Q3 2018 AT&T EARNINGS

Investor Briefing

No. 302 | OCTOBER 24, 2018

Contents

AT&T Reports Third-Quarter Results

Consolidated Results

- *Diluted EPS of $0.65 as reported compared to $0.49 in the year-ago quarter*
- *Adjusted EPS of $0.90 compared to $0.74 in the year-ago quarter*
- *Consolidated revenues of $45.7 billion*
- *Cash from operations of $12.3 billion, up 14.3%*
- *Capital expenditures of $5.9 billion*
- *Free cash flow of $6.5 billion, up 16.6%*

Company reaffirms 2018 guidance of adjusted EPS at the high end of $3.50 range[1], free cash flow at the high end of the $21 billion range and net capital expenditures at $22 billion range

North America Wireless:

- 4.3 million total wireless net adds:
  - 3.4 million in U.S., driven by connected devices and prepaid
  - 907,000 in Mexico

Communications Highlights:

- **Mobility:**
  - Service revenues up 2.3% on a comparable basis
  - 550,000 phone net adds in the U.S.
    - 69,000 postpaid phone net adds
    - 481,000 prepaid phone net adds
  - Nearly 750,000 branded smartphones added to the base
  - Third-quarter postpaid phone churn of 0.93%

Entertainment Group:

- 49,000 DIRECTV NOW net adds with 346,000 net losses in traditional video as company focuses on improving profitability and begins beta test of new streaming video device
- More than 10 million customer locations passed with fiber

WarnerMedia Highlights:

- Revenues up with gains in all business units
  - Turner and Home Box Office year-over-year subscription revenue growth
  - Strong Warner Bros. television licensing revenue growth; box office releases included the hit films *Crazy Rich Asians, The Meg* and *The Nun*
  - 37 Primetime Emmy Awards; 12 News and Documentary Emmy Awards

Xandr Highlights:

- Advertising revenues grew 34%; up 22% excluding the AppNexus acquisition
- AppNexus enhances addressable advertising technology

[1] Adjustments include a non-cash mark-to-market benefit plan gain/loss, merger-related interest expense, merger integration and amortization costs and other adjustments. We expect the mark-to-market adjustment which is driven by interest rates and investment returns that are not reasonably estimable at this time, to be the largest of these items. Accordingly, we cannot provide a reconciliation between forecasted adjusted diluted EPS and reported diluted EPS without unreasonable effort.

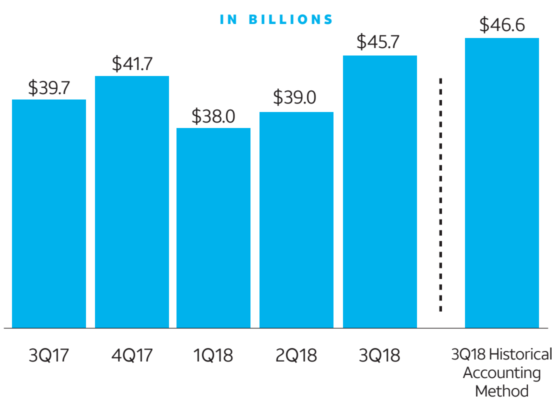
CONSOLIDATED FINANCIAL RESULTS[2]

AT&T's consolidated revenues for the third quarter totaled $45.7 billion versus $39.7 billion in the year-ago quarter, up 15.3%, primarily due to the Time Warner acquisition partially offset by the impact of ASC 606 and the netting of approximately $920 million of USF revenues with operating expenses. Without the accounting change, revenues were $46.6 billion, an increase of 17.5% primarily due to the Time Warner acquisition. Declines in domestic video, legacy wireline services and Vrio were offset by growth in wireless equipment and services, WarnerMedia and Xandr.

Operating expenses were $38.5 billion versus $33.9 billion in the year-ago quarter, primarily due to the Time Warner acquisition partially offset by the netting of USF and other regulatory fee revenues and the deferral of commissions under ASC 606. Excluding those impacts, operating expenses were $39.9 billion, an increase of about $6.1 billion due to the Time Warner acquisition, higher wireless equipment costs and Entertainment Group content cost pressure, partially offset by cost efficiencies.

Consolidated Revenues

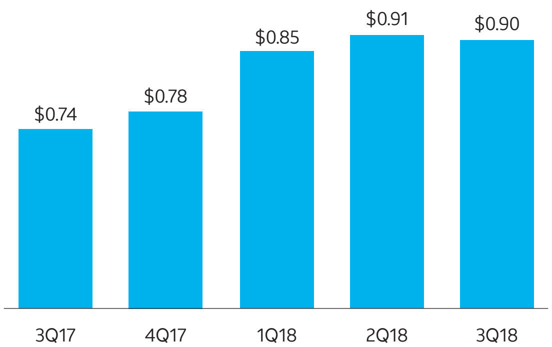
IN BILLIONS



Versus results from the third quarter of 2017, operating income was $7.3 billion, up 25.2% primarily due to the Time Warner acquisition; and operating income margin was 15.9% versus 14.6%. On a comparative basis, operating income was $6.7 billion and operating income margin was 14.3%. When adjusting for amortization, merger- and integration-related expenses and other items, operating income was $10.0 billion, or $9.4 billion on a comparative basis, versus $7.5 billion in the year-ago quarter, and operating income margin was 21.9%, or 20.3% on a comparative basis, versus 18.8% in the year-ago quarter.

Third-quarter net income attributable to AT&T was $4.7 billion, or $0.65 per diluted share, versus $3.0 billion, or $0.49 per diluted share, in the year-ago quarter. Adjusting for $0.25 of costs for amortization, merger- and integration-related expenses and other items, earnings per diluted share was $0.90 compared to an adjusted $0.74 in the year-ago quarter, a 21.6% increase.

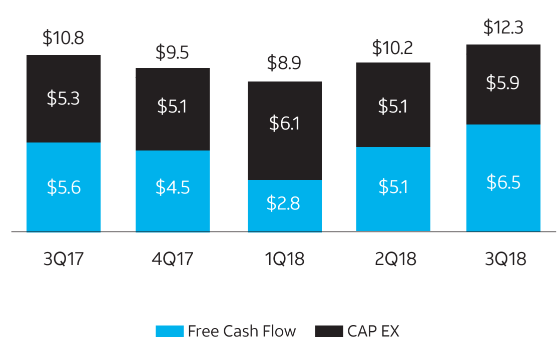
Adjusted Earnings Per Share



Cash from operating activities was $12.3 billion, and capital expenditures were $5.9 billion. Capital investment included about $560 million in FirstNet capital costs and reflects no FirstNet reimbursements. Free cash flow — cash from operating activities minus capital expenditures — was $6.5 billion for the quarter. The company is successfully managing near-term maturities and refinancing risk and expects to have retired or refinanced about $28 billion of near-to-intermediate term maturities by the end of 2018.

Cash from Operations

IN BILLIONS



[2] AT&T adopted new U.S. accounting standards that deal with revenue recognition (ASC 606), post-employment benefit costs and certain cash receipts on installment receivables. These changes impact the company's income statements and cash flows. With the adoption of ASC 606, the company made a policy decision to record Universal Service Fees (USF) and other regulatory fees on a net basis. The company is providing comparable results in addition to GAAP to help investors better understand the impact on financials from ASC 606 and the policy decision. Historical income statements and cash flows have been recast to show only the impact of the adoption of the other two accounting standards.

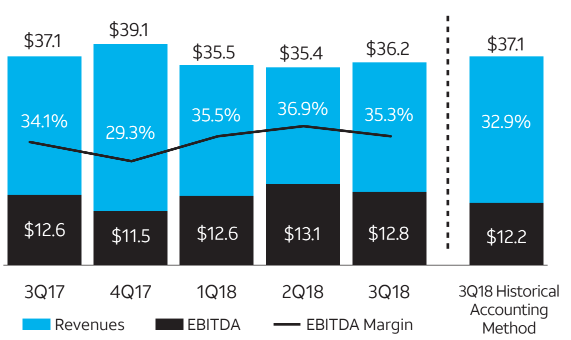
Communications

AT&T's Communications segment is comprised of three business units: Mobility, Entertainment Group and Business Wireline. Mobility provides nationwide wireless service to consumer and wholesale subscribers located in the United States and in U.S. territories. The company's wireless network powers voice and data services, including high-speed internet and video entertainment. AT&T's Entertainment Group provides video, high-speed internet and communications services predominantly to residential customers in the United States. Business Wireline provides communications services to more than 3 million business customers, including multinational corporations and government and wholesale customers.

FINANCIAL HIGHLIGHTS

Communications revenues reflected gains in Mobility that were offset by declines in the Entertainment Group and Business Wireline. Total Communications revenues were $36.2 billion, down 2.4% year over year, or essentially flat on a comparable basis.

Communications Revenues & EBITDA Margin
IN BILLIONS



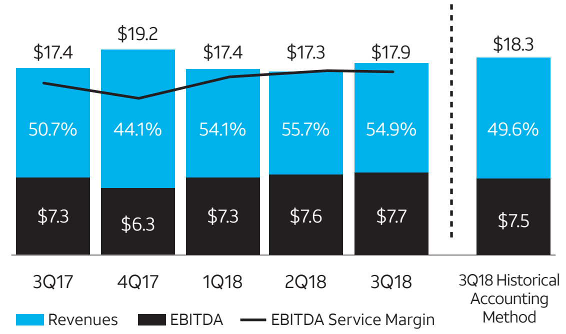
- Third-quarter operating expenses were $28.0 billion, down 3.4%, or up 1.5% on a comparative basis, versus the third quarter of 2017. Operating income totaled $8.2 billion, up 1.4%, or down 5.8% on a comparative basis, versus the third quarter of 2017.
- Third-quarter operating income margin was 22.6%, or 20.5% on a comparative basis, primarily due to declines in the Entertainment Group.

MOBILITY

Wireless revenues reflected higher equipment revenues from increased postpaid smartphone sales versus the year-ago quarter, partially offset by the impact of ASC 606 revenue recognition and lower service revenues from customers migrating to no-overage plans.

- Total wireless revenues were $17.9 billion, up 3.3% year over year, due to an increase in equipment revenues. On a comparable basis, revenues were up 5.1%. Wireless service revenues of $14.0 billion were down 3.4% year over year due to accounting changes, or up 2.3% on a comparable basis, due to subscriber gains and pricing actions. Wireless equipment revenues increased 36.4% to $3.9 billion, up 19.0% on a comparable basis, due to increased postpaid smartphone sales.

Mobility Revenues and EBITDA Service Margins
IN BILLIONS



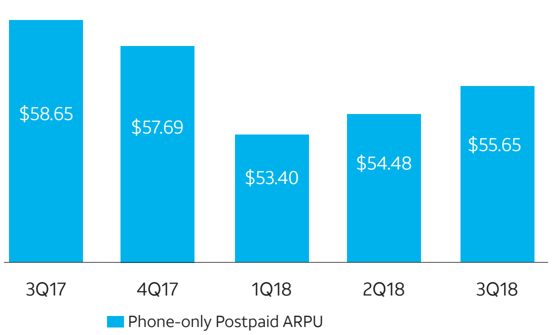
- Third-quarter wireless operating expenses totaled $12.3 billion, up 2.5% year over year, as the impact of revenue recognition and cost efficiencies partially offset higher postpaid smartphone volumes and increased depreciation.
- Wireless margins on a comparable basis reflected pressure from higher postpaid smartphone volumes and increased depreciation in the quarter, partially offset by the impact of revenue recognition and continued success in driving operating costs out of the business. AT&T's third-quarter wireless operating income margin was 31.2%, compared to 30.7% in the year-earlier quarter and 28.9% on a comparable basis.
- Wireless EBITDA margin was up slightly compared to the third quarter of 2017 at 42.8%, versus 40.3% on a comparable basis. Wireless EBITDA service margin was 54.9%, compared to 50.7% in the year-ago quarter and 49.6% on a comparable basis. (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues.)

ARPU

The impact of revenue recognition and the change in policy on USF fees is reflected in postpaid service ARPU (average revenues per user).

- Postpaid phone-only ARPU decreased 5.1% versus the year-earlier quarter. On a comparable basis, phone-only ARPU was up 1.8%.

Phone-only Postpaid ARPU*



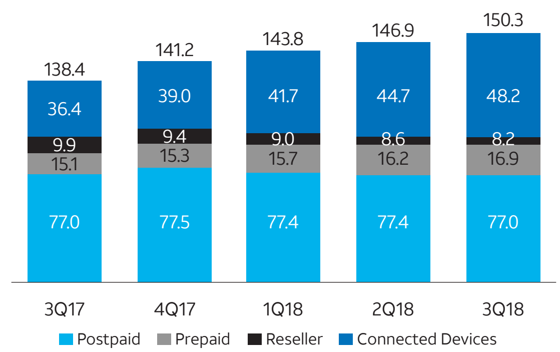
*Wireless home phone has been reclassified from postpaid phones to other postpaid.

SUBSCRIBER METRICS

In the third quarter, AT&T posted a record net increase in total wireless subscribers of 3.4 million to reach 150.3 million in service.

Wireless Subscribers

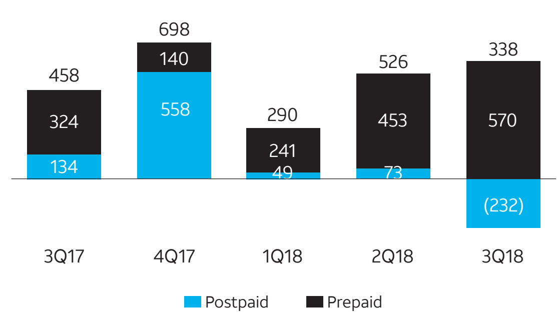
IN MILLIONS



- The company had a net loss of 232,000 postpaid subscribers due to tablet losses; however, the company added 69,000 postpaid phones. Postpaid smartphone net adds were 171,000. Gains in phones and connected watches were more than offset by 420,000 tablet and other branded computing device losses.
- The company added 570,000 prepaid subscribers, which included 481,000 prepaid phone subscribers, the second highest in more than 10 years. AT&T also added 3.5 million connected devices in the quarter and lost 434,000 reseller subscribers.
- The company had 338,000 branded net adds (both postpaid and prepaid) in the quarter, including 486,000 branded smartphones.

Branded Net Adds

IN THOUSANDS



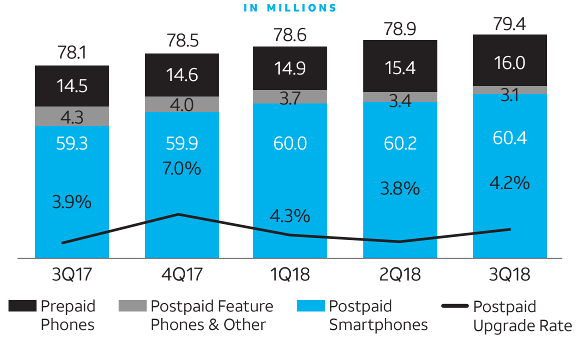
SMARTPHONES

The company's postpaid and prepaid smartphone base continued to grow in the quarter.

