing an impressive range of exciting new products, services and applications. We demonstrated more than 60 of these at the 2013 Consumer Electronics Show, with far-ranging applications in fields such as public safety, healthcare monitoring, mobile video, energy management and education (for more information, see the “Powerful Answers” section of this report).

With this focused and aggressive innovation program, we not only increase demand for Verizon’s network services but also give people the tools for solving problems and enhancing their lives in exciting new ways.

**ADDRESSING THE WORLD’S BIGGEST CHALLENGES**

Some of the biggest opportunities for Verizon lie in the intersection between our empowering technology and our society’s deepest needs. For example, we are expanding in the field of digital healthcare with a mobile health platform that gives clinicians and patients a better tool for monitoring patients and managing chronic diseases. Our machine-to-machine solutions are helping to modernize electrical and transportation systems, providing customers with greater control over their energy use. Going forward, we seek to build additional vertical capabilities centered on technology solutions in such fields as education, e-commerce and public safety.

We believe that using our talent and technology to address society’s biggest challenges will both grow our business and change the world for the better. We call this strategy “Shared Success,” an integrated approach to growth that drives both our business development and corporate responsibility efforts. As evidence of our disciplined process, we have developed metrics for tracking the social impact of our technology on the communities we serve, which we track in this report (see page 20). To increase the impact of our philanthropic resources, we have refocused the Verizon Foundation on becoming a channel for innovation and social change. The Foundation is working with leading nonprofit organizations such as the Children’s Health Fund to test technology solutions in real-world settings and extend access to new technology into underserved communities.
Just as Verizon’s Innovation Program has become an incubator for new business solutions in the marketplace, the Verizon Foundation aims to become an incubator for new social solutions.

Creating Shareowner Value

As focused as we are on using our technology to transform the world, we are equally driven to transform our own business from the inside out. We have implemented Verizon Lean Six Sigma, a rigorous process improvement model, to identify areas where we can streamline how we work and eliminate internal barriers that impede productivity and service excellence. In just the last 18 months, we have removed $4 billion from our cost structure.

Our 2012 results reflect our fundamental financial strength, our commitment to growing shareowner value and our success in seizing opportunities in our key strategic growth areas. Revenues totaled $115.8 billion, up 4.5 percent. We generated $31.5 billion in cash flow from operating activities, an increase of 5.7 percent. With these healthy cash flows, we invested $16.2 billion in our networks and paid $5.2 billion in dividends, which included our 6th dividend increase in as many years. Earnings per common share increased 4.2 percent to $2.24 on an adjusted basis. Overall, Verizon’s total return to shareowners for 2012 was 13.2 percent, as compared with 10.2 percent for the Dow Jones Industrial Average and 16 percent for the S&P 500.

Employee Dedication

Being a responsible citizen is at the heart of our business, and can be seen in the commitment of our employees to providing customers with the best possible service. Nowhere was that dedication more apparent than in the wake of Superstorm Sandy, which wreaked havoc on the East Coast of the United States. For months, our employees worked nearly non-stop to restore communications services, rebuild badly damaged infrastructure and upgrade our networks against future disasters. The Verizon Credo says “we run to a crisis.” As usual, Verizon employees came through. I thank each and every one of them for their dedication to our customers and communities.

I am grateful to our Board of Directors for their strategic guidance and support in helping us build Verizon to be successful for decades to come. I’m confident about the trajectory of our business and inspired by our potential for making a difference in the world. Verizon is in the center of a powerful transformation, and is well positioned to create long-term value for our customers, shareowners and communities.

Lowell McAdam
Chairman and Chief Executive Officer
Verizon Communications Inc.
ADVANCED WIRELESS TECHNOLOGY
THAT POWERS OUR LIVES

Verizon’s 4G LTE network is more than just powerful. It’s rebooting the mobile landscape and transforming the way we experience the digital world.

Our 4G LTE network has made Verizon the industry leader in high-speed wireless access, creating exciting new opportunities for mobile applications and streaming media and enabling people to experience a whole new level of connectivity.

CREATING AN INDUSTRY ECOSYSTEM
To drive 4G LTE deeper into the marketplace and accelerate growth, we’re using Verizon’s Innovation Centers to inspire, enable and showcase new wireless solutions. By connecting innovators with technology in state-of-the-art lab environments, we’re bringing amazing new products to the marketplace — changing the way we live, work and play.

