Dear Shareowner,

Thirty years ago, the first commercial cell phone call was made on a Motorola DynaTAC phone that weighed almost two pounds and cost around $4,000. Today we’re very close to having as many cell phones as there are people on earth. Almost 40 percent of the world’s population is connected to the Internet.

An increasing number of mobile Internet connections are being embedded in electronics, cars, buildings and energy systems to create an Internet of Things, which together with cloud computing is transforming the physical world into a giant, programmable information system.

In three decades, the mobile broadband revolution has become the most powerful innovation engine on earth, transforming every industry and society it touches—and, frankly, we’re just getting warmed up. Verizon sits at the convergence of all these great, disruptive technologies and, thanks to the momentum we generated during a successful 2013, we are in a better position than ever to take advantage of the growth opportunities in this dynamic business.

The big strategic milestone for us in 2013 was our agreement to purchase the portion of Verizon Wireless owned by Vodafone, which gives us 100 percent ownership of the crown jewel of the global wireless industry. We also strengthened our portfolio of enterprise strategic services with a reinvented cloud product suite, the launch of a mobile health platform and acquisitions in the fast-growing market of mobile video delivery.

Throughout it all, we kept our focus on consistent execution, excellent customer service and the network quality that has become a Verizon trademark. As a result, we delivered excellent operating and financial results in 2013 and positioned our company for continued leadership in 2014 and beyond.

**DELIVERING STRONG OPERATIONAL AND FINANCIAL PERFORMANCE**

As always, Verizon’s fundamental strength is rooted in our network superiority and focus on customers.

In 2013, we extended the reach and capacity of our wireless, fiber and global Internet Protocol (IP) networks. We substantially finished the build-out of our 4G LTE wireless network, which now reaches more than 500 markets and 97 percent of the U.S. population. We continue to enhance the vital trade routes of the digital economy by deploying 100 gigabit Ethernet speeds...
in our enterprise networks in Europe and the U.S., and we have successfully trialed 200 gigabit speeds on our long-haul route between New York City and Boston. In our all-fiber residential network, which now passes 18.6 million households, our faster FiOS Quantum service has proven to be a real growth driver, with more than 1 million customers signing up for its broadband speeds of up to 500 megabits per second. In addition, we accelerated our transition to a more efficient technology platform by converting 330,000 copper lines to fiber. Our commitment to network quality earned us numerous third-party accolades in 2013, including J.D. Power's top rating for wireless quality.

These networks are a powerful distribution platform for the innovative products and services that are fueling our growth. We ended the year with 102.8 million wireless connections, 6.1 million FiOS Internet subscribers and 5.3 million FiOS Video subscribers.

Wireless service revenues grew by 8.3 percent in 2013. We continue to introduce a steady stream of smartphones and tablets by a range of leading manufacturers, including a new family of Motorola DROIDs, the iPhone 5C and 5S, the first-ever Windows tablet and a 4G LTE version of Amazon's Kindle. About 70 percent of our postpaid customers now have smartphones, helping us reach the strongest wireless EBITDA service margins in our history. (EBITDA means “earnings before interest, taxes, depreciation and amortization.”)

Total FiOS revenues were up 14.7 percent for the year. Consumer wireline revenues grew at a very healthy 4.9 percent a year, largely driven by FiOS. On the enterprise side, sales of strategic services such as security, cloud and telematics increased by 4.6 percent despite a challenging macroeconomic environment faced by our business and government customers. These services now account for nearly 60 percent of enterprise revenues.

The loyalty of Verizon’s customer base gives us a resilient and stable business model in a highly competitive marketplace. Verizon Wireless has the lowest customer churn of all major providers; FiOS was the only provider in the east region to receive J.D. Power awards for customer satisfaction with television, phone and Internet in 2013; Frost & Sullivan recognized the quality of our enterprise managed security services; and for the third year in a row, Fortune magazine has ranked Verizon No. 1 in the telecommunications sector of the publication’s list of the World’s Most Admired Companies.

We’re also delivering value to customers and investors by streamlining our operations, simplifying our processes and listening to our customers. The Verizon Lean Six Sigma process improvement model has put new tools in our toolbox for fixing inefficient systems, yielding billions in operating and capital efficiencies in 2013. Our enterprise business made excellent progress in integrating its systems and implementing a rapid delivery model to lower costs and improve service. We also took steps to reinvent the retail environment in our Verizon Wireless stores by opening the first Destination Store at the Mall of America in Minneapolis, featuring lifestyle zones that reflect the breadth of ways in which customers are incorporating wireless products into their daily lives.

