



Financial and Operational Trends

Income Statements, Cash Flows, Segment Results, Revenue Details and Operating Volumes

JULY 24, 2018



Consolidated Statements of Income³

AT&T Inc.

Dollars in millions except per share amounts

| Unaudited | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 2016 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 2017 | 3/31/18 | 6/30/18 | Historical Accounting Method ² | |
|-----------------------------------------------------------------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-----------|-----------|------------|-----------|-----------|-------------------------------------------|-----------|
| | | | | | | | | | | | | | 3/31/18 | 6/30/18 |
| Operating Revenues | \$ 40,535 | \$ 40,520 | \$ 40,890 | \$ 41,841 | \$ 163,786 | \$ 39,365 | \$ 39,837 | \$ 39,668 | \$ 41,676 | \$ 160,546 | \$ 38,038 | \$ 38,986 | \$ 38,930 | \$ 39,909 |
| Operating Expenses | | | | | | | | | | | | | | |
| Cost of revenues | | | | | | | | | | | | | | |
| Equipment | 4,375 | 4,260 | 4,455 | 5,667 | 18,757 | 3,848 | 4,138 | 4,191 | 6,532 | 18,709 | 4,848 | 4,377 | 4,848 | 4,377 |
| Broadcast, programming and operations | 4,629 | 4,701 | 4,909 | 5,612 | 19,851 | 4,974 | 4,898 | 5,284 | 6,003 | 21,159 | 5,166 | 5,449 | 5,166 | 5,449 |
| Other cost of revenues | 9,570 | 9,687 | 9,701 | 9,624 | 38,582 | 9,288 | 9,569 | 9,694 | 9,391 | 37,942 | 7,932 | 7,632 | 8,861 | 8,535 |
| Selling, general and administrative | 8,724 | 9,193 | 9,296 | 9,632 | 36,845 | 8,772 | 8,559 | 8,650 | 9,484 | 35,465 | 7,897 | 8,684 | 8,497 | 9,267 |
| Asset abandonments and impairments | - | - | - | 361 | 361 | - | - | - | 2,914 | 2,914 | - | - | - | - |
| Depreciation and amortization | 6,563 | 6,576 | 6,579 | 6,129 | 25,847 | 6,127 | 6,147 | 6,042 | 6,071 | 24,387 | 5,994 | 6,378 | 5,994 | 6,378 |
| Total Operating Expenses | 33,861 | 34,417 | 34,940 | 37,025 | 140,243 | 33,009 | 33,311 | 33,861 | 40,395 | 140,576 | 31,837 | 32,520 | 33,366 | 34,006 |
| Operating Income | 6,674 | 6,103 | 5,950 | 4,816 | 23,543 | 6,356 | 6,526 | 5,807 | 1,281 | 19,970 | 6,201 | 6,466 | 5,564 | 5,903 |
| Interest Expense | 1,207 | 1,258 | 1,224 | 1,221 | 4,910 | 1,293 | 1,395 | 1,686 | 1,926 | 6,300 | 1,771 | 2,023 | 1,771 | 2,023 |
| Equity in Net Income (Loss) of Affiliates | 13 | 28 | 16 | 41 | 98 | (173) | 14 | 11 | 20 | (128) | 9 | (16) | 9 | (16) |
| Other Income (Expense) – Net | 527 | 548 | 451 | (445) | 1,081 | 488 | 925 | 842 | (658) | 1,597 | 1,702 | 2,353 | 1,702 | 2,353 |
| Income (Loss) Before Income Taxes | 6,007 | 5,421 | 5,193 | 3,191 | 19,812 | 5,378 | 6,070 | 4,974 | (1,283) | 15,139 | 6,141 | 6,780 | 5,504 | 6,217 |
| Income Tax Expense (Benefit) | 2,122 | 1,906 | 1,775 | 676 | 6,479 | 1,804 | 2,056 | 1,851 | (20,419) | (14,708) | 1,382 | 1,532 | 1,226 | 1,394 |
| Net Income | 3,885 | 3,515 | 3,418 | 2,515 | 13,333 | 3,574 | 4,014 | 3,123 | 19,136 | 29,847 | 4,759 | 5,248 | 4,278 | 4,823 |
| Less: Net Income Attributable to Noncontrolling Interest | (82) | (107) | (90) | (78) | (357) | (105) | (99) | (94) | (99) | (397) | (97) | (116) | (91) | (110) |
| Net Income Attributable to AT&T | \$ 3,803 | \$ 3,408 | \$ 3,328 | \$ 2,437 | \$ 12,976 | \$ 3,469 | \$ 3,915 | \$ 3,029 | \$ 19,037 | \$ 29,450 | \$ 4,662 | \$ 5,132 | \$ 4,187 | \$ 4,713 |
| Diluted Earnings Per Share Attributable to AT&T | \$ 0.61 | \$ 0.55 | \$ 0.54 | \$ 0.39 | \$ 2.10 | \$ 0.56 | \$ 0.63 | \$ 0.49 | \$ 3.08 | \$ 4.76 | \$ 0.75 | \$ 0.81 | \$ 0.68 | \$ 0.74 |
| EBITDA^{3,6} | \$ 13,237 | \$ 12,679 | \$ 12,529 | \$ 10,945 | \$ 49,390 | \$ 12,483 | \$ 12,673 | \$ 11,849 | \$ 7,352 | \$ 44,357 | \$ 12,195 | \$ 12,844 | \$ 11,558 | \$ 12,281 |
| Adjusted EBITDA^{3,6} | \$ 12,822 | \$ 12,940 | \$ 13,131 | \$ 11,758 | \$ 50,651 | \$ 12,572 | \$ 13,049 | \$ 12,398 | \$ 11,259 | \$ 49,278 | \$ 12,442 | \$ 13,316 | \$ 11,805 | \$ 12,753 |
| Adjusted EBITDA Margin^{3,6} | 31.6% | 31.9% | 32.1% | 28.1% | 30.9% | 31.9% | 32.8% | 31.2% | 26.9% | 30.7% | 32.7% | 34.2% | 30.3% | 32.0% |

Financial and Operating Statistics Summary

AT&T Inc.