- The company had 7.1 million branded smartphone gross adds and upgrades in the quarter, including 2.1 million from prepaid. The postpaid upgrade rate in the quarter was 4.2%, up from 3.9% in the year-ago quarter.

Branded Phone Subscribers & Postpaid Upgrade Rate*

IN MILLIONS



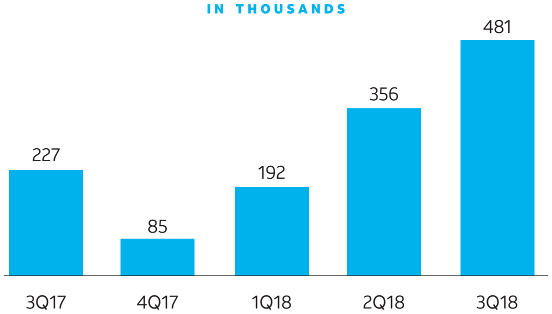
*Wireless home phone has been reclassified from postpaid phones to other postpaid.

- Sales on AT&T Next were 4.0 million, or 80% of all postpaid smartphone gross adds and upgrades. The company also had 545,000 BYOD gross adds. That means about 91% of postpaid smartphone transactions in the quarter were on non-subsidy plans.

More than 50% of the company's postpaid smartphone base is currently on AT&T Next, with more than 90% of postpaid smartphone subscribers on no-device-subsidy plans.

Prepaid Phone Net Adds

IN THOUSANDS



CHURN

Postpaid churn was 1.17%, up from 1.06% in the year-ago quarter. Postpaid phone churn was 0.93%, compared to 0.84% in the year-ago quarter. Branded churn was 1.70%, the same as in the year-ago quarter.

ENTERTAINMENT GROUP

Entertainment Group revenues were $11.6 billion, down 7.0% versus the year-earlier quarter, reflecting the impact of ASC 606 revenue recognition, declines in linear TV subscribers and legacy services and the revenue impact of the Mayweather-McGregor event in the year-ago quarter. On a comparative basis, excluding the impact of revenue recognition, revenues were down 5.4%.

- Total video revenues were down mostly due to declines in linear TV subscribers.

- Broadband revenues were up 4.5% due to an allocation adjustment for bundled discounts and higher revenue from fiber customers which was partially offset by legacy DSL declines and simplified pricing.

Third-quarter operating expenses were $10.5 billion, down 6.2% from a year ago. On a comparative basis, operating expenses were down 2.4% due to cost initiatives, lower volumes and lower deferral amortization from a prior update to expected subscriber life. These were partially offset by content-cost increases and an additional week of NFL SUNDAY TICKET.

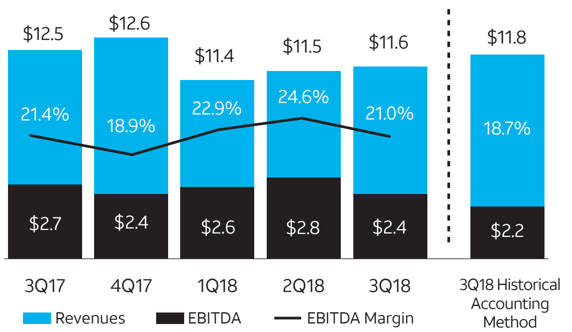
Operating income totaled $1.1 billion, down 14.1% from the year-ago quarter. On a comparative basis, operating income was $878 million, down 31.6% from the year-ago quarter.

- Third-quarter operating income margin was 9.5%, down from 10.3% in the year-earlier quarter. Excluding the impact of revenue recognition, operating income margin was 7.4%.

- Entertainment Group EBITDA margin was 21.0%, compared to 21.4% in the third quarter of 2017 and 18.7% on a comparative basis, driven by cost efficiencies partially offsetting TV content-cost pressure, declines in linear subscribers and legacy services, the impact of the Mayweather-McGregor event in the year-ago quarter and an additional week of NFL SUNDAY TICKET games in the third quarter of 2018. (EBITDA margin is operating income before depreciation and amortization, divided by total Entertainment Group revenues.)

Entertainment Group Revenues & EBITDA Margin

IN BILLIONS



SUBSCRIBER METRICS

Total video subscribers declined by 297,000 in the quarter as DIRECTV NOW subscriber additions partially offset linear video declines. The Entertainment Group ended the quarter with 25.2 million total video subscribers.

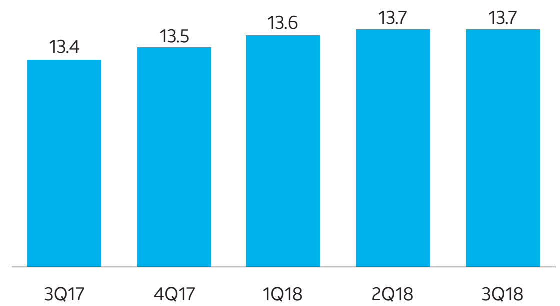
- Linear video subscribers declined 346,000 in the third quarter due to an increase in customers rolling off promotional discounts as well as competition from over-the-top services. Satellite subscribers declined by 359,000 in the quarter, and IPTV subscribers increased by 13,000.
- DIRECTV NOW added 49,000 subscribers and has a total subscriber base of nearly 1.9 million. AT&T WatchTV, the newest video product, also added subscribers in the quarter.

The Entertainment Group lost 14,000 broadband subscribers in the third quarter.

- The Entertainment Group had a net gain of 31,000 IP broadband subscribers in the third quarter with DSL losses of 45,000. IP broadband subscribers benefited from the expansion of the fiber network and simplified pricing and, at the end of the quarter, totaled 13.7 million.
- Customers continue to move up broadband speed tiers. About 70% of all IP broadband customers have purchased speed tiers between 18 megabits and 1 gigabit. More than two-thirds of all broadband subscribers on AT&T's fiber network have speeds of 100 megabits or more. Customers with speeds of 100 megabits or faster have increased nearly 150% in the past year.

IP Broadband Subscribers

IN MILLIONS



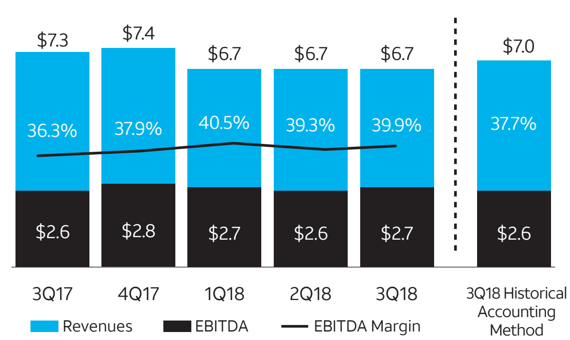
The company continues its fiber deployment. AT&T now markets its 100% fiber network to more than 10 million customer locations in parts of 72 metro areas. Broadband penetration in the fiber footprint continues to be significantly higher than in AT&T's non-fiber footprint and is nearly 50% in locations marketed to for more than 30 months.

BUSINESS WIRELINE

In Business Wireline, declines in legacy products were partially offset by growth in strategic business services. Total business wireline revenues were $6.7 billion, down 7.9% year over year, or down 3.6% on a comparable basis. Third-quarter 2018 revenues included about $80 million from the sale of intellectual property assets.

Business Wireline Revenues & EBITDA Margin

IN BILLIONS



- Third-quarter operating expenses were $5.2 billion, down 10.3%, or down 4.4% on a comparative basis, versus the third quarter of 2017. Operating income totaled $1.5 billion, up 1.5%, or down 0.2% on a comparative basis, with IP revenue growth, the sale of intellectual property assets and cost efficiencies partially offsetting declines in legacy services.
- Third-quarter operating income margin was 22.0%, up from 20.0% in the year-ago quarter, or up 70 basis points on a comparative basis, with declines in legacy services more than offsetting growth in IP revenues, the sale of intellectual property assets and increased cost efficiencies.
- Strategic business services, the wireline capabilities that lead AT&T's most advanced business solutions, continued to grow. Revenues grew by about $44 million, on a comparable basis, versus the year-earlier quarter. On a comparative basis, these services represent 44% of total business wireline revenues and are an annualized revenue stream of more than $12 billion. This growth helped offset a decline of about $486 million, on a comparable basis, in legacy services in the quarter.
- During the quarter, business wireline gained 5,000 high-speed IP broadband business subscribers. Total business broadband subscribers were down 11,000.

WarnerMedia

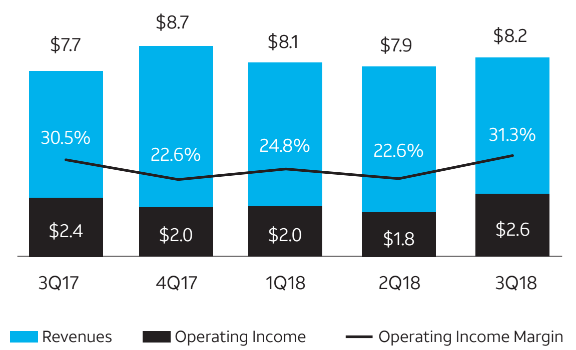
WarnerMedia's Turner, Home Box Office and Warner Bros. business units are leaders in creating and delivering multi-platform content and services and collectively own a world-class library of entertainment content. Turner owns and operates a portfolio of popular networks and related businesses and brands across entertainment, sports, news and kids' entertainment. Home Box Office produces and delivers award-winning, premium video content across multiple platforms around the world. Warner Bros., a leader in global entertainment with one of the world's largest television and film studios, produces and distributes television programming, feature films and games. WarnerMedia also includes AT&T's Regional Sports Networks (RSNs) in the Turner division and Otter Media.

FINANCIAL HIGHLIGHTS

(Historical comparisons reflect historical Time Warner adjusted results and also include RSNs as recast in the WarnerMedia segment. Financial results of Otter Media are included in WarnerMedia consolidated results following AT&T's Aug. 7, 2018 acquisition of the remaining interest in Otter Media and the transfer of the ownership of Otter Media to WarnerMedia. Prior to this date, Otter Media was included as an equity-method investment of AT&T.)

Total WarnerMedia revenues were $8.2 billion, up 6.5% year over year. reflecting gains across all 3 operating business units, primarily driven by higher subscription revenues at Turner and Home Box Office and higher television licensing revenues at Warner Bros.

Revenues & Operating Income Margin



- Third-quarter operating expenses were $5.6 billion, up 5.4% versus the third quarter of 2017 primarily due to higher television production costs at Warner Bros. and the consolidation of Otter Media. Operating expenses included $3.2 billion of programming and film and television production costs, up 10.8% compared to the prior-year quarter. Operating income totaled $2.6 billion, up 9.1% compared to the third quarter of 2017 due to strong gains at Turner and Home Box Office.
- Third-quarter operating income margin was 31.3% compared with 30.5% in the year-ago quarter.

TURNER

Total Turner revenues were $3.0 billion, up 3.9% year over year due to increases of 5.6% in subscription revenues and 36.0% in content and other revenues, partially offset by a decline of 3.7% in advertising revenues. Subscription revenues benefited from higher domestic rates and growth at Turner's international networks, partially offset by the unfavorable impact of foreign exchange rates. Content and other revenues increased primarily due to higher licensing revenues. The decrease in advertising revenues was due to lower audience delivery at Turner's domestic entertainment networks and a decline in international advertising revenues, which were impacted by unfavorable foreign exchange rates.

- Third-quarter operating expenses were $1.5 billion, down 3.3% versus the third quarter of 2017, primarily reflecting lower programming expenses and marketing costs. Operating income totaled $1.4 billion, up 13.0%, reflecting revenue growth and a decline in expenses.
- Third-quarter operating income margin was 48.3% compared with 44.4% in the year-ago quarter.

HOME BOX OFFICE

Total Home Box Office revenues were $1.6 billion, up 2.4% year over year due to an increase of 7.0% in subscription revenues that was partially offset by a decline of 32.1% in content and other revenues. Subscription revenues benefited from higher domestic rates and subscribers and international growth. Content and other revenues declined due to lower home entertainment and international licensing revenues.

- Third-quarter operating expenses were $1.0 billion, down 2.1% primarily due to lower marketing and network delivery expenses, partially offset by higher programming costs, versus the third quarter of 2017. Operating income totaled $628 million, up 10.8% due to higher revenues and a decrease in expenses.
- Third-quarter operating income margin was 38.2% compared with 35.3% in the year-ago quarter.

WARNER BROS.

Total Warner Bros. revenues were $3.7 billion, up 7.5% year over year primarily due to an increase in television licensing revenues. Television revenues increased primarily due to higher licensing of series and initial telecast revenues. Theatrical revenues remained essentially flat as the prior-year quarter included a more favorable mix of theatrical and home entertainment releases, including *Annabelle: Creation*, *Dunkirk*, *It* and *Wonder Woman*, partially offset by higher television licensing revenues of theatrical product and the theatrical releases *Crazy Rich Asians*, *The Meg* and *The Nun* in the current-year period.

- Third-quarter operating expenses were $3.1 billion, up 9.1% versus the third quarter of 2017 primarily due to increased television production costs related to the higher number and mix of produced series. Operating income growth was essentially flat as growth in revenues was offset by higher costs, primarily related to increased television production.
- Third-quarter operating income margin was 15.5% compared with 16.7% in the year-ago quarter.

SELECT RECENT & UPCOMING RELEASES

TURNER

Series
Impractical Jokers (S7, truTV): 08/18[1]
Wrecked (S3, TBS): 08/18
The Last Ship (S5, TNT): 09/18
The Guest Book (S2, TBS): 10/18
Adam Ruins Everything (S2, truTV): 11/18[1]
The Carbonaro Effect (S4, truTV): 12/18[1]

Animated Series
We Bare Bears (S4, Cartoon Network): 07/18
FLCL (S3, Adult Swim): 09/18
Summer Camp Island (S1, Cartoon Network): 12/18[1]
The Shivering Truth (S1, Adult Swim): 12/18

Docuseries
This is Life with Lisa Ling (S5, CNN): 09/18
Anthony Bourdain: Parts Unknown (S12, CNN): 09/18
How It Really Happened (S3, HLN): 10/18[1]

Specials
RBG (film, CNN): 09/18

Turner Networks	Key Demo
TNT	A25-54
TBS	A18-49
truTV	A18-49
CNN	A25-54
HLN	A25-54
Boomerang	K2-11
Cartoon Network	K2-11
Adult Swim	A18-34

HOME BOX OFFICE

HBO Series
The Deuce (S2): 09/18
VICE News Tonight (S3): 09/18
Tracey Ullman's Show (S3): 09/18
Room 104 (S2): 11/18
My Brilliant Friend (S1): 11/18

Cinemax Series
Mike Judge Presents: Tales from the Tour Bus (S2): 11/18

HBO Limited Series
Camping: 10/18
Sally4Ever: 11/18

HBO Comedy/Specials
Flight of the Conchords: Live in London: 10/18
Pod Save America: 10/18

HBO Film/Documentaries
Jane Fonda in Five Acts: 09/18
My Dinner with Hervé: 10/18
Say Her Name: The Life and Death of Sandra Bland: 12/18
Momentum Generation: 12/18

HBO Sports
Hard Knocks (S13): 08/18
The Shop (S1): 08/18

WARNER BROS.

