

## AT&T 4Q18 Highlights

Following are certain 4Q18 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	4Q18	
EPS Reported	\$0.66	Adj. EPS includes ~\$0.10 from TWX and ~\$0.05 Rev Rec;
EPS Adjusted	\$0.86	Higher adj. effective tax rate is a \$0.04 pressure YOY
Revenues	\$48.0 billion	Down 1.4% on a comparable pro forma basis incl. TWX;
<i>Comparable basis *</i>	<i>\$48.9 billion</i>	<i>(wireless equipment -\$531M; FX impact of -\$516M)</i>
Adj. EBITDA	\$15.0 billion	Up 7.2% on a comparable basis including TWX
<i>Comparable basis *</i>	<i>\$14.4 billion</i>	<i>(Up 5.2% excl. purchase acctg impact on content amort.)</i>
Free Cash Flow	\$ 7.9 billion	Full year FCF of \$22.4 billion, up \$5.9 billion or 36%
Capex	\$ 4.2 billion	Full year Capex of \$21.3 billion (~\$23 billion with FirstNet)
Net Debt to Adj. EBITDA	2.8x	Reduced net debt by \$9 billion since acquisition close
Dividend payout of FCF	46%	Full year payout 60%

Revenues (\$ millions)	4Q18 As Reported	4Q18 Comparable*	4Q17 <sup>1</sup>	% Change	\$ Change
Mobility	18,769	19,054	19,168	-0.6%	(114)
<i>Wireless service rev</i>		<i>14,699</i>	<i>14,282</i>	<i>2.9%</i>	<i>417</i>
Entertainment Group	11,962	12,179	12,560	-3.0%	(381)
Business Wireline	6,727	7,073	7,382	-4.2%	(309)
Latin America <sup>2</sup>	1,843	1,852	2,215	-16.4%	(363)
WarnerMedia	9,232	9,232	8,718	5.9%	514
Other <sup>3</sup>	(540)	(533)	(509)	-4.7%	(24)
<b>Total</b>	<b>47,993</b>	<b>48,857</b>	<b>49,534</b>	<b>-1.4%</b>	<b>(677)</b>

<sup>1</sup>4Q17 is presented on a pro forma basis for WarnerMedia and Other.

<sup>2</sup>Latin America revenue is up on a constant currency basis (ex. Venezuela).

<sup>3</sup>Primarily content/advertising eliminations offset by Corp/Other revenues.

Adj. EBITDA (\$ millions)	4Q18 As Reported	4Q18 Comparable*	4Q17 <sup>1</sup>	% Change	\$ Change
Mobility	7,523	7,141	6,302	13.3%	839
Entertainment Group	2,155	1,998	2,368	-15.6%	(370)
Business Wireline	2,566	2,544	2,796	-9.0%	(252)
Latin America	38	17	279	NM	(262)
WarnerMedia	2,762	2,762	2,161	27.8%	601
Other <sup>4</sup>	(15)	(16)	(424)	NM	408
<b>Total</b>	<b>15,029</b>	<b>14,446</b>	<b>13,482</b>	<b>7.2%</b>	<b>964</b>
<i>Comparability Reclass<sup>5</sup></i>	<i>(545)</i>	<i>(545)</i>	<i>(265)</i>		<i>(280)</i>
<b>Pro Forma Prior Methodology</b>	<b>14,484</b>	<b>13,901</b>	<b>13,217</b>	<b>5.2%</b>	<b>684</b>

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

<sup>5</sup>To 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 4Q18, the acquisition date is 6/14/18; for 4Q17 it is assumed to be 1/1/17 as per pro forma filings.

Key Statistics			4Q18
Mobility			
Service Revenue	\$13,859 M		Up \$417M, or 2.9% on a comparable basis
<i>Comparable basis *</i>	<i>\$14,699 M</i>		
EBITDA Svc Margin	54.3%		44.1% last year; up 450bps driven by higher service revenue, limited promotions and lower volumes
<i>Comparable basis *</i>	<i>48.6%</i>		
Postpaid Net Adds	13k		410k tablet/computing losses as promos de-emphasized
<i>Postpd Phone Net Adds</i>	<i>134k</i>		<i>232k postpaid smartphone net adds; 304k with migrations</i>
<i>Postpd Phone Churn</i>	<i>1.00%</i>		<i>Up 11bps with profitability focus</i>
<i>Postpd Phone ARPU (comp*)</i>	<i>\$59.39</i>		<i>Up 3.0% YOY</i>
Prepaid Net Adds	26k		241k Cricket net adds; AT&T Prepaid less promotional
Entertainment Group			
Revenue	\$11,962 M		Down 3.0% on comparable basis, a 350-250bps improvement in YOY growth rate vs 1Q-3Q
<i>Comparable basis *</i>	<i>\$12,179 M</i>		
EBITDA Margin	18.0%		18.9% last year
<i>Comparable basis *</i>	<i>16.4%</i>		
EBITDA (comp*)	\$1,998 M		Down 15.6% YOY, or \$370M (vs. ~\$550-\$450M in 1Q-3Q)
Video Net Adds			Emphasis on profitability with video strategy
<i>Traditional</i>	<i>(391k)</i>		
<i>DTVNow</i>	<i>(267k)</i>		
<i>WatchTV</i>	<i>--</i>		<i>&gt;500k accounts established</i>
Broadband Net Adds	(32k)		6k IPBB net adds
IP Broadband ARPU	\$49.83		Up 6.2% YOY
WarnerMedia			
Revenue	\$9,232 M		Up 5.9% (+10.4% Warner Bros.; HBO, Turner down slightly)
Op. Income	\$2,623 M		Up 33.2%, with double digit growth in all 3 divisions
<i>Subscription rev growth</i>	<i>~ 2%</i>		<i>Turner 3.7%; HBO -3.0%</i>
<i>Turner advertising rev growth</i>	<i>-6.3%</i>		<i>Domestic audience decline partly offset by higher pricing</i>

\* "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 4Q17.