Q4 **2017** AT&T EARNINGS

Investor Briefing

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Contents

AT&T Reports Fourth-Quarter and Full-Year Results

Fourth Quarter

- *Consolidated revenues of $41.7 billion*
- *Diluted EPS of $3.08 as reported and $0.78 as adjusted, compared to $0.39 and $0.66 in the year-ago quarter*
- *Cash from operations of $9.9 billion*
- *Free cash flow of $4.8 billion*

Full Year

- *Consolidated revenues of $160.5 billion*
- *Diluted EPS of $4.76 as reported and $3.05 as adjusted, compared to $2.10 and $2.84 in the prior year*
- *Cash from operations of $39.2 billion*
- *Free cash flow of $17.6 billion*

2018 Outlook[1] *(inclusive of tax reform and new accounting standard)*

- Adjusted EPS in the $3.50 range
- Free cash flow of about $21 billion
- Capital expenditures approaching $25 billion; $23 billion net of expected FirstNet reimbursements

Highlights

- **With the passage of tax reform:**
  - $1 billion 2018 incremental capital investment
  - More than $200 million in bonuses paid to frontline employees in fourth quarter
  - $800 million in voluntary funding to medical plans in fourth quarter
  - Additional impacts include a $20.3 billion increase in reported fourth-quarter net income, including a more than $800 million increase in adjusted net income in the fourth quarter
- **4.1 million total wireless net adds for the fourth quarter:**
  - 2.7 million in U.S., driven by connected devices, postpaid phones and prepaid
  - 1.3 million in Mexico
- **300,000 total video net adds: 161,000 in U.S. and 139,000 in Latin America**
- **U.S. wireless results:**
  - Operating income margin of 22.1% with EBITDA margin of 32.7% and wireless service margin of 43.8%
  - 329,000 postpaid phone net adds
  - Added nearly 700,000 branded smartphones to base

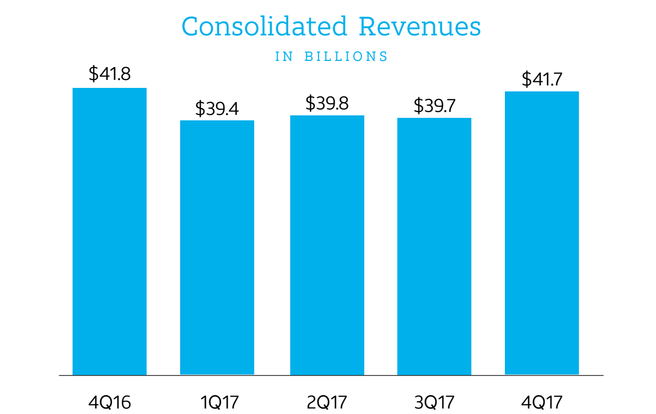
- Best-ever fourth-quarter postpaid phone churn of 0.89%

- **Entertainment Group results:**
  - 95,000 IP broadband net adds; 19,000 total broadband net adds; more than 7 million customer locations passed with fiber
  - 161,000 total video net adds; 368,000 DIRECTV NOW net adds to reach nearly 1.2 million DIRECTV NOW subscribers

- **International results:**
  - Revenues up 16.0% with strong growth in Mexico wireless and DIRECTV Latin America
  - Improved operating income and EBITDA growth driven by improvements in Mexico and strong gains in Latin America
  - 139,000 DIRECTV Latin America net adds with 13.6 million total subscribers

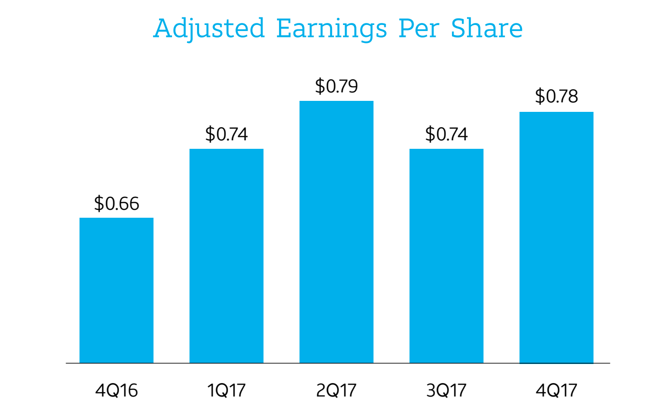
CONSOLIDATED FINANCIAL RESULTS

AT&T's consolidated revenues for the fourth quarter totaled $41.7 billion versus $41.8 billion in the year-ago quarter, primarily due to declines in legacy wireline services, wireless service revenues and domestic video, which were mostly offset by growth in wireless equipment and International. Compared with results for the fourth quarter of 2016, operating expenses were $41.3 billion versus $37.6 billion primarily due to a write-off of certain network assets and higher wireless equipment costs; operating income was $0.4 billion versus $4.2 billion; and operating income margin was 0.9% versus 10.2%. When adjusting for the write-off of certain network assets, non-cash actuarial loss on benefit plans, amortization, merger- and integration-related expenses and other items, operating income was $6.9 billion versus $7.3 billion in the year-ago quarter and operating income margin was 16.5%, versus 17.5% in the year-ago quarter.



Fourth-quarter net income attributable to AT&T was $19.0 billion, or $3.08 per diluted share, and reflects the impact of the Tax Cuts and Jobs Act, compared to $2.4 billion, or $0.39 per diluted share, in the year-ago quarter. Adjusting for the ($3.16) benefit from the remeasurement of deferred tax liabilities, $0.41 write-off of certain network assets and natural disaster impacts, $0.19 non-cash actuarial loss on benefit plans from the annual remeasurement process and $0.26 of costs for amortization, merger- and integration-related expenses and other items, earnings per diluted share was $0.78 compared to an adjusted $0.66 in the year-ago quarter. *(The increase in adjusted diluted earnings per share includes $0.13 impact of the new tax law on the fourth-quarter 2017.)*

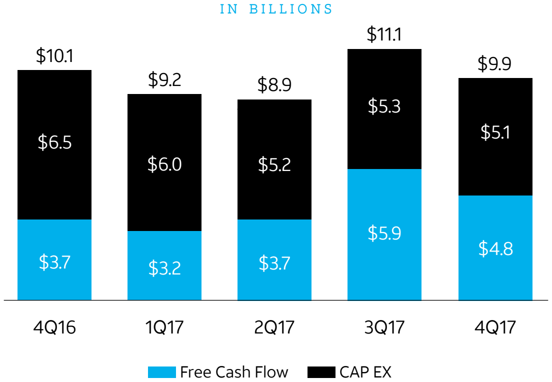
Cash from operating activities was $9.9 billion in the fourth quarter, and capital expenditures were $5.1 billion. Free cash flow — cash from operating activities minus capital expenditures — was $4.8 billion for the quarter.



FULL-YEAR RESULTS

For full-year 2017, compared with 2016 results, AT&T's consolidated revenues totaled $160.5 billion versus $163.8 billion, primarily due to declines in legacy wireline services and wireless service revenues, which were partially offset by growth in International and strategic business services. Operating expenses were $139.6 billion compared with $139.4 billion. Excluding a $2.9 billion write-off of certain network assets, operating expenses decreased due to cost efficiencies. Operating income was $20.9 billion versus $24.3 billion; and operating income margin was 13.0% versus 14.9%. Net income attributable to AT&T reflects the impact of the new tax law and was $29.5 billion versus $13.0 billion; and earnings per diluted share was $4.76, compared with $2.10. With adjustments for both years, operating income was $31.8 billion versus $31.8 billion; operating income margin was 19.8% versus 19.4%; and earnings per diluted share totaled $3.05, compared with $2.84, an increase of 7.4%. *(The increase in adjusted diluted earnings per share includes $0.13 impact of the new tax law on the fourth-quarter 2017.)*

Cash from Operations
IN BILLIONS



AT&T's full-year cash from operating activities was $39.2 billion versus $39.3 billion in 2016. Capital expenditures, including capitalized interest, totaled $21.6 billion versus $22.4 billion in 2016. Full-year free cash flow was $17.6 billion compared to $16.9 billion in 2016. The company's free cash flow dividend payout ratio for the full year was 68%.[2]

2018 OUTLOOK[1]

On a standalone basis, including impacts of tax reform and the new ASC 606 revenue recognition standard, AT&T expects in 2018:

- Adjusted EPS in the $3.50 range
- Free cash flow of about $21 billion
- Capital expenditures approaching $25 billion; $23 billion net of expected FirstNet reimbursements and inclusive of $1 billion incremental tax reform investment

[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.

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

Business Solutions

The Business Solutions segment provides both wireless and wireline services to business customers and wireless services to individual subscribers who participate through employer-sponsored plans. AT&T's wireless and wired networks provide complete communications solutions to these customers. AT&T's business customer revenues include results from enterprise, public sector, wholesale and small/midsize customers.

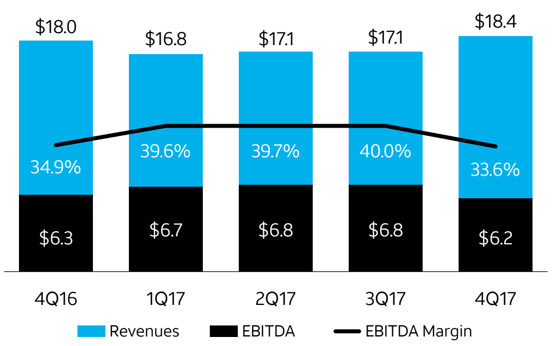
FINANCIAL HIGHLIGHTS

Total fourth-quarter revenues from business customers were $18.4 billion, up 2.0% versus the year-earlier quarter due to increases in wireless equipment and strategic business services that more than offset declines in legacy wireline services.

- Fourth-quarter operating expenses were $14.6 billion, up 3.9% versus the fourth quarter of 2016. Operating income totaled $3.8 billion, down 4.8% year over year with cost efficiencies partially offsetting higher wireless sales costs, higher depreciation expenses and declines in legacy services.
- Fourth-quarter operating income margin was 20.8%, down 150 basis points year over year with higher wireless sales costs offsetting growth in IP revenues and increased cost efficiencies.

Revenues & EBITDA Margin

IN BILLIONS



BUSINESS WIRELESS FINANCIAL RESULTS

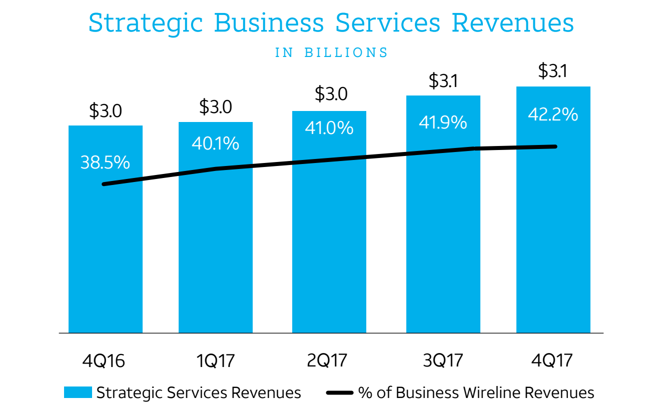
Business wireless revenues were $11.0 billion, up 6.0% year over year due to higher equipment revenues.