TV Production: Broadcast (Fall Premieres)
God Friended Me (S1, CBS): 09/18[3]
Lethal Weapon (S3, FOX): 09/18
Manifest (S1, NBC): 09/18[4]
Murphy Brown (S1/revival, CBS): 09/18
The Voice (15th cycle, NBC): 09/18
Young Sheldon (S2, CBS): 09/18
All American (S1, The CW): 10/18[3]
The Flash (S5, The CW): 10/18
Riverdale (S3, The CW): 10/18[3]
Splitting Up Together (S2, ABC): 10/18[2]

TV Production: Cable/Pay/OTT
Castle Rock (S1, Hulu): 07/18
You (S1, Lifetime): 09/18[5]
The Chilling Adventures of Sabrina (S1, Netflix): 10/18
Titans (S1, DC Universe): 10/18
The Kominsky Method (S1, Netflix): 11/18

Theatrical: Box Office
The Meg: 08/18
Crazy Rich Asians: 08/18
The Nun: 09/18
A Star is Born: 10/18
Fantastic Beasts: The Crimes of Grindelwald: 11/18
The Mule: 12/18
Aquaman: 12/18

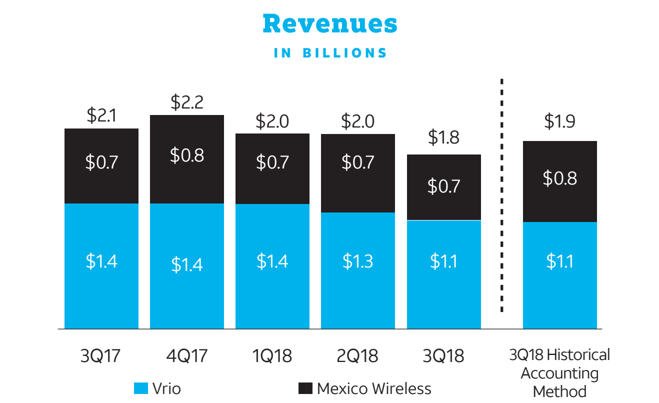
Games
LEGO DC Super-Villains: 10/18

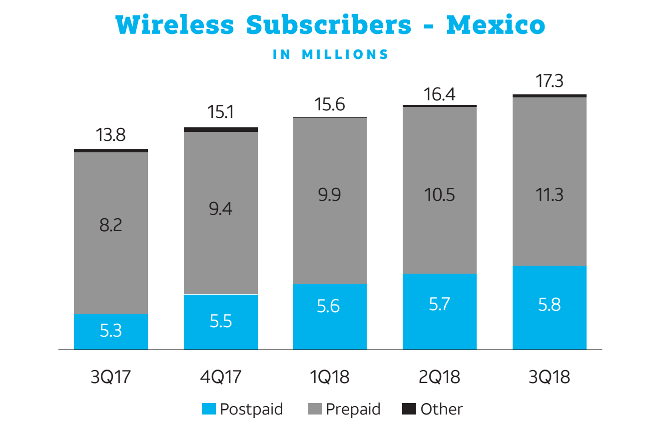
Note: Represents a limited, select list of releases only. Premiere/release dates shown may be estimated and are subject to change. Warner Bros. is producing more than 70 series for the 2018-2019 television season. The 2018-2019 broadcast television season runs September 2018 through August 2019; the cable and pay television/OTT service television season runs June 2018 through May 2019, based on air dates. Warner Bros.-produced television series are also aired in off-network syndication. [1]Continuation of season/mid-season premiere. [2]Co-produced with ABC. [3]Co-produced with CBS. [4]Co-produced with NBC. [5]Co-produced with Lifetime.

Latin America

The Latin America segment includes wireless services in Mexico and pay-TV entertainment services in Latin America under Vrio. AT&T is a leading provider of pay television services in Latin America with satellite operations serving Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela and parts of the Caribbean. The company also owns 41% of Sky Mexico. Sky Mexico financial results are accounted for as an equity-method investment.

Total Latin America revenues were $1.8 billion, down 12.7% from the year-ago quarter largely due to foreign exchange pressures from revenues in multiple currencies. On a comparable basis, revenues were $1.9 billion, down 11.5% year over year. Third-quarter operating expenses were $2.0 billion, or $2.1 billion on a comparable basis. AT&T's Latin America operating loss totaled ($210) million, compared to a ($142) million loss in the year-ago third quarter. Third-quarter operating income margin was (11.5)%, or (12.1)% on a comparable basis.





MEXICO

AT&T owns and operates a wireless network in Mexico. AT&T covered nearly 100 million people in Mexico with 4G LTE at the end of the third quarter.

- Revenues in Mexico were $731 million, down 0.7% versus the year-earlier quarter due to competitive pricing, which was partially offset by gains in equipment revenues and subscriber growth. On a comparable basis, revenues were up 2.6%. Service revenues were down approximately $70 million year over year due to the impact from the shutdown of a wholesale business in the fourth quarter of 2017.
- Mexico third-quarter operating loss was ($267) million and ($244) million on a comparable basis, with continued subscriber growth offset by higher depreciation, compared to a loss of ($224) million in the year-ago quarter.
- In the quarter, AT&T added 73,000 postpaid subscribers and 802,000 prepaid subscribers to reach 17.3 million total wireless subscribers in Mexico, a 25% increase from a year ago.

VRIO

Vrio revenues reflect price increases driven by macroeconomic conditions with generally depreciating local currencies. Total Vrio revenues were $1.1 billion, down 19.1% year over year due primarily to foreign exchange pressures. Operating income was $57 million with continued positive free cash flow year to date.

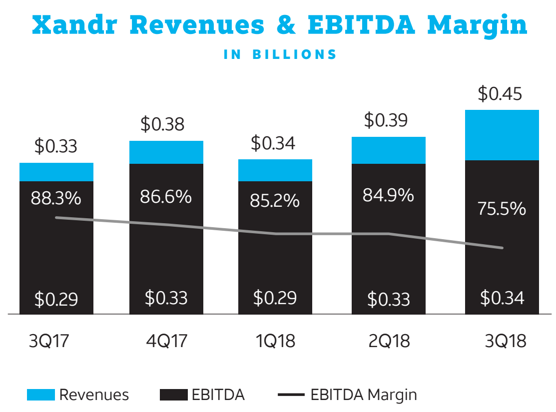
- Third-quarter subscriber net losses were 73,000 with gains in Brazil offset by losses in other regions due to the completion of the World Cup. Total subscribers at the end of the quarter were 13.6 million. Sky Mexico had approximately 8.0 million subscribers as of June 30, 2018.

Xandr

Xandr is AT&T's new advertising and analytics company. It provides advertising services that use data insights to develop higher-value targeted advertising. The company aims to create a new option for advertisers and publishers to reach specific audiences at scale in trusted, premium content environments.

FINANCIAL HIGHLIGHTS

Xandr revenues include AdWorks revenues (These revenues are also reported in the Entertainment Group and are reconciled at the corporate level.) and AppNexus revenues. AppNexus was acquired on August 15, 2018. Total Xandr revenues were $445 million, up 33.6% year over year. Without AppNexus, revenues were up 22% year over year.



- Third-quarter operating expenses were $112 million, up 187% versus the third quarter of 2017 due to higher costs associated with revenue growth and the acquisition of AppNexus. Operating income totaled $333 million, up 13.3% versus the third quarter of 2017 due to strong gains at AdWorks.
- Third-quarter operating income margin was 74.8% compared with 88.3% in the year-ago quarter.

Highlights

AT&T is a diversified, global leader in telecommunications, media and entertainment, and technology. AT&T Communications provides U.S. consumers with entertainment and communications experiences across TV, mobile and broadband services, and it serves more than 3 million business customers with high-speed, highly secure connectivity and smart solutions. AT&T's WarnerMedia business units are leaders in creating global premium content. The company's Latin America segment provides pay-TV services across 11 countries and territories in Latin America and the Caribbean and is the fastest-growing wireless provider in Mexico. Xandr provides marketers with innovative and relevant advertising solutions for consumers around premium video content and digital advertising through its AppNexus platform.

In recent weeks, AT&T:

NATURAL DISASTER RESPONSE

- Provided relief to our customers affected by disasters — Hurricane Florence, wildfires in Northern California, Hurricane Lane, Hurricane Michael and Boston natural gas explosions. AT&T donated more than $300,000 to aid communities affected by these disasters and raised additional funds through text to donate campaigns.

COMMUNICATIONS

MOBILITY

- Extended 5G Evolution wireless technologies to reach 239 markets. AT&T plans to reach more than 400 markets by the end of the year. In the first half of 2019, the company plans to make 5G Evolution available to more than 200 million people. The company just launched a 5G microsite – att.com/5Gnews – to provide updates on its progress as it works toward being the first U.S. carrier to introduce a standards-based, mobile 5G network in parts of a dozen cities by the end of the year.
- Expanded the availability of LTE-LAA technology to offer a better wireless experience in parts of 20 cities, with plans to expand to a total of at least 24 cities by the end of 2018.
- Announced that Cricket Wireless customers on plans starting at $55 can use their phones for talk, text and data in Mexico with no usage restrictions.
- Was crowned the best wireless network for overall national wireless performance by GWS, America's biggest test.[1]
- Announced plans to bring connectivity and content to Magic Leap to create the future of entertainment. AT&T's plans this year include giving developers and creators the opportunity to participate in a hackathon and creating in-store demos featuring Warner Bros. content. In 2019 this will include launching a 5G zone at the Magic Leap campus and making the DIRECTV NOW Beta app available through Magic Leap One.

ENTERTAINMENT GROUP

- Began selling integrated offers for first responders and active duty and veteran military personnel and their families that include special discounts on their wireless, video and internet services.
- Became the first video provider to carry all 4 golf Majors in 4K High Dynamic Range (HDR)—the Masters, U.S. Open Championship, The Open Championship and the PGA Championship. DIRECTV offers the most live sports in 4K and is the first U.S. pay-TV provider to broadcast live sports in 4K and 4K HDR.[2]

[1]Based on OneScore Sept. 2018 report. Excludes crowdsourced studies.

[2]Limited programming available. CHOICE Package or higher required for most live sports. 4K compatible equipment required. Other conditions apply.

- Announced plans to significantly expand the company's retail footprint by more than 1,000 stores, including pop-ups and mobile stores as well as a new concept — The Lounge by AT&T. The company's first Lounge location opened in Seattle and offers a relaxed, locally inspired space that's part retail store, part coffeehouse, part co-working space and part learning center.
- Celebrated the 25th season of NFL SUNDAY TICKET on DIRECTV with the broadcast of its 5,000th game and rewards for 750 "lifetime" subscribers who have subscribed to the service every year since it launched in 1994.
- Premiered two new series on the Hello Sunshine VOD channel, through AT&T's relationship with Reese Witherspoon: *Shine On With Reese* and *Master the Mess*.
- Premiered the highly anticipated second season of *Mr. Mercedes* on AUDIENCE Network. The series continues to be the highest-performing drama on the network.
- Continued to bring more local channels to DIRECTV NOW customers — adding more than 100 in the third quarter. DIRECTV NOW serves more than 120 markets nationwide with live local affiliates, bringing access to at least one local channel to nearly 90% of TV households. Nearly 70% of these homes have access to all four major programmers, and this coverage also includes on-demand content from these networks.
- Expanded AT&T's 100% Fiber Network powered by AT&T Fiber to cover more than 10 million locations across parts of 72 metros nationwide — most recently launching in Evansville, Ind. The company plans to reach at least 14 million locations across parts of at least 84 metro areas by mid-2019.
- Expanded Fixed Wireless Internet service in nearly 1,000 counties across 18 states. AT&T is on track to offer a high-speed internet connection to 660,000 homes and small businesses by the end of this year and more than 1.1 million locations by the end of 2020. The company is also testing new fixed wireless technologies such as AirGig to expand connectivity in rural and other hard-to-reach locations.

BUSINESS

- Began collaborating with Samsung Electronics America, Inc. and Samsung Austin Semiconductor, LLC, to create America's first manufacturing-focused 5G "Innovation Zone," based in Austin, Texas.
- Hit another FirstNet milestone, releasing the full fleet of 72 FirstNet-dedicated network assets that can be deployed for public safety subscribers' use during planned events or called upon in emergencies to help first responders stay connected when lives are on the line. More than 3,600 public safety agencies across the country have joined FirstNet, nearly doubling the number of agencies since last quarter. The more than 250,000 FirstNet connections are helping first responders nationwide transform their emergency responses.
- Announced that AT&T has created a suite of blockchain solutions designed to work with technology from IBM and Microsoft. The company is combining its edge-to-edge capabilities with blockchain technology. AT&T's IoT solutions add automation and critical monitoring capabilities.
- Completed the company's previously announced acquisition of AlienVault.® The acquisition will enable AT&T to expand its enterprise-grade security solutions portfolio and offerings to millions of small and medium-sized businesses.
- More than 450,000 U.S. business buildings are now lit with fiber from AT&T, enabling high-speed fiber connections to more than 2 million U.S. business customer locations.
- Continued the company's momentum in the connected vehicle space with the launch of the HARMAN Spark, an aftermarket device that can turn just about any car into a connected car with emergency crash assistance, a virtual mechanic and Wi-Fi hotspot. AT&T also announced that it will connect the iconic Airstream Classic "silver bullet" travel trailer with 4G LTE to allow owners to stay connected from the campground with a powerful Wi-Fi hotspot for video streaming and more.

- Announced that AT&T was named a leader in IDC MarketScape[3] on SD-WAN. AT&T is working to deploy SD-WAN in more than 28,000 locations around the world, making the company the largest SD-WAN provider globally.

WARNERMEDIA

- Received 37 Primetime Emmy Awards, with HBO receiving 23 awards, tying for the highest number of wins this year and winning the most awards of any TV network for the 17th consecutive year.
- Won 12 News and Documentary Emmy Awards, including 6 wins each for HBO and CNN, with the latter representing a network record.
- Had 3 of the top 5 ad-supported cable networks – TNT, TBS and Adult Swim — in primetime among adults 18-49, year-to-date through the third quarter.
- Ranked as the #1 leading digital news destination with CNN in terms of multiplatform unique visitors and video starts for the 11th and 14th consecutive quarter, respectively.
- Released the hit films *Crazy Rich Asians*, *The Meg* and *The Nun*, which have collectively grossed more than $1 billion at the global box office to date. With *The Nun*, *The Conjuring* universe of films has grossed more than $1.5 billion at the global box office to date, making it the highest-grossing horror film franchise ever.
- Acquired the remaining interest in Otter Media from The Chernin Group, augmenting WarnerMedia's portfolio of digital assets. Otter Media engages and entertains niche audiences around the world through a variety of streaming video on demand and content aggregator services including Fullscreen, Crunchyroll, VRV and Rooster Teeth.