This disciplined focus on customer service, growth and profitability resulted in strong financial performance in 2013. We generated $120.6 billion in operating revenues, up 4.1 percent from 2012, with growth coming from all our strategic areas of wireless, FiOS and strategic enterprise services. Adjusted operating income (non-GAAP) grew more than 21 percent compared with 2012. We generated $38.8 billion in cash flow from operating activities, up 23.3 percent year over year, and posted our highest full-year adjusted consolidated EBITDA margin in eight years.

On an adjusted basis (non-GAAP), earnings per share were $2.84, up 26.8 percent from 2012. Reported earnings per share were $4.00 for 2013, compared with 31 cents per share in 2012. For shareowners, this translated to a total annual return of 18.6 percent, including our seventh consecutive dividend increase.

To sum up, we ended 2013 stronger and more competitive than ever, with great momentum in our growth businesses. Our job in 2014 and beyond is to take full advantage of these opportunities.

**TAKING MOBILE TO THE NEXT LEVEL**

We took the first step down that road early in 2014 by completing our acquisition of Vodafone’s share of Verizon Wireless. We have operated Verizon Wireless in partnership with Vodafone Group Plc since 2000. Over that time, we’ve built it into the largest and most profitable company in the U.S. wireless industry. By owning 100
percent of Verizon Wireless, we will retain all of its cash flows, giving us the ability to invest in new technologies and address customer demands while having an immediate accretive impact to earnings of about 10 percent excluding non-operational items.

Having greater financial flexibility will enable us to respond quickly to the significant growth opportunities within our current wireless business. About one-third of our customers still don’t have smartphones, giving us plenty of headroom to benefit from this profitable trend. Our “More Everything” data plans—now almost half of our base—encourage customers to add tablets and other devices, which we expect will drive penetration levels beyond 100 percent.

More broadly, mobile networks are becoming the platform for most of the world’s digital cargo—including voice, data and, increasingly, video—giving rise to whole new industries such as mobile commerce, mobile video delivery, telemedicine and distance learning that represent the next growth wave in our industry. This is where the new, post-transaction Verizon will have the biggest value-creating opportunity of all—not just in wireless, but across our entire company.

GROWING THROUGH CONVERGED SOLUTIONS
We have spent several years transforming Verizon into a company that can serve the needs of the digital economy. Thanks to our steady investment in technology, few if any companies can match the reach and power of Verizon’s world-class wireless and broadband networks. In addition, we have built or acquired the capabilities we need to provide integrated solutions that meet the increasingly complex requirements of our customers. Through Verizon Terremark, we operate some of the world’s most advanced data centers and provide state-of-the-art cloud services for enterprise customers. We provide the vital security services that are so critical to the future of mobile commerce and cloud computing. Verizon Telematics is a leader in the connected-car business and is on the forefront of the emerging machine-to-machine marketplace. We have built a substantial presence in the delivery of digital video across fiber, mobile and cloud platforms, and we are creating new businesses in vertical markets such as healthcare and energy management.

In 2013, we leveraged these assets to make important additions to our portfolio of connected solutions.

CLOUD
Much like their counterparts in the consumer marketplace, enterprise customers want unprecedented control over their technology. As businesses move more and more data storage, customer information and information technology functions to the cloud, they increasingly expect those services

VERIZON WIRELESS
The Nation’s Largest 4G LTE Network

- Verizon 4G LTE covers 97 percent of the U.S. population.
- Only Verizon’s 4G network is 100 percent 4G LTE. Other networks use a blend of wireless technologies, but 4G LTE is the gold standard.
- More customers recommend Verizon to friends and family over any other wireless network.*
- More people stay with Verizon than any other wireless network.**

* Based on Russell Research “Wireless Service Provider Recommendation Study” - Among respondents who had an opinion.
** Based on Q4 2013 wireless industry churn results.

VERIZON ENTERPRISE SOLUTIONS
A Global Footprint Serving 99% of the Fortune 500

- Verizon’s mesh network provides industry-leading availability rates exceeding 99.9999 percent.
- Verizon carries IP, data, and voice traffic on more than 80 submarine cable networks worldwide.
- Verizon operates satellite links to more than 200 teleport sites in approximately 90 countries.
- We offer Private IP service in 130 countries/territories.
to be available for delivery on demand over any platform, at a time and place of their choosing, tailored to their unique requirements.

At Verizon, we are innovating to stay ahead of this trend and to put greater choice and control in the customer’s hands.

In 2013, we unveiled a transformational cloud platform and portfolio of services, backed by our global IP network, global data centers and managed security services. We designed our next-generation enterprise cloud around the needs of the “on-demand” data customer, on an innovative pay-as-you-go model that combines the economy and flexibility of the public cloud with the security and reliability of the private cloud. With the new Verizon Cloud, customers can configure their own storage, applications and virtual machines with the click of a mouse and change their systems in a matter of seconds as their business requires—a radically new approach that allows us to deliver secure, enterprise-level cloud services to companies of any size.