- Wireless service revenues were down 0.6% year over year, reflecting fewer migrations from consumer plans and customer shifts to unlimited data plans.

BUSINESS WIRELINE FINANCIAL RESULTS

In business wireline, declines in legacy products were partially offset by continued growth in strategic business services. Total business wireline revenues were $7.4 billion, down 3.5% year over year but up sequentially.

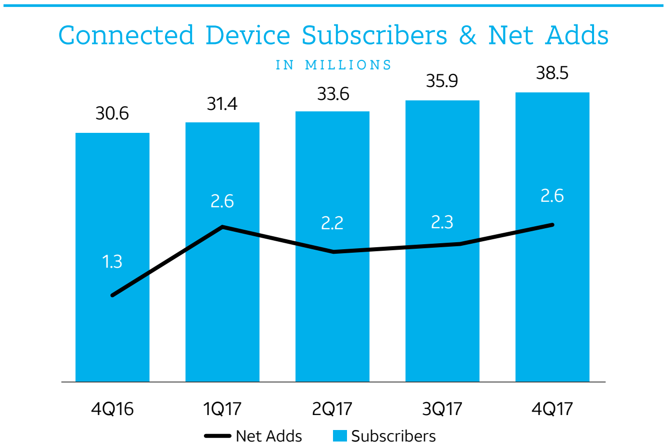
- Strategic business services, the wireline capabilities that lead AT&T's most advanced business solutions — including VPNs, Ethernet, cloud, hosting, IP conferencing, voice over IP, dedicated internet, IP broadband and security services — continued its solid performance. Revenues grew by nearly 6%, or $176 million, versus the year-earlier quarter. These services represent 42% of total business wireline revenues and more than 70% of wireline data revenues and are an annualized revenue stream of more than $12 billion. This growth helped offset a decline of more than $400 million in legacy services in the quarter.



SUBSCRIBER METRICS

At the end of the fourth quarter, AT&T had more than 90 million business wireless subscribers.

- Business Solutions added 221,000 postpaid subscribers and a record 2.6 million connected devices in the fourth quarter. Postpaid business wireless subscriber churn was 1.08% versus 1.11% in the year-ago quarter.
- During the quarter, the company also added 7,000 high-speed IP broadband business subscribers. Total business broadband subscribers were down 16,000.



Entertainment Group

AT&T's Entertainment Group provides entertainment, high-speed internet and communications services predominantly to residential customers in the United States.

FINANCIAL HIGHLIGHTS

Total revenues were $12.7 billion, down 3.5% versus the year-earlier quarter due to declines in legacy services and in traditional TV subscribers.

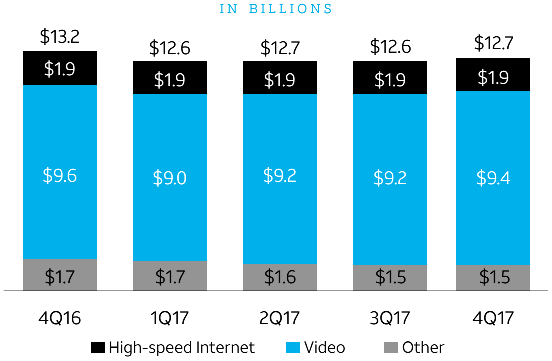
- Total video revenues were down due to declines in traditional TV subscribers.
  - AdWorks revenues were down slightly year over year due to political advertising in the year-ago quarter; excluding political advertising, AdWorks revenue was up double digits.
- Broadband revenues were down in the quarter due to legacy DSL declines, simplified pricing and bundle discounts.

Fourth-quarter operating expenses were $11.7 billion, down 1.4% from a year ago as cost synergies offset annual content-cost increases, higher deferral amortization expense, an extra week of NFL Sunday Ticket and new video platform expenses.

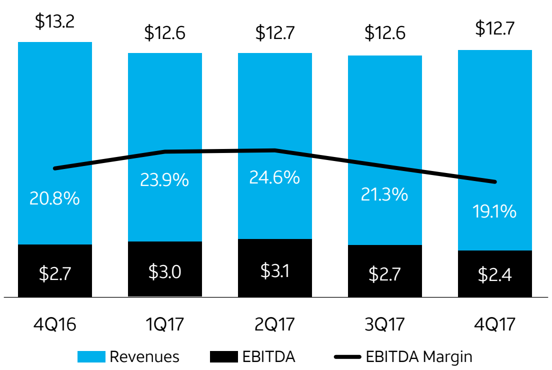
- Operating income totaled $1.1 billion, down 21.4% from the year-ago quarter.
- Fourth-quarter operating income margin was 8.4%, down from 10.3% in the year-earlier quarter.
- Entertainment Group EBITDA margin was 19.1%, compared to 20.8% in the fourth quarter of 2016, with cost efficiencies partially offsetting TV content-cost pressure, declines in legacy services, an extra week of NFL Sunday Ticket, fewer linear subscribers and new video platform expenses. (EBITDA margin is operating income before depreciation and amortization, divided by total Entertainment Group revenues.)

Product Revenues

IN BILLIONS



Revenues and EBITDA Margin



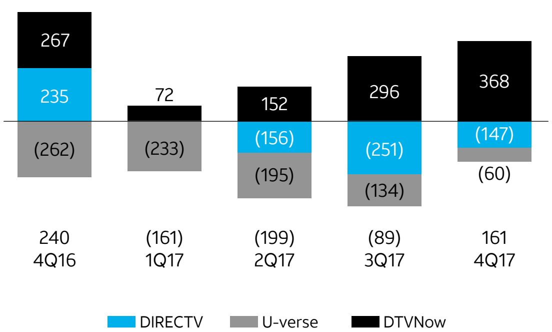
SUBSCRIBER METRICS

Total video subscribers grew by 161,000 in the quarter as DIRECTV NOW subscribers more than offset traditional video declines. The Entertainment Group ended the quarter with 25.2 million total video subscribers.

- Traditional video subscribers declined 207,000 in the fourth quarter due to heightened competition in traditional pay-TV markets and over-the-top services. Satellite subscribers declined by 147,000 in the quarter and IPTV subscribers declined by 60,000. About 85% of the traditional video base is now on the satellite platform.

Video Net Adds

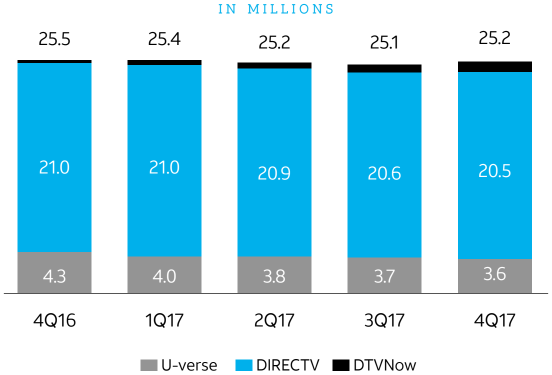
IN THOUSANDS



- DIRECTV NOW added 368,000 subscribers to reach nearly 1.2 million customers. During the quarter, the company began beta testing a new video platform.

Total Video Subscribers

IN MILLIONS

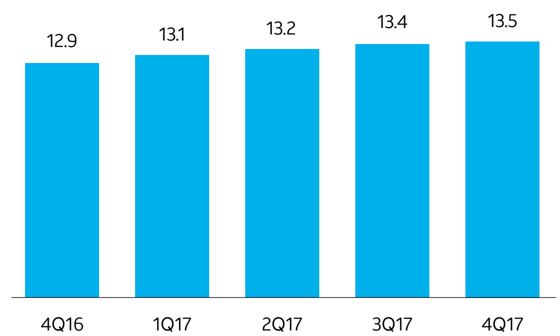


The Entertainment Group continued to gain broadband subscribers in the fourth quarter.

- The Entertainment Group had a net gain of 95,000 IP broadband subscribers in the fourth quarter with DSL losses of 76,000, for total broadband subscriber growth of 19,000. Fewer than 1 million DSL subscribers remain in AT&T's broadband subscriber base. IP broadband subscribers benefitted from the expansion of the fiber network and simplified pricing, and at the end of the quarter, totaled 13.5 million.

IP Broadband Subscribers

IN MILLIONS



- Customers continue to move up broadband speed tiers. About 65% of all IP broadband customers have purchased speed tiers between 18 megabits and 1 gigabit. Customers with speeds of 100 megabits or faster have more than tripled year over year.

- At the same time, the company continues its fiber deployment. The company now markets its 100% fiber network to more than 7 million customer locations in 67 metros. Broadband penetration in the fiber footprint is nearly twice that in the non-fiber footprint.

Consumer Mobility

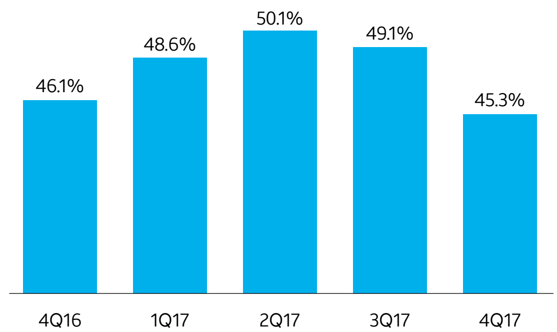
The Consumer Mobility segment provides nationwide wireless service to consumer and wholesale subscribers located in the United States and in U.S. territories. The company's wireless network powers voice and data services, including high-speed internet, video entertainment and home monitoring services.

FINANCIAL HIGHLIGHTS

Total revenues from Consumer Mobility customers totaled $8.3 billion, down 1.7% versus the year-earlier quarter, reflecting lower postpaid service revenues which more than offset higher equipment revenues.

- Fourth-quarter operating expenses were $6.3 billion, up slightly versus the fourth quarter of 2016, reflecting higher smartphone sales, increased cost efficiencies and lower depreciation expense.
- Operating income totaled $2.0 billion, down 7.6% versus the fourth quarter of 2016. Fourth-quarter operating income margin was 24.4%, down 160 basis points from the year-earlier quarter with increased cost efficiencies and lower depreciation expense partially offsetting higher smartphone sales and service revenue pressure.
- Consumer Mobility EBITDA margin was 35.1%, compared to 36.9% in the fourth quarter of 2016. EBITDA service margin was 45.3%, compared to 46.1% in the year-ago quarter. (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues.)

EBITDA Service Margin



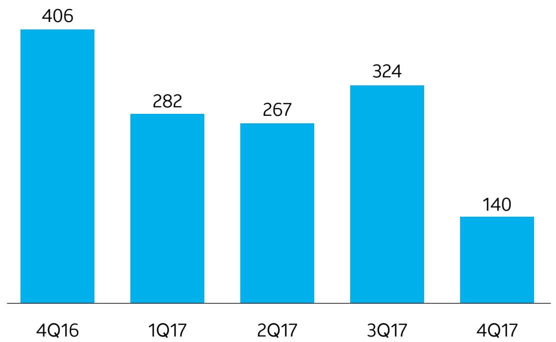
SUBSCRIBER METRICS

At the end of the fourth quarter, AT&T had 51.1 million Consumer Mobility subscribers.