XANDR

- Launched AT&T's new advertising and analytics business, Xandr. The name celebrates AT&T's history of innovation and is inspired by the company's founder Alexander Graham Bell.
- Held the company's first Relevance Conference in Santa Barbara, Calif., bringing together more than 250 marketers and advertisers to hear Xandr's vision for the future of advertising and ad technology.
- Closed the previously announced acquisition of AppNexus, bringing expertise in machine learning, engineering and advanced analytics to Xandr.

LATIN AMERICA

MEXICO

- Secured 80 MHz of spectrum in the 2.5 GHz band through a government auction. This additional spectrum will be key to deploying the next generation of wireless technologies that will change the way consumers live, work and enjoy entertainment in Mexico.
- Expanded AT&T's connected car strategy to Mexico by collaborating with Kia Motors to connect its MyKia+ app, a platform that gives visibility to the tracking system Kia will use in its next vehicle portfolio, starting with the 2019 Kia Forte.
- Was ranked as the #1 most reputable telecom company in Mexico according to Merco, an international reputation-monitoring organization.

VRIO

- Premiered the new original series *TODO POR EL JUEGO* on the OnDIRECTV channel in mid-July. The show was the #1 new series on OnDIRECTV in July and by August, it had the fourth-highest viewership across all series and networks on DIRECTV Play, the company's "TV Everywhere" platform in Latin America.

[3]*Source: IDC MarketScape: Worldwide Communication SP SD-WAN Managed Services 2018 Vendor Assessment, doc #US43556718, September 2018.*

FOURTH-QUARTER 2018 EARNINGS DATE: JANUARY 30, 2019

AT&T will release fourth-quarter 2018 earnings on January 30, 2019 before the market opens.

The company's Investor Briefing and related earnings materials will be available on the AT&T website at *https://investors.att.com* by 7:30 a.m. Eastern time.

AT&T will also host a conference call to discuss the results at 8:30 a.m. Eastern time the same day. Dial-in and replay information will be announced on First Call approximately 8 weeks before the call, which will also be broadcast live and will be available for replay over the internet at *https://investors.att.com*.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this Investor Briefing contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update or revise statements contained in this Investor Briefing based on new information or otherwise.

This Investor Briefing may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are included in the exhibits to the Investor Briefing and are available on the company's website at *https://investors.att.com*.

The "quiet period" for FCC Spectrum Auctions 101/102 (28Ghz and 24Ghz) is now in effect. During the quiet period, auction applicants are required to avoid discussions of bids, bidding strategy and post-auction market structure with other auction applicants.

AT&T INVESTOR BRIEFING

The AT&T Investor Briefing is published by the Investor Relations staff of AT&T Inc. Requests for further information may be directed to one of the Investor Relations managers by phone at 210-351-3327.

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Financial and Operational Information

AT&T INC. FINANCIAL DATA

Consolidated Statements of Income						
Dollars in millions except per share amounts						
Unaudited	Third Quarter			Nine-Month Period		
	2018	2017 As Adjusted	Percent Change	**2018**	2017 As Adjusted	Percent Change
Operating Revenues						
Service	**$ 41,297**	$ 36,378	13.5 %	**$ 109,849**	$ 109,372	0.4 %
Equipment	**4,442**	3,290	35.0 %	**12,914**	9,498	36.0 %
Total Operating Revenues	**45,739**	39,668	15.3 %	**122,763**	118,870	3.3 %
Operating Expenses						
Cost of revenues						
Equipment	**4,828**	4,191	15.2 %	**14,053**	12,177	15.4 %
Broadcast, programming and operations	**7,227**	5,284	36.8 %	**17,842**	15,156	17.7 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**8,651**	9,694	(10.8) %	**24,215**	28,551	(15.2) %
Selling, general and administrative	**9,598**	8,650	11.0 %	**26,179**	25,981	0.8 %
Depreciation and amortization	**8,166**	6,042	35.2 %	**20,538**	18,316	12.1 %
Total Operating Expenses	**38,470**	33,861	13.6 %	**102,827**	100,181	2.6 %
Operating Income	**7,269**	5,807	25.2 %	**19,936**	18,689	6.7 %
Interest Expense	**(2,051)**	(1,686)	21.6 %	**(5,845)**	(4,374)	33.6 %
Equity in Net Income (Loss) of Affiliates	**(64)**	11	- %	**(71)**	(148)	52.0 %
Other Income (Expense) - Net	**1,053**	842	25.1 %	**5,108**	2,255	- %
Income Before Income Taxes	**6,207**	4,974	24.8 %	**19,128**	16,422	16.5 %
Income Tax Expense	**1,391**	1,851	(24.9) %	**4,305**	5,711	(24.6) %
Net Income	**4,816**	3,123	54.2 %	**14,823**	10,711	38.4 %
Less: Net Income Attributable to Noncontrolling Interest	**(98)**	(94)	(4.3) %	**(311)**	(298)	(4.4) %
Net Income Attributable to AT&T	**$ 4,718**	$ 3,029	55.8 %	**$ 14,512**	$ 10,413	39.4 %
Basic Earnings Per Share Attributable to AT&T	**$ 0.65**	$ 0.49	32.7 %	**$ 2.19**	$ 1.69	29.6 %
Weighted Average Common Shares Outstanding (000,000)	**7,284**	6,162	18.2 %	**6,603**	6,164	7.1 %
Diluted Earnings Per Share Attributable to AT&T	**$ 0.65**	$ 0.49	32.7 %	**$ 2.19**	$ 1.69	29.6 %
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,320**	6,182	18.4 %	**6,630**	6,184	7.2 %

AT&T INC. FINANCIAL DATA

Consolidated Balance Sheets

Dollars in millions *Unaudited*	**Sep. 30, 2018**	Dec. 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	**$ 8,657**	$ 50,498
Accounts receivable - net of allowances for doubtful accounts of $845 and $663	**26,312**	16,522
Prepaid expenses	**1,860**	1,369
Other current assets	**16,278**	10,757
Total current assets	**53,107**	79,146
Noncurrent Inventories and Theatrical Film and Television Production Costs	**7,221**	-
Property, Plant and Equipment - Net	**130,348**	125,222
Goodwill	**146,475**	105,449
Licenses	**96,077**	96,136
Trademarks and Trade Names - Net	**24,389**	7,021
Distribution Networks	**16,962**	-
Other Intangible Assets - Net	**28,673**	11,119
Investments in and Advances to Equity Affiliates	**6,128**	1,560
Other Assets	**25,490**	18,444
Total Assets	**$ 534,870**	$ 444,097
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 14,905**	$ 38,374
Accounts payable and accrued liabilities	**39,375**	34,470
Advanced billing and customer deposits	**6,045**	4,213
Accrued taxes	**1,460**	1,262
Dividends payable	**3,635**	3,070
Total current liabilities	**65,420**	81,389
Long-Term Debt	**168,513**	125,972
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**60,495**	43,207
Postemployment benefit obligation	**28,981**	31,775
Other noncurrent liabilities	**26,490**	19,747
Total deferred credits and other noncurrent liabilities	**115,966**	94,729
Stockholders' Equity		
Common stock	**7,621**	6,495
Additional paid-in capital	**125,706**	89,563
Retained earnings	**57,624**	50,500
Treasury stock	**(12,486)**	(12,714)
Accumulated other comprehensive income	**5,383**	7,017
Noncontrolling interest	**1,123**	1,146
Total stockholders' equity	**184,971**	142,007
Total Liabilities and Stockholders' Equity	**$ 534,870**	$ 444,097

AT&T INC. FINANCIAL DATA

Consolidated Statements of Cash Flows		
Dollars in millions		
Unaudited	Nine-Month Period	
	2018	2017 As Adjusted
Operating Activities		
Net income	**$ 14,823**	$ 10,711
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**20,538**	18,316
Amortization of film and television costs	**1,608**	-
Undistributed earnings from investments in equity affiliates	**312**	171
Provision for uncollectible accounts	**1,240**	1,216
Deferred income tax expense	**2,934**	3,254
Net (gain) loss from sale of investments, net of impairments	**(501)**	(114)
Actuarial (gain) loss on pension and postretirement benefits	**(2,726)**	(259)
Changes in operating assets and liabilities:		
Accounts receivable	**(1,018)**	(652)
Other current assets, inventories and theatrical film and television production costs	**(2,729)**	(106)
Accounts payable and other accrued liabilities	**(1,385)**	(1,437)
Equipment installment receivables and related sales	**220**	451
Deferred customer contract acquisition and fulfillment costs	**(2,657)**	(1,102)
Retirement benefit funding	**(420)**	(420)
Other - net	**1,283**	(1,556)
Total adjustments	**16,699**	17,762
Net Cash Provided by Operating Activities	**31,522**	28,473
Investing Activities		
Capital expenditures:		
Purchase of property and equipment	**(16,695)**	(15,756)
Interest during construction	**(404)**	(718)
Acquisitions, net of cash acquired	**(43,116)**	1,154
Dispositions	**983**	56
(Purchases) sales of securities, net	**(234)**	235
Advances to and investments in equity affiliates, net	**(1,021)**	-
Cash collections of deferred purchase price	**500**	665
Net Cash Used in Investing Activities	**(59,987)**	(14,364)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**1**	(2)
Issuance of other short-term borrowings	**4,852**	-
Repayment of other short-term borrowings	**(2,147)**	-
Issuance of long-term debt	**38,325**	46,761
Repayment of long-term debt	**(43,579)**	(10,309)
Purchase of treasury stock	**(577)**	(460)
Issuance of treasury stock	**359**	26
Dividends paid	**(9,775)**	(9,030)
Other	**(1,138)**	1,716
Net Cash (Used in) Provided by Financing Activities	**(13,679)**	28,702
Net (decrease) increase in cash and cash equivalents and restricted cash	**(42,144)**	42,811
Cash and cash equivalents and restricted cash beginning of year	**50,932**	5,935
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 8,788**	$ 48,746

AT&T INC. CONSOLIDATED SUPPLEMENTARY DATA

Supplementary Financial Data

Dollars in millions except per share amounts
Unaudited

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Capital expenditures						
Purchase of property and equipment	**$ 5,736**	$ 5,006	14.6 %	**$ 16,695**	$ 15,756	6.0 %
Interest during construction	**137**	245	(44.1) %	**404**	718	(43.7) %
Total Capital Expenditures	**$ 5,873**	$ 5,251	11.8 %	**$ 17,099**	$ 16,474	3.8 %
Dividends Declared per Share	**$ 0.50**	$ 0.49	2.0 %	**$ 1.50**	$ 1.47	2.0 %
End of Period Common Shares Outstanding (000,000)				**7,270**	6,139	18.4 %
Debt Ratio				**49.8 %**	56.4 %	(660) BP
Total Employees				**269,280**	256,800	4.9 %

Supplementary Operating Data

Subscribers and connections in thousands
Unaudited

	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Wireless Subscribers			
Domestic	**150,252**	138,445	8.5 %
Mexico	**17,305**	13,779	25.6 %
Total Wireless Subscribers	**167,557**	152,224	10.1 %
Total Branded Wireless Subscribers	**110,982**	105,717	5.0 %
Video Connections			
Domestic	**25,176**	25,110	0.3 %
Latin America	**13,640**	13,490	1.1 %
Total Video Connections	**38,816**	38,600	0.6 %
Broadband Connections			
IP	**14,744**	14,384	2.5 %
DSL	**1,002**	1,331	(24.7) %
Total Broadband Connections	**15,746**	15,715	0.2 %
Voice Connections			
Network Access Lines	**10,399**	12,249	(15.1) %
U-verse VoIP Connections	**5,274**	5,774	(8.7) %
Total Retail Voice Connections	**15,673**	18,023	(13.0) %

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Wireless Net Additions						
Domestic	**3,363**	2,341	43.7 %	**9,057**	6,717	34.8 %
Mexico	**907**	697	30.1 %	**2,206**	1,806	22.1 %
Total Wireless Net Additions	**4,270**	3,038	40.6 %	**11,263**	8,523	32.1 %
Total Branded Wireless Net Additions	**1,213**	1,173	3.4 %	**3,351**	2,812	19.2 %
Video Net Additions						
Domestic	**(296)**	(90)	- %	**(93)**	(450)	79.3 %
Latin America	**(73)**	(132)	44.7 %	**52**	(97)	- %
Total Video Net Additions	**(369)**	(222)	(66.2) %	**(41)**	(547)	92.5 %
Broadband Net Additions						
IP	**35**	150	(76.7) %	**257**	520	(50.6) %
DSL	**(60)**	(121)	50.4 %	**(230)**	(410)	43.9 %
Total Broadband Net Additions	**(25)**	29	- %	**27**	110	(75.5) %

COMMUNICATIONS SEGMENT

The Communications segment provides wireless and wireline telecom, video and broadband services to consumers located in the U.S. or in U.S. territories and businesses globally. The Communications segment contains three reporting units: Mobility, Entertainment Group, and Business Wireline.

Segment Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Segment Operating Revenues						
Mobility	**$ 17,938**	$ 17,370	3.3 %	**$ 52,575**	$ 51,922	1.3 %
Entertainment Group	**11,589**	12,467	(7.0) %	**34,498**	37,435	(7.8) %
Business Wireline	**6,703**	7,278	(7.9) %	**20,100**	21,911	(8.3) %
Total Segment Operating Revenues	**36,230**	37,115	(2.4) %	**107,173**	111,268	(3.7) %
Segment Operating Contribution						
Mobility	**5,603**	5,333	5.1 %	**16,267**	15,929	2.1 %
Entertainment Group	**1,104**	1,283	(14.0) %	**3,888**	4,470	(13.0) %
Business Wireline	**1,475**	1,455	1.4 %	**4,468**	4,422	1.0 %
Total Segment Operating Contribution	**$ 8,182**	$ 8,071	1.4 %	**$ 24,623**	$ 24,821	(0.8) %

MOBILITY

Mobility provides nationwide wireless service and equipment.

