AT&T INC. | 2018 Annual Report

OUR MISSION

Inspire human progress through the power of communication and entertainment.

OUR VALUES

Live true.
Do the right thing, no compromise.

Think big.
Innovate and get there first.

Pursue excellence.
In everything, every time.

Inspire imagination.
Give people what they don't expect.

Be there.
When customers and colleagues need you most.

Stand for equality.
Speak with your actions.

Embrace freedom.
Press, speech, beliefs.

Make a difference.
Impact your world.

Randall Stephenson
Chairman, Chief Executive Officer
and President, AT&T Inc.

TO OUR INVESTORS,

For more than a decade, AT&T has successfully satisfied our customers' exploding appetite for mobile connectivity. Our significant investments over that time have driven our success, as we've led our industry through a global revolution in making the internet mobile. Today, we continue moving forward to deliver on the promise of those investments and create additional value for you, our shareholders.

A SHIFTING LANDSCAPE

We're doing this at a time when the technology, media and telecommunications sectors are in the midst of a new revolution, as consumers rapidly change how they engage with content. As a truly modern media company, AT&T is well-positioned to once again lead this next revolution.

With our acquisition of Time Warner – now known as WarnerMedia – we have brought together one of the best collections of premium video content, a large base of direct-to-consumer relationships, high-speed networks optimized for video, and an advertising technology platform that will make premium video advertising more relevant and valuable.

We believe this combination of capabilities has positioned us to thrive in the coming years, as both the communications and entertainment sectors undergo serious transformations driven by new innovations in technology and changing customer demands.

In communications, dramatic improvements in mobile technology are driving more broadband and video consumption to smartphones and tablets. And as we roll out our 5G network – with an even faster and more responsive experience – those trends toward mobility will only accelerate.

> "We intend to capitalize on this changing landscape as a modern media company built to delight our customers with new services . . . "

In entertainment, the practice of setting aside time to watch particular TV programs is giving way to on-demand streaming services with extensive libraries of content made readily available behind easy-to-access user interfaces. As a result, media companies that produce shows and movies have recognized that they can no longer rely exclusively on wholesale distribution of their content through satellite and cable companies. While those relationships will continue to be important distribution channels, media companies must also develop direct consumer relationships for their content to reach the broadest possible audience.

Equally important in this shifting landscape of content and distribution are advertisers. They are pleading for premium video advertising models that perform as well as digital models.

We intend to capitalize on this changing landscape as a modern media company built to delight our customers with new services that can be delivered by a company with the new assets and capabilities of AT&T.

A MODERN MEDIA COMPANY

It starts with more than 170 million **direct-to-consumer relationships** across our wireless, pay-TV and broadband businesses in the United States, wireless in Mexico and DIRECTV in Latin America. This number grows to more than 370 million when we include WarnerMedia's digital properties such as CNN.com, Bleacher Report and Otter Media.

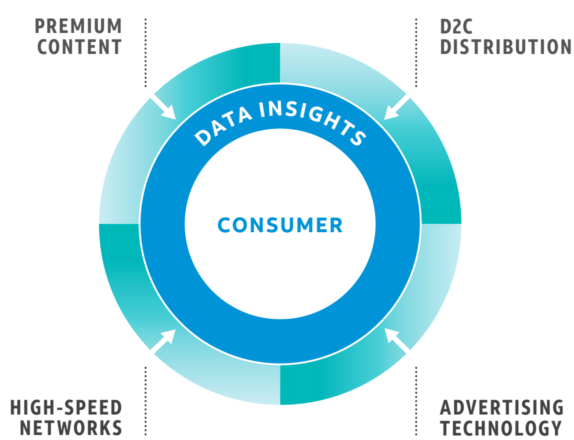
We are building a **broad portfolio of video services** to satisfy the media and entertainment needs of every consumer, from those who demand a premium 4K TV experience with extensive sports and content libraries to those who are more price-conscious and want smaller packages of content.

We're also working on an exciting new premium subscription-video-on-demand service from WarnerMedia that will draw on the **rich and deep content libraries** of HBO, Warner Bros. and Turner. We expect to introduce this service by the end of 2019, and we believe it will be a compelling offer that drives significant demand.

> "Our newly formed advertising technology company, Xandr, will add considerable new value to both our communications and entertainment businesses."

