



# Annual Report & Proxy Statement

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1995

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For information about NYNEX's 1996 Annual Meeting of Share Owners, see page 51.

## About This Report

The NYNEX 1995 Annual Report and Proxy Statement is printed entirely on non-glossy, recycled paper. This is the first time that NYNEX has combined the Annual Report and Proxy Statement into one document. Our goal is to create a more convenient, cost-effective and environmentally responsible share owner document.

Visit the "NYNEX Connection" on the World Wide Web (<http://www.nynex.com>). Other NYNEX Internet Web sites include the NYNEX Interactive Yellow Pages (<http://www.niyp.com>); NYNEX CableComms (<http://www.nynex.co.uk/nynex/>); and NYNEX Science & Technology-Asia (<http://www.nynexbk.co.th/>).

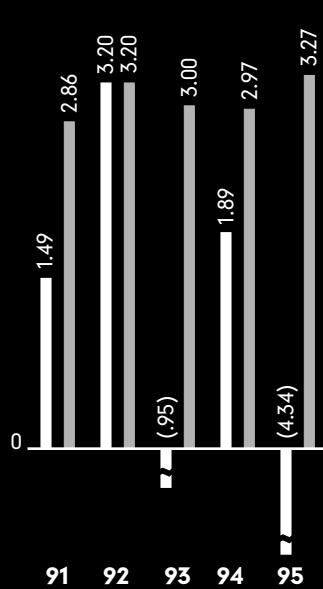
## Our Corporate Mission

NYNEX Corporation's mission is to be a world-class leader in helping people communicate using information networks and services. NYNEX is a global communications and media corporation that provides a full range of services in the northeastern United States and high-growth markets around the world, including the United Kingdom, Thailand, Gibraltar, Greece, Indonesia, the Philippines, Poland, Slovakia and the Czech Republic. NYNEX is a leader in telecommunications, wirefree communications, directory publishing and video entertainment and information services.

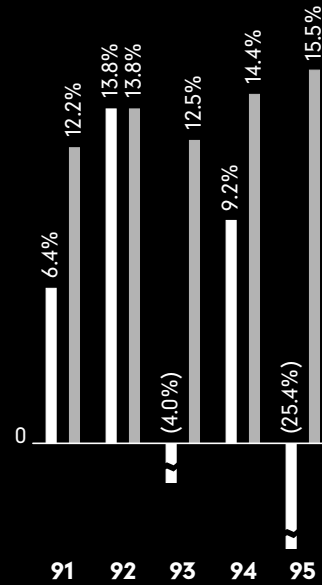
NYNEX in 1995: Our story for the year is a positive one: New services. More customers. Exciting alliances. Strong financial results. Significant growth. And a solid platform for growth for the years to come....

# FINANCIAL HIGHLIGHTS

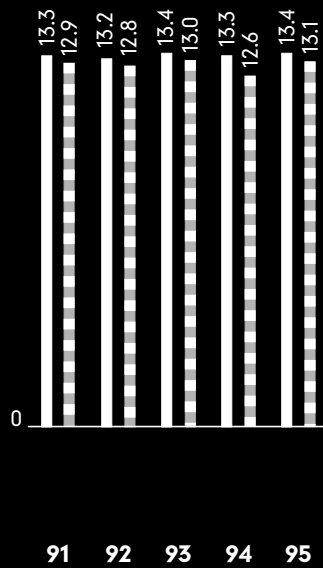
**Earnings (Loss) Per Share**  
(in dollars)