Mobility Results

Dollars in millions
Unaudited

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues						
Service	**$ 13,989**	$ 14,475	(3.4) %	**$ 41,074**	$ 43,414	(5.4) %
Equipment	**3,949**	2,895	36.4 %	**11,501**	8,508	35.2 %
Total Operating Revenues	**17,938**	17,370	3.3 %	**52,575**	51,922	1.3 %
Operating Expenses						
Operations and support	**10,255**	10,029	2.3 %	30,020	30,005	- %
Depreciation and amortization	**2,079**	2,008	3.5 %	6,287	5,988	5.0 %
Total Operating Expenses	**12,334**	12,037	2.5 %	**36,307**	35,993	0.9 %
Operating Income	**5,604**	5,333	5.1 %	**16,268**	15,929	2.1 %
Equity in Net Income (Loss) of Affiliates	**(1)**	-	- %	**(1)**	-	- %
Operating Contribution	**$ 5,603**	$ 5,333	5.1 %	**$ 16,267**	$ 15,929	2.1 %
Operating Income Margin	**31.2 %**	30.7 %	50 BP	**30.9 %**	30.7 %	20 BP

Supplementary Operating Data

Subscribers and connections in thousands
Unaudited

	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Mobility Subscribers			
Postpaid	**76,996**	77,034	- %
Prepaid	**16,894**	15,136	11.6 %
Branded	**93,890**	92,170	1.9 %
Reseller	**8,183**	9,877	(17.2) %
Connected Devices	**48,179**	36,398	32.4 %
Total Mobility Subscribers	**150,252**	138,445	8.5 %

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Mobility Net Additions						
Postpaid	**(232)**	134	- %	**(110)**	83	- %
Prepaid	**570**	324	75.9 %	**1,264**	873	44.8 %
Branded	**338**	458	(26.2) %	**1,154**	956	20.7 %
Reseller	**(434)**	(391)	(11.0) %	**(1,266)**	(1,341)	5.6 %
Connected Devices	**3,459**	2,274	52.1 %	**9,169**	7,102	29.1 %
Total Mobility Net Additions	**3,363**	2,341	43.7 %	**9,057**	6,717	34.8 %
Branded Churn	**1.70 %**	1.70 %	- BP	**1.62 %**	1.66 %	(4) BP
Postpaid Churn	**1.17 %**	1.06 %	11 BP	**1.08 %**	1.06 %	2 BP
Postpaid Phone-Only Churn	**0.93 %**	0.84 %	9 BP	**0.87 %**	0.84 %	3 BP

ENTERTAINMENT GROUP

Entertainment Group provides video, including over-the-top (OTT) services, broadband and voice communication services primarily to residential customers. This business unit also sells advertising on DIRECTV and U-verse distribution platforms.

Entertainment Group Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues						
Video entertainment	**$ 8,283**	$ 9,052	(8.5) %	**$ 24,681**	$ 26,967	(8.5) %
High-speed internet	**2,045**	1,916	6.7 %	**5,904**	5,784	2.1 %
Legacy voice and data services	**740**	913	(18.9) %	**2,317**	2,889	(19.8) %
Other service and equipment	**521**	586	(11.1) %	**1,596**	1,795	(11.1) %
Total Operating Revenues	**11,589**	12,467	(7.0) %	**34,498**	37,435	(7.8) %
Operating Expenses						
Operations and support	**9,155**	9,804	(6.6) %	**26,623**	28,711	(7.3) %
Depreciation and amortization	**1,331**	1,379	(3.5) %	**3,986**	4,254	(6.3) %
Total Operating Expenses	**10,486**	11,183	(6.2) %	**30,609**	32,965	(7.1) %
Operating Income	**1,103**	1,284	(14.1) %	**3,889**	4,470	(13.0) %
Equity in Net Income (Loss) of Affiliates	**1**	(1)	- %	**(1)**	-	- %
Operating Contribution	**$ 1,104**	$ 1,283	(14.0) %	**$ 3,888**	$ 4,470	(13.0) %
Operating Income Margin	**9.5 %**	10.3 %	(80) BP	**11.3 %**	11.9 %	(60) BP

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Video Connections			
Satellite	**19,625**	20,605	(4.8) %
U-verse	**3,669**	3,691	(0.6) %
DIRECTV NOW	**1,858**	787	- %
Total Video Connections	**25,152**	25,083	0.3 %
Broadband Connections			
IP	**13,723**	13,367	2.7 %
DSL	**718**	964	(25.5) %
Total Broadband Connections	**14,441**	14,331	0.8 %
Voice Connections			
Retail Consumer Switched Access Lines	**4,144**	4,996	(17.1) %
U-verse Consumer VoIP Connections	**4,757**	5,337	(10.9) %
Total Retail Consumer Voice Connections	**8,901**	10,333	(13.9) %

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Video Net Additions[1]						
Satellite	**(359)**	(251)	(43.0) %	**(833)**	(407)	- %
U-verse	**13**	(134)	- %	**38**	(562)	- %
DIRECTV NOW	**49**	296	(83.4) %	**703**	520	35.2 %
Total Video Net Additions	**(297)**	(89)	- %	**(92)**	(449)	79.5 %
Broadband Net Additions						
IP	**31**	125	(75.2) %	**261**	479	(45.5) %
DSL	**(45)**	(96)	53.1 %	**(170)**	(327)	48.0 %
Total Broadband Net Additions	**(14)**	29	- %	**91**	152	(40.1) %

[1] Includes the impact of customers that migrated to DIRECTV NOW.

BUSINESS WIRELINE

Business Wireline unit provides advanced IP-based services, as well as traditional data services to business customers.

Business Wireline Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues						
Strategic services	**$ 3,059**	$ 3,018	1.4 %	**$ 9,168**	$ 8,880	3.2 %
Legacy voice and data services	**2,615**	3,343	(21.8) %	**8,176**	10,314	(20.7) %
Other service and equipment	**1,029**	917	12.2 %	**2,756**	2,717	1.4 %
Total Operating Revenues	**6,703**	7,278	(7.9) %	**20,100**	21,911	(8.3) %
Operating Expenses						
Operations and support	**4,030**	4,635	(13.1) %	**12,084**	13,906	(13.1) %
Depreciation and amortization	**1,197**	1,189	0.7 %	**3,547**	3,583	(1.0) %
Total Operating Expenses	**5,227**	5,824	(10.3) %	**15,631**	17,489	(10.6) %
Operating Income	**1,476**	1,454	1.5 %	**4,469**	4,422	1.1 %
Equity in Net Income (Loss) of Affiliates	**(1)**	1	- %	**(1)**	-	- %
Operating Contribution	**$ 1,475**	$ 1,455	1.4 %	**$ 4,468**	$ 4,422	1.0 %
Operating Income Margin	**22.0 %**	20.0 %	200 BP	**22.2 %**	20.2 %	200 BP

BUSINESS SOLUTIONS

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and fixed operations. This combined view presents a complete profile of the entire business customer relationship, and underscores the importance of mobile solutions to serving our business customers.

Business Solutions Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues						
Wireless service	**$ 1,877**	$ 2,023	(7.2) %	**$ 5,497**	$ 6,030	(8.8) %
Strategic services	**3,059**	3,018	1.4 %	**9,168**	8,880	3.2 %
Legacy voice and data services	**2,615**	3,343	(21.8) %	**8,176**	10,314	(20.7) %
Other service and equipment	**1,029**	917	12.2 %	**2,756**	2,717	1.4 %
Wireless equipment	**590**	340	73.5 %	**1,752**	988	77.3 %
Total Operating Revenues	**9,170**	9,641	(4.9) %	**27,349**	28,929	(5.5) %
Operating Expenses						
Operations and support	**5,598**	6,096	(8.2) %	**16,808**	18,147	(7.4) %
Depreciation and amortization	**1,499**	1,466	2.3 %	**4,444**	4,409	0.8 %
Total Operating Expenses	**7,097**	7,562	(6.1) %	**21,252**	22,556	(5.8) %
Operating Income	**2,073**	2,079	(0.3) %	**6,097**	6,373	(4.3) %
Equity in Net Income (Loss) of Affiliates	**(1)**	-	- %	**(1)**	-	- %
Operating Contribution	**$ 2,072**	$ 2,079	(0.3) %	**$ 6,096**	$ 6,373	(4.3) %
Operating Income Margin	**22.6 %**	21.6 %	100 BP	**22.3 %**	22.0 %	30 BP

WARNERMEDIA SEGMENT

The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. Results from AT&T's Regional Sports Network (RSN) and Otter Media Holdings are also included in the WarnerMedia segment. The WarnerMedia segment contains three business units: Turner, Home Box Office, and Warner Bros.

Segment Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Segment Operating Revenues						
Turner	**$ 2,988**	$ 107	- %	**$ 3,767**	$ 323	- %
Home Box Office	**1,644**	-	- %	**1,925**	-	- %
Warner Bros.	**3,720**	-	- %	**4,227**	-	- %
Eliminations and other	**(148)**	-	- %	**(210)**	-	- %
Total Segment Operating Revenues	**8,204**	107	- %	**9,709**	323	- %
Segment Operating Contribution						
Turner	**1,449**	22	- %	**1,802**	79	- %
Home Box Office	**630**	-	- %	**734**	-	- %
Warner Bros.	**553**	-	- %	**642**	-	- %
Eliminations and other	**(104)**	(20)	- %	**(186)**	(58)	- %
Total Segment Operating Contribution	**$ 2,528**	$ 2	- %	**$ 2,992**	$ 21	- %

TURNER

Turner is comprised of the WarnerMedia businesses managed by Turner as well as our RSN. This business unit creates and programs branded news, entertainment, sports and kids multi-platform content that is sold to various distribution affiliates. Turner also sells advertising on its networks and digital properties.

Turner Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues						
Subscription	**$ 1,855**	$ 90	- %	**$ 2,363**	$ 271	- %
Advertising	**944**	17	- %	**1,181**	52	- %
Content and other	**189**	-	- %	**223**	-	- %
Total Operating Revenues	**2,988**	107	- %	**3,767**	323	- %
Operating Expenses						
Operations and support	**1,487**	97	- %	**1,933**	273	- %
Depreciation and amortization	**59**	1	- %	**71**	3	- %
Total Operating Expenses	**1,546**	98	- %	**2,004**	276	- %
Operating Income	**1,442**	9	- %	**1,763**	47	- %
Equity in Net Income of Affiliates	**7**	13	(46.2) %	**39**	32	21.9 %
Operating Contribution	**$ 1,449**	$ 22	- %	**$ 1,802**	$ 79	- %
Operating Income Margin	**48.3 %**	8.4 %	- BP	**46.8 %**	14.6 %	- BP

HOME BOX OFFICE

Home Box Office consists of premium pay television and OTT services domestically and premium pay, basic tier television and OTT services internationally, as well as content licensing and home entertainment.

Home Box Office Results

Dollars in millions *Unaudited*	Third Quarter **2018**	Third Quarter 2017	Percent Change	Nine-Month Period **2018**	Nine-Month Period 2017	Percent Change
Operating Revenues						
Subscription	**$ 1,517**	$ -	- %	**$ 1,787**	$ -	- %
Content and other	**127**	-	- %	**138**	-	- %
Total Operating Revenues	**1,644**	-	- %	**1,925**	-	- %
Operating Expenses						
Operations and support	**991**	-	- %	**1,162**	-	- %
Depreciation and amortization	**25**	-	- %	**30**	-	- %
Total Operating Expenses	**1,016**	-	- %	**1,192**	-	- %
Operating Income	**628**	-	- %	**733**	-	- %
Equity in Net Income of Affiliates	**2**	-	- %	**1**	-	- %
Operating Contribution	**$ 630**	$ -	- %	**$ 734**	$ -	- %
Operating Income Margin	**38.2 %**	- %	- BP	**38.1 %**	- %	- BP

WARNER BROS.

Warner Bros. consists of the production, distribution and licensing of television programming and feature films, the distribution of home entertainment products and the production and distribution of games.

Warner Bros. Results

Dollars in millions *Unaudited*	Third Quarter **2018**	Third Quarter 2017	Percent Change	Nine-Month Period **2018**	Nine-Month Period 2017	Percent Change
Operating Revenues						
Theatrical product	**$ 1,694**	$ -	- %	**$ 1,917**	$ -	- %
Television product	**1,591**	-	- %	**1,794**	-	- %
Games and other	**435**	-	- %	**516**	-	- %
Total Operating Revenues	**3,720**	-	- %	**4,227**	-	- %
Operating Expenses						
Operations and support	**3,104**	-	- %	**3,507**	-	- %
Depreciation and amortization	**40**	-	- %	**54**	-	- %
Total Operating Expenses	**3,144**	-	- %	**3,561**	-	- %
Operating Income	**576**	-	- %	**666**	-	- %
Equity in Net Income (Loss) of Affiliates	**(23)**	-	- %	**(24)**	-	- %
Operating Contribution	**$ 553**	$ -	- %	**$ 642**	$ -	- %
Operating Income Margin	**15.5 %**	- %	- BP	**15.8 %**	- %	- BP

LATIN AMERICA SEGMENT

The Latin America segment provides entertainment and wireless service outside of the U.S. Our international subsidiaries conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates. The Latin America segment contains two business units: Vrio and Mexico.

Segment Results

Dollars in millions
Unaudited

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Segment Operating Revenues						
Vrio	**$ 1,102**	$ 1,363	(19.1) %	**$ 3,710**	$ 4,065	(8.7) %
Mexico	**731**	736	(0.7) %	**2,099**	1,989	5.5 %
Total Segment Operating Revenues	**1,833**	2,099	(12.7) %	**5,809**	6,054	(4.0) %
Segment Operating Contribution						
Vrio	**66**	99	(33.3) %	**281**	362	(22.4) %
Mexico	**(267)**	(224)	(19.2) %	**(743)**	(619)	(20.0) %
Total Segment Operating Contribution	**$ (201)**	$ (125)	(60.8) %	**$ (462)**	$ (257)	(79.8) %

VRIO

Vrio provides entertainment services to customers utilizing satellite technology in Latin America and the Caribbean.

Vrio Results

Dollars in millions
Unaudited

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues	**$ 1,102**	$ 1,363	(19.1) %	**$ 3,710**	$ 4,065	(8.7) %
Operating Expenses						
Operations and support	**877**	1,075	(18.4) %	**2,894**	3,123	(7.3) %
Depreciation and amortization	**168**	206	(18.4) %	**559**	642	(12.9) %
Total Operating Expenses	**1,045**	1,281	(18.4) %	**3,453**	3,765	(8.3) %
Operating Income	**57**	82	(30.5) %	**257**	300	(14.3) %
Equity in Net Income of Affiliates	**9**	17	(47.1) %	**24**	62	(61.3) %
Operating Contribution	**$ 66**	$ 99	(33.3) %	**$ 281**	$ 362	(22.4) %
Operating Income Margin	**5.2 %**	6.0 %	(80) BP	**6.9 %**	7.4 %	(50) BP

Supplementary Operating Data

Subscribers and connections in thousands
Unaudited

	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Vrio Satellite Subscribers	**13,640**	13,490	1.1 %

	Third Quarter 2018	Third Quarter 2017		Nine-Month Period 2,018	Nine-Month Period 2,017	
Vrio Satellite Net Subscriber Additions	**(73)**	(132)	44.7 %	**52**	(97)	- %

MEXICO

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Operating Revenues						
Wireless service	**$ 440**	$ 536	(17.9) %	**$ 1,261**	$ 1,546	(18.4) %
Wireless equipment	**291**	200	45.5 %	**838**	443	89.2 %
Total Operating Revenues	**731**	736	(0.7) %	**2,099**	1,989	5.5 %
Operating Expenses						
Operations and support	**869**	862	0.8 %	**2,459**	2,345	4.9 %
Depreciation and amortization	**129**	98	31.6 %	**383**	263	45.6 %
Total Operating Expenses	**998**	960	4.0 %	**2,842**	2,608	9.0 %
Operating Income (Loss)	**(267)**	(224)	(19.2) %	**(743)**	(619)	(20.0) %
Operating Contribution	**$ (267)**	$ (224)	(19.2) %	**$ (743)**	$ (619)	(20.0) %
Operating Income Margin	**(36.5) %**	(30.4) %	(610) BP	**(35.4) %**	(31.1) %	(430) BP

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Mexico Wireless Subscribers			
Postpaid	**5,822**	5,316	9.5 %
Prepaid	**11,270**	8,231	36.9 %
Branded	**17,092**	13,547	26.2 %
Reseller	**213**	232	(8.2) %
Total Mexico Wireless Subscribers	**17,305**	13,779	25.6 %

	Third Quarter 2018	Third Quarter 2017	Percent Change	Nine-Month Period 2018	Nine-Month Period 2017	Percent Change
Mexico Wireless Net Additions						
Postpaid	**73**	129	(43.4) %	**324**	351	(7.7) %
Prepaid	**802**	585	37.1 %	**1,873**	1,504	24.5 %
Branded	**875**	714	22.5 %	**2,197**	1,855	18.4 %
Reseller	**32**	(17)	- %	**9**	(49)	- %
Total Mexico Wireless Net Subscriber Additions	**907**	697	30.1 %	**2,206**	1,806	22.1 %

XANDR SEGMENT

The Xandr segment provides advertising services. These services utilize data insights to develop higher value targeted advertising. Certain revenues in this segment are also reported by the Communications segment and are eliminated upon consolidation.