Dollars in millions except per share amounts

| Unaudited | 3/31/16 | 6/30/16 | 9/30/16 | 12/31/16 | 2016 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 2017 | 3/31/18 | 6/30/18 |
|----------------------------------------------------------|----------|----------|----------|----------|-----------|----------|----------|----------|----------|-----------|----------|----------|
| Capital Expenditures: | | | | | | | | | | | | |
| Purchase of property and equipment | \$ 4,451 | \$ 5,251 | \$ 5,581 | \$ 6,233 | \$ 21,516 | \$ 5,784 | \$ 4,966 | \$ 5,006 | \$ 4,891 | \$ 20,647 | \$ 5,957 | \$ 5,002 |
| Interest during construction | 218 | 219 | 232 | 223 | 892 | 231 | 242 | 245 | 185 | 903 | 161 | 106 |
| Dividends Declared Per Share | \$ 0.48 | \$ 0.48 | \$ 0.48 | \$ 0.49 | \$ 1.93 | \$ 0.49 | \$ 0.49 | \$ 0.49 | \$ 0.50 | \$ 1.97 | \$ 0.50 | \$ 0.50 |
| Annual Dividend Per Share Growth | 2.1% | 2.1% | 2.1% | 2.1% | | 2.1% | 2.1% | 2.1% | 2.0% | | 2.0% | 2.0% |
| End of Period Common Shares Outstanding (000,000) | 6,156 | 6,152 | 6,141 | 6,139 | | 6,147 | 6,140 | 6,139 | 6,139 | | 6,148 | 7,261 |
| Debt Ratio | 51.2% | 50.5% | 50.1% | 49.9% | | 51.6% | 53.3% | 56.4% | 53.6% | | 52.6% | 50.8% |
| Total Employees | 280,870 | 277,200 | 273,140 | 268,540 | | 264,530 | 260,480 | 256,800 | 254,000 | | 249,240 | 273,210 |

See Notes to Financial and Operational Trends on page 15.



Consolidated Statements of Cash Flows⁴

AT&T Inc.

Dollars in millions

Unaudited

| | Three Months Ended | | | | | |
|---------------------------------------------------------------------------------------|--------------------|------------------|------------------|------------------|------------------|--|
| | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | |
| Operating Activities | | | | | | |
| Net income | \$ 4,014 | \$ 3,123 | \$ 19,136 | \$ 4,759 | \$ 5,248 | |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 6,147 | 6,042 | 6,071 | 5,994 | 6,378 | |
| Amortization of film and television costs | - | - | - | - | 168 | |
| Undistributed earnings from investments in equity affiliates | (15) | 4 | 3 | (2) | 237 | |
| Provision for uncollectible accounts | 402 | 421 | 426 | 438 | 370 | |
| Deferred income tax (benefit) expense | 484 | 2,290 | (19,194) | 1,222 | 810 | |
| Net (gain) loss from sale of investments, net of impairments | (49) | (126) | (168) | 2 | (31) | |
| Actuarial (gain) loss on pension and postretirement benefits | (259) | - | 1,517 | (930) | (1,796) | |
| Asset abandonments and impairments | - | - | 2,914 | - | - | |
| Changes in operating assets and liabilities: | | | | | | |
| Accounts receivable | (326) | (771) | (334) | (439) | 672 | |
| Other current assets, inventories and theatrical film and television production costs | 241 | (576) | (672) | 614 | 425 | |
| Accounts payable and other accrued liabilities | (1,179) | 1,324 | 2,253 | (1,962) | (1,928) | |
| Equipment installment receivables and related sales | 131 | (74) | (1,690) | 505 | (15) | |
| Deferred customer contract acquisition and fulfillment costs | (360) | (306) | (320) | (826) | (899) | |
| Retirement benefit funding | (140) | (140) | (646) | (140) | (140) | |
| Other - net | (386) | (408) | 241 | (288) | 730 | |
| Total adjustments | 4,691 | 7,680 | (9,599) | 4,188 | 4,981 | |
| Net Cash Provided by Operating Activities | 8,705 | 10,803 | 9,537 | 8,947 | 10,229 | |
| Investing Activities | | | | | | |
| Capital expenditures: | | | | | | |
| Purchase of property and equipment | (4,966) | (5,006) | (4,891) | (5,957) | (5,002) | |
| Interest during construction | (242) | (245) | (185) | (161) | (106) | |
| Acquisitions, net of cash acquired | 1,386 | (70) | (31) | (234) | (40,481) | |
| Dispositions | 45 | 5 | 3 | 56 | 3 | |
| Sales (purchases) of securities, net | 152 | 66 | 214 | (116) | (102) | |
| Advances to and investments in equity affiliates, net | - | - | - | (1,007) | (28) | |
| Cash collections of deferred purchase price | 197 | 283 | 311 | 267 | 233 | |
| Net Cash Used in Investing Activities | (3,428) | (4,967) | (4,579) | (7,152) | (45,483) | |
| Financing Activities | | | | | | |
| Net change in short-term borrowings with original maturities of three months or less | (1) | - | - | - | 2,992 | |
| Issuance of other short-term borrowings | - | - | - | - | 4,839 | |
| Issuance of long-term debt | 11,675 | 22,646 | 2,032 | 2,565 | 23,913 | |
| Repayment of long-term debt | (3,065) | (4,191) | (2,030) | (4,911) | (25,301) | |
| Purchase of treasury stock | (281) | (2) | (3) | (145) | (419) | |
| Issuance of treasury stock | 3 | 2 | 7 | 11 | 1 | |
| Dividends paid | (3,012) | (3,009) | (3,008) | (3,070) | (3,074) | |
| Other | 249 | 1,639 | 230 | 2,048 | (3,169) | |
| Net Cash Provided by (Used in) Financing Activities | 5,568 | 17,085 | (2,772) | (3,502) | (218) | |
| Net increase (decrease) in cash and cash equivalents and restricted cash | 10,845 | 22,921 | 2,186 | (1,707) | (35,472) | |
| Cash and cash equivalents and restricted cash beginning of year | 14,980 | 25,825 | 48,746 | 50,932 | 49,225 | |
| Cash and Cash Equivalents and Restricted Cash End of Period | \$ 25,825 | \$ 48,746 | \$ 50,932 | \$ 49,225 | \$ 13,753 | |
| Cash paid for interest | \$ 1,452 | \$ 1,936 | \$ 1,591 | \$ 2,408 | \$ 1,637 | |

See Notes to Financial and Operational Trends on page 15.



