Q1 2019 AT&T EARNINGS

Investor Briefing

No. 304 | APRIL 24, 2019

Contents

Communications

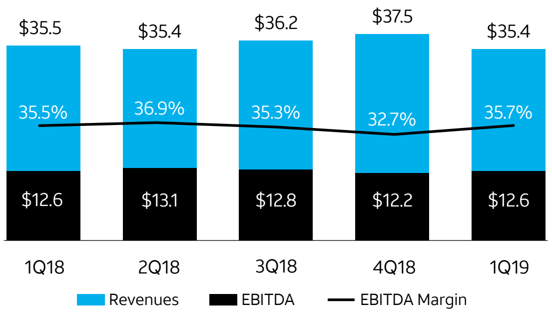
Revenues	▸ $35.4 billion, down 0.4% year over year reflecting gains in Mobility that were offset by declines in Business Wireline and Entertainment Group
Operating Expenses	▸ $27.3 billion, down 0.6% year over year reflecting lower Entertainment Group expenses
Operating Income	▸ $8.1 billion, up 0.3% year over year; operating income margin of 22.8% compared with 22.6% in the year-ago quarter

MOBILITY

Revenues	▸ $17.6 billion, up 1.2% year over year due to an increase in service revenues offsetting declines in equipment revenues ■ **Service revenues:** $13.8 billion, up 2.9% year over year due to subscriber gains and postpaid phone ARPU growth ■ **Equipment revenues:** $3.8 billion, down 4.5% year over year due to lower postpaid smartphone sales
Operating Expenses	▸ $12.2 billion, essentially flat year over year due to lower postpaid smartphone volumes and cost efficiencies, partially offset by higher commission amortization
Operating Income	▸ $5.4 billion, up 3.7% year over year; operating income margin of 30.5%, compared to 29.7% in the year-ago quarter
EBITDA	▸ $7.4 billion, up 1.8% year over year; EBITDA margin: 42.0% versus 41.8% in the year-ago quarter (EBITDA margin is operating income before depreciation and amortization, divided by total revenues) ▸ Wireless EBITDA service margin: 53.6% compared to 54.1% in the year-ago quarter (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues)

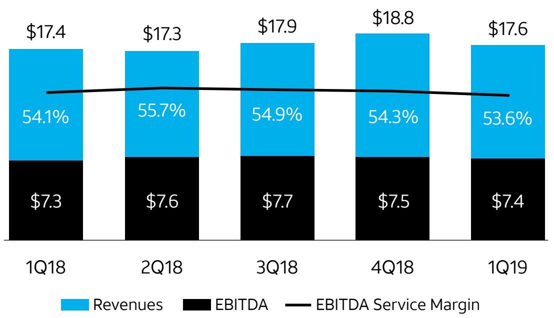
Communications Revenues & EBITDA Margin

IN BILLIONS



Mobility Revenues & EBITDA Service Margin

IN BILLIONS



ARPU

- Postpaid phone-only ARPU increased 3.7% versus the year-ago quarter

SUBSCRIBER METRICS

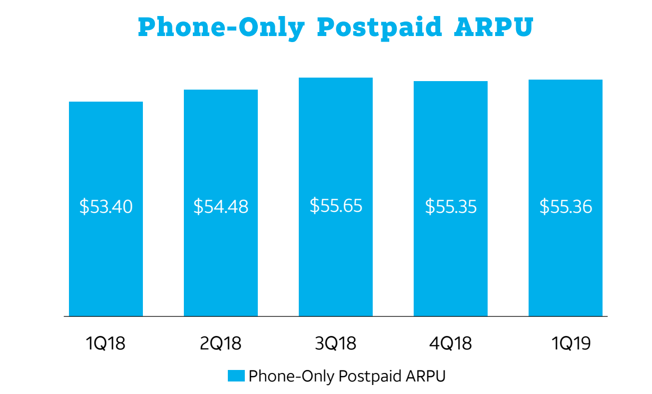
- Total net adds of 2.7 million to reach 155.7 million in service
  - 204,000 postpaid net losses with losses in tablets offsetting gains in wearables and phones
    - 80,000 postpaid phone net adds, first positive postpaid phone net adds in the first quarter in 5 years
    - 179,000 postpaid smartphone net adds
    - (428,000) tablet and other branded computing device net losses
- 96,000 prepaid net adds
  - 85,000 prepaid phone net adds
  - 63,000 prepaid smartphone net adds
- 3.1 million connected device net adds
- (253,000) reseller net losses