This combination of premium video content and our direct-to-consumer relationships provides us with a valuable resource: **data-driven insights** we can use to develop new advertising models and make ads more relevant to consumers. Our newly formed **advertising technology** company, Xandr, will add considerable new value to both our communications and entertainment businesses.

Bringing together all these capabilities sets up a **virtuous cycle:** Great content drives deeper customer engagement. Deeper engagement provides greater customer insights into the content our customers enjoy. Those insights inform the creation of new content and facilitate relevant targeted advertising that drives deeper engagement. And the cycle repeats.



Premium content increases consumer engagement.

Broad direct-to-consumer relationships inform the creation and curation of new content.

Advertising technology makes ads more relevant and improves the overall experience for consumers and advertisers alike.

High-speed wireless and wireline networks deliver the bandwidth needed to keep up with demand for premium content.

A STRONG FOUNDATION: AT&T TODAY

We're building this new kind of company on a strong foundation. Here's a high-level view:

#1 WIRELESS NETWORK

AT&T's wireless network was named the best in the U.S. for overall national performance by GWS.[1]

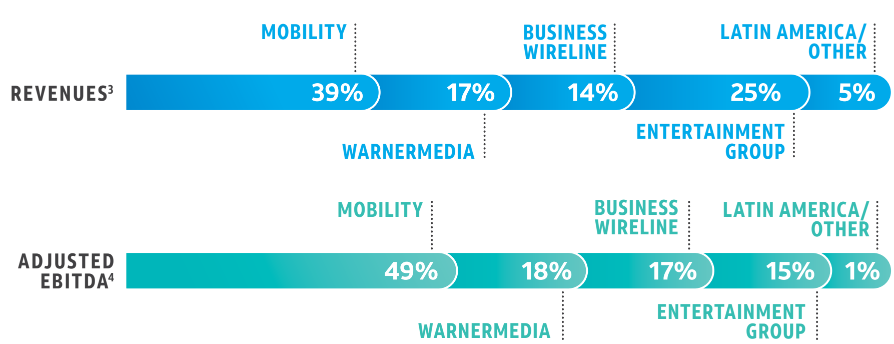
- AT&T's profits and cash flow are largely driven by our **Mobility** business, which last year was recognized as having the #1 U.S. wireless network.[1] As you'll see in the chart below, following the Time Warner acquisition, nearly half of our company's EBITDA (earnings before interest, taxes, depreciation and amortization) comes from Mobility. We had a strong 2018, and that momentum has carried into this year as well.

  In addition, we're ahead of schedule in our deployment of FirstNet, the nationwide network for first responders. And we're leveraging this major infrastructure investment as an opportunity to install 5G-capable radios on our cell towers. These radios can be upgraded to 5G through a simple software update, giving us a decided speed and cost advantage as we scale our rollout of mobile 5G in the years to come.

- Our next-largest business unit by EBITDA is **WarnerMedia**, which also just came off a strong year. On a comparable basis, it grew revenues 5.5% and EBITDA 7%[2] in 2018, thanks to solid performance from all three of its business units – Turner, Home Box Office and Warner Bros.

- **Business Wireline** represents the services we sell to businesses. Quarter-in and quarter-out, it generates steady profit and cash flow. Revenues may fluctuate as big business customers continue their migration to wireless and cloud-based services, but this business has consistently produced EBITDA in the $2.5 billion range in each of the past 12 quarters.

- The **Entertainment Group** is our video and broadband business. We've been aggressively investing in the Entertainment Group for the past several years, including building out our fiber footprint. Our fiber deployment is driving momentum in our broadband business. Fiber is the backbone of our network and key to our plans for 5G. We're on track to reach 22 million consumer and business locations with fiber by the middle of 2019.



We've also been investing in our internet video streaming platforms – DIRECTV NOW and WatchTV. We've worked diligently to get these offerings just right since first introducing DIRECTV NOW in 2016, from managing content costs to optimizing pricing to match customer value.

As a result of these initiatives, we expect Entertainment Group EBITDA to be stable in 2019.

- Our **Latin America** business had a very solid 2018 and entered this year with a lot of momentum. Vrio, our TV business in Latin America, continued to grow subscribers and generate positive cash flow. In Mexico, we added 3.2 million mobile subscribers last year. Over the last 3½ years, we've built a premier nationwide LTE network in Mexico. We essentially completed that network build last year, which lowers our future capital requirements and gives us line of sight to positive EBITDA in Mexico in the second half of 2019.