Segment Operating Results						
Dollars in millions						
Unaudited	Third Quarter		Percent	Nine-Month Period		Percent
	2018	2017	Change	**2018**	2017	Change
Segment Operating Revenues	**$ 445**	$ 333	33.6 %	**$ 1,174**	$ 992	18.3 %
Segment Operating Expenses						
Operations and support	**109**	39	- %	**218**	118	84.7 %
Depreciation and amortization	**3**	-	- %	**4**	1	- %
Total Segment Operating Expenses	**112**	39	- %	**222**	119	86.6 %
Operating Income	**333**	294	13.3 %	**952**	873	9.0 %
Segment Operating Contribution	**$ 333**	$ 294	13.3 %	**$ 952**	$ 873	9.0 %
Segment Operating Income Margin	**74.8 %**	88.3 %	(1,350) BP	**81.1 %**	88.0 %	(690) BP

SUPPLEMENTAL AT&T ADVERTISING REVENUES

As a supplemental presentation to our Xandr segment operating results, we are providing a view of total advertising revenues generated by AT&T, which combines the advertising revenues recorded across all operating segments. This combined view presents the entire portfolio of revenues generated from AT&T assets and represents a significant strategic initiative and growth opportunity for AT&T.

Advertising Revenues						
Dollars in millions						
Unaudited	Third Quarter		Percent	Nine-Month Period		Percent
	2018	2017	Change	**2018**	2017	Change
Operating Revenues						
WarnerMedia	**$ 983**	$ 17	- %	**$ 1,222**	$ 52	- %
Communications	**478**	368	29.9 %	**1,284**	1,093	17.5 %
Xandr	**445**	333	33.6 %	**1,174**	992	18.3 %
Eliminations	**(401)**	(329)	(21.9) %	**(1,122)**	(980)	(14.5) %
Total Advertising Revenues	**$ 1,505**	$ 389	- %	**$ 2,558**	$ 1,157	- %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended							
Dollars in millions							
Unaudited							
September 30, 2018							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 17,938**	**$ 10,255**	**$ 7,683**	**$ 2,079**	**$ 5,604**	**$ (1)**	**$ 5,603**
Entertainment Group	**11,589**	**9,155**	**2,434**	**1,331**	**1,103**	**1**	**1,104**
Business Wireline	**6,703**	**4,030**	**2,673**	**1,197**	**1,476**	**(1)**	**1,475**
Total Communications	**36,230**	**23,440**	**12,790**	**4,607**	**8,183**	**(1)**	**8,182**
WarnerMedia							
Turner	**2,988**	**1,487**	**1,501**	**59**	**1,442**	**7**	**1,449**
Home Box Office	**1,644**	**991**	**653**	**25**	**628**	**2**	**630**
Warner Bros.	**3,720**	**3,104**	**616**	**40**	**576**	**(23)**	**553**
Other	**(148)**	**(79)**	**(69)**	**10**	**(79)**	**(25)**	**(104)**
Total WarnerMedia	**8,204**	**5,503**	**2,701**	**134**	**2,567**	**(39)**	**2,528**
Latin America							
Vrio	**1,102**	**877**	**225**	**168**	**57**	**9**	**66**
Mexico	**731**	**869**	**(138)**	**129**	**(267)**	**-**	**(267)**
Total Latin America	**1,833**	**1,746**	**87**	**297**	**(210)**	**9**	**(201)**
Xandr	**445**	**109**	**336**	**3**	**333**	**-**	**333**
Segment Total	**46,712**	**30,798**	**15,914**	**5,041**	**10,873**	**(31)**	**10,842**
Corporate and Other							
Corporate	**308**	**(18)**	**326**	**797**	**(471)**		
Acquisition-related items	**-**	**362**	**(362)**	**2,329**	**(2,691)**		
Certain significant items	**-**	**75**	**(75)**	**-**	**(75)**		
Eliminations and consolidations	**(1,281)**	**(913)**	**(368)**	**(1)**	**(367)**		
AT&T Inc.	**$ 45,739**	**$ 30,304**	**$ 15,435**	**$ 8,166**	**$ 7,269**		
September 30, 2017							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 17,370	$ 10,029	$ 7,341	$ 2,008	$ 5,333	$ -	$ 5,333
Entertainment Group	12,467	9,804	2,663	1,379	1,284	(1)	1,283
Business Wireline	7,278	4,635	2,643	1,189	1,454	1	1,455
Total Communications	37,115	24,468	12,647	4,576	8,071	-	8,071
WarnerMedia							
Turner	107	97	10	1	9	13	22
Home Box Office	-	-	-	-	-	-	-
Warner Bros.	-	-	-	-	-	-	-
Other	-	1	(1)	-	(1)	(19)	(20)
Total WarnerMedia	107	98	9	1	8	(6)	2
Latin America							
Vrio	1,363	1,075	288	206	82	17	99
Mexico	736	862	(126)	98	(224)	-	(224)
Total Latin America	2,099	1,937	162	304	(142)	17	(125)
Xandr	333	39	294	-	294	-	294
Segment Total	39,654	26,542	13,112	4,881	8,231	11	8,242
Corporate and Other							
Corporate	382	801	(419)	24	(443)		
Acquisition-related items	-	134	(134)	1,136	(1,270)		
Certain significant items	(89)	325	(414)	1	(415)		
Eliminations and consolidations	(279)	17	(296)	-	(296)		
AT&T Inc.	$ 39,668	$ 27,819	$ 11,849	$ 6,042	$ 5,807		

SUPPLEMENTAL SEGMENT RECONCILIATION

Nine Months Ended

Dollars in millions
Unaudited
September 30, 2018

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 52,575**	**$ 30,020**	**$ 22,555**	**$ 6,287**	**$ 16,268**	**$ (1)**	**$ 16,267**
Entertainment Group	**34,498**	**26,623**	**7,875**	**3,986**	**3,889**	**(1)**	**3,888**
Business Wireline	**20,100**	**12,084**	**8,016**	**3,547**	**4,469**	**(1)**	**4,468**
Total Communications	**107,173**	**68,727**	**38,446**	**13,820**	**24,626**	**(3)**	**24,623**
WarnerMedia							
Turner	**3,767**	**1,933**	**1,834**	**71**	**1,763**	**39**	**1,802**
Home Box Office	**1,925**	**1,162**	**763**	**30**	**733**	**1**	**734**
Warner Bros.	**4,227**	**3,507**	**720**	**54**	**666**	**(24)**	**642**
Other	**(210)**	**(106)**	**(104)**	**11**	**(115)**	**(71)**	**(186)**
Total WarnerMedia	**9,709**	**6,496**	**3,213**	**166**	**3,047**	**(55)**	**2,992**
Latin America							
Vrio	**3,710**	**2,894**	**816**	**559**	**257**	**24**	**281**
Mexico	**2,099**	**2,459**	**(360)**	**383**	**(743)**	**-**	**(743)**
Total Latin America	**5,809**	**5,353**	**456**	**942**	**(486)**	**24**	**(462)**
Xandr	**1,174**	**218**	**956**	**4**	**952**	**-**	**952**
Segment Total	**123,865**	**80,794**	**43,071**	**14,932**	**28,139**	**(34)**	**28,105**
Corporate and Other							
Corporate	**961**	**1,378**	**(417)**	**938**	**(1,355)**		
Acquisition-related items	**-**	**750**	**(750)**	**4,669**	**(5,419)**		
Certain significant items	**-**	**407**	**(407)**	**-**	**(407)**		
Eliminations and consolidations	**(2,063)**	**(1,040)**	**(1,023)**	**(1)**	**(1,022)**		
AT&T Inc.	**$ 122,763**	**$ 82,289**	**$ 40,474**	**$ 20,538**	**$ 19,936**		

September 30, 2017

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 51,922	$ 30,005	$ 21,917	$ 5,988	$ 15,929	$ -	$ 15,929
Entertainment Group	37,435	28,711	8,724	4,254	4,470	-	4,470
Business Wireline	21,911	13,906	8,005	3,583	4,422	-	4,422
Total Communications	111,268	72,622	38,646	13,825	24,821	-	24,821
WarnerMedia							
Turner	323	273	50	3	47	32	79
Home Box Office	-	-	-	-	-	-	-
Warner Bros.	-	-	-	-	-	-	-
Other	-	3	(3)	-	(3)	(55)	(58)
Total WarnerMedia	323	276	47	3	44	(23)	21
Latin America							
Vrio	4,065	3,123	942	642	300	62	362
Mexico	1,989	2,345	(356)	263	(619)	-	(619)
Total Latin America	6,054	5,468	586	905	(319)	62	(257)
Xandr	992	118	874	1	873	-	873
Segment Total	118,637	78,484	40,153	14,734	25,419	39	25,458
Corporate and Other							
Corporate	1,182	2,440	(1,258)	73	(1,331)		
Acquisition-related items	-	622	(622)	3,508	(4,130)		
Certain significant items	(89)	302	(391)	1	(392)		
Eliminations and consolidations	(860)	17	(877)	-	(877)		
AT&T Inc.	$ 118,870	$ 81,865	$ 37,005	$ 18,316	$ 18,689		

As a supplemental discussion of our operating results, we are providing results under the comparative historical accounting method prior to our adoption of ASC 606 and other accounting changes.

SUPPLEMENTAL INCOME STATEMENT

Supplemental Consolidated Statements of Income

Dollars in millions except per share amounts
Unaudited

	Third Quarter				
	2018	Accounting Impact	**Historical 2018**	2017	Percent Change
Operating Revenues					
Service	**$ 41,297**	$ (1,384)	**$ 42,681**	$ 36,378	17.3 %
Equipment	**4,442**	516	**3,926**	3,290	19.3 %
Total Operating Revenues	**45,739**	(868)	**46,607**	39,668	17.5 %
Operating Expenses					
Cost of revenues					
Equipment	**4,828**	-	**4,828**	4,191	15.2 %
Broadcast, programming and operations	**7,227**	-	**7,227**	5,284	36.8 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**8,651**	(917)	**9,568**	9,694	(1.3) %
Selling, general and administrative	**9,598**	(547)	**10,145**	8,650	17.3 %
Depreciation and amortization	**8,166**	-	**8,166**	6,042	35.2 %
Total Operating Expenses	**38,470**	(1,464)	**39,934**	33,861	17.9 %
Operating Income	**7,269**	596	**6,673**	5,807	14.9 %
Interest Expense	**(2,051)**	-	**(2,051)**	(1,686)	21.6 %
Equity in Net Income (Loss) of Affiliates	**(64)**	-	**(64)**	11	- %
Other Income (Expense) - Net	**1,053**	-	**1,053**	842	25.1 %
Income Before Income Taxes	**6,207**	596	**5,611**	4,974	12.8 %
Income Tax Expense	**1,391**	146	**1,245**	1,851	(32.7) %
Net Income	**4,816**	450	**4,366**	3,123	39.8 %
Less: Net Income Attributable to Noncontrolling Interest	**(98)**	(5)	**(93)**	(94)	1.1 %
Net Income Attributable to AT&T	**$ 4,718**	$ 445	**$ 4,273**	$ 3,029	41.1 %
Basic Earnings Per Share Attributable to AT&T	**$ 0.65**	$ 0.06	**$ 0.59**	$ 0.49	20.4 %
Weighted Average Common Shares Outstanding (000,000)	**7,284**	-	**7,284**	6,162	18.2 %
Diluted Earnings Per Share Attributable to AT&T	**$ 0.65**	$ 0.06	**$ 0.59**	$ 0.49	20.4 %
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,320**	-	**7,320**	6,182	18.4 %

SUPPLEMENTAL MOBILITY

Supplemental Results

Dollars in millions
Unaudited

	Third Quarter				
	2018	Accounting Impact	**Historical 2018**	2017	Percent Change
Operating Revenues					
Service	**$ 13,989**	$ (821)	**$ 14,810**	$ 14,475	2.3 %
Equipment	**3,949**	505	**3,444**	2,895	19.0 %
Total Operating Revenues	**17,938**	(316)	**18,254**	17,370	5.1 %
Operating Expenses					
Operations and support	**10,255**	(650)	**10,905**	10,029	8.7 %
EBITDA	**7,683**	334	**7,349**	7,341	0.1 %
Depreciation and amortization	**2,079**	-	**2,079**	2,008	3.5 %
Total Operating Expenses	**12,334**	(650)	**12,984**	12,037	7.9 %
Operating Income	**5,604**	334	**5,270**	5,333	(1.2) %
Equity in Net Income (Loss) of Affiliates	**(1)**	-	**(1)**	-	- %
Operating Contribution	**$ 5,603**	$ 334	**$ 5,269**	$ 5,333	(1.2) %

Operating Income Margin	**31.2%**		**28.9%**	30.7%	(180) BP
EBITDA Margin	**42.8%**		**40.3%**	42.3%	(200) BP
EBITDA Service Margin	**54.9%**		**49.6%**	50.7%	(110) BP

SUPPLEMENTAL ENTERTAINMENT GROUP

Supplemental Entertainment Group Results

Dollars in millions
Unaudited

	Third Quarter				
	2018	Accounting Impact	**Historical 2018**	2017	Percent Change
Operating Revenues					
Video entertainment	**$ 8,283**	$ (113)	**$ 8,396**	$ 9,052	(7.2) %
High-speed internet	**2,045**	-	**2,045**	1,916	6.7 %
Legacy voice and data services	**740**	(29)	**769**	913	(15.8) %
Other service and equipment	**521**	(64)	**585**	586	(0.2) %
Total Operating Revenues	**11,589**	(206)	**11,795**	12,467	(5.4) %
Operating Expenses					
Operations and support	**9,155**	(431)	**9,586**	9,804	(2.2) %
EBITDA	**2,434**	225	**2,209**	2,663	(17.0) %
Depreciation and amortization	**1,331**	-	**1,331**	1,379	(3.5) %
Total Operating Expenses	**10,486**	(431)	**10,917**	11,183	(2.4) %
Operating Income	**1,103**	225	**878**	1,284	(31.6) %
Equity in Net Income (Loss) of Affiliates	**1**	-	**1**	(1)	- %
Contribution	**$ 1,104**	$ 225	**$ 879**	$ 1,283	(31.5) %