From groundbreaking wireless devices to specialized services and apps, our Innovation Program is creating a wide range of new services that harness the power of our 4G LTE network. As a result, the impact of 4G LTE has rippled throughout the tech industry.

At the beginning of 2013, Verizon had about 40 4G LTE-enabled smartphones, tablets and Internet devices in its lineup, produced by the world’s leading manufacturers. We’re also seeing a new generation of advanced electronics with LTE connectivity coming to the market, including video cameras, energy monitors and medical devices. Through collaboration we’re bringing amazing new products to the marketplace and changing the way we communicate.

A TRUE GAME-CHANGER
4G LTE is a true game-changer in today’s wireless world. It can help kids attend school, even when they physically can’t. It can help remote workers collaborate with experts and get critical business information quickly. LTE connections can also help patients in rural areas get the care they need from doctors and specialists thousands of miles away.

Verizon’s 4G LTE technology empowers customers in so many ways that it stretches the limits of what’s possible. It promises to drive growth in our economy and provide powerful answers to many of the challenges facing our communities.
FIBER-OPTIC QUALITY FOR THE CONNECTED HOME

With Verizon FiOS, customers can enjoy picture-perfect TV, unsurpassed Internet speeds and crystal clear calls. But our all-fiber network technology is much more than that.

FUTURE-PROOF TECHNOLOGY
Verizon’s fiber network was designed to evolve with our customers’ bandwidth needs. We’re using our technology to help people get more out of life today while providing for the services they’ll need tomorrow.

The average home today has seven connected devices, such as computers, high-definition TVs, game players and DVRs, and that number is increasing. Our FiOS network is able to handle bandwidth-intensive applications such as 3D video, high-capacity telework, smart-energy management, security monitors and in-home healthcare that will continue to accelerate the broadband needs of the digital household.

A QUANTUM LEAP
Connecting all these devices will require even faster speeds and higher bandwidth, so last year we launched FiOS Quantum, offering the nation’s fastest download speeds at up to 300 Mbps. As our customers demand even more innovative, high-bandwidth applications that challenge today’s top speeds, our network will be ready. We’re testing connection speeds of up to 1 gigabit per second (Gbps) so that we can upgrade our services to meet our customers’ evolving needs.

ENTERTAINMENT ON-THE-GO
Customers are no longer content with watching video only on a TV, so we’re bringing the same superior HD quality, entertainment content, speed and reliability to our customers on-the-go using Verizon cloud computing technology. Verizon is collaborating with Redbox to provide an innovative service called “Redbox Instant by Verizon” that combines our cloud-based video streaming capabilities with Redbox’s national DVD kiosks. Verizon’s innovative technology helps customers make the most out of their connected lives, whether it’s sending large files from their home office, streaming a 3-D movie into their living room or enjoying video chats with loved ones halfway around the world.
EXPANSIVE HIGH-SPEED GLOBAL CONNECTIVITY

Verizon’s global IP backbone network was built to handle the explosion in Internet data and video traffic. It’s the global trade route of the 21st century, shipping digital cargo efficiently around the world.

GLOBAL IP NETWORK
Verizon maintains more than 800,000 miles of high-speed cables—enough to circle the earth more than 32 times—and we operate in more than 150 countries on six continents. Our network is one of the largest wholly owned, facilities-based networks in the world.

We support businesses and government agencies around the globe securely and reliably, including 98 percent of the Fortune 1000. Verizon’s expansive IP footprint and direct interconnections around the world enable our customers to reach more destinations directly through our global IP network than through the networks of any other service provider.

Verizon’s global network technology supports the enormous growth in Internet video and data traffic, which helps multinational corporations interconnect their facilities around the world. We also provide intelligent networking solutions that securely connect large business and government customers to the data, machines, and applications they need to be successful. Our residential, small business and wireless customers also benefit from one of the most-connected IP networks, with a range of Internet solutions that have local-or wide-area network requirements.

FASTEST COMMERCIAL SPEEDS AVAILABLE
Verizon’s global backbone network continues to grow to meet our customers’ evolving needs. During the past three years, we have connected most of the major cities in the U.S. with speeds of 100 Gbps, and we’re upgrading our busiest routes in Europe and the Asia Pacific region. We expect to double that speed in trials later this year.