- Finally, **Xandr** – our newest business – is already contributing strong revenue and EBITDA growth. It significantly deepened our data analytics capabilities with the foundational acquisition of AppNexus and is now making good progress in applying data-driven insights to make our advertising inventory more relevant and valuable.

CAPITAL ALLOCATION

AT&T is not only growing today but is also well-positioned for the future. In 2019, we plan to invest about $23 billion of capital into our growth areas.[5] Even after making those investments, we expect to generate free cash flow in the $26 billion range this year.[6] After paying more than $14 billion in dividends, we expect to have about $12 billion of discretionary cash flow. And that cash flow is earmarked for paying down our debt from the Time Warner acquisition. We'll be at a more comfortable net debt-to-adjusted EBITDA ratio in the 2.5x range by year-end 2019, and we will continue to de-lever after that.

"We're confident in our ability to deliver on our 2019 priorities: pay down our debt, continue to invest in our growth areas and deliver a steady, consistent dividend to you."

We have put a lot of thought and energy into ensuring that our balance sheet is solid. We've structured our debt to ensure that we have no outsized maturities for the next five years. In addition, we have locked in historically low fixed-interest rates on the vast majority of our debt, removing any significant exposure to interest rate swings. Our pension liabilities are essentially fully funded and will require very little additional funding over the next few years.

Rest assured, our dividend remains an important way we return value to you, our shareholders. In December, the board of directors approved an increase in the company's quarterly dividend for the 35th consecutive year. Even with that increase, we expect our dividend payout ratio to be in the high 50s% range of free cash flow this year.[7]

We expect to reach a $2.5 billion merger synergy run rate from WarnerMedia by year-end 2021. Since day one, the merger has been accretive to earnings per share, free cash flow and dividend coverage.

Above all, we're confident in our ability to deliver on our 2019 priorities: pay down our debt, continue to invest in our growth areas and deliver a steady, consistent dividend to you.

FINANCIAL OUTLOOK

Our overall financial outlook for 2019 includes:[8]

- Free cash flow in the $26 billion range;
- Dividend payout ratio in the high 50s% range;
- End-of-year net debt-to-EBITDA ratio, on an adjusted basis, in the 2.5x range;
- Gross capital investment in the $23 billion range; and
- Adjusted EPS growth in the low single digits.

EXECUTING ON OUR STRATEGY

We have the right assets and strategy for long-term, sustainable growth in a rapidly evolving marketplace. Our focus is on execution. Since we closed the Time Warner deal last June, the integration has gone well. We've brought together two companies with different cultures, while preserving the creative energy, editorial independence and other unique qualities that made Turner, Home Box Office and Warner Bros. so attractive to us in the first place. We continue to be a leader in the industry for creative leadership and talent, and we intend to continue giving them the freedom to keep doing what they do best.

As we build for the future, we'll continue to focus on running our company with the same rigor and discipline you've come to expect from us. Our focus includes creating customer experiences that are effortless, imaginative and innovative across our entire business and at every customer touchpoint.

As we deliver those experiences, our businesses will work together to unlock new value for customers and investors. So we've organized the company to balance the need for autonomy, speed and agility with the power of collaboration and scale.

Beginning on page 12, we provide a look at each of our four businesses and their priorities for 2019 and beyond.

We'll also continue to grow as a truly data-powered company. We'll find more and more ways to effectively and responsibly use data to better serve our customers and innovate with new services and business models. As we do that, **we're committed to four privacy principles:**

TRANSPARENCY

Being open and honest about how we use your data.

CHOICE & CONTROL

Giving you choices about how we use your data.

SECURITY

Using strong safeguards to keep your data confidential and secure.

INTEGRITY

Managing data in a respectful, deliberate way to maintain the trust our customers have placed in us.

In support of these principles, we're advocating for Congress to pass a law that champions consumer privacy and promotes accountability; fosters innovation and competitiveness; harmonizes regulations across federal and state jurisdictions; and works with the laws of other countries to protect consumer privacy on a global scale.

> "We have the right assets and strategy for long-term, sustainable growth in a rapidly evolving marketplace."