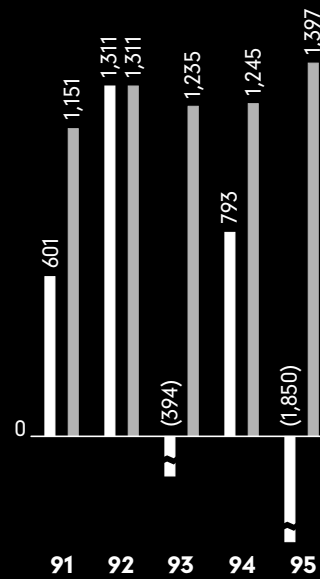
**Return to Equity**



**Operating Revenues**  
(dollars in billions)



**Net Income (Loss)**  
(dollars in millions)



■ Excluding restructure and other charges    ■ Reported

■ As a result of the formation of the Bell Atlantic NYNEX Mobile cellular partnership in the third quarter of 1995, cellular results are now reported on an equity basis rather than a consolidated basis. Revenues adjusted to permit comparison. For 1995, revenues are also adjusted for a change in presentation of gross receipts tax.

December 31, (In millions, except per share data and total employees)	1995	1994	1993
<b>Operating Data</b>			
Operating Revenues	\$ 13,407	\$ 13,307	\$ 13,408
Earnings (Loss) before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	\$ 1,069	\$ 793	\$ (272)
Extraordinary Item for the Discontinuance of Regulatory Accounting Principles, Net of Taxes	\$ (2,919)	—	—
Cumulative Effect of Change in Accounting for Postemployment Benefits, Net of Taxes	—	—	(122)
Net Income (Loss)	\$ (1,850)	\$ 793	\$ (394)
<b>Per Share Data</b>			
Earnings (Loss) before Extraordinary Item and Cumulative Effect of Change in Accounting Principle	\$ 2.50	\$ 1.89	\$ (.66)
Extraordinary Item	\$ (6.84)	—	—
Cumulative Effect of Change in Accounting Principle	—	—	\$ (.29)
Earnings (Loss)	\$ (4.34)	\$ 1.89	\$ (.95)
Dividends	\$ 2.36	\$ 2.36	\$ 2.36
Book Value	\$ 14.06	\$ 20.26	\$ 20.28
<b>Other Data</b>			
Total Assets	\$ 26,220	\$ 30,068	\$ 29,458
Stockholders' Equity	\$ 6,079	\$ 8,581	\$ 8,416
Capital Expenditures*	\$ 3,188	\$ 3,012	\$ 2,717
Network Access Lines in Service	17.1	16.6	16.0
Total Employees	65,800	70,600	76,200

1995 results include an extraordinary charge of \$2.9 billion, or \$6.84 per share, for discontinuance of accounting under Statement 71 and a net charge of \$327.0 million, or \$0.77 per share, for the enhanced pension offer and non-recurring gains and charges. 1994 results include after-tax charges for the enhanced pension offer of \$452.8 million, or \$1.08 per share. 1993 results include after-tax charges of \$1.6 billion, or \$3.95 per share, for business restructuring and other charges, primarily related to efforts to redesign operations and to force reduction programs.

\* Excludes additions under capital lease obligations and, prior to the discontinuance of Statement 71, the equity component of allowance for funds used during construction.

# To Our Share Owners:



Ivan Seidenberg  
Chairman and  
Chief Executive Officer

In 1995, NYNEX made excellent progress on the road to becoming a global provider of communications, entertainment and information products and services. Our growth — and our strong financial results — were fueled by some exciting new customer initiatives, key strategic wins, a strong management team and an energized, committed work force. I'm pleased to report the following:

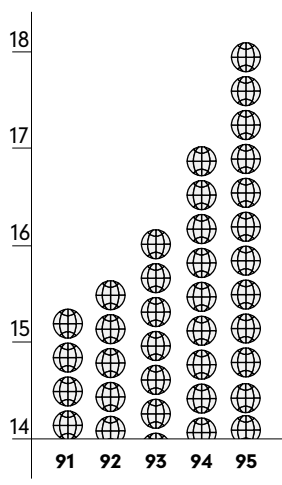
- Net income for the year was up 12.1 percent to \$1.4 billion, or \$3.27 per share, and included three straight quarters of double-digit earnings growth. These figures are adjusted for certain non-recurring items for 1994 and 1995.\*\*
- Consolidated revenues (which don't include revenues from our Bell Atlantic NYNEX Mobile joint venture) were up 3.8 percent to \$13.1 billion — driven by strong volume growth across all businesses.