We’re also pushing 100 Gbps into our metro networks, as we recently did with our fiber central offices in Lower Manhattan, driving Ethernet speeds even closer to the customer.

Verizon will carry on its heritage of innovation by advancing its IP platform and the applications that are changing our everyday lives. Working in collaboration with the countless people and machines that touch the IP cloud, the sky remains the limit of our collective imagination.
Verizon’s networked cloud servers can store anything that can be digitized—from movies to healthcare records—and deliver it anywhere in the world.

200 DATA CENTERS AROUND THE WORLD
Verizon expanded into the cloud space in a big way with our 2011 acquisition of Terremark, giving us a network of 200 world-class cloud data centers around the globe. We now offer cloud-based services in areas such as mobile commerce, security and healthcare. We’re also able to give entrepreneurs the tools to build new businesses and services in the cloud on a global scale.

Verizon Terremark cloud services allow businesses to move applications, processing and storage that previously existed on the customer’s network into our securely managed network servers. These services allow users to access the same data and applications on any connected device, providing enriched, real-time information exactly when and where it’s needed.

This ability transforms the way companies operate by giving them a radically more efficient way to do business. It means any kind of content—even things like education, healthcare and government services—can be delivered anywhere, anytime and on any device.

THE CONNECTED ENTERPRISE
With the rise of the globally connected enterprise, our customers need intelligent applications that can run on multiple platforms. We offer mobile workforces constant access to collaboration tools and back-end systems to be productive and competitive. We also help organizations securely manage vast amounts of data so they can turn it into intelligence that leads to new products, services and revenue streams.

With technology changing so quickly, we help enterprises minimize capital investment and accelerate innovation cycles. Our cloud services also spread resources efficiently and reduce duplicative investments in equipment, making them a key tool in helping corporations find sustainable solutions to managing a global enterprise.

Cloud computing changes the way business is done and Verizon Terremark is changing the cloud with innovative technology that spans the globe.
Verizon’s innovative technology enhances people’s lives. We address critical needs in our communities and create long-term growth by sharing our success.

**SHARING OUR SUCCESS**

Verizon has deep roots in the communities we serve. Our networks are an engine for economic growth, and our products enhance the relationships that support our society.

Our advanced technology is providing exciting new opportunities to find powerful answers to some of the enduring challenges that face our society, such as, how can we transform healthcare? Is there a better way to manage our energy usage? How can we give our students a better education? How can we become more sustainable?

We can now address these questions in innovative ways, using our wireless and broadband services to help our communities grow. This creates a sustainable long-term growth strategy — one that opens new markets for Verizon, provides value for shareowners and helps solve community problems. Our goal is to take our corporate responsibility to a higher level of social impact, because we believe that creating a healthy, sustainable society is the best way to create a healthy, sustainable business.

**BUSINESS AND SOCIAL VALUE METRICS**

In 2011, we formalized our strategy for creating business and social value under the mantle of “Shared Success,” a term that derives from the Verizon Credo. We made strong progress last year. We laid the groundwork for our “Powerful Answers” campaign, which helps us identify and accelerate deployment of technology solutions that create shared value. We developed a process to capture data that measures the value of our technology to the communities we serve. We also revised our philanthropic strategy to use our technology to address the challenges of underserved communities.
and accelerate social change in education, healthcare and energy management.

In the healthcare market, we created metrics for our mHealth products. In addition to capturing data on business performance measures such as revenue and market share, the metrics will help us understand how our products improve patient outcomes. In 2013 we will work with our healthcare customers to apply these metrics. The information we collect helps our customers measure improvements in patient care and helps us demonstrate the effectiveness of our solutions. We will develop similar measures for our education and energy products.

A FOUNDATION FOR SOCIAL INNOVATION
2012 was a year of transition for the Verizon Foundation as it revised its strategy to become a channel for social innovation. Its new focus is on accelerating social change by combining our advanced technology with its philanthropic resources to address challenges in education, healthcare and energy management.

The Verizon Foundation’s programs enable us to better understand how our technology can benefit society and deliver innovative solutions that transform lives. This is especially true in underserved communities, which might experience the most benefit and rapid improvement from the adoption of Verizon’s newest technologies.