DRIVEN BY OUR VALUES

Our values underpin everything we do. These core beliefs – listed on page 1 – unite our people no matter where they work or live. We bring them to life in all that we do for our customers and in our every interaction with one another. They also feed into our long-term strategy to make a positive contribution to society as a responsible corporate citizen. That role includes our commitment to the environment, which we advanced in 2018 by becoming one of the largest corporate purchasers of renewable energy in the U.S., investing in up to 820 megawatts of wind energy to date. That's enough energy capacity to reduce greenhouse gas emissions equivalent to taking more than 530,000 cars off the road for one year. It's just one way we are working to achieve our goal to enable carbon savings 10 times the carbon footprint of our operations by 2025.

CLEAN ENERGY

We became one of the largest corporate buyers of clean energy in the U.S., with 820 megawatts of wind energy purchased to date.

Our Aspire and ESCUELA+ education programs are in their second decade of driving innovation in education for underserved and underrepresented populations in the U.S. and Latin America. We're applying many of the tools and learnings from Aspire as we continue to reskill our own global workforce for the future. Our reskilling program has been cited as a national model. It has helped provide our employees and others with the skills they need for the high-tech jobs of today and tomorrow.

We're also focused on developing solutions for the challenges faced by the communities we serve. Our strong belief that we can make a positive difference in our communities inspired the launch of AT&T BELIEVES℠, starting with Believe Chicago. It's our effort to bring training, economic opportunity and hope to our fellow citizens in neighborhoods heavily impacted by violence. We have also begun similar initiatives to create positive change in other local, urban communities across the country, including Atlanta, Dallas and New York.

Finally, I am proud of our commitment to a diverse and inclusive workforce. WarnerMedia's new Diversity & Inclusion Policy, announced in September, is a pioneering media industry commitment to give more opportunities to women, people of color and individuals from other underrepresented groups – both in front of and behind the camera.

“Our strong position and the amazing opportunities ahead of us are only possible due to the energy and commitment of our management and employee team.”

WORDS OF THANKS

Our strong position and the amazing opportunities ahead of us are only possible due to the energy and commitment of our management and employee team. I can’t thank them enough for their eagerness to constantly adapt to the changes in our company, our industry and our world – always looking for better ways to manage our business and serve our customers. In the midst of all the changes swirling around us, they’ve stayed true to the spirit of service that’s always been at the heart of AT&T. So, it was no surprise that, once again, we saw our employees repeatedly rise to the occasion in response to hurricanes, floods, wildfires and blizzards – working around the clock to reconnect people and communities and report the news. Simply put, I know of no company anywhere that’s blessed with finer people.

I’m also grateful to our world-class board of directors for the wisdom, perspective and diversity of experience they bring to AT&T’s governance. They constantly push us, challenge our assumptions and make us view issues and opportunities from new angles. From our strategy and business operations to our social responsibility initiatives, we bring them our plans, and they make them better every time.

Finally, I want you to know how much our company and I have appreciated your support these past few years, as we aggressively invested in our businesses and networks, acquired critical new assets and worked for significant tax and regulatory reform. All of these elements have laid the groundwork for the unique position we’re in today. I’m confident we have the right assets, the right strategy and the right team to execute on the opportunities ahead of us to create value for you.

Sincerely,

Randall Stephenson

Randall Stephenson
Chairman, Chief Executive Officer and President, AT&T Inc.
February 8, 2019

FINANCIAL HIGHLIGHTS

MORE THAN $140B

invested in our network between 2014 and 2018, including capital investments and acquisitions of spectrum and wireless operations. Over the same period, we invested more in the United States than any other public company.

RECORD CASH FROM OPERATIONS

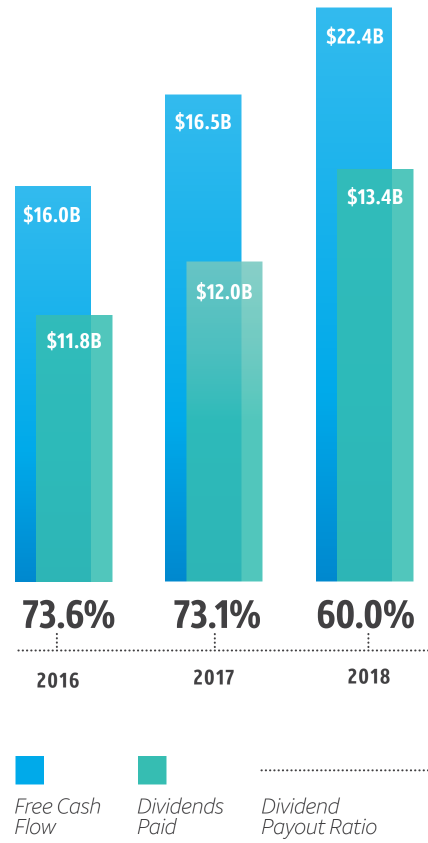
Cash from operations was up nearly 15% year over year in 2018.