- Consolidated operating expenses rose 0.9 percent over 1994 to \$10.3 billion. This expense growth — significantly lower than our revenue growth — was driven by across-the-board productivity gains. The combination of strong revenue growth and productivity gains expanded operating margins, which rose 2.2 percentage points in 1995 to 21.3 percent.

- The number of access lines in use worldwide rose by more than a million in 1995, to about 18 million. In addition to 17.1 million lines in the Northeast, that includes some 246,800 telecommunications lines for United Kingdom-based NYNEX CableComms; 710,000 lines for TelecomAsia, our strategic alliance to expand Bangkok's telephone network; and 15,800 lines for our Gibraltar partnership.

We're building share owner value with new choices and freedoms, and a renewed focus on serving our existing customers, developing new markets domestically and expanding our markets globally.

**Access Lines in the Northeast and Overseas\***  
(in millions)



\*Overseas access lines include lines for NYNEX CableComms, TelecomAsia and Gibraltar NYNEX Communications Ltd.

\*\*1995 results exclude an extraordinary charge of \$2.9 billion, or \$6.84 per share, for discontinuance of accounting under Statement 71 and a net charge of \$327.0 million, or \$0.77 per share, for the enhanced pension offer and non-recurring gains and charges. 1994 results exclude after-tax charges for the enhanced pension offer of \$452.8 million, or \$1.08 per share.

The new market freedoms spelled out in the national legislation complement the state regulatory breakthroughs we've already achieved.

**New Choices, New Freedoms**

**A Platform for Growth**

The communications reform bill signed into law by President Clinton in February 1996 helps us grow to our full potential — and lets us take advantage of new freedoms to provide a range of services that include new communications, information and entertainment choices.

We intend to move aggressively to meet all the requirements that will enable us to offer long-distance services to our current customers and to new customers — across the nation and around the globe. And we are poised to offer a full array of wireline and wirefree services — voice, data, information and entertainment — in packages tailored to meet customers' individual needs.

We worked hard for this legislation, and so did many of you. Thanks for your letters and calls to Congress in support of telecommunications reform. You helped make a difference in a tough legislative battle.

The new market freedoms spelled out in the national legislation complement the state regulatory breakthroughs we've already achieved. With "incentive regulation" plans approved in New York, Massachusetts and Maine, we've brought the regulation of more than 95 percent of our telecommunications operations into line with marketplace realities. These plans provide the right framework for growth — and provide an incentive to operate

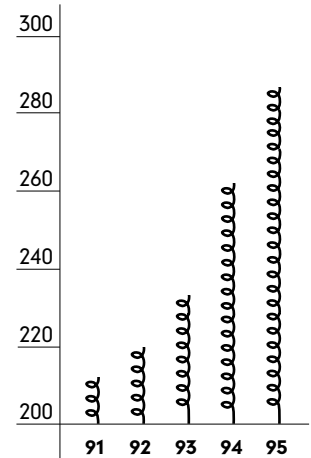
more efficiently. In fact, NYNEX already is using its new pricing flexibility to introduce a number of popular optional calling plans for business and residence customers.

**Serving Our Customers**

Today, our customers want more flexibility and control. We're meeting the "challenge of choice" through aggressive marketing, impressive new services and a continued focus on quality and customer satisfaction. Our strategy — to meet customer requirements — is reaping rewards:

- NYNEX's core telecommunications business in the Northeast experienced record growth last year. Access lines were up 3.4 percent over 1994. And access usage was up 8.6 percent.
- Sales of our value-added services — such as NYNEX PhoneSmart® Services, NYNEX Voice Messaging Service and NYNEX VoiceDialing<sup>SM</sup> Service (developed by NYNEX Science & Technology, Inc., our leading-edge research and development lab) — grew more than 40 percent. The number of ISDN lines in service nearly doubled, to more than 90,000.
- Private line revenues, led by sales of NYNEX Enterprise Services, rose more than 3 percent in 1995, marking the first year of growth for spe-

**Northeast Access Lines per Telecommunications Employee**



cialized business services since the mid-1980s. And Centrex lines were up 14.5 percent, to a total of 1.4 million lines in service.