- In the quarter, Consumer Mobility lost 108,000 total subscribers. The company had 320,000 postpaid and 140,000 prepaid net adds partially offsetting a loss of 533,000 reseller and 35,000 connected device subscribers. Effective July 1, 2017, we began reporting prepaid Internet of Things (IoT) connections as a separate class within our prepaid category. These connections primarily relate to customers who actively subscribe for vehicle connectivity. This contributed 55,000 prepaid net adds in the quarter versus 97,000 in the third quarter of 2017.
- Consumer Mobility postpaid churn was 1.18%, down from 1.25% in the year-ago quarter. Consumer Mobility postpaid phone churn was 0.95% versus 1.06% in the year-ago quarter.

Prepaid Net Adds

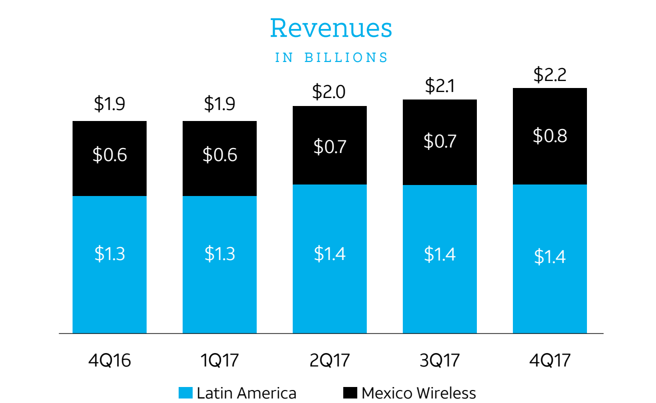
IN THOUSANDS



International

The International segment includes wireless services in Mexico and satellite entertainment services in Latin America. 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.

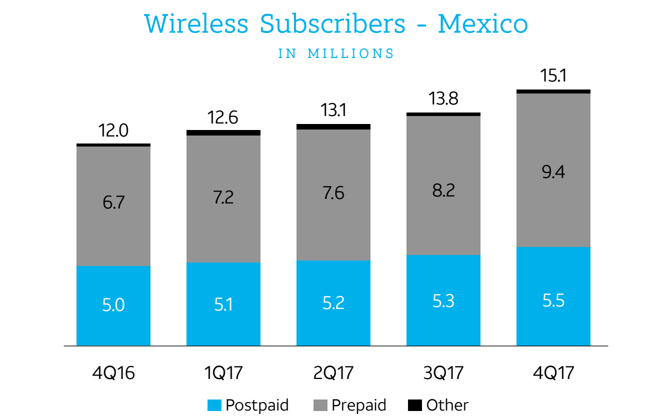
Total International revenues totaled $2.2 billion, up 16.0% from $1.9 billion in the year-ago quarter. Fourth-quarter operating expenses were $2.2 billion. AT&T's International operating loss totaled ($34) million, compared to ($268) million in the year-ago fourth quarter. Fourth-quarter operating income margin was (1.5)%.



MEXICO

AT&T owns and operates a wireless network in Mexico. AT&T covered 96 million people in Mexico with 4G LTE at the end of the fourth quarter and expects to cover 100 million POPs by the end of 2018.

- Revenues in Mexico were $824 million, up 27.2% versus the year-earlier quarter, largely due to subscriber growth, which was partially offset by competitive pricing.
- Fourth-quarter operating loss was ($169) million compared to a loss of ($317) million in the year-ago quarter, reflecting higher equipment revenues and cost efficiencies.
- In the quarter, AT&T added 182,000 postpaid subscribers and 1.2 million prepaid subscribers to reach 15.1 million total wireless subscribers in Mexico, a 26% increase from a year ago.



DIRECTV LATIN AMERICA

DIRECTV Latin America revenues reflect price increases driven by macroeconomic conditions with mixed local currencies. Total revenues from Latin America were $1.4 billion, up 10.3% year over year. Operating income was $135 million with continued positive free cash flow.

- Fourth-quarter subscriber net adds were 139,000. Total subscribers at the end of the quarter were 13.6 million. Sky Mexico had approximately 8.0 million subscribers as of September 30, 2017.

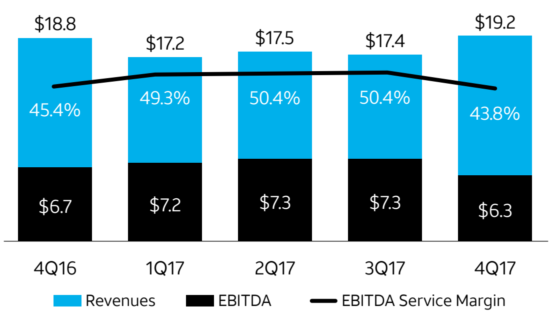
AT&T Mobility

AT&T's U.S. mobility operations are divided between the Business Solutions and Consumer Mobility segments. For comparison purposes, the company is providing supplemental information for its total domestic mobility operations.

FINANCIAL HIGHLIGHTS

Wireless revenues reflected lower service revenues from customers migrating to plans with no overage plans and declines in reseller offset by higher equipment revenues from increased smartphone gross adds and upgrades than in the year-ago quarter.

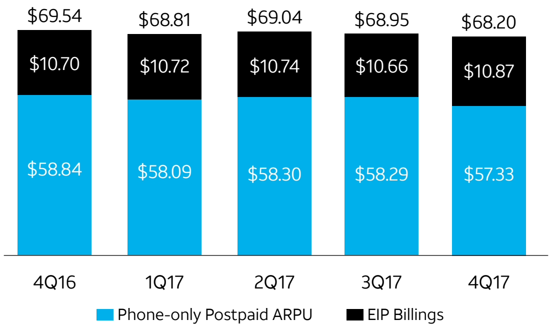
- Total wireless revenues were $19.2 billion, up 2.5% year over year, due to an increase in equipment revenues. Wireless service revenues of $14.3 billion were down 2.5% year over year. Wireless equipment revenues increased 21.0% to $4.9 billion due to increased gross adds and upgrades.
- Fourth-quarter wireless operating expenses totaled $15.0 billion, up 6.1% year over year, reflecting higher volumes partially offset by increased cost efficiencies. Wireless operating income was $4.3 billion, down 8.3% year over year.
- Wireless margins reflected pressure from higher smartphone gross adds and upgrades in the quarter partially offset by continued success in driving operating costs out of the business. AT&T's fourth-quarter wireless operating income margin was 22.1%, compared to 24.7% in the year-earlier quarter.
- Wireless EBITDA margin was 32.7%, compared to 35.7% in the fourth quarter of 2016. Wireless EBITDA service margin was 43.8%, compared to 45.4% in the year-ago quarter.



ARPU

The continued migration to no-device subsidy and no-overage plans is reflected in postpaid service ARPU (average revenues per user).

- Phone-only postpaid ARPU decreased 2.6% versus the year-earlier quarter. Phone-only postpaid ARPU with AT&T Next monthly billings decreased 1.9% year over year as customers continue holding onto their devices after completing AT&T Next payments.

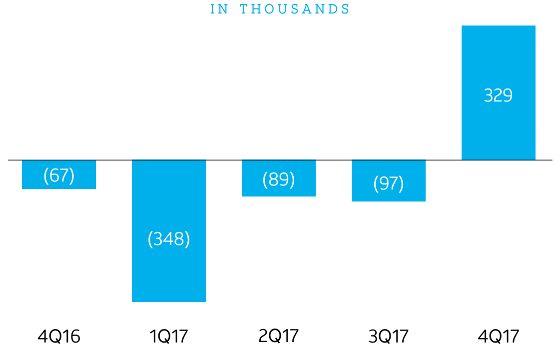


SUBSCRIBER METRICS

In the fourth quarter, AT&T posted a net increase in total wireless subscribers of 2.7 million to reach 141.6 million in service.

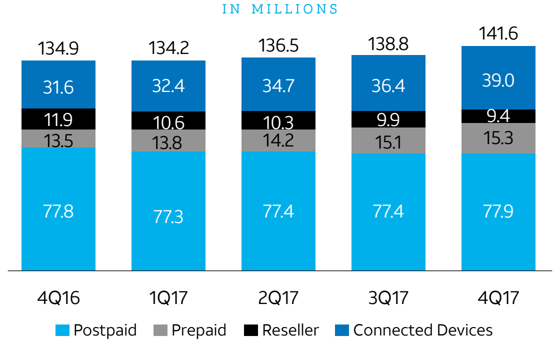
- The company had a net gain of 541,000 postpaid subscribers due to gains in phone and mobile electronics subscribers which more than offset losses in tablets. Postpaid phone net adds were 329,000, a significant improvement year over year. Postpaid smartphone net adds were 400,000. Postpaid tablets and computing devices had a net loss of 230,000 as customers came off tablet contracts.

Postpaid Phone Net Adds
IN THOUSANDS

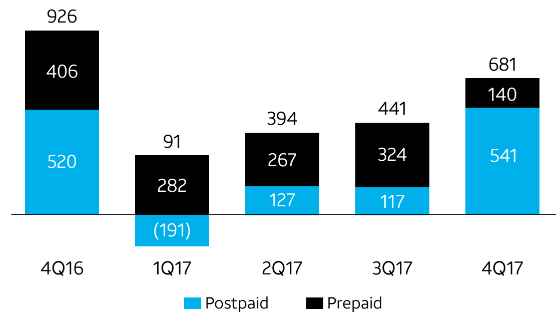


- The company is reporting prepaid IoT connections in its prepaid category. These connections primarily relate to customers who choose to subscribe to vehicle connectivity. The company added 140,000 prepaid subscribers, which included 85,000 prepaid phone subscribers. AT&T also added 2.6 million connected devices in the quarter and lost 529,000 reseller subscribers.

Wireless Subscribers
IN MILLIONS

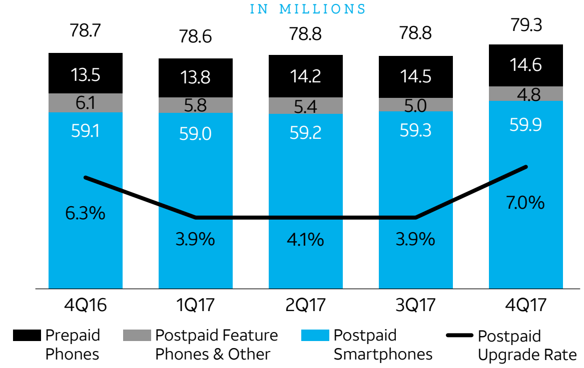


Branded Net Adds
IN THOUSANDS



- The company had 681,000 branded net adds (both postpaid and prepaid) in the quarter, including 448,000 branded smartphones.