'16 $38.4B

'17 $38.0B

'18 $43.6B

RECORD FREE CASH FLOW AND STRONG DIVIDEND COVERAGE[1]



STRONG ADJUSTED EARNINGS PER SHARE GROWTH[2]

Adjusted earnings per share grew 24% from 2016 to 2018.

$2.84	$3.05	$3.52
2016	2017	2018

AT&T COMMUNICATIONS

Led by CEO John Donovan, **AT&T Communications** provides mobile, broadband, video and other communications services to U.S.-based consumers. It also serves more than 3 million companies worldwide – from the smallest businesses to nearly all the Fortune 1000 – with highly secure, smart solutions.

FIRSTNET DEPLOYMENT AHEAD OF SCHEDULE

500+ MARKETS WITH FIRSTNET SPECTRUM DEPLOYED

425,000+ CONNECTIONS

5,250 AGENCIES JOINED

1.7B REIMBURSEMENTS FROM FIRSTNET AUTHORITY

2018 *Accomplishments*

MOBILITY

- Returned to revenue growth, with full-year mobility revenues up 2.1% and service revenues up 0.9%, on a comparable basis.[1]
- Was recognized as the best wireless network for overall national wireless performance by GWS, America's biggest test.[2]
- Was the first company to introduce standards-based mobile 5G service, ending 2018 with 5G in parts of 12 cities.

ENTERTAINMENT GROUP

- Ended the year with 24.5 million total video subscribers – more than any other U.S. pay-TV provider.
- Covered more than 11 million customer locations with our fiber network, up more than 3 million versus 2017.

BUSINESS WIRELINE

- Delivered $10.6 billion in EBITDA, even with pressure from revenue declines in legacy services.
- Extended high-speed fiber to cover nearly 2.2 million U.S. business customer locations.

Mobility is 39% of consolidated revenues.[3]
Entertainment Group is 25% of consolidated revenues.[3]
Business Wireline is 14% of consolidated revenues.[3]

2019 *Priorities*

MOBILITY

- Continue to add subscribers and increase revenues.
- Lead the market in offering advanced wireless technologies. By mid-2019, AT&T plans to have 5G in parts of at least 19 cities.

ENTERTAINMENT GROUP

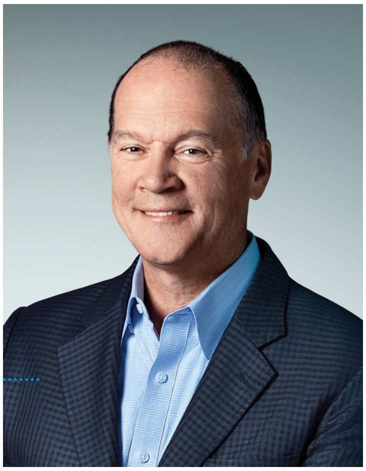
- Expand AT&T's fiber network to reach 14 million customer locations, more than satisfying our commitment to the FCC, and increase fiber penetration, which nears 50% after 30 months in market.
- Maintain a portfolio of profitable video products that meets the needs of multiple viewer segments, and sustain EBITDA levels in the $10 billion range.

BUSINESS WIRELINE

- Deliver solid margins through automation, cost reductions and new platforms for customers.

"What's game-changing is that 5G will provide a near real-time network. Early use cases are for augmented reality and robotics. But 5G has potential to transform every industry."

John Donovan
Chief Executive Officer



WARNERMEDIA

Led by CEO John Stankey, **WarnerMedia's** Turner, Home Box Office and Warner Bros. business units and Otter Media operations are leaders in creating and delivering multiplatform content and services and collectively own a world-class library of entertainment content.