- We also introduced iMPower, our new strategic network vision. Working with IBM and a host of other technology companies, we're creating an information infrastructure — the NYNEX Business

Network Architecture — to provide voice, data, image, video and multimedia services to knowledge workers.

Serving customers better with quality service and more choice is the reason we continue to invest \$2.4 billion annually in our Northeast wireline network — building an all-digital network that helps people communicate via voice, data or video.

It's why we continue to build and nurture multilingual sales channels to tap into high-growth ethnic markets.

And it's why we're reinventing our business around customers. Service on the customer's schedule will be the order of the day, along with simplified, more flexible bill-paying options, proactive network maintenance and more. Our process re-engineering initiatives are focused on improving the quality of our service. And NYNEX will be able to handle increased demand for new products and services more efficiently than ever.

Serving customers better with quality service and more choice is the reason we continue to invest \$2.4 billion annually in our Northeast wireline network.

When our re-engineering initiatives are completed, some 50 megacenters will be in place — down from about 400 service centers in 1993. And about 17,000 people will have left the payroll through our special pension enhancement offer.

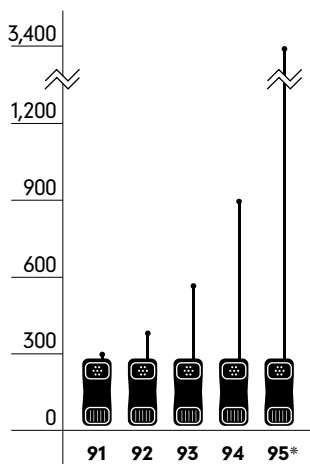
### Developing New Markets Domestically

At NYNEX, the world of communications is a world of wireline and wirefree solutions ... voice, video and data services ... information and entertainment. As we enter new lines of business, we're focused on increasing revenue from existing customers *and* building our customer base:

- In 1995, Bell Atlantic NYNEX Mobile Communications enjoyed 43 percent customer growth — adding more than 1 million new customers through innovative value-priced offerings such as TalkAlong<sup>SM</sup> and MobileReach<sup>®</sup> roaming. MobileReach enables the partnership's 3.4 million customers to take advantage of the single largest cellular service territory in the United States, stretching from Maine to South Carolina.

- To establish a national presence in the wirefree marketplace, Bell Atlantic NYNEX Mobile, along with the AirTouch/U S WEST cellular partnership, invested \$1 billion in personal communications services (PCS) licenses. We'll begin deploying PCS in 1996. When combined with existing cellular services, the potential market for this wirefree alliance is 165 million customers.

**Cellular Customers**  
(in thousands)



\*1995 figure reflects the formation of a joint venture with Bell Atlantic's wire-free business.



- Our TELE-TV joint venture with Bell Atlantic and Pacific Telesis is getting ready to entertain you, delivering nationally branded entertainment and information services over our networks. As NYNEX and its partners work to deploy full-service broadband networks, we plan to begin offering TELE-TV service later this year through our investment in CAI Wireless. This investment will give us the ability to reach up to 7 million NYNEX customers with digital wireless cable technology.

- At NYNEX Information Resources Company — the premier directory publisher in the Northeast — stronger sales and process improvements led to 5.4 percent revenue growth, double the growth rate of 1994. Information Resources introduced the NYNEX Interactive Yellow Pages on the World Wide Web (<http://www.niyp.com>) — a service that enables individuals to access the names, addresses and phone numbers of 16.5 million businesses throughout the United States.