Statement of Segment Income¹

Dollars in millions

| Unaudited | Three Months Ended | | | | | | | | | Historical Accounting Method ² | |
|-------------------------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------------------------------|------------------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | 3/31/18 | 6/30/18 |
| Segment Operating Revenues | | | | | | | | | | | |
| Service | \$ 12,799 | \$ 12,798 | \$ 12,575 | \$ 12,465 | \$ 12,467 | \$ 12,452 | \$ 12,302 | \$ 11,612 | \$ 11,853 | \$ 12,224 | \$ 12,456 |
| Equipment | 2,662 | 2,863 | 3,565 | 2,341 | 2,624 | 2,555 | 4,322 | 3,374 | 3,016 | 3,043 | 2,725 |
| Total Segment Operating Revenues | \$ 15,461 | \$ 15,661 | \$ 16,140 | \$ 14,806 | \$ 15,091 | \$ 15,007 | \$ 16,624 | \$ 14,986 | \$ 14,869 | \$ 15,267 | \$ 15,181 |
| Segment Operating Expenses | | | | | | | | | | | |
| Operations and support | 8,991 | 9,180 | 10,392 | 8,560 | 8,636 | 8,568 | 11,103 | 8,524 | 8,085 | 9,174 | 8,656 |
| Depreciation and amortization | 1,807 | 1,819 | 1,767 | 1,716 | 1,716 | 1,730 | 1,741 | 1,807 | 1,806 | 1,807 | 1,806 |
| Total Segment Operating Expenses | 10,798 | 10,999 | 12,159 | 10,276 | 10,352 | 10,298 | 12,844 | 10,331 | 9,891 | 10,981 | 10,462 |
| Segment Operating Income | 4,663 | 4,662 | 3,981 | 4,530 | 4,739 | 4,709 | 3,780 | 4,655 | 4,978 | 4,286 | 4,719 |
| Equity in Net Income of Affiliates | - | - | - | - | - | - | - | - | - | - | - |
| Segment Contribution | \$ 4,663 | \$ 4,662 | \$ 3,981 | \$ 4,530 | \$ 4,739 | \$ 4,709 | \$ 3,780 | \$ 4,655 | \$ 4,978 | \$ 4,286 | \$ 4,719 |
| Segment Operating Income Margin | 30.2% | 29.8% | 24.7% | 30.6% | 31.4% | 31.4% | 22.7% | 31.1% | 33.5% | 28.1% | 31.1% |
| EBITDA⁶ | \$ 6,470 | \$ 6,481 | \$ 5,748 | \$ 6,246 | \$ 6,455 | \$ 6,439 | \$ 5,521 | \$ 6,462 | \$ 6,784 | \$ 6,093 | \$ 6,525 |
| EBITDA Margin⁶ | 41.8% | 41.4% | 35.6% | 42.2% | 42.8% | 42.9% | 33.2% | 43.1% | 45.6% | 39.9% | 43.0% |
| EBITDA Service Margin⁶ | 50.6% | 50.6% | 45.7% | 50.1% | 51.8% | 51.7% | 44.9% | 55.6% | 57.2% | 49.8% | 52.4% |

Consumer Mobility

Operating Volumes¹

Volumes in thousands

| Unaudited | Three Months Ended | | | | | | | | |
|----------------------------------------------------------|--------------------|---------|----------|---------|---------|---------|----------|---------|---------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 |
| Wireless Subscribers and Connections | | | | | | | | | |
| Total Subscribers and Connections | 91,274 | 91,367 | 91,520 | 90,085 | 89,939 | 89,686 | 89,603 | 89,327 | 89,186 |
| Postpaid | 65,772 | 65,767 | 66,100 | 65,692 | 65,570 | 65,388 | 65,683 | 65,489 | 65,326 |
| Prepaid | 12,633 | 13,035 | 13,536 | 13,844 | 14,187 | 14,497 | 14,641 | 14,928 | 15,376 |
| Branded Connections | 78,405 | 78,802 | 79,636 | 79,536 | 79,757 | 79,885 | 80,324 | 80,417 | 80,702 |
| Reseller | 12,869 | 12,565 | 11,884 | 10,549 | 10,182 | 9,801 | 9,279 | 8,910 | 8,484 |
| Net Add Detail (Adjusted for M&A)⁷ | | | | | | | | | |
| Net Customer Additions | 33 | 50 | 155 | (587) | (125) | (213) | (77) | (262) | (144) |
| Postpaid Net Adds | 115 | 60 | 424 | (282) | (28) | (46) | 371 | (64) | (49) |
| Prepaid Net Adds | 365 | 304 | 406 | 282 | 267 | 227 | 84 | 192 | 356 |
| Branded Net Adds | 480 | 364 | 830 | - | 239 | 181 | 455 | 128 | 307 |
| Reseller Net Adds | (447) | (314) | (675) | (587) | (364) | (394) | (532) | (390) | (451) |

For churn detail, refer to Supplemental AT&T Mobility Operating Statistics on page 12.

See Notes to Financial and Operational Trends on page 15.



Business Solutions

Statement of Segment Income¹

Dollars in millions

| Unaudited | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | | 3/31/18 | 6/30/18 |
|-------------------------------------------|-----------|-----------|-----------|----------|----------|----------|----------|----------|----------|--|----------|----------|
| Segment Operating Revenues | | | | | | | | | | | | |
| Wireless Service | \$ 2,057 | \$ 2,104 | \$ 2,070 | \$ 2,003 | \$ 2,004 | \$ 2,023 | \$ 1,980 | \$ 1,791 | \$ 1,829 | | \$ 1,994 | \$ 2,038 |
| Wireless Equipment | 351 | 366 | 472 | 288 | 360 | 340 | 564 | 578 | 584 | | 388 | 424 |
| Total Wireless Revenues | 2,408 | 2,470 | 2,542 | 2,291 | 2,364 | 2,363 | 2,544 | 2,369 | 2,413 | | 2,382 | 2,462 |
| Strategic Services ⁵ | 2,728 | 2,841 | 2,889 | 2,904 | 2,958 | 3,018 | 3,070 | 3,070 | 3,039 | | 3,072 | 3,041 |
| Legacy Voice and Data Services | 4,035 | 3,899 | 3,688 | 3,548 | 3,423 | 3,343 | 3,251 | 2,838 | 2,723 | | 3,105 | 2,974 |
| Other Service and Equipment | 970 | 999 | 1,058 | 878 | 922 | 917 | 1,061 | 839 | 888 | | 908 | 958 |
| Total Fixed Revenues | 7,733 | 7,739 | 7,635 | 7,330 | 7,303 | 7,278 | 7,382 | 6,747 | 6,650 | | 7,085 | 6,973 |
| Total Segment Operating Revenues | \$ 10,141 | \$ 10,209 | \$ 10,177 | \$ 9,621 | \$ 9,667 | \$ 9,641 | \$ 9,926 | \$ 9,116 | \$ 9,063 | | \$ 9,467 | \$ 9,435 |
| | | | | | | | | | | | | |
| Segment Operating Expenses | | | | | | | | | | | | |
| Operations and support | 6,426 | 6,385 | 6,546 | 5,998 | 6,053 | 6,096 | 6,349 | 5,594 | 5,616 | | 6,016 | 6,059 |
| Depreciation and amortization | 1,638 | 1,656 | 1,404 | 1,460 | 1,483 | 1,466 | 1,492 | 1,458 | 1,487 | | 1,458 | 1,487 |
| Total Segment Operating Expenses | 8,064 | 8,041 | 7,950 | 7,458 | 7,536 | 7,562 | 7,841 | 7,052 | 7,103 | | 7,474 | 7,546 |
| Segment Operating Income | 2,077 | 2,168 | 2,227 | 2,163 | 2,131 | 2,079 | 2,085 | 2,064 | 1,960 | | 1,993 | 1,889 |
| Equity in Net Income (Loss) of Affiliates | - | - | - | - | - | - | (1) | (1) | 1 | | (1) | 1 |
| Segment Contribution | \$ 2,077 | \$ 2,168 | \$ 2,227 | \$ 2,163 | \$ 2,131 | \$ 2,079 | \$ 2,084 | \$ 2,063 | \$ 1,961 | | \$ 1,992 | \$ 1,890 |
| | | | | | | | | | | | | |
| Segment Operating Income Margin | 20.5% | 21.2% | 21.9% | 22.5% | 22.0% | 21.6% | 21.0% | 22.6% | 21.6% | | 21.1% | 20.0% |
| EBITDA ⁶ | \$ 3,715 | \$ 3,824 | \$ 3,631 | \$ 3,623 | \$ 3,614 | \$ 3,545 | \$ 3,577 | \$ 3,522 | \$ 3,447 | | \$ 3,451 | \$ 3,376 |
| EBITDA Margin ⁶ | 36.6% | 37.5% | 35.7% | 37.7% | 37.4% | 36.8% | 36.0% | 38.6% | 38.0% | | 36.5% | 35.8% |