INNOVATIVE SOCIAL SOLUTIONS
Our new philanthropic strategy parallels the corporate strategy of our Innovation Program. Verizon’s LTE Innovation Centers provide a wide range of companies with opportunities to generate new ideas, refine concepts and bring breakthrough products to market through a process that stimulates innovation and change.

Just as these Innovation Centers are incubators for new products and applications of technology, the Verizon Foundation aims to become an incubator for new social solutions. It is collaborating with leading nonprofit organizations to apply our sophisticated technology and expertise to address some of the most critical challenges in education, chronic healthcare and energy efficiency.

By partnering with dynamic, forward-thinking organizations to design programs to address these urgent problems, the Verizon Foundation is demonstrating how technology can be used to engineer positive social change, faster and easier.

TRACKING OUR SUCCESS
As a technology incubator, the Verizon Foundation will track and measure outcomes and improvements at every stage. It will evaluate the social value of these initiatives, providing new insight and research into how best to integrate technology into solving social problems and scale-up results. In this way, we can demonstrate how our social investments create new technology-based solutions and validate the ability of our products to address unmet needs.

To learn more about Verizon’s commitment to shared success, visit our Corporate Responsibility site at http://responsibility.verizon.com.
We have a tremendous opportunity to use Verizon’s innovative technology to address healthcare in a powerful new way.

This is a transformational moment for digital healthcare. The barriers to innovation are finally coming down, and our high-speed network is able to handle the bandwidth demands of securely sending critical MRIs, X-rays and CAT scans over the Internet.

Our healthcare-specific solutions touch the entire healthcare ecosystem, from the biggest institutions all the way to the patient. To maximize this opportunity, we are working with great partners to bring safe, secure and effective solutions to market.

MANAGING CHRONIC DISEASES
In 2013 we plan to launch our mHealth platform, which will give clinicians and patients a better tool for managing chronic diseases such as congestive heart failure and diabetes. Combined with our cloud platform, we will have a secure, private way for doctors to monitor patients between check-ups. This will help keep patients healthier, while reducing medical costs for unexpected trips to the emergency room. We also have a partnership with a company called NantWorks that uses a combination of connected supercomputers, genetic analysis and mobile technology to put the tools for advanced cancer diagnosis and treatment in the hands of physicians everywhere.

ENABLING MOBILE HEALTHCARE
Verizon has redesigned the medical alert bracelet by adding technology. Using Verizon’s 4G LTE network in combination with Near Field Communication technology, a single tap on a medical band can quickly retrieve vital medical information. Wearers can add, update and sync critical medical information right to their bracelets. In a medical emergency, health data can be communicated even if the wearer can’t share it.
We're also using our technology to enable better patient outcomes and control spending on healthcare, especially in underserved communities. For example, we’ve signed on as the technology sponsor for a project called the Clinton Health Matters Initiative, launched by the William J. Clinton Foundation. During the next three years we’ll go into medically disadvantaged communities around the country and put better tools for managing health in the hands of physicians and patients.

The goal is to create new revenue for Verizon while at the same time transform the delivery of healthcare. Along the way, we will use our social value metrics to measure our ability to decrease the cost and increase the quality of care.

**CHILDREN’S HEALTH FUND PARTNERSHIP**

The Verizon Foundation is partnering with Children’s Health Fund (CHF) to equip mobile pediatric medical units in several key cities with our fastest mobile data network. We want to increase access to care for disadvantaged children who are at greater risk for chronic disease and health problems.

We’re integrating our health-information technology into the CHF programs, specifically, mobile pediatric medical units that provide primary care in partnership with a hospital or other medical affiliate. These units will be equipped with virtual care technology, which lets pediatricians connect children to specialty care as the mobile medical clinics visit schools and shelters.

The Verizon-CHF partnership will also be deploying low-cost technology to improve patient-provider communication and help patients follow their doctors’ instructions. This is of particular concern in urban areas where many children are living in shelters or other temporary environments.

**IDENTIFYING NEW OPPORTUNITIES**

Partnerships like these—with real-life impact—are designed to address disparities in healthcare and improve access for those disproportionately affected by chronic diseases, especially women, children and seniors. These collaborations will also help us validate how well our products improve the cost and quality of healthcare.

To learn more about how Verizon is committed to finding new healthcare solutions, visit our Corporate Responsibility site at http://responsibility.verizon.com.
From smart homes to connected cars, Verizon technology is giving our customers innovative tools to address many of our long-term energy challenges.