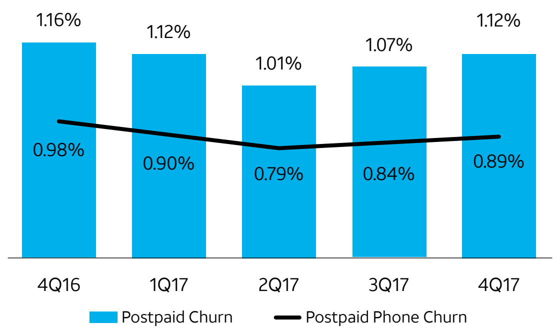
Branded Phone Subscribers & Postpaid Upgrade Rate
IN MILLIONS



SMARTPHONES

The company's branded smartphone base continued to grow in the quarter, and even more customers moved off the subsidy model — either choosing AT&T Next or bringing their own devices.

- The company had 9.2 million branded smartphone gross adds and upgrades in the quarter, including 2.0 million from prepaid. The postpaid upgrade rate in the quarter was 7.0%, the highest in 2 years.



- Sales on AT&T Next were 6.1 million, or 84% of all postpaid smartphone gross adds and upgrades. The company also had 643,000 BYOD gross adds. That means about 93% 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 90% of postpaid smartphone subscribers on no-device-subsidy plans.

CHURN

Postpaid churn was 1.12%, down slightly from the year-ago quarter even with higher tablet churn. Postpaid phone churn was a record low for a fourth quarter at 0.89%, compared to 0.98% in the year-ago quarter. Branded churn was 1.75%, compared to 1.74% in the year-ago quarter. Total churn was 1.38%, down from 1.71% in the year-ago quarter.

Highlights

AT&T helps millions around the globe connect with leading entertainment, mobile, high-speed internet and voice services. The company is one of the world's largest providers of pay TV with customers in the U.S. and 11 Latin American countries. And it helps businesses worldwide serve their customers better with mobility and highly secure cloud solutions.

In recent weeks, AT&T:

WIRELESS

- Continued to lay the foundation for 5G by bringing a better wireless experience through 5G Evolution to a total of 24 metro areas, brought ultra-fast wireless internet to parts of Indianapolis through LTE-LAA and announced plans to launch mobile 5G wireless technology in a dozen cities by the end of 2018.
- Brought customers two new ways to connect to their friends and family while traveling the globe with the launch of International Day Pass, which enables customers to use their plan in 100+ countries for $10/day, only paying for the days used abroad, and AT&T Passport with 1GB, which gives customers more data and more value when traveling to over 200 countries.
- Introduced 4 lines of unlimited data access, talk and text for $100 for Cricket Wireless customers on the Cricket Unlimited 2 smartphone plan.

ENTERTAINMENT

- Debuted a 4K Ultra High Definition, High Dynamic Range (HDR) broadcast in the U.S. on DIRECTV. The company was the first television provider to broadcast live in 4K HDR, and DIRECTV continued to pursue leadership in live 4K content, broadcasting more than 40 live events during the quarter, including sports, music and more.
- Hit a major DIRECTV NOW milestone in early December, passing 1 million subscribers on the platform after one year of service. To celebrate DIRECTV NOW's birthday, AT&T made it easier than ever to try the service by introducing several great offers, including an Apple TV 4K with 4 months of prepaid service, a Roku® Streaming Stick® with 1 month of prepaid service or $25 off your first month of service.
- Continued to expand the number of live local channels available on DIRECTV NOW, adding more than 70 new channels across more than 90 markets that currently receive local channels. This brings the company's total to over 250 local affiliates on the platform.
- Expanded the company's 100% fiber network powered by AT&T Fiber to reach over 7 million locations in parts of 67 metro areas in 2017. The most recent launches including Lexington, Kent and Springfield, Mo.; Corpus Christi, Tex.; Madison, Wis.; Wichita, Kan. and Southeastern Tenn. In 2018, AT&T plans to add 3 million more locations on its path to reach at least 12.5 million locations across at least 82 metro areas by mid-2019.
- Hosted *reputation* Pop Up shops in NYC and L.A. to drive awareness of Taylor Swift NOW available on DIRECTV NOW and debuted "The Making of a Song," an exclusive video series that gives a glimpse into the writing of Taylor Swift's new album, *reputation*, the biggest selling album of 2017.

BUSINESS

- Completed the opt-in process for the First Responder Network Authority's and AT&T's plan to design and build a dedicated wireless broadband network for public safety communities. All 50 states, along with 5 territories and the District of Columbia opted in. This gives first responders nationwide a groundbreaking new choice for their communications.
- Launched 5G fixed wireless trials with Magnolia in Waco, Texas. The trial with the home and lifestyle brand marks AT&T's largest trial in terms of traffic served.
- Announced a global networking agreement with Shell, covering the global provision of managed telecom services and giving AT&T a lead role in network integration for Shell services through 2022. The agreement aligns with Shell's efforts to transform its complex IT operations by adopting more market standard services.
- Was one of three carriers selected by the U.S. Navy to compete for wireless service orders in support of the U.S. Navy and U.S. Marine Corps. The contract is set up for one base year of work and four additional option years.
- Announced the groundbreaking AT&T LTE-M Button in collaboration with Amazon Web Services (AWS) to help make activities such as ordering office supplies or submitting service requests as simple as pushing a button. AT&T also expanded its alliance with AWS to serve customers' cloud, cybersecurity and mobility needs.
- Collaborated with Ford, Nokia and Qualcomm Technologies Inc. to launch Cellular-V2X trials in the U.S., which will help pave the way for automated driving.
- Began testing AT&T Smart Cities Structure Monitoring — a new solution to help improve the safety of roadways and railways.
- Announced AT&T Collaborate – Enhanced Mobile, which blurs the line between fixed and wireless networks. This solution provides a unified voice presence, whether employees are in the office or on the go, by giving them desk phone capabilities on their mobile devices.
- Enhanced the company's position as the largest U.S.-based provider of fiber for business services, providing high-speed fiber connections to nearly 400,000 U.S. business buildings lit with AT&T's fiber nationwide. This covers more than 1.8 million U.S. business customer locations – and we're adding thousands more buildings each month. Across the U.S., more than 8 million business customer locations are either on or within 1,000 feet of AT&T's fiber.[1]

INTERNATIONAL

- Maintained the most reliable voice and data network in Mexico. The company's next generation, high-speed 4G LTE network now covers 96 million people in Mexico, up from 78 million at the end of 2016. The company continues to expect it will reach 100 million people by the end of 2018.
- Continued to deploy AT&T's network in the Mexico City Metro. In 4Q, the company announced Line 7 as the first line with 4G LTE connectivity and free Wi-Fi service.
- Signed smart cities collaboration agreements with Mexico City and the state of Quintana Roo.
- Was awarded first place in the Innovation and Personal Data Protection Best Practices Award, within the Large Companies category, by The National Institute for Transparency, Access to Information and Protection of Personal Data.

[1] The 1.8 million U.S. business customer locations, in AT&T fiber-lit buildings, is included within the 8 million U.S. business customer locations on or within 1,000 feet of our fiber.

FIRST-QUARTER 2018 EARNINGS
DATE: APRIL 25, 2018

AT&T will release first-quarter 2018 earnings on April 25, 2018, after the market closes.

The company's Investor Briefing and related earnings materials will be available on the AT&T website at *https://investors.att.com* by 4:30 p.m. Eastern time.

AT&T will also host a conference call to discuss the results at 4:30 p.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*.

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 & Operational Information

AT&T INC. FINANCIAL DATA

Consolidated Statements of Income

Dollars in millions except per share amounts *Unaudited*	Three Months Ended December 31, **2017**	2016	Percent Change	Twelve Months Ended December 31, **2017**	2016	Percent Change
Operating Revenues						
Service	**$ 36,225**	$ 37,369	-3.1 %	**$ 145,597**	$ 148,884	-2.2 %
Equipment	**5,451**	4,472	21.9 %	**14,949**	14,902	0.3 %
Total Operating Revenues	**41,676**	41,841	-0.4 %	**160,546**	163,786	-2.0 %
Operating Expenses						
Cost of services and sales						
Equipment	**6,532**	5,667	15.3 %	**18,709**	18,757	-0.3 %
Broadcast, programming and operations	**6,003**	5,612	7.0 %	**21,159**	19,851	6.6 %
Other cost of services (exclusive of depreciation and amortization shown separately below)	**9,797**	9,840	-0.4 %	**37,511**	38,276	-2.0 %
Selling, general and administrative	**10,000**	9,984	0.2 %	**34,917**	36,347	-3.9 %
Asset abandonment and impairments	**2,914**	361	- %	**2,914**	361	- %
Depreciation and amortization	**6,071**	6,129	-0.9 %	**24,387**	25,847	-5.6 %
Total Operating Expenses	**41,317**	37,593	9.9 %	**139,597**	139,439	0.1 %
Operating Income	**359**	4,248	-91.5 %	**20,949**	24,347	-14.0 %
Interest Expense	**(1,926)**	(1,221)	57.7 %	**(6,300)**	(4,910)	28.3 %
Equity in Net Income (Loss) of Affiliates	**20**	41	-51.2 %	**(128)**	98	- %
Other Income (Expense) - Net	**264**	123	- %	**618**	277	- %
Income (Loss) Before Income Taxes	**(1,283)**	3,191	- %	**15,139**	19,812	-23.6 %
Income Tax (Benefit) Expense	**(20,419)**	676	- %	**(14,708)**	6,479	- %
Net Income	**19,136**	2,515	- %	**29,847**	13,333	- %
Less: Net Income Attributable to Noncontrolling Interest	**(99)**	(78)	26.9 %	**(397)**	(357)	11.2 %
Net Income Attributable to AT&T	**$ 19,037**	$ 2,437	- %	**$ 29,450**	$ 12,976	- %
Basic Earnings Per Share Attributable to AT&T	**$ 3.08**	$ 0.39	- %	**$ 4.77**	$ 2.10	- %
Weighted Average Common Shares Outstanding (000,000)	**6,163**	6,161	- %	**6,164**	6,168	-0.1 %
Diluted Earnings Per Share Attributable to AT&T	**$ 3.08**	$ 0.39	- %	**$ 4.76**	$ 2.10	- %
Weighted Average Common Shares Outstanding with Dilution (000,000)	**6,182**	6,181	- %	**6,183**	6,189	-0.1 %