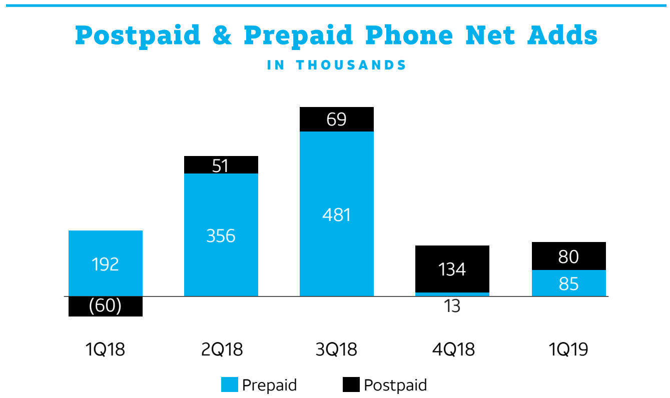
CHURN

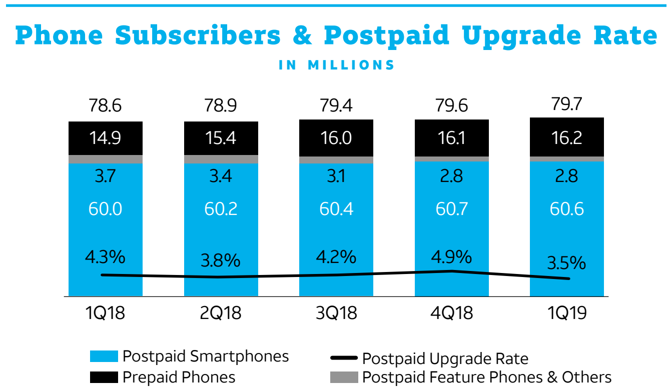
- Postpaid churn: 1.17%, up from 1.06% in the year-ago quarter largely due to competitive pricing pressures and tablet churn
- Postpaid phone churn: 0.93%, compared to 0.84% in the year-ago quarter

SMARTPHONES

- 6.2 million postpaid and prepaid smartphone gross adds and upgrades in the quarter, including 1.8 million from prepaid
- Postpaid upgrade rate in the quarter was its lowest ever at 3.5%, down from 4.3% in the year-ago quarter