Operating Income Margin	**9.5%**		**7.4%**	10.3%	(290) BP
EBITDA Margin	**21.0%**		**18.7%**	21.4%	(270) BP

SUPPLEMENTAL BUSINESS WIRELINE

Supplemental Business Wireline Results

Dollars in millions
Unaudited

	Third Quarter				
	2018	Accounting Impact	**Historical 2018**	2017	Percent Change
Operating Revenues					
Strategic services	**$ 3,059**	$ (3)	**$ 3,062**	$ 3,018	1.5 %
Legacy voice and data services	**2,615**	(242)	**2,857**	3,343	(14.5) %
Other service and equipment	**1,029**	(69)	**1,098**	917	19.7 %
Total Operating Revenues	**6,703**	(314)	**7,017**	7,278	(3.6) %
Operating Expenses					
Operations and support	**4,030**	(339)	**4,369**	4,635	(5.7) %
EBITDA	**2,673**	25	**2,648**	2,643	0.2 %
Depreciation and amortization	**1,197**	-	**1,197**	1,189	0.7 %
Total Operating Expenses	**5,227**	(339)	**5,566**	5,824	(4.4) %
Operating Income	**1,476**	25	**1,451**	1,454	(0.2) %
Equity in Net Income (Loss) of Affiliates	**(1)**	-	**(1)**	1	- %
Operating Contribution	**$ 1,475**	$ 25	**$ 1,450**	$ 1,455	(0.3) %
Operating Income Margin	**22.0%**		**20.7%**	20.0%	70 BP
EBITDA Margin	**39.9%**		**37.7%**	36.3%	140 BP

SUPPLEMENTAL LATIN AMERICA

Supplemental Segment Results

Dollars in millions
Unaudited

	Third Quarter				
	2018	Accounting Impact	**Historical 2018**	2017	Percent Change
Segment Operating Revenues					
Vrio	**$ 1,102**	$ -	**$ 1,102**	$ 1,363	(19.1) %
Mexico	**731**	(24)	**755**	736	2.6 %
Total Segment Operating Revenues	**1,833**	(24)	**1,857**	2,099	(11.5) %
Segment Operating Expenses					
Operations and support	**1,746**	(38)	**1,784**	1,937	(7.9) %
EBITDA	**87**	14	**73**	162	(54.9) %
Depreciation and amortization	**297**	-	**297**	304	(2.3) %
Total Segment Operating Expenses	**2,043**	(38)	**2,081**	2,241	(7.1) %
Segment Operating Income (Loss)	**(210)**	14	**(224)**	(142)	(57.7) %
Equity in Net Income of Affiliates	**9**	-	**9**	17	(47.1) %
Segment Contribution	**$ (201)**	$ 14	**$ (215)**	$ (125)	(72.0) %
Operating Income Margin	**(11.5) %**		**(12.1) %**	(6.8) %	(530) BP
EBITDA Margin	**4.7 %**		**3.9 %**	7.7 %	(380) BP

SUPPLEMENTAL BUSINESS SOLUTIONS

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and fixed operations. This combined view presents a complete profile of the entire business customer relationship, and underscores the importance of mobile solutions to serving our business customers.

Supplemental Operating Results

Dollars in millions *Unaudited*	Third Quarter 2018	Third Quarter Accounting Impact	Third Quarter Historical 2018	Third Quarter 2017	Percent Change
Operating Revenues					
Wireless service	**$ 1,877**	$ (206)	**$ 2,083**	$ 2,023	3.0 %
Strategic services	**3,059**	(3)	**3,062**	3,018	1.5 %
Legacy voice and data services	**2,615**	(242)	**2,857**	3,343	(14.5) %
Other service and equipment	**1,029**	(69)	**1,098**	917	19.7 %
Wireless equipment	**590**	167	**423**	340	24.4 %
Total Operating Revenues	**9,170**	(353)	**9,523**	9,641	(1.2) %
Operating Expenses					
Operations and support	**5,598**	(404)	**6,002**	6,096	(1.5) %
EBITDA	**3,572**	51	**3,521**	3,545	(0.7) %
Depreciation and amortization	**1,499**	-	**1,499**	1,466	2.3 %
Total Operating Expenses	**7,097**	(404)	**7,501**	7,562	(0.8) %
Operating Income	**2,073**	51	**2,022**	2,079	(2.7) %
Equity in Net Income (Loss) of Affiliates	**(1)**	-	**(1)**	-	- %
Operating Contribution	**$ 2,072**	$ 51	**$ 2,021**	$ 2,079	(2.8) %
Operating Income Margin	**22.6%**		**21.2%**	21.6%	(40) BP
EBITDA Margin	**39.0%**		**37.0%**	36.8%	20 BP

Discussion and Reconciliation of Non-GAAP Measures

We believe the following measures are relevant and useful information to investors as they are part of AT&T's internal management reporting and planning processes and are important metrics that management uses to evaluate the operating performance of AT&T and its segments. Management also uses these measures as a method of comparing performance with that of many of our competitors.

Certain amounts have been conformed to the current period's presentation, including our adoption of new accounting standards; ASU No. 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," and ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash; and our revised operating segments.

FREE CASH FLOW

Free cash flow is defined as cash from operations minus Capital expenditures. Free cash flow after dividends is defined as cash from operations minus Capital expenditures and dividends. Free cash flow dividend payout ratio is defined as the percentage of dividends paid to free cash flow. We believe these metrics provide useful information to our investors because management views free cash flow as an important indicator of how much cash is generated by routine business operations, including Capital expenditures, and makes decisions based on it. Management also views free cash flow as a measure of cash available to pay debt and return cash to shareowners.

Free Cash Flow and Free Cash Flow Dividend Payout Ratio

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Net cash provided by operating activities	**$ 12,346**	$ 10,803	**$ 31,522**	$ 28,473
Less: Capital expenditures	**(5,873)**	(5,251)	**(17,099)**	(16,474)
Free Cash Flow	**6,473**	5,552	**14,423**	11,999
Less: Dividends paid	**(3,631)**	(3,009)	**(9,775)**	(9,030)
Free Cash Flow after Dividends	**$ 2,842**	$ 2,543	**$ 4,648**	$ 2,969
Free Cash Flow Dividend Payout Ratio	**56.1%**	54.2%	**67.8%**	75.3%

EBITDA

Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies. For AT&T, EBITDA excludes other income (expense) – net, and equity in net income (loss) of affiliates, as these do not reflect the operating results of our subscriber base or operations that are not under our control. Equity in net income (loss) of affiliates represents the proportionate share of the net income (loss) of affiliates in which we exercise significant influence, but do not control. Because we do not control these entities, management excludes these results when evaluating the performance of our primary operations. EBITDA also excludes interest expense and the provision for income taxes. Excluding these items eliminates the expenses associated with our capital and tax structures. Finally, EBITDA excludes depreciation and amortization in order to eliminate the impact of capital investments. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA is not presented as an alternative measure of operating results or cash flows from operations, as determined in accordance with U.S. generally accepted accounting principles (GAAP).

EBITDA service margin is calculated as EBITDA divided by service revenues.

When discussing our segment, business unit and supplemental results, EBITDA excludes equity in net income (loss) of affiliates, and depreciation and amortization from operating contribution.

These measures are used by management as a gauge of our success in acquiring, retaining and servicing subscribers because we believe these measures reflect AT&T's ability to generate and grow subscriber revenues while providing a high level of customer service in a cost-effective manner. Management also uses these measures as a method of comparing operating performance with that of many of its competitors. The financial and operating metrics which affect EBITDA include the key revenue and expense drivers for which management is responsible and upon which we evaluate performance.

We believe EBITDA Service Margin (EBITDA as a percentage of service revenues) to be a more relevant measure than EBITDA Margin (EBITDA as a percentage of total revenue) for our Mobility business unit operating margin. We also use wireless service revenues to calculate margin to facilitate comparison, both internally and externally with our wireless competitors, as they calculate their margins using wireless service revenues as well.

There are material limitations to using these non-GAAP financial measures. EBITDA, EBITDA margin and EBITDA service margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies. Furthermore, these performance measures do not take into account certain significant items, including depreciation and amortization, interest expense, tax expense and equity in net income (loss) of affiliates. Management compensates for these limitations by carefully analyzing how its competitors present performance measures that are similar in nature to EBITDA as we present it, and considering the economic effect of the excluded expense items independently as well as in connection with its analysis of net income as calculated in accordance with GAAP. EBITDA, EBITDA margin and EBITDA service margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.

EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Net Income	**$ 4,816**	$ 3,123	**$ 14,823**	$ 10,711
Additions:				
Income Tax (Benefit) Expense	**1,391**	1,851	**4,305**	5,711
Interest Expense	**2,051**	1,686	**5,845**	4,374
Equity in Net (Income) Loss of Affiliates	**64**	(11)	**71**	148
Other (Income) Expense - Net	**(1,053)**	(842)	**(5,108)**	(2,255)
Depreciation and amortization	**8,166**	6,042	**20,538**	18,316
EBITDA	**15,435**	11,849	**40,474**	37,005
Total Operating Revenues	**45,739**	39,668	**122,763**	118,870
Service Revenues	**41,297**	36,378	**109,849**	109,372
EBITDA Margin	**33.7%**	29.9%	**33.0%**	31.1%
EBITDA Service Margin	**37.4%**	32.6%	**36.8%**	33.8%

Supplemental Historical EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	Third Quarter
	2018
Net Income	**$ 4,366**
Additions:	
Income Tax (Benefit) Expense	**1,245**
Interest Expense	**2,051**
Equity in Net (Income) Loss of Affiliates	**64**
Other (Income) Expense - Net	**(1,053)**
Depreciation and amortization	**8,166**
EBITDA	**14,839**
Total Operating Revenues	**46,607**
Service Revenues	**42,681**
EBITDA Margin	**31.8%**
EBITDA Service Margin	**34.8%**

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions				
	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Communications Segment				
Operating Contribution	**$ 8,182**	$ 8,071	**$ 24,623**	$ 24,821
Additions:				
Equity in Net (Income) Loss of Affiliates	**1**	-	**3**	-
Depreciation and amortization	**4,607**	4,576	**13,820**	13,825
EBITDA	**12,790**	12,647	**38,446**	38,646
Total Operating Revenues	**36,230**	37,115	**107,173**	111,268
Operating Income Margin	**22.6%**	21.7%	**23.0%**	22.3%
EBITDA Margin	**35.3%**	34.1%	**35.9%**	34.7%
Mobility				
Operating Contribution	**$ 5,603**	$ 5,333	**$ 16,267**	$ 15,929
Additions:				
Equity in Net (Income) of Affiliates	**1**	-	**1**	-
Depreciation and amortization	**2,079**	2,008	**6,287**	5,988
EBITDA	**7,683**	7,341	**22,555**	21,917
Total Operating Revenues	**17,938**	17,370	**52,575**	51,922
Service Revenues	**13,989**	14,475	**41,074**	43,414
Operating Income Margin	**31.2%**	30.7%	**30.9%**	30.7%
EBITDA Margin	**42.8%**	42.3%	**42.9%**	42.2%
EBITDA Service Margin	**54.9%**	50.7%	**54.9%**	50.5%
Entertainment Group				
Operating Contribution	**$ 1,104**	$ 1,283	**$ 3,888**	$ 4,470
Additions:				
Equity in Net (Income) Loss of Affiliates	**(1)**	1	**1**	-
Depreciation and amortization	**1,331**	1,379	**3,986**	4,254
EBITDA	**2,434**	2,663	**7,875**	8,724
Total Operating Revenues	**11,589**	12,467	**34,498**	37,435
Operating Income Margin	**9.5%**	10.3%	**11.3%**	11.9%
EBITDA Margin	**21.0%**	21.4%	**22.8%**	23.3%
Business Wireline				
Operating Contribution	**$ 1,475**	$ 1,455	**$ 4,468**	$ 4,422
Additions:				
Equity in Net (Income) Loss of Affiliates	**1**	(1)	**1**	-
Depreciation and amortization	**1,197**	1,189	**3,547**	3,583
EBITDA	**2,673**	2,643	**8,016**	8,005
Total Operating Revenues	**6,703**	7,278	**20,100**	21,911
Operating Income Margin	**22.0%**	20.0%	**22.2%**	20.2%
EBITDA Margin	**39.9%**	36.3%	**39.9%**	36.5%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
WarnerMedia Segment				
Operating Contribution	**$ 2,528**	$ 2	**$ 2,992**	$ 21
Additions:				
Equity in Net (Income) of Affiliates	**39**	6	**55**	23
Depreciation and amortization	**134**	1	**166**	3
EBITDA	**2,701**	9	**3,213**	47
Total Operating Revenues	**8,204**	107	**9,709**	323
Operating Income Margin	**31.3%**	7.5%	**31.4%**	13.6%
EBITDA Margin	**32.9%**	8.4%	**33.1%**	14.6%
Turner				
Operating Contribution	**$ 1,449**	$ 22	**$ 1,802**	$ 79
Additions:				
Equity in Net (Income) of Affiliates	**(7)**	(13)	**(39)**	(32)
Depreciation and amortization	**59**	1	**71**	3
EBITDA	**1,501**	10	**1,834**	50
Total Operating Revenues	**2,988**	107	**3,767**	323
Operating Income Margin	**48.3%**	8.4%	**46.8%**	14.6%
EBITDA Margin	**50.2%**	9.3%	**48.7%**	15.5%
Home Box Office				
Operating Contribution	**$ 630**	$ -	**$ 734**	$ -
Additions:				
Equity in Net (Income) Loss of Affiliates	**(2)**	-	**(1)**	-
Depreciation and amortization	**25**	-	**30**	-
EBITDA	**653**	-	**763**	-
Total Operating Revenues	**1,644**	-	**1,925**	-
Operating Income Margin	**38.2%**	-	**38.1%**	-
EBITDA Margin	**39.7%**	-	**39.6%**	-
Warner Bros.				
Operating Contribution	**$ 553**	$ -	**$ 642**	$ -
Additions:				
Equity in Net (Income) Loss of Affiliates	**23**	-	**24**	-
Depreciation and amortization	**40**	-	**54**	-
EBITDA	**616**	-	**720**	-
Total Operating Revenues	**3,720**	-	**4,227**	-
Operating Income Margin	**15.5%**	-	**15.8%**	-
EBITDA Margin	**16.6%**	-	**17.0%**	-