Business Solutions

Supplemental Business Solutions Results

Dollars in millions

| Unaudited | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | Historical Accounting Method ² | |
|----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------------------------------|-----------------|
| | | | | | | | | | | 3/31/18 | 6/30/18 |
| Business Wireless EBITDA⁶ | \$ 982 | \$ 1,025 | \$ 956 | \$ 966 | \$ 909 | \$ 902 | \$ 781 | \$ 791 | \$ 835 | \$ 741 | \$ 786 |
| Business Wireless EBITDA Margin⁶ | 40.8% | 41.5% | 37.6% | 42.2% | 38.5% | 38.2% | 30.7% | 33.4% | 34.6% | 31.1% | 31.9% |
| Business Fixed EBITDA⁶ | \$ 2,733 | \$ 2,799 | \$ 2,675 | \$ 2,657 | \$ 2,705 | \$ 2,643 | \$ 2,796 | \$ 2,731 | \$ 2,612 | \$ 2,710 | \$ 2,590 |
| Business Fixed EBITDA Margin⁶ | 35.3% | 36.2% | 35.0% | 36.2% | 37.0% | 36.3% | 37.9% | 40.5% | 39.3% | 38.2% | 37.1% |

See Notes to Financial and Operational Trends on page 15.



Business Solutions

Operating Volumes¹

Volumes in thousands

| Unaudited | 6/30/16 | 9/30/16 | 12/31/16 | Three Months Ended | | | 12/31/17 | 3/31/18 | 6/30/18 |
|----------------------------------------------------------------------|---------|---------|----------|--------------------|---------|---------|----------|---------|---------------|
| | | | | 3/31/17 | 6/30/17 | 9/30/17 | | | |
| Wireless Subscribers and Connections¹² | | | | | | | | | |
| Total Subscribers and Connections | 40,171 | 41,581 | 42,928 | 43,719 | 46,162 | 48,759 | 51,598 | 54,505 | 57,703 |
| Postpaid | 11,163 | 11,232 | 11,272 | 11,243 | 11,432 | 11,646 | 11,826 | 11,942 | 12,046 |
| Prepaid and Reseller | 51 | 58 | 65 | 76 | 72 | 715 | 781 | 835 | 939 |
| Connected Devices | 28,957 | 30,291 | 31,591 | 32,400 | 34,658 | 36,398 | 38,991 | 41,728 | 44,718 |
| Wireless Net Add Detail (Adjusted for M&A)^{7,12} | | | | | | | | | |
| Net Customer Additions | 1,288 | 1,453 | 1,345 | 2,665 | 2,422 | 2,555 | 2,834 | 2,892 | 3,208 |
| Postpaid Net Adds | 102 | 122 | 75 | 88 | 171 | 180 | 187 | 113 | 122 |
| Prepaid and Reseller Net Adds | (12) | 0 | 2 | 5 | (5) | 101 | 58 | 51 | 104 |
| Connected Devices Net Adds | 1,198 | 1,331 | 1,268 | 2,572 | 2,256 | 2,274 | 2,589 | 2,728 | 2,982 |
| Broadband Connections | | | | | | | | | |
| IP | 948 | 963 | 977 | 980 | 992 | 1,017 | 1,025 | 1,021 | 1,017 |
| DSL | 512 | 479 | 449 | 421 | 392 | 367 | 344 | 320 | 300 |
| Total Broadband Connections | 1,460 | 1,442 | 1,426 | 1,401 | 1,384 | 1,384 | 1,369 | 1,341 | 1,317 |
| Voice Connections | | | | | | | | | |
| Total Wired Voice Connections ⁹ | 8,933 | 8,653 | 8,376 | 8,104 | 7,839 | 7,585 | 7,338 | 7,122 | 6,892 |

For wireless churn detail, refer to Supplemental AT&T Mobility Operating Statistics on page 12.

See Notes to Financial and Operational Trends on page 15.



Entertainment Group

Statement of Segment Income¹

Dollars in millions

Unaudited

| | Three Months Ended | | | | | | | | | | Historical Accounting Method ² | |
|--------------------------------------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----|-------------------------------------------|-----------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | | 3/31/18 | 6/30/18 |
| Segment Operating Revenues | | | | | | | | | | | | |
| Video Entertainment | \$ 8,963 | \$ 9,026 | \$ 9,568 | \$ 9,020 | \$ 9,153 | \$ 9,200 | \$ 9,355 | \$ 8,359 | \$ 8,331 | \$ | 8,465 | \$ 8,438 |
| High-Speed Internet | 1,867 | 1,892 | 1,910 | 1,941 | 1,927 | 1,916 | 1,890 | 1,878 | 1,981 | | 1,878 | 1,981 |
| Legacy Voice and Data Services | 1,215 | 1,142 | 1,077 | 1,031 | 981 | 926 | 887 | 819 | 785 | | 854 | 818 |
| Other Service and Equipment | 640 | 637 | 628 | 609 | 600 | 585 | 593 | 521 | 553 | | 593 | 619 |
| Total Segment Operating Revenues | \$ 12,685 | \$ 12,697 | \$ 13,183 | \$ 12,601 | \$ 12,661 | \$ 12,627 | \$ 12,725 | \$ 11,577 | \$ 11,650 | \$ | 11,790 | \$ 11,856 |
| Segment Operating Expenses | | | | | | | | | | | | |
| Operations and support | 9,570 | 9,731 | 10,466 | 9,605 | 9,561 | 9,957 | 10,317 | 8,939 | 8,852 | | 9,353 | 9,277 |
| Depreciation and amortization | 1,490 | 1,505 | 1,382 | 1,420 | 1,458 | 1,380 | 1,367 | 1,312 | 1,346 | | 1,312 | 1,346 |
| Total Segment Operating Expenses | 11,060 | 11,236 | 11,848 | 11,025 | 11,019 | 11,337 | 11,684 | 10,251 | 10,198 | | 10,665 | 10,623 |
| Segment Operating Income | 1,625 | 1,461 | 1,335 | 1,576 | 1,642 | 1,290 | 1,041 | 1,326 | 1,452 | | 1,125 | 1,233 |
| Equity in Net Income (Loss) of Affiliates | (2) | (1) | 9 | (6) | (12) | (5) | (7) | 9 | (20) | | 9 | (20) |
| Segment Contribution | \$ 1,623 | \$ 1,460 | \$ 1,344 | \$ 1,570 | \$ 1,630 | \$ 1,285 | \$ 1,034 | \$ 1,335 | \$ 1,432 | \$ | 1,134 | \$ 1,213 |
| Segment Operating Income Margin | | | | | | | | | | | | |
| | 12.8% | 11.5% | 10.1% | 12.5% | 13.0% | 10.2% | 8.2% | 11.5% | 12.5% | | 9.5% | 10.4% |
| EBITDA⁶ | \$ 3,115 | \$ 2,966 | \$ 2,717 | \$ 2,996 | \$ 3,100 | \$ 2,670 | \$ 2,408 | \$ 2,638 | \$ 2,798 | \$ | 2,437 | \$ 2,579 |
| EBITDA Margin⁶ | 24.6% | 23.4% | 20.6% | 23.8% | 24.5% | 21.1% | 18.9% | 22.8% | 24.0% | | 20.7% | 21.8% |