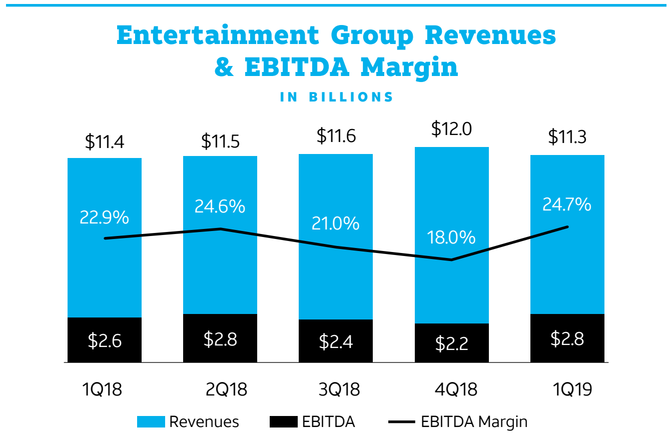


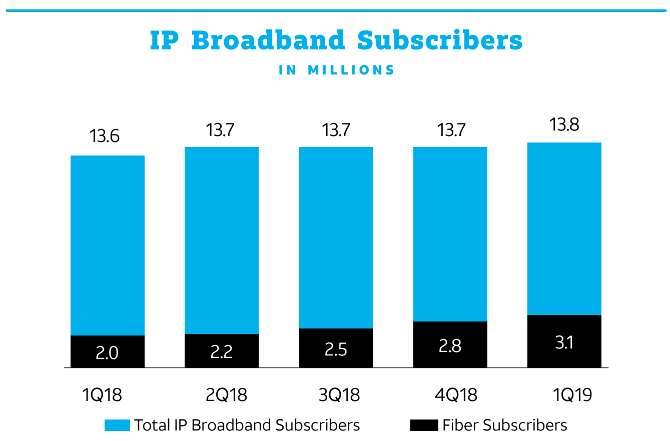
ENTERTAINMENT GROUP

Revenues	▸ $11.3 billion, down 0.9% year over year due to declines in TV subscribers and legacy services ■ **Video:** $8.1 billion, down 1.8% year over year due to declines in premium TV subscribers and an allocation adjustment for bundled discounts partially offset by the growth of over-the-top revenues ■ **IP Broadband:** $2.1 billion, up 10.2% year over year due to an allocation adjustment for bundled discounts and higher revenue from AT&T Fiber customers, which were partially offset by simplified pricing
Operating Expenses	▸ $9.9 billion, down 2.7% year over year due to lower marketing costs, lower volumes, other cost initiatives, a one-time settlement of prior year content disputes, and the impact of a prior update to expected subscriber life on deferral amortization
Operating Income	▸ $1.5 billion, up 12.8% year over year; operating income margin: 13.0% compared to 11.5% in the year-ago quarter
EBITDA	▸ $2.8 billion, up 6.9% year over year; 24.7% EBITDA margin, up from 22.9% in the year-ago quarter, driven by premium TV ARPU growth, lower marketing costs and other cost efficiencies. TV content costs were relatively stable year over year with contractual cost increases offset by lower subscriber volumes

SUBSCRIBER METRICS

- **Total video** subscribers: (627,000) net loss
- **Premium TV** subscribers: (544,000) net loss due to an increase in customers rolling off promotional discounts, competition and lower gross adds due to a focus on long-term value customer base
- **DIRECTV NOW** subscribers: (83,000) net loss as the company scaled back promotions
- **Total broadband** subscribers: 45,000 net adds
  - 93,000 IP broadband net adds
    - 297,000 fiber net adds
- About 75% of all broadband subscribers on AT&T's fiber network have speeds of 100 megabits or more. Total broadband customers with speeds of 100 megabits or faster have increased nearly 150% in the past year.
- AT&T now markets its 100% fiber network to more than 12 million customer locations in parts of 84 metro areas. Broadband penetration in the fiber footprint continues to be significantly higher than in AT&T's non-fiber footprint with penetration rates increasing the longer we have fiber in a market.



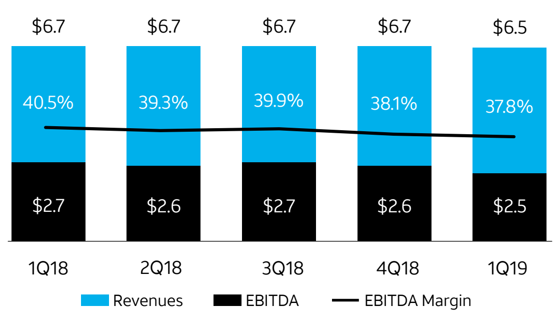


BUSINESS WIRELINE

Revenues	▸ $6.5 billion, down 3.7% year over year with declines in legacy products partially offset by growth in strategic and managed services ▸ **Strategic and managed services,** the wireline capabilities that lead AT&T's most advanced business solutions, continued to grow: $3.8 billion, up 5.5% year over year ■ Annualized revenue stream of more than $15 billion ■ Growth helped offset a decline of about $461 million in legacy services in the quarter
Operating Expenses	▸ $5.3 billion, up 1.7% year over year, primarily due to higher depreciation
Operating Income	▸ $1.2 billion, down 21.7%, with IP revenue growth and cost efficiencies partially offsetting declines in legacy services; operating income margin: 18.8%, down from 23.1% in the year-ago quarter
EBITDA Margin	▸ 37.8%, down from 40.5% in the year-ago quarter

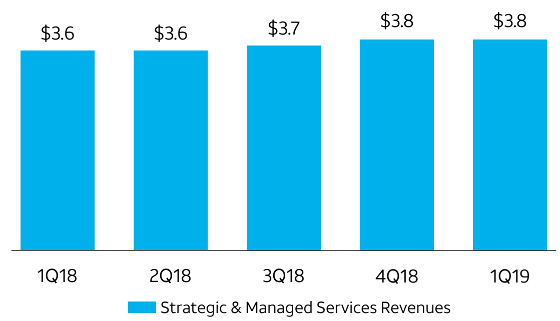
Business Wireline Revenues & EBITDA Margin