**Expanding Our Markets Globally**

NYNEX CableComms, the second largest cable TV and telecommunications operator in the United Kingdom, now passes 1.2 million of 2.7 million homes in 16 franchise areas. In 1995, the number of residence telecommunications lines grew 135 percent, business phone lines jumped 168 percent and the number of cable TV customers grew 61 percent. CableComms revenue growth more

than doubled in 1995. In June 1995, we completed an initial public offering of CableComms stock, raising more than \$600 million.

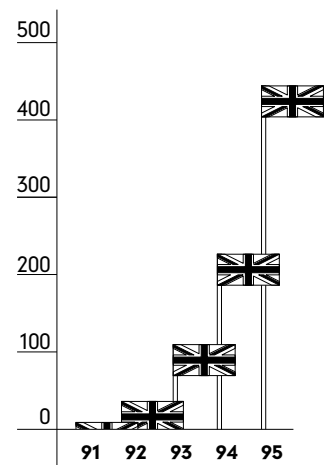
NYNEX continues to work with global partners in Europe and the Asia/Pacific region to pursue high-growth opportunities overseas — capitalizing on our strength in building and managing complex telecommunications networks:

- Through TelecomAsia, our strategic alliance with the CP Group, we've built 1.56 million lines of a 2 million-line network in Bangkok, Thailand. We also received government approval to build an additional 600,000 lines. UTV, a TelecomAsia subsidiary, now offers cable TV services over the fiber-optic backbone of the TelecomAsia network.

- Through our interest in another CP company, Orient Telecom & Technology Holdings, we're pursuing telephone and cable opportunities in China — where only three phone lines exist for every 100 people.

- To help develop new services and technical strategies for our Bangkok networks and the emerging communications markets of Southeast Asia, NYNEX has opened a research and development lab in Thailand — an overseas arm of our Science & Technology facility.

**NYNEX CableComms  
Subscribers\***  
(in thousands)



\*Includes subscribers for residence and business telecommunications services and cable TV. Some customers subscribe to more than one service.


- NYNEX, along with Telecom Holding and Benpres Holdings Corp., has begun building at least 300,000 new phone lines in the Philippines. The holding company will provide local and international toll service on the island nation.
- NYNEX is the managing sponsor of FLAG, our Fiber-optic Link Around the Globe project. When FLAG is completed next year, it will be the longest undersea fiber-optic cable ever built — a 17,000-mile cable system with 12 landing sites from London to Tokyo, including China. FLAG will have the capacity to handle 600,000 calls simultaneously, delivering state-of-the-art broadband services. In addition to NYNEX, the FLAG alliance includes leading international businesses that have come together to finance construction of the cable.
- In 1995, we announced a venture to bring digital cellular phone service to Indonesia — a potential market of 195 million people.
- STET Hellas, the Greek cellular company in which we have a 20 percent stake, is serving 124,000 customers, up 71 percent for the year.
- Revenue from our international directory publishing efforts in Poland, the Czech Republic, Slovakia and Gibraltar is up 67 percent year over year. In 1995, we distributed some 6.7 million directories overseas. NYNEX Information

**We're delivering on our objective of steady earnings growth, driven by increased revenue, enhanced productivity and superior performance in the world's "hottest" industry.**

Resources publishes more than 338 different directories in the United States and overseas.

NYNEX is a new kind of company in a newly competitive world. Our share owner value-based compensation plan — which includes employee stock ownership programs — gives all of our people a stake in working for our continued success. And as we expand the scope of our business, we're keeping a sharp focus on our commitment to "NYNEX Winning Ways." These guiding principles, which include integrity, diversity, teamwork and accountability, define us as a team and help us put our core values — Quality, Ethics and Caring for the Individual — into action.

That's the NYNEX story in a nutshell. We're delivering on our objective of steady earnings growth, driven by increased revenue, enhanced productivity and superior performance in the world's "hottest" industry. We're making excellent progress on our vision for communications and multimedia in the Northeast and around the globe. And we're building real momentum for continued growth and expansion in 1996 and beyond.



**Ivan Seidenberg**  
*Chairman and  
 Chief Executive Officer*