AT&T INC. FINANCIAL DATA

Consolidated Balance Sheets		
Dollars in millions		
Unaudited	**Dec. 31, 2017**	Dec. 31, 2016
Assets		
Current Assets		
Cash and cash equivalents	**$ 50,498**	$ 5,788
Accounts receivable - net of allowances for doubtful accounts of $663 and $661	**16,522**	16,794
Prepaid expenses	**1,369**	1,555
Other current assets	**10,757**	14,232
Total current assets	**79,146**	38,369
Property, Plant and Equipment - Net	**125,222**	124,899
Goodwill	**105,449**	105,207
Licenses	**96,136**	94,176
Customer Lists and Relationships - Net	**10,676**	14,243
Other Intangible Assets - Net	**7,464**	8,441
Investments in Equity Affiliates	**1,560**	1,674
Other Assets	**18,444**	16,812
Total Assets	**$ 444,097**	$ 403,821
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 38,374**	$ 9,832
Accounts payable and accrued liabilities	**34,470**	31,138
Advanced billing and customer deposits	**4,213**	4,519
Accrued taxes	**1,262**	2,079
Dividends payable	**3,070**	3,008
Total current liabilities	**81,389**	50,576
Long-Term Debt	**125,972**	113,681
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**43,207**	60,128
Postemployment benefit obligation	**31,775**	33,578
Other noncurrent liabilities	**19,747**	21,748
Total deferred credits and other noncurrent liabilities	**94,729**	115,454
Stockholders' Equity		
Common stock	**6,495**	6,495
Additional paid-in capital	**89,563**	89,604
Retained earnings	**52,029**	34,734
Treasury stock	**(12,714)**	(12,659)
Accumulated other comprehensive income	**5,488**	4,961
Noncontrolling interest	**1,146**	975
Total stockholders' equity	**142,007**	124,110
Total Liabilities and Stockholders' Equity	**$ 444,097**	$ 403,821

AT&T INC. FINANCIAL DATA

Consolidated Statements of Cash Flows				
Dollars in millions	Year Ended			
Unaudited	December 31,			
		2017		2016
Operating Activities				
Net income	**$**	**29,847**	$	13,333
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		**24,387**		25,847
Undistributed earnings from investments in equity affiliates		**174**		(37)
Provision for uncollectible accounts		**1,642**		1,474
Deferred income tax (benefit) expense		**(15,940)**		2,947
Net (gain) loss from sale of investments, net of impairments		**(282)**		(169)
Actuarial loss (gain) on pension and postretirement benefits		**1,258**		1,024
Asset abandonments and impairments		**2,914**		361
Changes in operating assets and liabilities:				
Accounts receivable		**(986)**		(1,003)
Other current assets		**(777)**		1,708
Accounts payable and other accrued liabilities		**816**		118
Equipment installment receivables and related sales		**(263)**		(576)
Deferred fulfillment costs		**(1,422)**		(2,359)
Retirement benefit funding		**(1,066)**		(910)
Other - net		**(1,151)**		(2,414)
Total adjustments		**9,304**		26,011
Net Cash Provided by Operating Activities		**39,151**		39,344
Investing Activities				
Capital expenditures:				
Purchase of property and equipment		**(20,647)**		(21,516)
Interest during construction		**(903)**		(892)
Acquisitions, net of cash acquired		**1,123**		(2,959)
Dispositions		**59**		646
(Purchases) sales of securities, net		**(4)**		506
Other		**1**		-
Net Cash Used in Investing Activities		**(20,371)**		(24,215)
Financing Activities				
Issuance of long-term debt		**48,793**		10,140
Repayment of long-term debt		**(12,339)**		(10,823)
Purchase of treasury stock		**(463)**		(512)
Issuance of treasury stock		**33**		146
Dividends paid		**(12,038)**		(11,797)
Other		**1,944**		(1,616)
Net Cash Provided by (Used in) Financing Activities		**25,930**		(14,462)
Net increase in cash and cash equivalents		**44,710**		667
Cash and cash equivalents beginning of year		**5,788**		5,121
Cash and Cash Equivalents End of Year	**$**	**50,498**	$	5,788

AT&T INC. FINANCIAL DATA

Supplementary Financial Data

Dollars in millions except per share amounts *Unaudited*	Three Months Ended December 31, 2017	2016	Percent Change	Twelve Months Ended December 31, 2017	2016	Percent Change
Capital expenditures						
Purchase of property and equipment	**$ 4,891**	$ 6,233	-21.5 %	**$ 20,647**	$ 21,516	-4.0 %
Interest during construction	**$ 185**	$ 223	-17.0 %	**$ 903**	$ 892	1.2 %
Dividends Declared per Share	**$ 0.50**	$ 0.49	2.0 %	**$ 1.97**	$ 1.93	2.1 %
End of Period Common Shares Outstanding (000,000)				**6,139**	6,139	- %
Debt Ratio				**53.6 %**	49.9 %	370 BP
Total Employees				**254,000**	268,540	-5.4 %

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	December 31, 2017	2016	Percent Change
Wireless Subscribers			
Domestic	**141,567**	134,859	5.0 %
Mexico	**15,099**	11,973	26.1 %
Total Wireless Subscribers	**156,666**	146,832	6.7 %
Total Branded Wireless Subscribers	**108,105**	103,011	4.9 %
Video Connections			
Domestic	**25,270**	25,560	-1.1 %
PanAmericana	**8,270**	7,206	14.8 %
Brazil	**5,359**	5,249	2.1 %
Total Video Connections	**38,899**	38,015	2.3 %
Broadband Connections			
IP	**14,487**	13,864	4.5 %
DSL	**1,232**	1,741	-29.2 %
Total Broadband Connections	**15,719**	15,605	0.7 %
Voice Connections			
Network Access Lines	**11,753**	13,986	-16.0 %
U-verse VoIP Connections	**5,682**	5,787	-1.8 %
Total Retail Consumer Voice Connections	**17,435**	19,773	-11.8 %

	Three Months Ended December 31, 2017	2016	Percent Change	Twelve Months Ended December 31, 2017	2016	Percent Change
Wireless Net Additions						
Domestic	**2,741**	1,522	80.1 %	**9,427**	6,196	52.1 %
Mexico	**1,320**	1,275	3.5 %	**3,126**	3,289	-5.0 %
Total Wireless Net Additions	**4,061**	2,797	45.2 %	**12,553**	9,485	32.3 %
Total Branded Wireless Net Additions	**2,029**	2,221	-8.6 %	**4,811**	6,102	-21.2 %
Video Net Additions						
Domestic	**160**	239	-33.1 %	**(291)**	136	- %
PanAmericana	**69**	67	3.0 %	**232**	140	65.7 %
Brazil	**70**	(88)	- %	**(190)**	(195)	2.6 %
Total Video Net Additions	**299**	218	37.2 %	**(249)**	81	- %
Broadband Net Additions						
IP	**103**	149	-30.9 %	**623**	596	4.5 %
DSL	**(99)**	(162)	38.9 %	**(509)**	(769)	33.8 %
Total Broadband Net Additions	**4**	(13)	- %	**114**	(173)	- %

BUSINESS SOLUTIONS

The Business Solutions segment provides services to business customers, including multinational companies; governmental and wholesale customers; and individual subscribers who purchase wireless services through employer-sponsored plans. We provide advanced IP-based services including Virtual Private Networks (VPN); Ethernet-related products and broadband, collectively referred to as strategic business services; as well as traditional data and voice products. We utilize our wireless and wired networks (referred to as “wired” or “wireline”) to provide a complete communications solution to our business customers.

Segment Results

Dollars in millions *Unaudited*	Three Months Ended December 31, 2017	2016	Percent Change	Twelve Months Ended December 31, 2017	2016	Percent Change
Segment Operating Revenues						
Wireless service	**$ 7,933**	$ 7,982	-0.6 %	**$ 31,902**	$ 31,850	0.2 %
Fixed strategic services	**3,138**	2,962	5.9 %	**12,227**	11,431	7.0 %
Legacy voice and data services	**3,359**	3,793	-11.4 %	**13,931**	16,370	-14.9 %
Other service and equipment	**938**	947	-1.0 %	**3,451**	3,566	-3.2 %
Wireless equipment	**3,022**	2,349	28.7 %	**7,895**	7,771	1.6 %
Total Segment Operating Revenues	**18,390**	18,033	2.0 %	**69,406**	70,988	-2.2 %
Segment Operating Expenses						
Operations and support expenses	**12,207**	11,746	3.9 %	**42,929**	44,330	-3.2 %
Depreciation and amortization	**2,354**	2,264	4.0 %	**9,326**	9,832	-5.1 %
Total Segment Operating Expenses	**14,561**	14,010	3.9 %	**52,255**	54,162	-3.5 %
Segment Operating Income	**3,829**	4,023	-4.8 %	**17,151**	16,826	1.9 %
Equity in Net Income (Loss) of Affiliates	**(1)**	-	- %	**(1)**	-	- %
Segment Contribution	**$ 3,828**	$ 4,023	-4.8 %	**$ 17,150**	$ 16,826	1.9 %
Segment Operating Income Margin	**20.8 %**	22.3 %		**24.7 %**	23.7 %	

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	December 31, 2017	2016	Percent Change
Business Solutions Wireless Subscribers			
Postpaid/Branded	**51,811**	50,688	2.2 %
Reseller	**87**	65	33.8 %
Connected Devices	**38,534**	30,649	25.7 %
Total Business Solutions Wireless Subscribers	**90,432**	81,402	11.1 %
Business Solutions IP Broadband Connections	**1,025**	977	4.9 %

	Three Months Ended December 31, 2017	2016	Percent Change	Twelve Months Ended December 31, 2017	2016	Percent Change
Business Solutions Wireless Net Additions						
Postpaid/Branded	**221**	250	-11.6 %	**147**	759	-80.6 %
Reseller	**4**	1	- %	**7**	(33)	- %
Connected Devices	**2,624**	1,263	- %	**9,639**	5,330	80.8 %
Total Business Solutions Wireless Net Additions	**2,849**	1,514	88.2 %	**9,793**	6,056	61.7 %
Business Solutions Wireless Postpaid Churn	**1.08 %**	1.11 %	-3 BP	**1.04 %**	1.00 %	4 BP
Business Solutions IP Broadband Net Additions	**7**	14	-50.0 %	**48**	66	-27.3 %

ENTERTAINMENT GROUP

The Entertainment Group segment provides video, internet, voice communication, and interactive and targeted advertising services to customers located in the U.S. or in U.S. territories. We utilize our copper and IP-based wired network and/or our satellite technology.