See Notes to Financial and Operational Trends on page 15.



Entertainment Group

Operating Volumes and Statistics

Volumes in thousands

| Unaudited | Three Months Ended | | | | | | | | |
|--------------------------------------------------|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 |
| Video Connections | | | | | | | | | |
| Satellite | 20,454 | 20,777 | 21,012 | 21,012 | 20,856 | 20,605 | 20,458 | 20,270 | 19,984 |
| U-verse | 4,841 | 4,515 | 4,253 | 4,020 | 3,825 | 3,691 | 3,631 | 3,632 | 3,656 |
| Over-the-Top ¹⁰ | - | - | 267 | 339 | 491 | 787 | 1,155 | 1,467 | 1,809 |
| Total Video Connections | 25,295 | 25,292 | 25,532 | 25,371 | 25,172 | 25,083 | 25,244 | 25,369 | 25,449 |
| Broadband Connections | | | | | | | | | |
| IP | 12,596 | 12,752 | 12,888 | 13,130 | 13,242 | 13,367 | 13,462 | 13,616 | 13,692 |
| DSL | 1,585 | 1,424 | 1,291 | 1,164 | 1,060 | 964 | 888 | 816 | 763 |
| Total Broadband Connections | 14,181 | 14,176 | 14,179 | 14,294 | 14,302 | 14,331 | 14,350 | 14,432 | 14,455 |
| Voice Connections | | | | | | | | | |
| Total Wired Voice Connections ^{1,9} | 11,815 | 11,533 | 11,278 | 11,003 | 10,696 | 10,333 | 9,996 | 9,640 | 9,283 |
| Net Adds | | | | | | | | | |
| Satellite | 342 | 323 | 235 | - | (156) | (251) | (147) | (188) | (286) |
| U-verse | (391) | (326) | (262) | (233) | (195) | (134) | (60) | 1 | 24 |
| Over-the-Top | - | - | 267 | 72 | 152 | 296 | 368 | 312 | 342 |
| Total Video | (49) | (3) | 240 | (161) | (199) | (89) | 161 | 125 | 80 |
| IP | 54 | 156 | 136 | 242 | 112 | 125 | 95 | 154 | 76 |
| DSL | (164) | (161) | (133) | (127) | (104) | (96) | (76) | (72) | (53) |
| Broadband | (110) | (5) | 3 | 115 | 8 | 29 | 19 | 82 | 23 |
| ARPU^{2,11} | | | | | | | | | |
| Linear Video ARPU | | | | | | | | \$ 113.43 | \$ 113.41 |
| Linear Video ARPU (Historical Accounting Method) | \$ 117.01 | \$ 118.09 | \$ 125.25 | \$ 118.23 | \$ 121.16 | \$ 123.45 | \$ 126.65 | \$ 114.91 | \$ 114.92 |
| IP Broadband ARPU | 49.52 | 49.82 | 49.69 | 49.81 | 48.70 | 48.00 | 46.94 | 46.27 | 48.32 |

See Notes to Financial and Operational Trends on page 15.



International

Statement of Segment Income

Dollars in millions

Unaudited

| | Three Months Ended | | | | | | | | | | Historical Accounting | |
|--------------------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------------|---------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | | Method ² | |
| | | | | | | | | | | | 3/31/18 | 6/30/18 |
| Segment Operating Revenues | | | | | | | | | | | | |
| Video Entertainment | \$ 1,222 | \$ 1,297 | \$ 1,261 | \$ 1,341 | \$ 1,361 | \$ 1,363 | \$ 1,391 | \$ 1,354 | \$ 1,254 | \$ 1,354 | \$ 1,254 | |
| Wireless Service ¹⁶ | 489 | 484 | 477 | 475 | 535 | 536 | 501 | 404 | 417 | 454 | 457 | |
| Wireless Equipment | 117 | 98 | 171 | 113 | 130 | 200 | 323 | 267 | 280 | 257 | 262 | |
| Total Segment Operating Revenues | \$ 1,828 | \$ 1,879 | \$ 1,909 | \$ 1,929 | \$ 2,026 | \$ 2,099 | \$ 2,215 | \$ 2,025 | \$ 1,951 | \$ 2,065 | \$ 1,973 | |
| Segment Operating Expenses | | | | | | | | | | | | |
| Operations and support | 1,723 | 1,640 | 1,879 | 1,759 | 1,772 | 1,937 | 1,936 | 1,804 | 1,803 | 1,839 | 1,844 | |
| Depreciation and amortization | 298 | 293 | 298 | 290 | 311 | 304 | 313 | 332 | 313 | 332 | 313 | |
| Total Segment Operating Expenses | 2,021 | 1,933 | 2,177 | 2,049 | 2,083 | 2,241 | 2,249 | 2,136 | 2,116 | 2,171 | 2,157 | |
| Segment Operating Income (Loss) | (193) | (54) | (268) | (120) | (57) | (142) | (34) | (111) | (165) | (106) | (184) | |
| Equity in Net Income (Loss) of Affiliates | 9 | 1 | 28 | 20 | 25 | 17 | 25 | - | 15 | - | 15 | |
| Segment Contribution | \$ (184) | \$ (53) | \$ (240) | \$ (100) | \$ (32) | \$ (125) | \$ (9) | \$ (111) | \$ (150) | \$ (106) | \$ (169) | |
| Segment Operating Income Margin | -10.6% | -2.9% | -14.0% | -6.2% | -2.8% | -6.8% | -1.5% | -5.5% | -8.5% | -5.1% | -9.3% | |
| EBITDA⁶ | \$ 105 | \$ 239 | \$ 30 | \$ 170 | \$ 254 | \$ 162 | \$ 279 | \$ 221 | \$ 148 | \$ 226 | \$ 129 | |
| EBITDA Margin⁶ | 5.7% | 12.7% | 1.6% | 8.8% | 12.5% | 7.7% | 12.6% | 10.9% | 7.6% | 10.9% | 6.5% | |