We see a growing market for digital technologies that give customers control over their energy management. We're partnering with a number of utilities as they transition to remote meter management. By using cloud-based solutions and “e-meters,” utilities can provide customers with better information on their energy usage.

These and other machine-to-machine solutions are being developed in our LTE Innovation Centers, helping modernize our electrical and transportation systems and drive greater efficiencies.

**ENABLING SMART GRIDS**

Digitizing the electrical grid is giving users unprecedented control over how they consume and manage energy, while it helps unite producers and consumers of energy into a single, dynamic energy ecosystem.

In Charlotte, N.C., Verizon is working with Duke Energy to create a more sustainable urban environment in a project known as “Envision: Charlotte.” Verizon connected the energy systems of 62 buildings in the city’s core using our 4G LTE wireless network. Real-time data on energy consumption is displayed on interactive video kiosks throughout the city, along with suggestions about how to reduce energy use. The goal is to reduce energy consumption by 20 percent by 2016.

In Worcester, Mass., National Grid is testing the energy system of the future. Its smart grid pilot, which was developed in partnership with Verizon and other key parties, is designed to give more than 15,000 customers control over their energy use through advanced technology. The utility’s goals are to encourage customers to save energy, while it increases network service reliability and improves response to power outages.
IMPROVING FUEL EFFICIENCY
Our technology is also helping businesses to manage their transportation systems. To improve the efficiency of its 350-vehicle fleet, the Eastern Municipal Water District in Riverside, Calif., is working with Networkfleet, a Verizon company. We provide a wireless fleet-management solution that connects directly to a vehicle engine’s onboard diagnostic unit, letting fleet managers remotely monitor engine diagnostics, fault codes and emission control status. Our solution has already helped reduce fuel use and carbon emissions.

MACHINE-TO-MACHINE APPLICATIONS
We’ve talked about machine-to-machine (M2M) technology in theory for a long time, but with the evolution of cloud services and Verizon’s LTE network, we’re expecting a strong growth in demand for M2M services. We’re seeing it in smart homes, where the home is quickly becoming a vital hub on the digital grid. It starts with our 4G LTE wireless technology and a powerful line-up of devices to provide anywhere, anytime control of everything from lights and appliances to thermostats and security alarms.

Customers of Lowe’s Iris smart-home system will now be able to use Verizon’s wireless network for remote monitoring and management of their homes’ energy and security systems. Another service powered by Verizon’s wireless network is the Home Area Network Energy Gateway, a self-installed, smart-grid solution that lets consumers manage the energy use for plugged-in devices at their home. The Gateway lets users turn appliances on or off remotely, set schedules and control the temperature from a smartphone or web browser.

Verizon’s wireless technology is also helping cities be more efficient. Just-in-time trash collection, a system that sends collection crews real-time data on the status of city trash and recycling bins, helps cities work smarter. With this solution, powered by Verizon with innovators such as BigBelly Solar, collection can be managed much more efficiently by limiting trips and covering a larger area with fewer resources, with no overflows or litter.

We believe broadband and M2M based energy-efficiency solutions will represent a significant new source of revenue for Verizon and deliver social value by accelerating the transition to a low-carbon economy. In 2013 we are developing metrics to measure the energy efficiency benefits of M2M solutions.

To learn more about how Verizon is committed to finding new energy solutions, visit our Corporate Responsibility site at http://responsibility.verizon.com.
We’re using our advanced mobile and broadband technology to prepare students for success in the 21st century.

Student achievement in a science, technology, engineering and math (STEM) curriculum is critical to U.S. economic growth and competitiveness on the global stage. Studies have shown that the use of technology in the classroom can improve the way teachers teach and keep students engaged and excited about learning.

We believe broadband and mobile technologies are the keys to answering the challenge of driving greater achievement in American schools as educators reinvent the classroom around interactive and collaborative methods of instruction.

To personalize the classroom experience, we’re developing innovative products that adapt our technologies to the needs of students. We’re building partnerships with education organizations that embrace the idea of mobility and digital content. We’re also launching pilot programs with major universities to prepare college students for teaching careers by integrating technology, mobile devices, learning systems and cloud computing into their college curriculum.