Segment Results

Dollars in millions *Unaudited*	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Percent Change	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Percent Change
Segment Operating Revenues						
Video entertainment	**$ 9,355**	$ 9,567	-2.2 %	**$ 36,728**	$ 36,460	0.7 %
High-speed internet	**1,890**	1,910	-1.0 %	**7,674**	7,472	2.7 %
Legacy voice and data services	**910**	1,104	-17.6 %	**3,920**	4,829	-18.8 %
Other service and equipment	**590**	625	-5.6 %	**2,376**	2,534	-6.2 %
Total Segment Operating Revenues	**12,745**	13,206	-3.5 %	**50,698**	51,295	-1.2 %
Segment Operating Expenses						
Operations and support expenses	**10,308**	10,463	-1.5 %	**39,420**	39,338	0.2 %
Depreciation and amortization	**1,367**	1,381	-1.0 %	**5,623**	5,862	-4.1 %
Total Segment Operating Expenses	**11,675**	11,844	-1.4 %	**45,043**	45,200	-0.3 %
Segment Operating Income	**1,070**	1,362	-21.4 %	**5,655**	6,095	-7.2 %
Equity in Net Income (Loss) of Affiliates	**(7)**	8	- %	**(30)**	9	- %
Segment Contribution	**$ 1,063**	$ 1,370	-22.4 %	**$ 5,625**	$ 6,104	-7.8 %
Segment Operating Income Margin	**8.4 %**	10.3 %		**11.2 %**	11.9 %	

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	December 31, 2017	December 31, 2016	Percent Change
Video Connections			
Satellite	**20,458**	21,012	-2.6 %
U-verse	**3,631**	4,253	-14.6 %
DIRECTV NOW	**1,155**	267	- %
Total Video Connections	**25,244**	25,532	-1.1 %
Broadband Connections			
IP	**13,462**	12,888	4.5 %
DSL	**888**	1,291	-31.2 %
Total Broadband Connections	**14,350**	14,179	1.2 %
Voice Connections			
Retail Consumer Switched Access Lines	**4,774**	5,853	-18.4 %
U-verse Consumer VoIP Connections	**5,222**	5,425	-3.7 %
Total Retail Consumer Voice Connections	**9,996**	11,278	-11.4 %

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Percent Change	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Percent Change
Video Net Additions						
Satellite	**(147)**	235	- %	**(554)**	1,228	- %
U-verse	**(60)**	(262)	77.1 %	**(622)**	(1,361)	54.3 %
DIRECTV NOW	**368**	267	37.8 %	**888**	267	- %
Total Video Net Additions	**161**	240	-32.9 %	**(288)**	134	- %
Broadband Net Additions						
IP	**95**	136	-30.1 %	**574**	532	7.9 %
DSL	**(76)**	(133)	42.9 %	**(403)**	(639)	36.9 %
Total Broadband Net Additions	**19**	3	- %	**171**	(107)	- %

CONSUMER MOBILITY

The Consumer Mobility segment provides nationwide wireless service to consumers and wholesale and resale wireless subscribers located in the U.S. or in U.S. territories. We utilize our U.S. wireless network to provide voice and data services, including high-speed internet, video, and home monitoring services.

Segment Results

Dollars in millions *Unaudited*	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Percent Change	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Percent Change
Segment Operating Revenues						
Service	**$ 6,409**	$ 6,731	-4.8 %	**$ 26,053**	$ 27,536	-5.4 %
Equipment	**1,864**	1,688	10.4 %	**5,499**	5,664	-2.9 %
Total Segment Operating Revenues	**8,273**	8,419	-1.7 %	**31,552**	33,200	-5.0 %
Segment Operating Expenses						
Operations and support expenses	**5,367**	5,316	1.0 %	**18,966**	19,659	-3.5 %
Depreciation and amortization	**886**	918	-3.5 %	**3,507**	3,716	-5.6 %
Total Segment Operating Expenses	**6,253**	6,234	0.3 %	**22,473**	23,375	-3.9 %
Segment Operating Income	**2,020**	2,185	-7.6 %	**9,079**	9,825	-7.6 %
Equity in Net Income of Affiliates	**-**	-	- %	**-**	-	- %
Segment Contribution	**$ 2,020**	$ 2,185	-7.6 %	**$ 9,079**	$ 9,825	-7.6 %
Segment Operating Income Margin	**24.4 %**	26.0 %		**28.8 %**	29.6 %	

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	December 31, 2017	December 31, 2016	Percent Change
Consumer Mobility Subscribers			
Postpaid	**26,064**	27,095	-3.8 %
Prepaid	**15,335**	13,536	13.3 %
Branded	**41,399**	40,631	1.9 %
Reseller	**9,279**	11,884	-21.9 %
Connected Devices	**457**	942	-51.5 %
Total Consumer Mobility Subscribers	**51,135**	53,457	-4.3 %

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Percent Change	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Percent Change
Consumer Mobility Net Additions						
Postpaid	**320**	270	18.5 %	**447**	359	24.5 %
Prepaid[1]	**140**	406	-65.5 %	**1,013**	1,575	-35.7 %
Branded	**460**	676	-32.0 %	**1,460**	1,934	-24.5 %
Reseller	**(533)**	(673)	20.8 %	**(1,878)**	(1,813)	-3.6 %
Connected Devices[1]	**(35)**	5	- %	**52**	19	- %
Total Consumer Mobility Net Additions	**(108)**	8	- %	**(366)**	140	- %
Total Churn	**2.48 %**	2.43 %	5 BP	**2.36 %**	2.15 %	21 BP
Postpaid Churn	**1.18 %**	1.25 %	-7 BP	**1.17 %**	1.19 %	-2 BP

[1]Effective July 1, 2017 we prospectively reclassified prepaid internet of things (IoT) connections from connected devices to prepaid.

INTERNATIONAL

The International segment provides entertainment services in Latin America and wireless services in Mexico. Video entertainment services are provided to primarily residential customers using satellite technology. We utilize our regional and national wireless networks in Mexico to provide consumer and business customers with wireless data and voice communication services. Our international subsidiaries conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates.

Segment Results

Dollars in millions *Unaudited*	Three Months Ended December 31, 2017	2016	Percent Change	Twelve Months Ended December 31, 2017	2016	Percent Change
Segment Operating Revenues						
Video entertainment	**$ 1,391**	$ 1,261	10.3 %	**$ 5,456**	$ 4,910	11.1 %
Wireless service	**501**	477	5.0 %	**2,047**	1,905	7.5 %
Wireless equipment	**323**	171	88.9 %	**766**	468	63.7 %
Total Segment Operating Revenues	**2,215**	1,909	16.0 %	**8,269**	7,283	13.5 %
Segment Operating Expenses						
Operations and support expenses	**1,936**	1,879	3.0 %	**7,404**	6,830	8.4 %
Depreciation and amortization	**313**	298	5.0 %	**1,218**	1,166	4.5 %
Total Segment Operating Expenses	**2,249**	2,177	3.3 %	**8,622**	7,996	7.8 %
Segment Operating Income (Loss)	**(34)**	(268)	87.3 %	**(353)**	(713)	50.5 %
Equity in Net Income of Affiliates	**25**	28	-10.7 %	**87**	52	67.3 %
Segment Contribution	**$ (9)**	$ (240)	96.3 %	**$ (266)**	$ (661)	59.8 %
Segment Operating Income Margin	**(1.5) %**	(14.0) %		**(4.3) %**	(9.8) %	

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	December 31, 2017	2016	Percent Change
Mexican Wireless Subscribers			
Postpaid	**5,498**	4,965	10.7 %
Prepaid	**9,397**	6,727	39.7 %
Branded	**14,895**	11,692	27.4 %
Reseller	**204**	281	-27.4 %
Total Mexican Wireless Subscribers	**15,099**	11,973	26.1 %
Latin America Satellite Subscribers			
PanAmericana	**8,270**	7,206	14.8 %
SKY Brazil	**5,359**	5,249	2.1 %
Total Latin America Satellite Subscribers	**13,629**	12,455	9.4 %

	Three Months Ended December 31, 2017	2016	Percent Change	Twelve Months Ended December 31, 2017	2016	Percent Change
Mexican Wireless Net Additions						
Postpaid	**182**	233	-21.9 %	**533**	677	-21.3 %
Prepaid	**1,166**	1,062	9.8 %	**2,670**	2,732	-2.3 %
Branded	**1,348**	1,295	4.1 %	**3,203**	3,409	-6.0 %
Reseller	**(28)**	(20)	-40.0 %	**(77)**	(120)	35.8 %
Total Mexican Wireless Net Additions	**1,320**	1,275	3.5 %	**3,126**	3,289	-5.0 %
Latin America Satellite Net Additions						
PanAmericana	**69**	67	3.0 %	**232**	140	65.7 %
SKY Brazil	**70**	(88)	- %	**(190)**	(195)	2.6 %
Total Latin America Satellite Net Additions	**139**	(21)	- %	**42**	(55)	- %

SUPPLEMENTAL OPERATING INFORMATION - AT&T MOBILITY

As a supplemental discussion of our operating results, for comparison purposes, we are providing a view of our combined domestic wireless operations (AT&T Mobility).

Operating Results

Dollars in millions *Unaudited*	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Percent Change	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Percent Change
Operating Revenues						
Service	**$ 14,342**	$ 14,713	-2.5 %	**$ 57,955**	$ 59,386	-2.4 %
Equipment	**4,886**	4,037	21.0 %	**13,394**	13,435	-0.3 %
Total Operating Revenues	**19,228**	18,750	2.5 %	**71,349**	72,821	-2.0 %
Operating Expenses						
Operations and support expenses	**12,947**	12,064	7.3 %	**43,255**	43,886	-1.4 %
Depreciation and amortization	**2,028**	2,048	-1.0 %	**8,027**	8,292	-3.2 %
Total Operating Expenses	**14,975**	14,112	6.1 %	**51,282**	52,178	-1.7 %
Operating Income	**$ 4,253**	$ 4,638	-8.3 %	**$ 20,067**	$ 20,643	-2.8 %
Operating Income Margin	**22.1 %**	24.7 %		**28.1 %**	28.3 %	

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	December 31, 2017	December 31, 2016	Percent Change
AT&T Mobility Subscribers			
Postpaid	**77,875**	77,783	0.1 %
Prepaid	**15,335**	13,536	13.3 %
Branded	**93,210**	91,319	2.1 %
Reseller	**9,366**	11,949	-21.6 %
Connected Devices	**38,991**	31,591	23.4 %
Total AT&T Mobility Subscribers	**141,567**	134,859	5.0 %
Domestic Licensed POPs (000,000)	**326**	322	1.2 %

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Percent Change	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016	Percent Change
AT&T Mobility Net Additions						
Postpaid	**541**	520	4.0 %	**594**	1,118	-46.9 %
Prepaid[1]	**140**	406	-65.5 %	**1,013**	1,575	-35.7 %
Branded	**681**	926	-26.5 %	**1,607**	2,693	-40.3 %
Reseller	**(529)**	(672)	21.3 %	**(1,871)**	(1,846)	-1.4 %
Connected Devices[1]	**2,589**	1,268	- %	**9,691**	5,349	81.2 %
Total AT&T Mobility Net Additions	**2,741**	1,522	80.1 %	**9,427**	6,196	52.1 %
M&A Activity, Partitioned Customers and Other Adjustments	**-**	(1)	- %	**(2,719)**	23	- %
Total Churn	**1.38 %**	1.71 %	-33 BP	**1.36 %**	1.48 %	-12 BP
Postpaid Churn	**1.12 %**	1.16 %	-4 BP	**1.08 %**	1.07 %	1 BP

[1]Effective July 1, 2017 we prospectively reclassified prepaid internet of things (IoT) connections from connected devices to prepaid.