2018 *Accomplishments*

- Grew overall revenues by 5.5%, with growth of 3.9% at Turner, 4.3% at Home Box Office and 6.3% at Warner Bros.[1]
- Unveiled an industry-first, companywide Diversity and Inclusion Policy for talent in front of and behind the camera.
- Won 37 Primetime Emmy Awards, with HBO earning the most awards of any TV network for the 17th consecutive year.
- Received 11 Academy Award nominations, including 8 for Warner Bros.' *A Star Is Born.*
- Had 3 of the top 5 ad-supported cable networks – TNT, TBS and Adult Swim – in primetime among adults 18-49 for the full year.
- Saw Warner Bros. films gross more than $5.5 billion in global box office receipts, making 2018 the studio's biggest year ever.
- Started production on more than 70 Warner Bros. series for the 2018-19 television season.

Turner is 7% of consolidated revenues.[2]
Home Box Office is 4% of consolidated revenues.[2]
Warner Bros. is 9% of consolidated revenues.[2]

2019 *Priorities*

- Launch a direct-to-consumer streaming video product in 4Q19 that features a variety of premium content.
- Respect the individuality of creative talent and nurture diverse voices while also allowing for unmatched creative freedom to explore and reimagine how stories can be told across any platform.
- Increase content development and drive viewer engagement across all properties.
- Work with Xandr to create new advertising models informed by subscriber and viewer data.

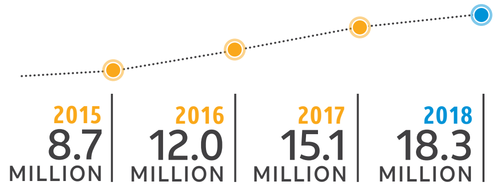
STRONG REVENUE GROWTH[1]

"WarnerMedia has been synonymous with creative excellence at scale for a very long time. This is one of our key competitive advantages in the entertainment industry."

John Stankey
Chief Executive Officer

AT&T LATIN AMERICA

Led by CEO Lori Lee, **AT&T Latin America** provides mobile services to consumers and businesses in Mexico and pay-TV service across 11 countries in South America and the Caribbean.



STRONG WIRELESS SUBSCRIBER GROWTH IN MEXICO

AT&T in Mexico has added nearly 10 million wireless subscribers since the end of 2015 – a more than 100% increase in the subscriber base.

2018 *Accomplishments*

VRIO

- Grew subscribers and generated positive cash flow for AT&T.
- Continued as a leader in the Latin America prepaid video segment.
- Launched a best-in-class full-service streaming product, DIRECTV GO, in Colombia and Chile, featuring premium content, including international sports, movies and local programming.
- Launched the only 4K set-top box region wide to support the World Cup experience.

MEXICO WIRELESS

- Added 3.2 million subscribers to reach 18.3 million, up 21% year over year. AT&T has added more subscribers in Mexico than any other wireless provider for 10 straight quarters.[1]
- Completed our LTE network investment to create Mexico's most reliable network for nearly 100 million people and businesses across the country.[2]
- Secured 80 MHz of spectrum in the 2.5 GHz band to support our deployment of next-generation wireless technologies.
- Opened Latin America's first AT&T Foundry innovation center to develop technology solutions for emerging markets.

Vrio is 2% of consolidated revenues.[3]
Mexico Wireless is 2% of consolidated revenues.[3]

2019 *Priorities*

VRIO

- Maintain subscriber growth and increase revenues.
- Continue to generate strong cash flows, supported by technology-driven cost reduction efforts such as increased automation and self-service platforms.
- Expand DIRECTV GO to new regions.

MEXICO WIRELESS

- Sustain subscriber growth across postpaid and prepaid.
- Continue to improve EBITDA and cash flows with line of sight to positive EBITDA in the second half of the year.

"Vrio is the only video provider in Latin America that has really figured out how to tap, serve and scale the prepaid market."