INNOVATIVE LEARNING SCHOOLS
Last year we launched the Verizon Innovative Learning School program in 12 schools in underserved areas across America. Teachers received extensive training on innovative ways to use technology in the classroom, provided by the International Society for Technology Education via a grant from the Verizon Foundation. Samsung donated Galaxy tablets for the program, which started with a summer workshop and continued with ongoing training throughout the academic school year.

Schools receive grants ranging from $33,000 to $50,000. Verizon targeted schools in which at least 40 percent of the students are eligible for free and reduced lunches.

To determine our impact, we will measure teacher and student technology proficiency and student achievement. Early results indicate that teachers are able to individualize instruction and implement new strategies to better engage students in science and math. The program will reach as many as 12,000 students in 24 U.S. schools in 2013.
INNOVATIVE APP CHALLENGE
To encourage students to put their STEM skills to good use, in 2012 we launched the Innovative App Challenge. This competition offers a rich, project-based learning experience that fosters teamwork and encourages participation from students regardless of their academic interests and strengths. Because the teams are judged only on their innovative app concept, the Challenge encourages participation from any middle school or high school student who possesses creativity, imagination and desire to make a difference. Verizon challenged teams of high school and middle school students to develop original concepts and designs for a mobile app that incorporates STEM and addresses a need or problem in their schools or communities. A panel of judges from business, industry and academia will select the winners.

Students on the winning teams will receive a Samsung Galaxy tablet. Team representatives will be invited to present their winning apps at the 2013 National Technology Student Association Conference in Orlando, Fla. In addition, each school will receive a $10,000 grant from the Verizon Foundation to further its STEM education work. The Verizon Foundation has partnered with MIT Media Lab to provide training to each of the winning teams to turn their concepts into actual market-ready apps.

FREE DIGITAL CONTENT
Verizon Thinkfinity.org is an online educational resource with tens of thousands of free materials designed to help teachers use technology to increase student engagement and boost achievement. With Thinkfinity.org, educators can connect and collaborate through themed groups, blogs and discussions, sharing resources and best practices that support 21st century teaching and learning.

The site offers rich, interactive content—including K-12 lesson plans, in-class activities, webinars, games, podcasts and videos—developed in partnership with the country’s leading educational organizations. All content is aligned to state and common core standards, and everything is easily searchable by grade level, keyword or subject.

For parents and for afterschool programs, Thinkfinity.org offers great learning experiences, such as activities and interactive games that help children practice and master essential skills and concepts. In 2012 there were more than 35 million visitors to Thinkfinity.org and its partner sites.

To learn more about how Verizon is committed to finding new education solutions, visit our Corporate Responsibility site at http://responsibility.verizon.com.
We’re helping the transition to a low-carbon economy by using innovative technology to minimize our environmental impact.

**GREENING THE VERIZON FLEET**
During the past five years, we implemented a variety of solutions to reduce the carbon emissions of our 35,000-vehicle fleet. These include adopting hybrid and alternative-fuel technologies, implementing fuel-saving practices such as reduced idling, and deploying vehicle monitoring systems.

To address the need for more eco-friendly vehicles in our fleet, we collaborated with VIA Motors to develop an extended-range electric cargo van that is expected to deliver 100 mpg with near-zero fuel emissions. Per vehicle, that works out to saving 750 gallons of fuel and reducing CO₂ emissions by 2.4 metric tons annually. We are currently testing two of these vans.

We also have a wireless solution that links location-based services with the on-board monitoring systems of our vehicles. Information gathered with this system is transmitted to desktops, tablets or smartphones and analyzed. This information includes details on individual vehicle mileage and emissions and allows Verizon managers to schedule preventative maintenance.

**WIND-SOLAR TECHNOLOGY**
We are testing a new hybrid wind/solar technology as a way to power cell sites. A trial is under way in Salem, Mass., where Verizon has teamed up with Wing Power Energy to erect three small wind/solar turbines on the roof of our building.

In a similar effort, Verizon Wireless partnered with the National Renewable Energy Laboratory to test whether combinations...
of solar, wind, battery and generator systems can be efficiently deployed at remote cell sites. Six cell sites were chosen for this review, each of which is far from the utility power grid and currently uses propane generators as the source of power.

**NEW ENERGY STANDARDS FOR OUR SUPPLY CHAIN**

In 2009, Verizon established a first-of-its-kind requirement for its network suppliers: new equipment must be at least 20 percent more energy-efficient than the equipment it replaces.