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended

Dollars in millions
Unaudited

December 31, 2017

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	**$ 18,390**	**$ 12,207**	**$ 6,183**	**$ 2,354**	**$ 3,829**	**$ (1)**	**$ 3,828**
Entertainment Group	**12,745**	**10,308**	**2,437**	**1,367**	**1,070**	**(7)**	**1,063**
Consumer Mobility	**8,273**	**5,367**	**2,906**	**886**	**2,020**	**-**	**2,020**
International	**2,215**	**1,936**	**279**	**313**	**(34)**	**25**	**(9)**
Segment Total	**41,623**	**29,818**	**11,805**	**4,920**	**6,885**	**$ 17**	**$ 6,902**
Corporate and Other	**207**	**157**	**50**	**18**	**32**		
Acquisition-related items	**-**	**176**	**(176)**	**1,100**	**(1,276)**		
Certain Significant items	**(154)**	**5,095**	**(5,249)**	**33**	**(5,282)**		
AT&T Inc.	**$ 41,676**	**$ 35,246**	**$ 6,430**	**$ 6,071**	**$ 359**		

December 31, 2016

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	$ 18,033	$ 11,746	$ 6,287	$ 2,264	$ 4,023	$ -	$ 4,023
Entertainment Group	13,206	10,463	2,743	1,381	1,362	8	1,370
Consumer Mobility	8,419	5,316	3,103	918	2,185	-	2,185
International	1,909	1,879	30	298	(268)	28	(240)
Segment Total	41,567	29,404	12,163	4,861	7,302	$ 36	$ 7,338
Corporate and Other	284	233	51	11	40		
Acquisition-related items	-	385	(385)	1,228	(1,613)		
Certain Significant items	(10)	1,442	(1,452)	29	(1,481)		
AT&T Inc.	$ 41,841	$ 31,464	$ 10,377	$ 6,129	$ 4,248		

Twelve Months Ended

Dollars in millions
Unaudited

December 31, 2017

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	**$ 69,406**	**$ 42,929**	**$ 26,477**	**$ 9,326**	**$ 17,151**	**$ (1)**	**$ 17,150**
Entertainment Group	**50,698**	**39,420**	**11,278**	**5,623**	**5,655**	**(30)**	**5,625**
Consumer Mobility	**31,552**	**18,966**	**12,586**	**3,507**	**9,079**	**-**	**9,079**
International	**8,269**	**7,404**	**865**	**1,218**	**(353)**	**87**	**(266)**
Segment Total	**159,925**	**108,719**	**51,206**	**19,674**	**31,532**	**$ 56**	**$ 31,588**
Corporate and Other	**864**	**554**	**310**	**72**	**238**		
Acquisition-related items	**-**	**798**	**(798)**	**4,608**	**(5,406)**		
Certain Significant items	**(243)**	**5,139**	**(5,382)**	**33**	**(5,415)**		
AT&T Inc.	**$ 160,546**	**$ 115,210**	**$ 45,336**	**$ 24,387**	**$ 20,949**		

December 31, 2016

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	$ 70,988	$ 44,330	$ 26,658	$ 9,832	$ 16,826	$ -	$ 16,826
Entertainment Group	51,295	39,338	11,957	5,862	6,095	9	6,104
Consumer Mobility	33,200	19,659	13,541	3,716	9,825	-	9,825
International	7,283	6,830	453	1,166	(713)	52	(661)
Segment Total	162,766	110,157	52,609	20,576	32,033	$ 61	$ 32,094
Corporate and Other	1,043	1,173	(130)	65	(195)		
Acquisition-related items	-	1,203	(1,203)	5,177	(6,380)		
Certain Significant items	(23)	1,059	(1,082)	29	(1,111)		
AT&T Inc.	$ 163,786	$ 113,592	$ 50,194	$ 25,847	$ 24,347		

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.

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	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
Net cash provided by operating activities	**$ 9,877**	$ 10,142	**$ 39,151**	$ 39,344
Less: Capital expenditures	**(5,076)**	(6,456)	**(21,550)**	(22,408)
Free Cash Flow	**4,801**	3,686	**17,601**	16,936
Less: Dividends paid	**(3,008)**	(2,947)	**(12,038)**	(11,797)
Free Cash Flow after Dividends	**$ 1,793**	$ 739	**$ 5,563**	$ 5,139
Free Cash Flow Dividend Payout Ratio	**62.7%**	80.0%	**68.4%**	69.7%

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 results, EBITDA excludes equity in net income (loss) of affiliates, and depreciation and amortization from segment contribution. For our supplemental presentation of our combined domestic wireless operations (AT&T Mobility) and our supplemental presentation of the Mexico Wireless and Latin America operations of our International segment, EBITDA excludes depreciation and amortization from operating income.

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 segment 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 segment managers are responsible and upon which we evaluate their performance. Management uses Mexico Wireless EBITDA in evaluating profitability trends after our two Mexico wireless acquisitions in 2015, and our investments in building a nationwide LTE network by end of 2018. Management uses Latin America EBITDA in evaluating the ability of our Latin America operations to generate cash to finance its own operations.

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 Consumer Mobility segment operating margin and our supplemental AT&T Mobility 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	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Twelve Months Ended December 31, 2017	Twelve Months Ended December 31, 2016
Net Income	**$ 19,136**	$ 2,515	**$ 29,847**	$ 13,333
Additions:				
Income Tax (Benefit) Expense	**(20,419)**	676	**(14,708)**	6,479
Interest Expense	**1,926**	1,221	**6,300**	4,910
Equity in Net (Income) Loss of Affiliates	**(20)**	(41)	**128**	(98)
Other (Income) Expense - Net	**(264)**	(123)	**(618)**	(277)
Depreciation and amortization	**6,071**	6,129	**24,387**	25,847
EBITDA	**6,430**	10,377	**45,336**	50,194
Total Operating Revenues	**41,676**	41,841	**160,546**	163,786
Service Revenues	**36,225**	37,369	**145,597**	148,884
EBITDA Margin	**15.4%**	24.8%	**28.2%**	30.6%
EBITDA Service Margin	**17.8%**	27.8%	**31.1%**	33.7%

Segment EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
Business Solutions Segment				
Segment Contribution	**$ 3,828**	$ 4,023	**$ 17,150**	$ 16,826
Additions:				
Equity in Net (Income) Loss of Affiliates	**1**	-	**1**	-
Depreciation and amortization	**2,354**	2,264	**9,326**	9,832
EBITDA	**6,183**	6,287	**26,477**	26,658
Total Segment Operating Revenues	**18,390**	18,033	**69,406**	70,988
Segment Operating Income Margin	**20.8%**	22.3%	**24.7%**	23.7%
EBITDA Margin	**33.6%**	34.9%	**38.1%**	37.6%
Entertainment Group Segment				
Segment Contribution	**$ 1,063**	$ 1,370	**$ 5,625**	$ 6,104
Additions:				
Equity in Net (Income) Loss of Affiliates	**7**	(8)	**30**	(9)
Depreciation and amortization	**1,367**	1,381	**5,623**	5,862
EBITDA	**2,437**	2,743	**11,278**	11,957
Total Segment Operating Revenues	**12,745**	13,206	**50,698**	51,295
Segment Operating Income Margin	**8.4%**	10.3%	**11.2%**	11.9%
EBITDA Margin	**19.1%**	20.8%	**22.2%**	23.3%
Consumer Mobility Segment				
Segment Contribution	**$ 2,020**	$ 2,185	**$ 9,079**	$ 9,825
Additions:				
Depreciation and amortization	**886**	918	**3,507**	3,716
EBITDA	**2,906**	3,103	**12,586**	13,541
Total Segment Operating Revenues	**8,273**	8,419	**31,552**	33,200
Service Revenues	**6,409**	6,731	**26,053**	27,536
Segment Operating Income Margin	**24.4%**	26.0%	**28.8%**	29.6%
EBITDA Margin	**35.1%**	36.9%	**39.9%**	40.8%
EBITDA Service Margin	**45.3%**	46.1%	**48.3%**	49.2%
International Segment				
Segment Contribution	**$ (9)**	$ (240)	**$ (266)**	$ (661)
Additions:				
Equity in Net (Income) of Affiliates	**(25)**	(28)	**(87)**	(52)
Depreciation and amortization	**313**	298	**1,218**	1,166
EBITDA	**279**	30	**865**	453
Total Segment Operating Revenues	**2,215**	1,909	**8,269**	7,283
Segment Operating Income Margin	**-1.5%**	-14.0%	**-4.3%**	-9.8%
EBITDA Margin	**12.6%**	1.6%	**10.5%**	6.2%

Supplemental AT&T Mobility EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
AT&T Mobility				
Operating Income	**$ 4,253**	$ 4,638	**$ 20,067**	$ 20,643
Add: Depreciation and amortization	**2,028**	2,048	**8,027**	8,292
EBITDA	**6,281**	6,686	**28,094**	28,935
Total Operating Revenues	**19,228**	18,750	**71,349**	72,821
Service Revenues	**14,342**	14,713	**57,955**	59,386
Operating Income Margin	**22.1%**	24.7%	**28.1%**	28.3%
EBITDA Margin	**32.7%**	35.7%	**39.4%**	39.7%
EBITDA Service Margin	**43.8%**	45.4%	**48.5%**	48.7%

Supplemental Latin America EBITDA and EBITDA Margin				
Dollars in millions	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
International - Latin America				
Operating Income	**$ 135**	$ 49	**$ 435**	$ 228
Add: Depreciation and amortization	**207**	215	**849**	835
EBITDA	**342**	264	**1,284**	1,063
Total Operating Revenues	**1,391**	1,261	**5,456**	4,910
Operating Income Margin	**9.7%**	3.9%	**8.0%**	4.6%
EBITDA Margin	**24.6%**	20.9%	**23.5%**	21.6%

Supplemental Mexico EBITDA and EBITDA Margin				
Dollars in millions	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
International - Mexico				
Operating Income (Loss)	**$ (169)**	$ (317)	**$ (788)**	$ (941)
Add: Depreciation and amortization	**106**	83	**369**	331
EBITDA	**(63)**	(234)	**(419)**	(610)
Total Operating Revenues	**824**	648	**2,813**	2,373
Operating Income Margin	**-20.5%**	-48.9%	**-28.0%**	-39.7%
EBITDA Margin	**-7.6%**	-36.1%	**-14.9%**	-25.7%

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 (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. Certain foreign operations with losses, where such losses are not realizable for tax purposes, are not tax effected, resulting in no tax impact for Venezuelan devaluation. For years prior to 2017, adjustments related to Mexico operations were taxed at the 30% marginal rate for Mexico.