Lori Lee
Chief Executive Officer

XANDR

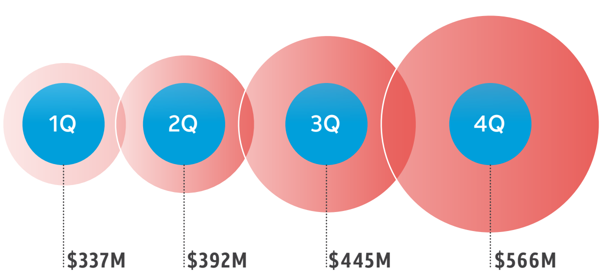
Led by CEO Brian Lesser, **Xandr** provides marketers with advanced advertising solutions using valuable customer insights from AT&T's TV, mobile and broadband services and its extensive ad inventory. Xandr creates addressable, cross-screen advertising opportunities to deliver the right message, at the right time, on any device – and provides real-time campaign performance to advertisers and publishers.

2018 *Accomplishments*

- Launched AT&T's new advertising and analytics business, Xandr.
- Grew revenues by 26.7%, including AppNexus after its acquisition in August.
- Continued dominance in advanced TV advertising.
- Acquired AppNexus, bringing expertise in automation, engineering and advanced advertising to Xandr.
- Built an enterprise cloud-based data platform to aggregate consumer insights throughout AT&T.

STRONG 2018 REVENUE GROWTH

Including AppNexus since acquisition



2019 *Priorities*

- Outpace the market in the development of a next-generation advertising platform to serve relevant advertising and better engage consumers across screens with premium brand-safe content.
- Utilize the new digital platform within AT&T to provide personalized ads for existing direct-to-consumer relationships, then scale to enable third-party publishers and networks to serve relevant advertising to consumers.
- Marry AT&T's premium content library with data to get higher yield and introduce new advertising formats to the market.

"No single player has assembled all the assets to marry the best of digital platforms with high-quality television and video. And now we're at a point where we, as Xandr and AT&T, can evolve the advertising industry."

Brian Lesser
Chief Executive Officer

References

TO OUR INVESTORS (pp. 2-11)

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

[2] Using results reported by AT&T following the June 14, 2018 acquisition, combined with (1) historical results reported by Time Warner, including their historical adjustments, (2) results of AT&T Regional Sports Networks, which were recast in the WarnerMedia segment and (3) results of Otter Media Holdings, which were included in the WarnerMedia segment following AT&T's Aug. 7, 2018 acquisition of the controlling interest.

[3] Based on six months ended December 31, 2018. WarnerMedia segment revenues shown net of eliminations.

[4] Based on six months ended December 31, 2018. Latin America/Other includes our Latin America and Xandr segments, and our Corporate and Other results, which include eliminations and consolidation. Reconciliations between GAAP (generally accepted accounting principles) and non-GAAP measures are available on AT&T's Investor Relations website. 2018 reconciliations of Consolidated Adjusted EBITDA for the third and fourth quarters of 2018 are available on the "SEC Filings" portion of our website in the Forms 8-K dated October 24, 2018 and January 30, 2019. Consolidated Adjusted EBITDA for the third quarter and fourth quarter of 2018 was $15.9 billion and $15.0 billion, respectively.

[5] Excludes expected FirstNet reimbursements in the $1 billion range; includes potential vendor financing.

[6] Free cash flow is cash from operating activities minus capital expenditures.

[7] Free cash flow dividend payout ratio is dividends paid divided by free cash flow.

[8] Adjustments to EPS include merger-related amortization in the range of $7.5 billion, a non-cash mark-to-market benefit plan gain/loss, merger integration 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 a significant item. Our EPS, free cash flow and EBITDA estimates depend on future levels of revenues and expenses, which are not reasonably estimable at this time. Accordingly, we cannot provide a reconciliation between our non-GAAP metrics and the reported GAAP metrics without unreasonable effort. (Our 2019 outlook for end-of-year net debt=to- EBITDA ratio, on an adjusted basis, excludes the impact of a new accounting standard for leases (ASC 842) that is effective beginning January 1, 2019 to be consistent with our existing multi-year guidance on this debt ratio.)

FINANCIAL HIGHLIGHTS (p. 11)

[1] Reconciliations between GAAP and non-GAAP measures are available on AT&T's Investor Relations website. 2018 and 2017 full-year reconciliations are available on the "SEC Filings" portion of our website in the 8-K dated January 30, 2019. 2018 cash from operations was $43.6 billion with $21.3 billion in capital expenditures. 2017 cash from operations was $38.0 billion with $21.6 billion in capital expenditures. For 2016, Free Cash Flow of $16.034 billion is defined as cash from operations of $38.442 billion minus capital expenditures of $22.408 billion.

