

AT&T 3Q18 Highlights

Following are certain 3Q18 highlights to assist in comparability. The full set of earnings materials with all reported results and non-GAAP reconciliations is posted [here](#), including trend schedules.

Consolidated results	3Q18	
EPS Reported	\$0.65	Adj. EPS includes ~\$0.05 from TWX and ~\$0.06 Rev Rec; also includes \$772m of pre-acq. released content amortization that is not adjusted for earnings
EPS Adjusted	\$0.90	
Revenues	\$45.7 billion	Up 0.2% on a comparable pro forma basis including TWX
<i>Comparable basis *</i>	<i>\$46.6 billion</i>	
Adj. EBITDA	\$15.9 billion	Up 0.4% on a comparable basis including TWX (-2.2% excluding purchase acctg impact on content amort.)
<i>Comparable basis *</i>	<i>\$15.3 billion</i>	
Cash from Ops	\$12.3 billion	CFO up 14% No FirstNet reimbursements this quarter \$1.3B FN reimbursement approved for 4Q
Capex	\$ 5.9 billion	
Free Cash Flow	\$ 6.5 billion	

Revenues (\$ millions)	3Q18 As Reported	3Q18 Comparable*	3Q17 ¹	% Change	\$ Change
Mobility	17,938	18,254	17,370	5.1%	884
Entertainment Group	11,589	11,795	12,467	-5.4%	(672)
Business Wireline	6,703	7,017	7,278	-3.6%	(261)
Latin America ²	1,833	1,857	2,099	-11.5%	(242)
WarnerMedia	8,204	8,204	7,702	6.5%	502
Other ³	(528)	(520)	(415)	NM	(105)
Total	45,739	46,607	46,501	0.2%	106

¹3Q17 is presented on a pro forma basis for WarnerMedia and Other.

²Latin America revenue is up on a constant currency basis.

³Primarily eliminations offset by Corp/Other revenue

Adj. EBITDA (\$ millions)	3Q18 As Reported	3Q18 Comparable*	3Q17 ¹	% Change	\$ Change
Mobility	7,683	7,349	7,341	0.1%	8
Entertainment Group	2,434	2,209	2,663	-17.0%	(454)
Business Wireline	2,673	2,648	2,643	0.2%	5
Latin America	87	73	162	NM	(89)
WarnerMedia	2,701	2,701	2,522	7.1%	179
Other ⁴	294	296	(122)	NM	418
Total	15,872	15,276	15,209	0.4%	67
<i>Comparability Reclass⁵</i>	<i>(772)</i>	<i>(772)</i>	<i>(386)</i>		<i>(386)</i>
Pro Forma Prior Methodology	15,100	14,504	14,823	-2.2%	(319)

⁴Primarily Corporate expense, partly offset by the reclassification of pre-acquisition Released Content amortization.

⁵To compare to the historical method of amortizing of Released Content, all pre-acquisition Released Content amortization is shown here as a reduction to EBITDA. For 3Q18, the acquisition date is 6/14/18; for 3Q17 it is assumed to be 1/1/17.

Depreciation and Amortization (\$ millions)	3Q18 Reported	3Q18 Adjusted	3Q17 Adjusted	Change
Total Depreciation	5,065	5,065	4,906	159
DTV Amortization	770	-	-	-
WM Amortization	1,517	-	-	-
WM pre-acq. Released Content Amort. ¹	772	772	-	772
Other Amortization	42	-	-	-
Total Amortization	3,101	772	0	772
Consolidated D&A	8,166	5,837	4,906	931

¹**Pre-acquisition Released Content Amortization** -- There were approximately \$2.9 billion of unamortized costs for theatrical films and television episodes released prior to the June 14 acquisition date, which we characterized as intangible assets. The amortization of these pre-acquisition Released Content costs will be recorded as D&A expense in Corporate as the balance is amortized. Our WarnerMedia segment, for historical comparability purposes, will continue to record this as a cash operating expense with an offsetting reclass in Corporate. This amortization is not adjusted for earnings. 3Q18 results of \$772 compares to \$600 projected in the August 27 Form 8-K.

Key Statistics		3Q18
Mobility		
Service Revenue	\$13,989 M	Up 2.3% on a comparable basis
<i>Comparable basis *</i>	<i>\$14,810 M</i>	
EBITDA Svc Margin	54.9%	50.7% last year; higher YOY smartphone volumes (~680k)
<i>Comparable basis *</i>	<i>49.6%</i>	
Postpaid Net Adds	(232k)	420k tablet/computing losses as promos de-emphasized
<i>Postpd Phone Net Adds</i>	<i>69k</i>	<i>214k improvement over last year</i>
<i>Postpd Phone Churn</i>	<i>0.93%</i>	<i>Up 9bps with price changes and higher volumes/activity</i>
<i>Postpd Phone ARPU (comp*)</i>	<i>\$59.71</i>	<i>Up 1.8% YOY</i>
Prepaid Net Adds	570k	481k prepaid phone net adds; 17M prepaid in service
Entertainment Group		
EBITDA Margin	21.0%	21.4% last year
<i>Comparable basis *</i>	<i>18.7%</i>	
EBITDA (comp*)	\$2,209 M	Down 17% YOY (-14% ex. '17 fight and '18 extra NFL week)
Video Net Adds		Emphasis on improving profitability with video strategy
<i>Traditional</i>	<i>(346k)</i>	<i>39k improvement over last year</i>
<i>DTVNow</i>	<i>49k</i>	<i>247k worse than last year; mkt pricing and fewer promos</i>
Broadband Net Adds	(14k)	31k IPBB net adds
IP Broadband ARPU	\$49.78	Up 3.7% YOY
WarnerMedia		
Revenue	\$8,204 M	Up 6.5% YOY (3.9% Turner; 2.4% HBO; 7.5% Warner Bros.)
Subscription rev growth	~ 7%	Turner 5.6%; HBO 7.0%
Turner advertising rev growth	-3.7%	Down approx. 3% organically excluding FX

* "Comparable basis" is the historical accounting method that removes the impact of the adoption of revenue recognition accounting and the USF policy election. These numbers are comparable to 3Q17.