International

Supplemental International Results

Dollars in millions

Unaudited

| | Three Months Ended | | | | | | | | | | Historical Accounting | |
|--------------------------------------------------|--------------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|-----------------|----------------|----------------|-----------------------|---------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | | Method ² | |
| | | | | | | | | | | | 3/31/18 | 6/30/18 |
| Latin America EBITDA⁶ | \$ 244 | \$ 306 | \$ 264 | \$ 291 | \$ 363 | \$ 288 | \$ 342 | \$ 353 | \$ 238 | \$ 322 | \$ 198 | |
| Latin America EBITDA Margin⁶ | 20.0% | 23.6% | 20.9% | 21.7% | 26.7% | 21.1% | 24.6% | 26.1% | 19.0% | 23.8% | 15.8% | |
| Mexico Wireless EBITDA⁶ | \$ (139) | \$ (67) | \$ (234) | \$ (121) | \$ (109) | \$ (126) | \$ (63) | \$ (132) | \$ (90) | \$ (96) | \$ (69) | |
| Mexico Wireless EBITDA Margin⁶ | -22.9% | -11.5% | -36.1% | -20.6% | -16.4% | -17.1% | -7.6% | -19.7% | -12.9% | -13.5% | -9.6% | |

See Notes to Financial and Operational Trends on page 15.



International

Operating Volumes

Volumes in thousands

| Unaudited | 6/30/16 | 9/30/16 | 12/31/16 | Three Months Ended | | | | | 6/30/18 |
|---------------------------------------------|---------|---------|----------|--------------------|---------|---------|----------|---------|---------------|
| | | | | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | |
| Mexico Wireless Operating Statistics | | | | | | | | | |
| Subscriber Detail | | | | | | | | | |
| Total Subscribers | 9,955 | 10,698 | 11,973 | 12,606 | 13,082 | 13,779 | 15,099 | 15,642 | 16,398 |
| Postpaid | 4,570 | 4,733 | 4,965 | 5,095 | 5,187 | 5,316 | 5,498 | 5,607 | 5,749 |
| Prepaid | 5,059 | 5,665 | 6,727 | 7,244 | 7,646 | 8,231 | 9,397 | 9,857 | 10,468 |
| Other | 326 | 300 | 281 | 267 | 249 | 232 | 204 | 178 | 181 |
| Net Add Detail | | | | | | | | | |
| Net Customer Additions | 742 | 743 | 1,275 | 633 | 476 | 697 | 1,320 | 543 | 756 |
| Postpaid Net Adds | 165 | 163 | 233 | 130 | 92 | 129 | 182 | 109 | 142 |
| Prepaid Net Adds | 614 | 606 | 1,062 | 517 | 402 | 585 | 1,166 | 459 | 611 |
| Other Net Adds | (37) | (26) | (20) | (14) | (18) | (17) | (28) | (25) | 3 |
| Churn Detail | | | | | | | | | |
| Total Churn ⁸ | 5.83% | 6.16% | 6.94% | 7.11% | 7.89% | 7.65% | 7.90% | 7.02% | 6.82% |

Latin America Operating Statistics

| | 6/30/16 | 9/30/16 | 12/31/16 | Three Months Ended | | | | | 6/30/18 |
|--------------------------------------------|---------|---------|----------|--------------------|---------|---------|----------|---------|---------|
| | | | | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | |
| Video Connections and Net Additions | | | | | | | | | |
| Total Video Connections | 12,523 | 12,476 | 12,455 | 13,678 | 13,622 | 13,490 | 13,629 | 13,573 | 13,713 |
| Total Video Net Adds | 87 | (48) | (21) | 91 | (56) | (132) | 139 | (15) | 140 |

See Notes to Financial and Operational Trends on page 15.



AT&T Mobility

Supplemental AT&T Mobility Results¹

Dollars in millions

| Unaudited | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | 3/31/18 | 6/30/18 |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Operating Revenues | | | | | | | | | | | |
| Service | \$ 14,856 | \$ 14,902 | \$ 14,645 | \$ 14,468 | \$ 14,471 | \$ 14,475 | \$ 14,282 | \$ 13,403 | \$ 13,682 | \$ 14,217 | \$ 14,495 |
| Equipment | 3,013 | 3,229 | 4,037 | 2,629 | 2,984 | 2,895 | 4,886 | 3,952 | 3,600 | 3,431 | 3,149 |
| Total Operating Revenues | \$ 17,869 | \$ 18,131 | \$ 18,682 | \$ 17,097 | \$ 17,455 | \$ 17,370 | \$ 19,168 | \$ 17,355 | \$ 17,282 | \$ 17,648 | \$ 17,644 |
| Operating Expenses | | | | | | | | | | | |
| Operations and support | 10,417 | 10,625 | 11,978 | 9,885 | 10,091 | 10,029 | 12,866 | 10,102 | 9,663 | 10,814 | 10,333 |
| Depreciation and amortization | 2,078 | 2,103 | 2,043 | 1,992 | 1,988 | 2,008 | 2,027 | 2,095 | 2,113 | 2,095 | 2,113 |
| Total Operating Expenses | 12,495 | 12,728 | 14,021 | 11,877 | 12,079 | 12,037 | 14,893 | 12,197 | 11,776 | 12,909 | 12,446 |
| Operating Income | \$ 5,374 | \$ 5,403 | \$ 4,661 | \$ 5,220 | \$ 5,376 | \$ 5,333 | \$ 4,275 | \$ 5,158 | \$ 5,506 | \$ 4,739 | \$ 5,198 |
| | | | | | | | | | | | |
| Operating Income Margin | 30.1% | 29.8% | 24.9% | 30.5% | 30.8% | 30.7% | 22.3% | 29.7% | 31.9% | 26.9% | 29.5% |
| EBITDA ⁶ | \$ 7,452 | \$ 7,506 | \$ 6,704 | \$ 7,212 | \$ 7,364 | \$ 7,341 | \$ 6,302 | \$ 7,253 | \$ 7,619 | \$ 6,834 | \$ 7,311 |
| EBITDA Margin ⁶ | 41.7% | 41.4% | 35.9% | 42.2% | 42.2% | 42.3% | 32.9% | 41.8% | 44.1% | 38.7% | 41.4% |
| EBITDA Service Margin ⁶ | 50.2% | 50.4% | 45.8% | 49.8% | 50.9% | 50.7% | 44.1% | 54.1% | 55.7% | 48.1% | 50.4% |

AT&T Mobility

Supplemental AT&T Mobility Operating Statistics

| Unaudited | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 |
|---------------------------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| ARPU^{1,2,13} | | | | | | | | | |
| Postpaid Phone-Only ARPU | | | | | | | | \$ 53.07 | \$ 54.18 |
| Postpaid Phone-Only ARPU (Historical Accounting Method) | \$ 59.80 | \$ 59.64 | \$ 58.84 | \$ 58.09 | \$ 58.30 | \$ 58.29 | \$ 57.33 | \$ 57.01 | \$ 58.09 |
| Postpaid ARPU | | | | | | | | 47.79 | 48.90 |
| Postpaid ARPU (Historical Accounting Method) | 54.97 | 54.68 | 53.58 | 52.75 | 52.80 | 52.73 | 51.70 | 51.29 | 52.38 |

See Notes to Financial and Operational Trends on page 15.