[2] Reconciliations between GAAP and non-GAAP measures are available on AT&T's Investor Relations website. 2018 and 2017 reconciliations are available on the "SEC Filings" portion of our website in the 8-K dated January 30, 2019 and the 2016 reconciliations are available in the 8-K dated January 25, 2017. 2018 reported earnings per diluted share was $2.85 per diluted share; adjusted earnings per diluted share was $3.52, up primarily due to lower rates associated with tax reform, the impact of ASC 606 and the acquisition of Time Warner. 2017 reported earnings per diluted share was $4.76, reflecting the impact of the 2017 Tax Cuts and Jobs Act; adjusted earnings per diluted share was $3.05, which included $0.13 impact from the tax law passed in the fourth quarter of 2017. 2016 earnings per diluted share was $2.10; adjusted diluted earnings per share was $2.84.

AT&T COMMUNICATIONS (p. 12)

[1] Excludes impact of new revenue recognition accounting standard (ASC 606) and our policy election to record Universal Service Fund and other regulatory fees on a net basis.

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

[3] Based on six months ended December 31, 2018.

WARNERMEDIA (p. 13)

[1] Using historical results reported by Time Warner, including their historical adjustments, (2) results of AT&T Regional Sports Networks, which were recast in the WarnerMedia segment and (3) results of Otter Media Holdings, which were included in the WarnerMedia segment following AT&T's Aug. 7, 2018 acquisition of the controlling interest.

[2] Total gross revenues for the WarnerMedia business units, on a standalone basis, for the six months ended December 31, 2018 were $17.7 billion.As shown on page 5, WarnerMedia comprised 17% of consolidated revenues for this six-month period which reflects net revenues of $15.7 billion, after AT&T intercompany eliminations of $1.7 billion and intracompany Warner Bros. eliminations and other WarnerMedia operations of $0.3 billion.

AT&T LATIN AMERICA (p. 14)

[1] As of the third quarter of 2018.

[2] "Reliability" is derived using statistical analysis based on the weighted average (50/50) for voice and data reliability in 2G, 3G and 4G LTE networks. This statistical analysis was applied to reports based on third-party drive tests in Mexico from November 27, 2017 to March 24, 2018.

[3] Based on six months ended December 31, 2018.

STOCKHOLDER INFORMATION

Toll-Free Stockholder Hotline

Call us at **1.800.351.7221** between 8 a.m. and 7 p.m. Central Time, Monday through Friday **(TDD 1.888.403.9700)** for help with:

- Common stock account inquiries
- Requests for assistance with your common stock account, including stock transfers
- Information on The DirectSERVICE™ Investment Program for Stockholders of AT&T Inc. (sponsored and administered by Computershare Trust Company, N.A.)

Written Stockholder Requests

Please mail all account inquiries and other requests for assistance regarding your stock ownership to:

AT&T Inc.
c/o Computershare Trust Company, N.A.
P.O. Box 505005
Louisville, KY 40233-5005

You may also reach the transfer agent for AT&T Inc. at att@computershare.com or visit the website at **www.computershare.com/att**

DirectSERVICE Investment Program

The DirectSERVICE Investment Program for Stockholders of AT&T Inc. is sponsored and administered by Computershare Trust Company, N.A. The program allows current stockholders to reinvest dividends, purchase additional AT&T Inc. stock or enroll in an individual retirement account. For more information, call **1.800.351.7221.**

Stock Trading Information

AT&T Inc. is listed on the New York Stock Exchange. Ticker symbol: T

Information on the Internet

Information about AT&T Inc. is available on the internet at **www.about.att.com**

Annual Meeting

The annual meeting of stockholders will be held at 9 a.m. local time Friday, April 26, 2019, at:

Moody Performance Hall
2520 Flora St.
Dallas, TX 75201

SEC Filings

AT&T Inc.'s U.S. Securities and Exchange Commission filings, including the latest 10-K and proxy statement, are available on our website at **https://investors.att.com**

Investor Relations

Securities analysts and other members of the professional financial community may contact the Investor Relations staff as listed on our website at **https://investors.att.com**

Independent Auditor

Ernst & Young LLP
2323 Victory Ave., Suite 2000
Dallas, TX 75219

Corporate Offices and Non-Stockholder Inquiries

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