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Latin America Segment				
Operating Contribution	**$ (201)**	$ (125)	**$ (462)**	$ (257)
Additions:				
Equity in Net (Income) of Affiliates	**(9)**	(17)	**(24)**	(62)
Depreciation and amortization	**297**	304	**942**	905
EBITDA	**87**	162	**456**	586
Total Operating Revenues	**1,833**	2,099	**5,809**	6,054
Operating Income Margin	**-11.5%**	-6.8%	**-8.4%**	-5.3%
EBITDA Margin	**4.7%**	7.7%	**7.8%**	9.7%
Vrio				
Operating Contribution	**$ 66**	$ 99	**$ 281**	$ 362
Additions:				
Equity in Net (Income) of Affiliates	**(9)**	(17)	**(24)**	(62)
Depreciation and amortization	**168**	206	**559**	642
EBITDA	**225**	288	**816**	942
Total Operating Revenues	**1,102**	1,363	**3,710**	4,065
Operating Income Margin	**5.2%**	6.0%	**6.9%**	7.4%
EBITDA Margin	**20.4%**	21.1%	**22.0%**	23.2%
Mexico				
Operating Contribution	**$ (267)**	$ (224)	**$ (743)**	$ (619)
Additions:				
Depreciation and amortization	**129**	98	**383**	263
EBITDA	**(138)**	(126)	**(360)**	(356)
Total Operating Revenues	**731**	736	**2,099**	1,989
Operating Income Margin	**-36.5%**	-30.4%	**-35.4%**	-31.1%
EBITDA Margin	**-18.9%**	-17.1%	**-17.2%**	-17.9%

Segment EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Xandr				
Operating Contribution	**$ 333**	$ 294	**$ 952**	$ 873
Additions:				
Depreciation and amortization	**3**	-	**4**	1
EBITDA	**336**	294	**956**	874
Total Operating Revenues	**445**	333	**1,174**	992
Operating Income Margin	**74.8%**	88.3%	**81.1%**	88.0%
EBITDA Margin	**75.5%**	88.3%	**81.4%**	88.1%

ADJUSTING ITEMS

Adjusting items include revenues and costs we consider nonoperational in nature, such as items arising from asset acquisitions or dispositions. We also adjust for net actuarial gains or losses associated with our pension and postemployment benefit plans due to the often significant impact on our fourth-quarter results, unless earlier remeasurement is required (we immediately recognize this gain or loss in the income statement, pursuant to our accounting policy for the recognition of actuarial gains and losses). Consequently, our adjusted results reflect an expected return on plan assets rather than the actual return on plan assets, as included in the GAAP measure of income.

The tax impact of adjusting items is calculated using the effective tax rate during the quarter except for adjustments that, given their magnitude, can drive a change in the effective tax rate, reflect the actual tax expense or combined marginal rate of approximately 38% for transactions prior to tax reform and 25% for transactions after tax reform.

Adjusting Items

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Operating Revenues				
Natural disaster revenue credits	**$ -**	$ 89	**$ -**	$ 89
Adjustments to Operating Revenues	**-**	89	**-**	89
Operating Expenses				
Time Warner and other merger costs	**361**	33	**749**	152
Employee separation costs	**76**	208	**260**	268
Natural disaster costs	**-**	118	**104**	118
DIRECTV merger integration costs	**-**	67	**-**	317
Mexico merger integration costs	**-**	34	**-**	153
(Gain) loss on transfer of wireless spectrum	**-**	-	**-**	(181)
Foreign currency exchange	**-**	-	**43**	98
Adjustments to Operations and Support Expenses	**437**	460	**1,156**	925
Amortization of intangible assets	**2,329**	1,136	**4,669**	3,508
Adjustments to Operating Expenses	**2,766**	1,596	**5,825**	4,433
Other				
Merger-related interest and fees[1]	**-**	485	**1,029**	752
Actuarial (gain) loss	**-**	-	**(2,726)**	(259)
(Gain) loss on sale of assets, impairments and other adjustments	**(327)**	(81)	**(279)**	140
Adjustments to Income Before Income Taxes	**2,439**	2,089	**3,849**	5,155
Tax impact of adjustments	**548**	716	**765**	1,717
Tax Related Items	**-**	(146)	**(96)**	(146)
Adjustments to Net Income	**$ 1,891**	$ 1,519	**$ 3,180**	$ 3,584

[1] Includes interest expense incurred on debt issued, redemption premiums and interest income earned on cash held prior to the close of merger transactions.

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA service margin and Adjusted diluted EPS are non-GAAP financial measures calculated by excluding from operating revenues, operating expenses and income tax expense certain significant items that are non-operational or non-recurring in nature, including dispositions and merger integration and transaction costs. Management believes that these measures provide relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends.

Adjusted Operating Revenues, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA service margin and Adjusted diluted EPS should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. AT&T's calculation of Adjusted items, as presented, may differ from similarly titled measures reported by other companies.

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Service Margin

Dollars in millions

	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Operating Income	**$ 7,269**	$ 5,807	**$ 19,936**	$ 18,689
Adjustments to Operating Revenues	**-**	89	**-**	89
Adjustments to Operating Expenses	**2,766**	1,596	**5,825**	4,433
Adjusted Operating Income	**10,035**	7,492	**25,761**	23,211
EBITDA	**15,435**	11,849	**40,474**	37,005
Adjustments to Operating Revenues	**-**	89	**-**	89
Adjustments to Operations and Support Expenses	**437**	460	**1,156**	925
Adjusted EBITDA	**15,872**	12,398	**41,630**	38,019
Pro forma as of June 30, 2018				
WarnerMedia Operating Income	**-**		**3,047**	
Additions:				
Depreciation and amortization	**-**		**339**	
Merger costs	**-**		**694**	
WarnerMedia Adjusted EBITDA	**-**		**4,080**	
WarnerMedia segment income (post acquisition)	**-**		**(451)**	
WarnerMedia segment depreciation and amortization (post acquisition)	**-**		**(30)**	
WarnerMedia merger costs (post acquisition)	**-**		**(159)**	
Film and television cost amortization (release prior to June 14)	**-**		**1,103**	
Pro Forma Adjusted EBITDA[1]	**15,872**		**46,173**	
Total Operating Revenues	**45,739**	39,668	**122,763**	118,870
Adjustments to Operating Revenues	**-**	89	**-**	89
Total Adjusted Operating Revenue	**45,739**	39,757	**122,763**	118,959
Service Revenues	**41,297**	36,378	**109,849**	109,372
Adjustments to Service Revenues	**-**	89	**-**	89
Adjusted Service Revenue	**41,297**	36,467	**109,849**	109,461
Operating Income Margin	**15.9%**	14.6%	**16.2%**	15.7%
Adjusted Operating Income Margin	**21.9%**	18.8%	**21.0%**	19.5%
Adjusted EBITDA Margin	**34.7%**	31.2%	**33.9%**	32.0%
Adjusted EBITDA Service Margin	**38.4%**	34.0%	**37.9%**	34.7%
Supplemental Results under Historical Accounting Method				
Operating Income	**6,673**			
Adjustments to Operating Expenses	**2,766**			
Adjusted Supplemental Operating Income	**9,439**			
EBITDA	**14,839**			
Adjustments to Operations and Support Expenses	**437**			
Adjusted Supplemental EBITDA	**15,276**			
Supplemental Operating Revenues	**46,607**			
Adjusted Supplemental Operating Income Margin	**20.3%**			
Adjusted Supplemental EBITDA margin	**32.8%**			

[1] Pro Forma Adjusted EBITDA reflects the combined results of operations of the combined company based on the historical financial statements of AT&T and Time Warner, after giving effect to the merger and certain adjustments, and is intended to reflect the impact of the Time Warner acquisition on AT&T. WarnerMedia operating income, depreciation and amortization expense and merger costs are provided on Item 7.01 Form 8-K filed by AT&T on July 24, 2018. Pro Forma adjustments are to (1) remove the duplication of operating results for the 16-period in which AT&T also reported Time Warner results and (2) to recognize the purchase accounting classification of released content as intangible assets and accordingly reclassify associated content amortization from operating expense to amortization expense. Intercompany revenue and expense eliminations net and do not impact EBITDA.

Adjusted Diluted EPS				
	Third Quarter		Nine-Month Period	
	2018	2017	**2018**	2017
Diluted Earnings Per Share (EPS)	**$ 0.65**	$ 0.49	**$ 2.19**	$ 1.69
Amortization of intangible assets	**0.25**	0.12	**0.55**	0.38
Merger integration items[1]	**0.04**	0.06	**0.22**	0.14
(Gain) loss on sale of assets, impairments and other adjustments[2]	**(0.04)**	0.05	**0.02**	0.06
Actuarial (gain) loss[3]	**-**	-	**(0.31)**	(0.03)
Tax-related items	**-**	0.02	**-**	0.02
Adjusted EPS	**$ 0.90**	$ 0.74	**$ 2.67**	$ 2.26
Year-over-year growth - Adjusted	**21.6%**		**18.1%**	
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,320**	6,182	**6,630**	6,184

[1]Includes combined merger integration items and merger-related interest income and expense, and redemption premiums.
[2]Includes gains on transactions, natural disaster adjustments and charges, and employee-related and other costs.
[3]Includes adjustments for actuarial gains or losses associated with our postemployment benefit plans, which we immediately recognize in the income statement, pursuant to our accounting policy for the recognition of actuarial gains/losses. We recorded an actuarial gain of $930 million in the first quarter of 2018 associated with our postretirement plan and a gain of $1,796 million in the second quarter associated with our pension plan. As a result, adjusted EPS reflects (1) in the first quarter and for the first nine months, an expected return on plan assets of $77 million (based on an average expected return on plan assets of 5.75% for our VEBA trusts), rather than the actual return on plan assets of $31 million loss (VEBA return of -3.08%) and (2) in the second quarter and for the first nine months, an expected return on plan assets of $754 million (based on an average expected return on plan assets of 7.00% for our Pension trusts), rather than the actual return on plan assets of $186 million loss (Pension return of -0.56%), both of which are included in the GAAP measure of income.

PRO FORMA NET DEBT TO ADJUSTED EBITDA

Net Debt to EBITDA ratios are non-GAAP financial measures frequently used by investors and credit rating agencies and management believes these measures provide relevant and useful information to investors and other users of our financial data. Our Net Debt to Pro Forma Adjusted EBITDA ratio is calculated by dividing the Net Debt by Annualized Pro Forma Adjusted EBITDA. Net Debt is calculated by subtracting cash and cash equivalents and certificates of deposit and time deposits that are greater than 90 days, from the sum of debt maturing within one year and long-term debt. Annualized Pro Forma Adjusted EBITDA is calculated by annualizing the year-to-date Pro Forma Adjusted EBITDA.

Net Debt to Pro Forma Adjusted EBITDA				
Dollars in millions				
	Three Months Ended			
	Mar. 31, 2018	Jun. 30, 2018	Sep. 30, 2018	**YTD 2018**
Pro Forma Adjusted EBITDA[1]	$ 15,182	$ 15,119	$ 15,872	**$ 46,173**
Add back severance	(51)	(133)	(76)	**(260)**
Net Debt Pro Forma Adjusted EBITDA	15,131	14,986	15,796	**45,913**
Annualized Pro Forma Adjusted EBITDA				**61,217**
End-of-period current debt				**14,905**
End-of-period long-term debt				**168,513**
Total End-of-Period Debt				**183,418**
Less: Cash and Cash Equivalents				**8,657**
Net Debt Balance				**174,761**
Annualized Net Debt to Pro Forma Adjusted EBITDA Ratio				**2.85**

[1]Includes the purchase accounting reclassification of released content amortization of $612 million pro forma in the first quarter, $491 million pro forma and $98 million reported by AT&T in the second quarter and $772 million reported by AT&T in the third quarter of 2018.

SUPPLEMENTAL OPERATIONAL MEASURES

We provide a supplemental discussion of our business solutions operations that is calculated by combining our Mobility and Business Wireline operating units, and then adjusting to remove non-business operations. The following table presents a reconciliation of our supplemental Business Solutions results.

Supplemental Operational Measure

	Three Months Ended							
	September 30, 2018				September 30, 2017			
	Mobility	Business Wireline	Adjustments[1]	Business Solutions	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	$ 13,989	$ -	$ (12,112)	$ 1,877	$ 14,475	$ -	$ (12,452)	$ 2,023
Strategic services	-	3,059	-	3,059	-	3,018	-	3,018
Legacy voice and data services	-	2,615	-	2,615	-	3,343	-	3,343
Other services and equipment	-	1,029	-	1,029	-	917	-	917
Wireless equipment	3,949	-	(3,359)	590	2,895	-	(2,555)	340
Total Operating Revenues	17,938	6,703	(15,471)	9,170	17,370	7,278	(15,007)	9,641
Operations and support	10,255	4,030	(8,687)	5,598	10,029	4,635	(8,568)	6,096
EBITDA	7,683	2,673	(6,784)	3,572	7,341	2,643	(6,439)	3,545
Depreciation and amortization	2,079	1,197	(1,777)	1,499	2,008	1,189	(1,731)	1,466
Total Operating Expenses	12,334	5,227	(10,464)	7,097	12,037	5,824	(10,299)	7,562
Operating Income	$ 5,604	$ 1,476	$ (5,007)	$ 2,073	$ 5,333	$ 1,454	$ (4,708)	$ 2,079
Equity in net Income of Affiliates	(1)	(1)	1	(1)	-	1	(1)	-
Contribution	5,603	1,475	(5,006)	2,072	5,333	1,455	(4,709)	2,079

[1] Non-business wireless reported in the Communication segment under the Mobility business unit.

Supplemental Operational Measure

	Nine Months Ended							
	September 30, 2018				September 30, 2017			
	Mobility	Business Wireline	Adjustments[1]	Business Solutions	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	$ 41,074	$ -	$ (35,577)	$ 5,497	$ 43,414	$ -	$ (37,384)	$ 6,030
Strategic services	-	9,168	-	9,168	-	8,880	-	8,880
Legacy voice and data services	-	8,176	-	8,176	-	10,314	-	10,314
Other services and equipment	-	2,756	-	2,756	-	2,717	-	2,717
Wireless equipment	11,501	-	(9,749)	1,752	8,508	-	(7,520)	988
Total Operating Revenues	52,575	20,100	(45,326)	27,349	51,922	21,911	(44,904)	28,929
Operating Expenses								
Operations and support	30,020	12,084	(25,296)	16,808	30,005	13,906	(25,764)	18,147
EBITDA	22,555	8,016	(20,030)	10,541	21,917	8,005	(19,140)	10,782
Depreciation and amortization	6,287	3,547	(5,390)	4,444	5,988	3,583	(5,162)	4,409
Total Operating Expenses	36,307	15,631	(30,686)	21,252	35,993	17,489	(30,926)	22,556
Operating Income	$ 16,268	$ 4,469	$ (14,640)	$ 6,097	$ 15,929	$ 4,422	$ (13,978)	$ 6,373
Equity in net Income of Affiliates	(1)	(1)	1	(1)	-	-	-	-
Contribution	16,267	4,468	(14,639)	6,096	15,929	4,422	(13,978)	6,373

[1] Non-business wireless reported in the Communication segment under the Mobility business unit.