Adjusting Items				
Dollars in millions	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
Operating Revenues				
Natural disaster revenue credits	**$ 154**	$ 10	**$ 243**	$ 23
Adjustments to Operating Revenues	**154**	10	**243**	23
Operating Expenses				
DIRECTV and other video merger integration costs	**95**	259	**412**	754
Mexico merger integration costs	**19**	78	**172**	309
Time Warner and other merger costs	**63**	47	**214**	47
Wireless merger integration costs	**-**	1	**-**	93
Actuarial (gain) loss	**1,517**	1,024	**1,258**	1,024
Asset abandonments and impairments	**2,914**	361	**2,914**	361
Employee separation costs	**177**	30	**445**	344
Tax reform special bonus	**220**	-	**220**	-
Natural disaster costs	**265**	27	**384**	44
(Gain) loss on transfer of wireless spectrum	**-**	-	**(181)**	(714)
Venezuela devaluation	**-**	-	**98**	-
Adjustments to Operations and Support Expenses	**5,270**	1,827	**5,936**	2,262
Amortization of intangible assets	**1,100**	1,228	**4,608**	5,177
Impairments	**33**	29	**33**	29
Adjustments to Operating Expenses	**6,403**	3,084	**10,577**	7,468
Other				
Merger-related interest and fees[1]	**432**	-	**1,104**	16
Debt exchange costs, (gain) loss on sale of assets, impairments and other adjustments	**161**	28	**382**	32
Adjustments to Income Before Income Taxes	**7,150**	3,122	**12,306**	7,539
Tax impact of adjustments	**1,908**	1,097	**3,625**	2,618
Tax reform	**19,455**	-	**19,455**	-
Tax-related items	**-**	359	**(146)**	359
Adjustments to Net Income	**$ (14,213)**	$ 1,666	**$ (10,628)**	$ 4,562

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

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	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
Operating Income	**$ 359**	$ 4,248	**$ 20,949**	$ 24,347
Adjustments to Operating Revenues	**154**	10	**243**	23
Adjustments to Operating Expenses	**6,403**	3,084	**10,577**	7,468
Adjusted Operating Income[1]	**6,916**	7,342	**31,769**	31,838
EBITDA	**6,430**	10,377	**45,336**	50,194
Adjustments to Operating Revenues	**154**	10	**243**	23
Adjustments to Operations and Support Expenses	**5,270**	1,827	**5,936**	2,262
Adjusted EBITDA[1]	**11,854**	12,214	**51,515**	52,479
Total Operating Revenues	**41,676**	41,841	**160,546**	163,786
Adjustments to Operating Revenues	**154**	10	**243**	23
Total Adjusted Operating Revenues	**41,830**	41,851	**160,789**	163,809
Service Revenues	**36,225**	37,369	**145,597**	148,884
Adjustments to Service Revenues	**154**	10	**243**	23
Adjusted Service Revenues	**36,379**	37,379	**145,840**	148,907
Operating Income Margin	**0.9%**	10.2%	**13.0%**	14.9%
Adjusted Operating Income Margin[1]	**16.5%**	17.5%	**19.8%**	19.4%
Adjusted EBITDA Margin[1]	**28.3%**	29.2%	**32.0%**	32.0%
Adjusted EBITDA Service Margin[1]	**32.6%**	32.7%	**35.3%**	35.2%

[1] Adjusted Operating Income, Adjusted EBITDA and associated margins exclude all actuarial gains or losses ($1.3 billion loss for the year end 2017) associated with our postemployment benefit plan, which we immediately recognize in the income statement, pursuant to our accounting policy for the recognition of actuarial gains/losses. As a result, Adjusted Operating Income and Margin reflect an expected return on plan assets of $3.5 billion (based on an average expected return on plan assets of 7.75% for our pension trust and 5.75% for our VEBA trusts), rather than the actual return on plan assets of $6.6 billion (actual pension return of 14.6% and VEBA return of 10.7%), included in the GAAP measure of income.

Adjusted Diluted EPS				
	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2017	2016	**2017**	2016
Diluted Earnings Per Share (EPS)	**$ 3.08**	$ 0.39	**$ 4.76**	$ 2.10
Amortization of intangible assets	**0.12**	0.13	**0.50**	0.55
Merger integration items[1]	**0.07**	0.04	**0.21**	0.13
Asset abandonments, impairments and natural disasters	**0.41**	0.05	**0.45**	0.05
Actuarial (gain) loss	**0.19**	0.10	**0.16**	0.10
(Gain) loss on transfer of wireless spectrum	**-**	-	**(0.02)**	(0.07)
Other[2]	**0.07**	0.01	**0.13**	0.04
Tax reform	**(3.16)**	-	**(3.16)**	-
Tax-related items	**-**	(0.06)	**0.02**	(0.06)
Adjusted EPS	**$ 0.78**	$ 0.66	**$ 3.05**	$ 2.84
Year-over-year growth - Adjusted	**18.2%**		**7.4%**	
Weighted Average Common Shares Outstanding with Dilution (000,000)	**6,182**	6,181	**6,183**	6,189

[1]Includes combined merger integration items and merger-related interest income and expense.
[2]Includes employee-related charges, Venezuela devaluation, debt exchange costs.

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. The Net Debt to Adjusted EBITDA ratio is calculated by dividing the Net Debt by annualized 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 Adjusted EBITDA is calculated by annualizing the year-to-date Adjusted EBITDA.

Net Debt to Adjusted EBITDA					
Dollars in millions	Three Months Ended				
	Mar. 31, 2017	**Jun. 30, 2017**	**Sep. 30, 2017**	**Dec. 31, 2017**	**YTD 2017**
Adjusted EBITDA	$ 13,080	$ 13,587	$ 12,994	$ 11,854	**$ 51,515**
Add back severance	-	(60)	(208)	(177)	**(445)**
Net Debt Adjusted EBITDA	13,080	13,527	12,786	11,677	**51,070**
Annualized Adjusted EBITDA					**51,070**
End-of-period current debt					**38,374**
End-of-period long-term debt					**125,972**
Total End-of-Period Debt					**164,346**
Less: Cash and Cash Equivalents					**50,498**
Net Debt Balance					**113,848**
Annualized Net Debt to Adjusted EBITDA Ratio					**2.23**

SUPPLEMENTAL OPERATIONAL MEASURES

We provide a supplemental discussion of our domestic wireless operations that is calculated by combining our Consumer Mobility and Business Solutions segments, and then adjusting to remove non-wireless operations. The following table presents a reconciliation of our supplemental AT&T Mobility results

Supplemental Operational Measure

Three Months Ended

	December 31, 2017				December 31, 2016			
	Consumer Mobility	**Business Solutions**	**Adjustments[1]**	**AT&T Mobility**	Consumer Mobility	Business Solutions	Adjustments[1]	AT&T Mobility
Operating Revenues								
Wireless service	$ 6,409	$ 7,933	$ -	$ 14,342	$ 6,731	$ 7,982	$ -	$ 14,713
Fixed strategic services	-	3,138	(3,138)	-	-	2,962	(2,962)	-
Legacy voice and data services	-	3,359	(3,359)	-	-	3,793	(3,793)	-
Other services and equipment	-	938	(938)	-	-	947	(947)	-
Wireless equipment	1,864	3,022	-	4,886	1,688	2,349	-	4,037
Total Operating Revenues	8,273	18,390	(7,435)	19,228	8,419	18,033	(7,702)	18,750
Operating Expenses								
Operations and support	5,367	12,207	(4,627)	12,947	5,316	11,746	(4,998)	12,064
EBITDA	2,906	6,183	(2,808)	6,281	3,103	6,287	(2,704)	6,686
Depreciation and amortization	886	2,354	(1,212)	2,028	918	2,264	(1,134)	2,048
Total Operating Expenses	6,253	14,561	(5,839)	14,975	6,234	14,010	(6,132)	14,112
Operating Income	$ 2,020	$ 3,829	$ (1,596)	$ 4,253	$ 2,185	$ 4,023	$ (1,570)	$ 4,638

[1] Business wireline operations reported in Business Solutions segment.

Supplemental Operational Measure

Twelve Months Ended

	December 31, 2017				December 31, 2016			
	Consumer Mobility	**Business Solutions**	**Adjustments[1]**	**AT&T Mobility**	Consumer Mobility	Business Solutions	Adjustments[1]	AT&T Mobility
Operating Revenues								
Wireless service	$ 26,053	$ 31,902	$ -	$ 57,955	$ 27,536	$ 31,850	$ -	$ 59,386
Fixed strategic services	-	12,227	(12,227)	-	-	11,431	(11,431)	-
Legacy voice and data services	-	13,931	(13,931)	-	-	16,370	(16,370)	-
Other services and equipment	-	3,451	(3,451)	-	-	3,566	(3,566)	-
Wireless equipment	5,499	7,895	-	13,394	5,664	7,771	-	13,435
Total Operating Revenues	31,552	69,406	(29,609)	71,349	33,200	70,988	(31,367)	72,821
Operating Expenses								
Operations and support	18,966	42,929	(18,640)	43,255	19,659	44,330	(20,103)	43,886
EBITDA	12,586	26,477	(10,969)	28,094	13,541	26,658	(11,264)	28,935
Depreciation and amortization	3,507	9,326	(4,806)	8,027	3,716	9,832	(5,256)	8,292
Total Operating Expenses	22,473	52,255	(23,446)	51,282	23,375	54,162	(25,359)	52,178
Operating Income	$ 9,079	$ 17,151	$ (6,163)	$ 20,067	$ 9,825	$ 16,826	$ (6,008)	$ 20,643

[1] Business wireline operations reported in Business Solutions segment.

SUPPLEMENTAL INTERNATIONAL

We provide a supplemental presentation of the Latin America and Mexico Wireless operations within our International segment. The following table presents a reconciliation of our International segment.

Supplemental International

	Three Months Ended					
	December 31, 2017			December 31, 2016		
	Latin America	Mexico	International	Latin America	Mexico	International
Operating Revenues						
Video service	$ 1,391	$ -	$ 1,391	$ 1,261	$ -	$ 1,261
Wireless service	-	501	501	-	477	477
Wireless equipment	-	323	323	-	171	171
Total Operating Revenues	1,391	824	2,215	1,261	648	1,909
Operating Expenses						
Operations and support	1,049	887	1,936	997	882	1,879
Depreciation and amortization	207	106	313	215	83	298
Total Operating Expenses	1,256	993	2,249	1,212	965	2,177
Operating Income (Loss)	135	(169)	(34)	49	(317)	(268)
Equity in Net Income of Affiliates	25	-	25	28	-	28
Segment Contribution	$ 160	$ (169)	$ (9)	$ 77	$ (317)	$ (240)

Supplemental International

	Twelve Months Ended					
	December 31, 2017			December 31, 2016		
	Latin America	Mexico	International	Latin America	Mexico	International
Operating Revenues						
Video service	$ 5,456	$ -	$ 5,456	$ 4,910	$ -	$ 4,910
Wireless service	-	2,047	2,047	-	1,905	1,905
Wireless equipment	-	766	766	-	468	468
Total Operating Revenues	5,456	2,813	8,269	4,910	2,373	7,283
Operating Expenses						
Operations and support	4,172	3,232	7,404	3,847	2,983	6,830
Depreciation and amortization	849	369	1,218	835	331	1,166
Total Operating Expenses	5,021	3,601	8,622	4,682	3,314	7,996
Operating Income (Loss)	435	(788)	(353)	228	(941)	(713)
Equity in Net Income of Affiliates	87	-	87	52	-	52
Segment Contribution	$ 522	$ (788)	$ (266)	$ 280	$ (941)	$ (661)