AT&T Mobility

Supplemental AT&T Mobility Operating Statistics¹

| Volumes in thousands | Three Months Ended | | | | | | | | |
|-----------------------------------------------------------|--------------------|---------|----------|---------|---------|---------|----------|---------|----------------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 |
| AT&T Mobility Subscribers and Connections | | | | | | | | | |
| Total Subscribers and Connections | 131,445 | 132,948 | 134,448 | 133,804 | 136,101 | 138,445 | 141,201 | 143,832 | 146,889 |
| Postpaid | 76,935 | 76,999 | 77,372 | 76,935 | 77,002 | 77,034 | 77,509 | 77,431 | 77,372 |
| Prepaid ¹² | 12,633 | 13,035 | 13,536 | 13,844 | 14,187 | 15,136 | 15,335 | 15,671 | 16,217 |
| Branded Connections ¹² | 89,568 | 90,034 | 90,908 | 90,779 | 91,189 | 92,170 | 92,844 | 93,102 | 93,589 |
| Reseller | 12,920 | 12,623 | 11,949 | 10,625 | 10,254 | 9,877 | 9,366 | 9,002 | 8,582 |
| Connected Devices ¹² | 28,957 | 30,291 | 31,591 | 32,400 | 34,658 | 36,398 | 38,991 | 41,728 | 44,718 |
| Net Add Detail | | | | | | | | | |
| Net Customer Additions | 1,321 | 1,503 | 1,500 | 2,078 | 2,297 | 2,342 | 2,757 | 2,630 | 3,064 |
| Postpaid Net Adds | 217 | 182 | 499 | (194) | 143 | 134 | 558 | 49 | 73 |
| Prepaid Net Adds ¹² | 365 | 304 | 406 | 282 | 267 | 324 | 140 | 241 | 453 |
| Branded Net Adds ¹² | 582 | 486 | 905 | 88 | 410 | 458 | 698 | 290 | 526 |
| Reseller Net Adds | (459) | (314) | (673) | (582) | (369) | (390) | (530) | (388) | (444) |
| Connected Devices Net Adds ¹² | 1,198 | 1,331 | 1,268 | 2,572 | 2,256 | 2,274 | 2,589 | 2,728 | 2,982 |
| M&A Activity, Partitioned Customers and Other Adjustments | (1) | 0 | 0 | (425) | 0 | 2 | (1) | 1 | (7) |
| Phone Detail | | | | | | | | | |
| Branded Phones | 78,327 | 78,375 | 78,729 | 78,554 | 78,765 | 78,834 | 79,264 | 79,426 | 79,754 |
| Branded Smartphones ¹⁴ | 69,058 | 69,752 | 70,817 | 71,274 | 71,818 | 72,242 | 72,924 | 73,403 | 73,797 |
| Postpaid Phones | 65,694 | 65,340 | 65,193 | 64,710 | 64,578 | 64,337 | 64,623 | 64,498 | 64,378 |
| Postpaid Smartphones | 58,508 | 58,688 | 59,096 | 59,025 | 59,178 | 59,277 | 59,874 | 60,002 | 60,183 |
| Postpaid Feature Phones ¹⁴ | 6,478 | 5,951 | 5,400 | 4,986 | 4,676 | 4,289 | 3,944 | 3,655 | 3,360 |
| Postpaid Other Phones | 708 | 701 | 697 | 699 | 724 | 771 | 805 | 841 | 835 |
| Prepaid Phones | 12,633 | 13,035 | 13,536 | 13,844 | 14,187 | 14,497 | 14,641 | 14,928 | 15,376 |
| Phone Detail - Net Adds | | | | | | | | | |
| Branded Phone Net Adds | 185 | 36 | 339 | (66) | 178 | 130 | 414 | 170 | 402 |
| Postpaid Phone Net Adds | (180) | (268) | (67) | (348) | (89) | (97) | 329 | (22) | 46 |
| Prepaid Phone Net Adds | 365 | 304 | 406 | 282 | 267 | 227 | 85 | 192 | 356 |
| Churn Detail⁸ | | | | | | | | | |
| Postpaid Phone Churn | 0.84% | 0.90% | 0.98% | 0.90% | 0.79% | 0.84% | 0.89% | 0.84% | 0.82% |
| Postpaid Churn | 0.97% | 1.04% | 1.15% | 1.12% | 1.01% | 1.06% | 1.11% | 1.06% | 1.02% |
| Branded Churn | 1.47% | 1.63% | 1.74% | 1.71% | 1.57% | 1.70% | 1.75% | 1.65% | 1.50% |

See Notes to Financial and Operational Trends on page 15.



Corporate & Other

Supplemental Results - Corporate & Other^{1,3,15}

Dollars in millions

| Unaudited | Three Months Ended | | | | | | | | | Historical Accounting Method ² | |
|---------------------------------|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|-------------------------------------------|----------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 | 3/31/18 | 6/30/18 |
| Total Operating Revenues | \$ 405 | \$ 457 | \$ 442 | \$ 408 | \$ 392 | \$ 383 | \$ 340 | \$ 334 | \$ 319 | \$ 341 | \$ 329 |
| Operating Expenses | | | | | | | | | | | |
| Operations and support | 869 | 836 | 810 | 871 | 766 | 801 | 866 | 735 | 660 | 743 | 672 |
| Depreciation and amortization | 27 | 24 | 21 | 39 | 9 | 26 | 25 | 23 | 118 | 23 | 118 |
| Total Operating Expenses | 896 | 860 | 831 | 910 | 775 | 827 | 891 | 758 | 778 | 766 | 790 |
| Operating Loss | \$ (491) | \$ (403) | \$ (389) | \$ (502) | \$ (383) | \$ (444) | \$ (551) | \$ (424) | \$ (459) | \$ (425) | \$ (461) |

Corporate & Other

Supplemental Reconciliation of Operations and Support

Dollars in millions

| Unaudited | Three Months Ended | | | | | | | | |
|-----------------------------------------------------------------------------------------------------------------|--------------------|---------|----------|---------|---------|---------|----------|---------|---------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 | 6/30/18 |
| Total Operations and Support | \$ 869 | \$ 836 | \$ 810 | \$ 871 | \$ 766 | \$ 801 | \$ 866 | \$ 735 | \$ 660 |
| Reclassification of amortization of prior service credits ³ | (346) | (346) | (346) | (367) | (385) | (420) | (420) | (428) | (442) |
| Reclassification of WarnerMedia amortization of production costs to Depreciation and Amortization ¹⁵ | | | | | | | | | 98 |
| Operations and Support excluding reclassification of amortization of prior service credits | \$ 523 | \$ 490 | \$ 464 | \$ 504 | \$ 381 | \$ 381 | \$ 446 | \$ 307 | \$ 316 |

See Notes to Financial and Operational Trends on page 15.