IN BILLIONS



Strategic & Managed Services Revenues

IN BILLIONS



WarnerMedia

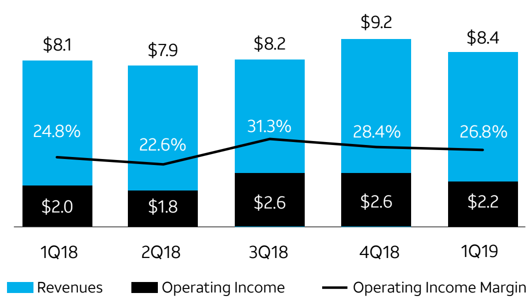
FINANCIAL HIGHLIGHTS

(This material conforms to historical presentation to aid in comparability. Historical comparisons reflect historical Time Warner adjusted results and also include RSNs as recast in the WarnerMedia segment. Financial results of Otter Media are included in WarnerMedia consolidated results following AT&T's Aug. 7, 2018 acquisition of the remaining interest in Otter Media and the transfer of the ownership of Otter Media to WarnerMedia. Prior to this date, Otter Media was included as an equity-method investment of AT&T.)

Revenues	▸ $8.4 billion, up 3.3% year over year primarily driven by higher Warner Bros. revenues, consolidation of Otter Media and higher affiliate subscription revenues at Turner
Operating Expenses	▸ $6.1 billion, up 0.6% year over year primarily due to higher film and television production costs at Warner Bros. and the consolidation of Otter Media, partially offset by lower programming expenses at Home Box Office and Turner ▸ Includes $3.6 billion of programming and production costs, up 3.0% year over year
Operating Income	▸ $2.2 billion, up 11.6% year over year with gains at all three business units; operating income margin of 26.8% compared with 24.8% in year-ago quarter

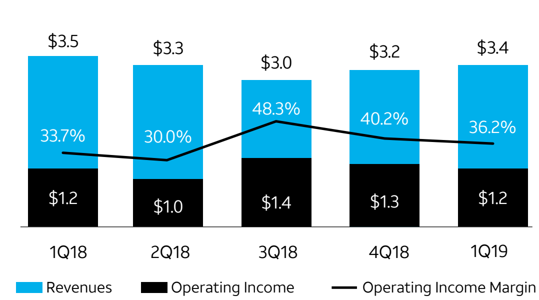
WarnerMedia Revenues & Operating Income Margin

IN BILLIONS



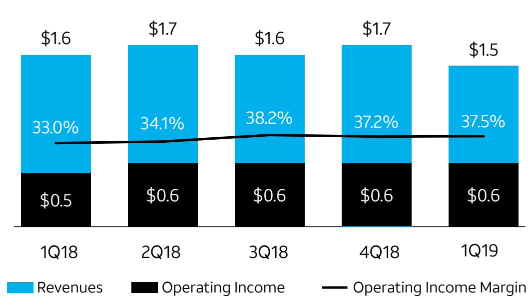
Turner Revenues & Operating Income Margin

IN BILLIONS



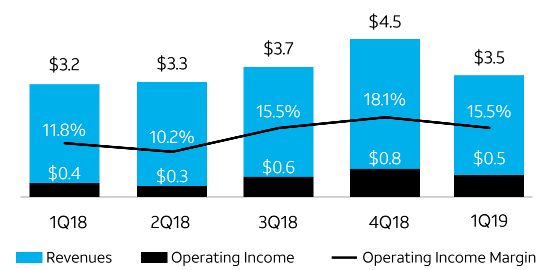
Home Box Office Revenues & Operating Income Margin

IN BILLIONS



Warner Bros. Revenues & Operating Income Margin

IN BILLIONS



TURNER

Revenues	▸ $3.4 billion, down 0.4% year over year due to a 5.9% decline in advertising revenues, partially offset by a 4.1% increase in subscription revenues ▸ **Subscription:** benefited from higher domestic affiliate rates and growth at Turner's international networks; revenues were impacted by unfavorable foreign exchange rates ▸ **Advertising:** decreased due to the shift of the NCAA Final Four games and lower audience delivery at Turner's domestic entertainment networks; international advertising revenues declined and were impacted by unfavorable foreign exchange rates
Operating Expenses	▸ $2.2 billion, down 4.1% year over year, primarily due to lower programming expenses reflecting the shift of the NCAA Final Four games and lower original programming and marketing costs
Operating Income	▸ $1.2 billion, up 7.0% year over year; operating income margin of 36.2% compared with 33.7% in the year-ago quarter

