

# Verizon FiOS



## What is FiOS?

Verizon FiOS is the brand name for the new services offered over our advanced fiber-optic broadband network. Verizon is the only major telecom company that's installing fiber-optic lines directly to customers' homes on a mass scale across the country. It's the first network in America to be certified as delivering fiber all the way to customers by the Fiber to the Home Council.

Verizon's fiber-optic network offers nearly unlimited bandwidth for an array of voice, data and video services. And it's designed to handle future broadband and video applications as they're developed.

Verizon's fiber-optic network also provides more reliable service that's less affected by bad weather and is easier to maintain. FiOS is already reducing our network operating costs. We expect to realize savings of about \$1 billion in annual operating expenses by 2010 as a result of the efficiencies gained from the fiber-optic network.

Verizon plans to invest \$18 billion in net capital from 2004 through 2010 to deploy our FiOS network. And we expect – with growing FiOS revenues and declining costs – that FiOS will generate positive operating income for the company beginning in 2009.

Verizon is on track with our FiOS plans. We're building a superior network that delivers the most bandwidth to the home and allows us to offer innovative services at competitive prices to customers.

## What is FiOS Internet?

Verizon FiOS Internet is the next generation of broadband service over fiber-optics, offering superior speeds at competitive prices. FiOS customers can do more with the Internet than ever before.

In May, *PC World* magazine selected Verizon FiOS Internet as one of the *100 Best Products of 2007*. *PC World* ranked Verizon FiOS Internet fourth on its roster for "the finest products and services of the past 12 months."

Customers are eager to experience FiOS Internet as it becomes available. Verizon is capturing 8% of the customers in a wire center after 6 months in the market, 12% after 9 months, and 15% after one year. Monthly customer turnover has been less than 1.5%.

FiOS Internet was available to 5.3 million homes by 1Q 2007 with 864,000 customers, for a 16% penetration rate overall, up from 14% the previous quarter. By 2010, Verizon expects to have 6-7 million FiOS Internet customers, with a 35-40% penetration rate.

## FiOS deployment

Verizon has deployed our FiOS network in parts of 16 states:

- California\*
- Connecticut
- Delaware
- Florida\*
- Indiana\*
- Maryland
- Massachusetts
- New Hampshire
- New Jersey\*
- New York
- Oregon
- Pennsylvania
- Rhode Island
- Texas\*
- Virginia\*
- Washington

*[\*State franchise law enacted.]*

Verizon plans to deploy FiOS to more than 50% of the homes in our footprint, as follows:

- 2004 - 1 million
- 2005 - 3 million
- 2006 - 6 million
- 2007 - 9 million
- 2010 - 18 million

## FiOS deployment cost

Verizon's cost to pass a home with our fiber-optic network will continue to decline:

- 2004 - \$1400/home
- 2005 - \$1021/home
- 2006 - \$850/home
- 2010 - \$700/home

## FiOS Internet prices

Speeds: (Down/Up)	Monthly fee: (1-yr. contract)
▪ 5/2 Mbps	\$39.99
▪ 15/2 Mbps	\$49.99
▪ 30/5 Mbps	\$179.99

*[Note: Speeds and prices may vary by location. Check [www.verizon.com](http://www.verizon.com).]*

# What is FiOS TV?

Designed to compete successfully with cable and satellite, FiOS TV is provided over the nation's largest fiber-to-the-premises network. FiOS TV delivers amazingly sharp pictures and sound to customers, creating a television experience that's unsurpassed.

Verizon is seeing strong customer demand for FiOS TV, which we launched in 3Q 2005. By 1Q 2007, Verizon offered FiOS TV in more than 400 communities in 10 states and had obtained 769 cable TV franchises covering about 10 million households.

We signed-up 348,000 FiOS TV customers by 1Q 2007, with the service available to 3.1 million households. Overall market penetration for FiOS TV was 11%, up from 9% the previous quarter.

Verizon's goal for FiOS TV is to achieve a market penetration rate of 20-25% by 2010. This would translate into 3-4 million customers, with the service available to about 15 million households by then.



Innovative features differentiate FiOS TV from the competition:

**Channel line-up** - Verizon designed the channel line-up with the viewer in mind, grouping channels by category so viewers can easily find all the shows within a particular genre.

**Interactive programming guide** - The easy-to-use FiOS TV interactive guide has a powerful search function where viewers can find programs by day/time, title, actor or topic.

**FiOS TV Widgets** - Viewers get one-touch, on-demand access to local weather and traffic information, shown at the bottom of their TV screen.

**Set-top boxes** - FiOS TV subscribers have a choice of several set-top boxes, including a multi-room digital video recorder (DVR) that plays a recorded show in a different room from where the DVR is located.

**Personalized settings / controls** - Parents can manage the content received on their television, as FiOS TV allows them to:

- Block programs by channel, rating, or category.
- Create a personal ID number to purchase pay-per-view and video-on-demand (VOD) programs.
- Eliminate adult VOD programs from the listings.



## FiOS TV prices

FiOS TV Local - \$12.95

- 30 video channels
- 47 audio channels
- All-digital option w/VOD

FiOS TV Premier - \$42.99

- 200+ all-digital channels
- 30+ HDTV channels
- 8,000+ VOD titles

Premium add-ons

- Movies & Sports package (57 channels) - \$15.99
- HBO/Cinemax (27 channels) - \$25.99
- Spanish language (25+ channels) - \$11.99
- International (20+ channels) - prices vary

Equipment

- Standard definition set top box - \$4.99
- High definition set top box - \$9.99
- Digital video recorder (DVR) - \$12.99
- Multi-room DVR - \$19.99

[Note: Prices are monthly rates and may vary by location. Check [www.verizon.com](http://www.verizon.com) for specific prices.]

## FiOS TV customer base

Nearly every FiOS TV customer has signed up for another service offered by Verizon:

- "Triple play" (FiOS TV + voice + data) - 79%
- FiOS TV + voice - 11%
- FiOS TV + data - 9%
- FiOS TV only - 1%

Monthly FiOS TV customer turnover is less than 1.5%.



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