FirstNet - Capital Expenditures and Reimbursements

AT&T Inc.

Dollars in millions

| Unaudited | Three Months Ended | | | | | | | |
|---------------------------------------------|--------------------|---------|----------|---------|----------|----------|----------|----------|
| | 6/30/16 | 9/30/16 | 12/31/16 | 3/31/17 | 6/30/17 | 9/30/17 | 12/31/17 | 3/31/18 |
| Capital Expenditures Impact | | | | | | | | |
| Capital expenditures | | | | | \$ 5,251 | \$ 5,076 | \$ 6,118 | \$ 5,108 |
| FirstNet capital expenditures reimbursement | | | | | 17 | 262 | - | 302 |
| Capital expenditures, gross | | | | | 5,268 | 5,338 | 6,118 | 5,410 |
| FirstNet Reimbursements | | | | | | | | |
| Capital expenditures | | | | | \$ 17 | \$ 262 | \$ - | \$ 302 |
| Operating expenses | | | | | 3 | 46 | - | 34 |
| Total reimbursements | | | | | 20 | 308 | - | 336 |



Notes to Financial and Operational Trends

AT&T Inc.

¹ Prior-period amounts have been recast to conform to current-period reporting methodology. To most effectively implement our strategies for 2018, we have realigned certain responsibilities and operations. The most significant of these changes is to report wireless accounts with employer discounts in the Consumer Mobility segment, instead of the Business Solutions segment. The Business Solutions segment also reflects the reclassification of intellectual property operations from Corporate/Other, and prepaid connected devices from Consumer Mobility. The Business Solutions and Entertainment Group segments reflect the reclassification of certain wholesale switched access operations to Corporate/Other. The Consumer Mobility segment also reflects the reclassification of Digital Life operations to Corporate/Other. In 2Q18, prior period amounts have also been recast for a reclassification of hosting colocation operations pending divestiture from the Business Solutions segment to Corporate/Other.

² Effective January 1, 2018, we adopted ASC 606, "Revenue from Contracts with Customers (Topic 606)," using the modified retrospective method. With our adoption of the revenue standard, we made a policy election to record certain regulatory fees, primarily Universal Service Fund (USF) fees, on a net basis. When using the modified retrospective approach, prior period results are not restated to reflect the impact of ASC 606, resulting in limited comparability between 2018 and 2017 operating results. For comparative purposes, we are providing supplemental 2018 results under the historical accounting method.

³ Previously reported consolidated statements of income have been adjusted to remove components of our net periodic benefit cost, other than service cost, from our consolidated operating expenses and include those amounts in "other income (expense) – net", as required by ASU 2017-07. For segment reporting, we continue to include amortization of net prior service credits in segment operating results as this is the basis on which we analyze our segment results, with a corresponding reclassification in Corporate/Other. Previously reported Consolidated EBITDA has been adjusted by amounts included in Form 8-K dated March 22, 2018. Previously reported Consolidated Adjusted EBITDA has been adjusted by amounts included in Form 8-K dated March 22, 2018 and previously reported actuarial gains/losses for the period.

⁴ Previously reported consolidated statements of cash flows have been adjusted to: (1) remove any additional cash received for installment receivables (i.e., AT&T Next) sold to the banks from operating activities and to include those receipts as cash from investing activities as required by ASU 2016-05; we continue to record cash received from the banks at the time of sale as cash from operating activities; and (2) include restricted cash balances and changes thereto as required by ASU 2016-08.

⁵ Strategic Services are the next generation 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.

⁶ See Discussion and Reconciliation of Non-GAAP Measures in the Investor Briefing or exhibit 99.1 to Form 8-K dated July 24, 2018.

⁷ Excludes migrations between AT&T segments and/or subscriber categories and acquisition-related additions during the period.

⁸ Churn is calculated by dividing the aggregate number of wireless subscribers who canceled service during a month by the total number of wireless subscribers at the beginning of that month. The churn rate for the period is equal to the average of the churn rate for each month of that period.

⁹ Total Wired Voice Connections includes switched access lines served by AT&T's incumbent local exchange carriers and affiliates, switched access lines served by AT&T Corp and Voice over Internet Protocol connections. Includes both primary and additional lines. Connections for Entertainment Group include consumer Voice over Internet Protocol connections of 4,950 thousand as of June 30, 2018.

¹⁰ Over-the-Top connections include DIRECTV NOW and exclude WatchTV, which launched near end of June 2018, during its promotional period. DIRECTV NOW connections include free or substantially free trial-period subscribers as follows (in thousands): 94 for 2Q17, 67 for 3Q17, 73 for 4Q17, 49 for 1Q18, and 66 for 2Q18. AT&T has successfully retained many subscribers after the expiration of their trial period.

¹¹ Linear Video ARPU is defined as Video Entertainment revenues, excluding regional TV sports networks and DIRECTV NOW revenues, during the period divided by average linear video connections during the period. IP Broadband ARPU is defined as High-Speed Internet revenues during the period divided by average IP Broadband connections during the period.

¹² Effective 7/1/17, prepaid internet of things (IoT) connections are presented within the prepaid category. These connections primarily relate to customers that actively subscribe for vehicle connectivity. This resulted in 97 thousand additional prepaid net adds in 3Q17 with a corresponding decline in connected device net adds. The 3Q17 prepaid subscriber base was adjusted by 543 thousand connections with a corresponding decline in the connected device subscriber base to reflect subscriber activity prior to 3Q17. Prior periods not restated.

¹³ ARPU is defined as wireless service revenues during the period divided by average wireless subscribers during the period.

¹⁴ Branded smartphones include postpaid and prepaid smartphones. Feature phones are basic phones that are primarily used for voice and text services.

¹⁵ Corporate and Other includes: (1) operations that are not considered reportable segments and that are no longer integral to our operations or which we no longer actively market, (2) corporate support functions and operations, (3) impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, (4) the reclassification of segment prior service credits to other income (expense) - net, and (5) the reclassification of certain WarnerMedia production costs amortization from Operations and Support to Depreciation and Amortization. The largest corporate operations included are other wholesale operations, Digital Life, National Mass Markets, and Consumer Information Services.

¹⁶ 1Q18 wireless service revenues for Mexico were lower by approximately \$90 million year-over-year from the shutdown of a wholesale business that was included in the Nextel Mexico acquisition.