We launched a trial of the new Verizon cloud in 2013 and expect to launch commercial service in the second half of 2014.

VIDEO

Experts predict that video will comprise almost 70 percent of all consumer Internet traffic by 2017, with much of that carried by wireless networks. Providers of digital content—including movie studios, cable systems and broadcasters, and online video publishers—face complex technical challenges in moving their content over broadband and wireless networks to a rapidly proliferating number of screens and end users.

At Verizon, we are building a one-stop shop to solve this problem for content providers—including our own FiOS Video service—who want to mobilize video across all platforms and devices. The core of this business is Verizon Digital Media Services, a content delivery network that takes in digital content to our cloud, then packages and distributes it over our global IP and 4G LTE wireless networks in the proper format to users on any device or screen.

In 2013, we acquired two specialized companies—EdgeCast and upLynk—that will enhance our capabilities in digital video delivery as we integrate them into our media services company.

We also strengthened our position in next-generation video with the February 2014 purchase of the Internet video platform OnCue from Intel. We expect the OnCue platform to simplify the installation process and integrating live TV, video-on-demand and linear programming into a more seamless viewing experience. We also expect the platform’s all-IP capabilities to make it easier to deliver FiOS content across wireless networks and set the stage for us to be a true nationwide video provider.

VERIZON FIOS

The Power of Fiber Optics

**Today:**
Verizon's 100% fiber-optic FiOS network enables Internet speeds up to 500 Mbps, provides more than 485 TV channels and offers digital phone quality with 99.9% network reliability. Whether you’re watching HD movies, streaming music or gaming with friends, FiOS powers the multiple devices we use in our everyday lives.

**Tomorrow:**
FiOS will deliver the power and vast capacity of a 100% fiber-optic broadband connection—essential for our smart homes and connected lives in the days to come. The all-fiber connectivity of Verizon’s FiOS network will help future-proof our world.

VERIZON INNOVATION PROGRAM

An Ecosystem of Innovators

Non-Traditional Products and Services
Verizon Wireless
Platform Device Software
Chipsets/Components
Infrastructure Equipment, Devices
Technology Standards
4G LTE

Located in the Boston and San Francisco areas, the Verizon Innovation Centers were created to help a wide range of entrepreneurs and inventors connect their new devices and software to the Verizon Wireless 4G LTE network. Each company brings their unique expertise and commitment to creating innovative, market-driving products, services, and applications. With 4G LTE at its core, our ecosystem helps non-traditional wireless products, services and applications navigate the development and testing process, so they can reach the market faster.
By combining these capabilities with the power of our FiOS customer base and more than 100 million wireless connections, Verizon has the potential to be a formidable force in the video marketplace of the future.

CONNECTED CARS
The number of connected cars worldwide is predicted to grow sixfold by 2020, to more than 150 million worldwide. And with more and more app development focused on the driving experience, the smart car is becoming a platform for innovation, much as the smartphone is today.

Verizon is a big player in this growing marketplace. Through our wireless and telematics businesses, we provide wireless connectivity and services like navigation, search and streaming video to major car companies such as Mercedes-Benz, Volkswagen, Toyota and, most recently, Hyundai, which will embed Verizon’s wireless capabilities in all its U.S. cars and trucks starting with its 2015 models. We also expanded our fleet business in 2013, which uses sensors, remote diagnostics and cloud computing in combination with wireless connectivity to provide new tools for managing large vehicle fleets efficiently. We have deployed 18,000 such devices in our own fleet and field operations, generating substantial savings in time and fuel costs.

The connected car platform gives us lots of headroom for growth as we connect vehicles, first to one another and then to the transportation infrastructure itself—eventually linking to a smart platform that will be able to regulate traffic, connect autonomous driving cars, facilitate car and bike sharing and optimize public transportation. These connected transportation systems have the potential to reduce congestion, lower emissions and improve fuel efficiency on a big scale.

HEALTHCARE
Another major strategic imperative for us is to provide integrated solutions that help companies in a number of vertical markets transition successfully to the digital and mobile era. Chief among these is healthcare, which now makes up about one-sixth of the U.S. economy. Like everything else in the digital economy, medicine is going mobile—and with that shift come enormous challenges about how to share sensitive, confidential medical information quickly, reliably and securely.

Verizon is deploying our expertise in security, mobility and data storage to address this challenge. In 2012, we launched a cloud and data service infrastructure to help the healthcare industry meet the requirements of the Health Insurance Portability and Accountability Act (HIPAA) for safeguarding patient information. This HIPAA-compliant cloud offers medical providers a secure environment in which to share electronic medical records, consult with providers and patients, and transmit radiology images and the like among hospitals, payers and physician networks.