The initiative set a new standard in the telecom industry. With suppliers adapting to Verizon’s requirements because of our size and scope, all telecom companies began using the new, more energy-efficient components—significantly reducing CO2 emissions and saving millions of dollars in energy costs. We have since updated these requirements, extending them to cover additional components.

We broke new ground again in 2012, establishing the rules and metrics for reducing the carbon emissions in our supply chain. The process started with assessing our suppliers’ sustainability efforts. An extensive survey tool was sent to 229 suppliers that gathered data on some of the most pressing challenges in our supply chain: CO2 emissions, solid-waste management, water usage, packaging and the performance of subcontractors. We have created a new supply chain goal to devote 40 percent of our supplier spending to firms that measure and set targets to reduce carbon emissions by 2015.

To gauge our energy efficiency, we developed a “Carbon Intensity” metric. It measures the carbon emissions that result from moving data across our networks. This way we can assess how we are becoming more efficient even as our business expands. Our goal is to reduce our intensity by 50 percent over our 2009 baseline. Since 2009, we have improved our carbon intensity by more than 37 percent. The bottom line is our network energy efficiency programs have enabled us to increase the data on our network by 50 percent, while only increasing our electricity usage by 2 percent.

**REDUCING OUR CUSTOMERS’ CARBON FOOTPRINTS**

Verizon joined a number of video service providers and device manufacturers in a wide-ranging agreement to meet aggressive energy-efficiency requirements for set-top boxes. The Set-Top Box Energy Conservation agreement is expected to save $1.5 billion in annual electricity costs throughout the industry. The agreement calls for participating companies to ensure that at least 90 percent of all new set-top boxes purchased and deployed on or after January 1, 2014, will meet Energy Star 3.0 efficiency levels.

Verizon Wireless gives customers the opportunity to purchase environmentally-friendly devices—and safely recycle their old ones. Verizon’s HopeLine® program recycles and refurbishes used cell phones and accessories to help survivors and victims of domestic violence. The used gear is collected by mail, at our retail stores and through community phone drives.

To learn more about how Verizon is committed to finding new sustainable solutions, visit our Corporate Responsibility site at http://responsibility.verizon.com.
MEASURING SHARED SUCCESS

SOCIAL INNOVATION FUNDING

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$55.9M</td>
</tr>
<tr>
<td>2013</td>
<td>$67.3M</td>
</tr>
</tbody>
</table>

**Education**

**Objective**
Transform teaching and learning

**Funding**
- 2012: $17.5M
- 2013: $19.5M

**Metrics**
- Increase student engagement in STEM
- Foster technology proficiency
- Increase access to healthcare providers
- Foster technology proficiency
- Increase chronic disease management success rates

**Healthcare**

**Objective**
Deploy technology to assist chronic disease management

**Funding**
- 2012: $4.4M
- 2013: $13.0M

**Metrics**
- Increase access to healthcare providers
- Foster technology proficiency
- Reduce energy consumption
- Decrease vehicle fuel consumption
- Lower carbon emissions

**Sustainability**

**Objective**
Provide tools to foster energy efficiency

**Funding**
- 2012: $1.4M
- 2013: $3.5M

**Metrics**
- Reduce energy consumption
- Decrease vehicle fuel consumption
- Lower carbon emissions
- Increase student engagement in STEM
- Foster technology proficiency

**Employee Engagement**

**2012 Matching Gifts**
- 22,048 participants
- 451,039 volunteer hours
- 46,686 employee gifts
- $13.6M matched by the Verizon Foundation
- 14,547 organizations funded

**Hurricane Sandy Relief**
- $737,000 donated by employees
- $1.4M matched by the Verizon Foundation
- $1.7M in grants

**Verizon’s Carbon Efficiency**

Improvement from Baseline

- 2010: 16%
- 2011: 30%
- 2012: 37%
- Goal: 50% by 2020

**Verizon’s CO₂ Emissions Profile**

- Vehicle Fuels: 431 (205) 388 (125) 5,427 (200) 5,343
- Building and Other Fuels: 381 (200) 5,061 (200) 5,343
- Electricity: 388 (125)

To view our complete set of Corporate Responsibility Key Performance Indicators online, go to responsibility.verizon.com/2012.