In 2013, we launched our Converged Health Management solution, a patient-monitoring service that provides doctors with up-to-date data from connected biometric devices. With this service, patients receive an FDA-cleared remote monitoring system with which they can record vital data such as blood pressure, glucose levels and weight. The system sends the information wirelessly to secure servers in our HIPAA-compliant cloud, where it can be analyzed by healthcare providers who then give personalized feedback to their patients. Our objective is that this service will engage and empower patients to make healthier choices—creating better outcomes for consumers and reducing demands on healthcare systems.

Verizon is equipping Children’s Health Fund vehicles with 4G LTE wireless technology to improve access to care for children. For more information on Verizon’s commitment to improving healthcare, visit responsibility.verizon.com
Providing Powerful Answers to Big Challenges

We believe that these and other converged services provide a path to sustainable growth and competitive advantage for Verizon—opening new markets and taking us where others can’t go.

Even more broadly, we’re committed to using these innovative solutions to provide powerful answers to the most challenging issues facing our planet such as education, energy and healthcare—and to doing everything we can to mobilize the tech industry to help.

For example, we’re stimulating innovation by growing the ecosystem of applications and devices that ride on our networks. We have two Innovation Centers—one in San Francisco and one in Waltham, Mass.—where we work with entrepreneurs, app developers and device manufacturers to interface with our 4G LTE network and bring next-generation connected solutions to market.

We also sponsor the Verizon Powerful Answers Award, a competition that gives $10 million in prizes for apps and devices that leverage our assets in the areas of healthcare, education and energy.

We announced the award winners at the 2014 Consumer Electronics Show, where it was apparent that we had tapped into a rich vein of creativity. We received more than a thousand ideas for using technology to make the world a better place: education products tailored to the special needs of kids with autism, mobility impairments and hearing loss; apps that diagnose vision problems with a smartphone and help people with chronic conditions manage their medication; crowd-sourcing and social networking solutions to mobilize communities and fund clean energy projects. We look forward to working with the winners as they bring their products to market.

We have also focused the Verizon Foundation on becoming an incubator for innovative technology solutions that improve outcomes in healthcare, education and energy management.
particularly in underserved communities. In the area of education, for example, we are focused on how to incorporate mobile and broadband technologies into classrooms in a way that improves how students learn and teachers teach. In February 2014, Verizon appeared with President Obama and several tech companies to announce an investment in education of up to $100 million in cash and in-kind services over the next three years. We will extend the success of some of our existing programs on technology training for teachers and our app development program, while also leveraging the work of our employees and partners in education.

The “Powerful Answers” business model is also reflected in our approach to managing our employees. We invested more than $275 million in training, development and tuition assistance in 2013 to hone our employees’ skills, earning us a spot in Training magazine’s “Hall of Fame” for development. In turn, we encourage our employees to invest in the communities we serve through matching contributions and volunteer incentives. In 2013, our people donated 428,000 hours of volunteer service and $25.3 million in donations, including the Verizon match, to nearly 15,000 nonprofits around the world.

You can read more about our Powerful Answers initiatives on our 2014 Annual Review web portal at verizon.com/investor/annualreports and in our Corporate Responsibility Supplement at responsibility.verizon.com.

CUSTOMER-FOCUSED CULTURE
So we begin 2014 with great momentum, with the networks, platforms and solutions to spread innovation on a massive scale. Our challenge now is to leverage the power of these tools to make customers’ lives better, help businesses be more productive and transform society in ways we never thought possible.

With full ownership of Verizon Wireless and an explosion of innovation across our business, 2014 has the potential to be a transformational year for Verizon in our drive to be a globally connected solutions provider. But to succeed as a market leader in 2014, we need to do what we did in 2013: deliver consistent results and great service ... every day, every month, every quarter. In the end, building an enduring company all comes back to customers, which is why—no matter how lofty our ambitions—we continually remind ourselves of the opening line of the Verizon Credo: “We have work because our customers value our high-quality communications services.”

Our employees are dedicated to translating that commitment into actions that earn our customers’ loyalty every time we come to work.

I’m grateful to our Board of Directors for guiding and supporting our drive to be one of the world’s essential companies. I know I speak for thousands of Verizon employees when I say how excited we are to be part of a company with such enormous capacity to make a difference in the world. And when we combine Verizon’s technology with the passion and ingenuity of our people to deliver powerful answers to the challenges of our customers and our society, I am confident that no one in the world can beat us.

Lowell McAdam
Chairman and Chief Executive Officer
Verizon Communications Inc.