HOME BOX OFFICE

Revenues	▸ $1.5 billion, down 6.7% year over year primarily due to lower domestic linear subscribers and a decrease in content and other revenues, partially offset by higher domestic rates and digital and international growth ▸ **Subscription:** revenues and subscribers were unfavorably impacted by the carriage dispute with DISH, which began in November 2018, but revenues benefited from higher domestic rates and digital and international growth
Operating Expenses	▸ $943 million, down 13.0% year over year due to lower programming and distribution costs
Operating Income	▸ $567 million, up 6.0% year over year; operating income margin of 37.5% compared with 33.0% in the year-ago quarter

WARNER BROS.

Revenues	▸ $3.5 billion, up 8.6% year over year due to 12.7% growth in theatrical product revenues and 7.7% growth in television product revenues ▸ **Theatrical product:** increased primarily due to theatrical carryover revenues driven by *Aquaman* (released 4Q18) ▸ **Television product:** increased primarily due to higher initial telecast revenues, partially offset by lower licensing revenues
Operating Expenses	▸ $3.0 billion, up 4.1% year over year primarily due to higher film and television production costs, partially offset by lower print and advertising expenses
Operating Income	▸ $547 million, up 42.8% year over year; operating income margin of 15.5% compared with 11.8% in the year-ago quarter

SELECT RECENT & UPCOMING RELEASES

TURNER

Series
Take It There with Taylor Rooks (S1, BR): 4/1/19
The Last O.G. (S2, TBS): 4/2/19
Paid Off with Michael Torpey (S1, truTV): 5/13/19[1]
Animal Kingdom (S4, TNT): 5/28/19
Hell in the Heartland (S1, HLN): 6/2/19
Claws (S3, TNT): 6/9/19
Infomercials (S8, Adult Swim): June
The Detour (S4, TBS): June
The Carbonaro Effect (S5, truTV): June[1]

Animated Series
Lazor Wulf (S1, Adult Swim): 4/7/19
American Dad (S16, TBS): 4/15/19
Final Space (S2, Adult Swim): 6/23/19

Docuseries
Chasing Life with Dr. Sanjay Gupta (S1, CNN): 4/13/19
Redemption (S1, CNN): 4/28/19
United Shades of America (S4, CNN): 4/28/19
Inside Evil with Chris Cuomo (S3, HLN): 6/30/19

Specials
Gemusetto Machu Picchu (Special, Adult Swim): 4/1/19
Full Frontal with Samantha Bee: Not the White House Correspondents' Dinner (Special, TBS): 4/27/19
Quiet Storm: The Ron Artest Story (Special, B/R): 5/1/19
Apollo 11 (Film, CNN): 6/23/19

HOME BOX OFFICE

HBO Series
Game of Thrones (S8): 4/14/19
Los Espookys (S1): 6/14/19
Euphoria (S1): 6/16/19

HBO Limited Series
Gentleman Jack (S1): 4/22/19
Chernobyl (S1): 5/6/19
Big Little Lies (S2): 6/9/19
Years & Years (S1): 6/14/19

Cinemax Series
Warrior (S1): 4/5/19
Jett (S1): June

HBO Comedy/Specials
Wyatt Cenac's Problem Areas (S2): 4/5/19

HBO Film/Documentaries
On Tour with Asperger's Are Us: 4/30/19
Foster: 5/7/19
What's My Name: Mohammad Ali: 5/14/19
Running with Beto: 5/28/19
At the Heart of the Gold: Inside the USA Gymnastics Scandal: May
The Cold Blue: June

WARNER BROS.

Note: Warner Bros. is producing more than 70 series for the 2018-19 television season. The 2018-19 broadcast television season runs September 2018 through August 2019. The cable/pay/OTT television season runs June 2018 through May 2019, based on air dates.

TV Production: Broadcast
In the Dark (S1, CW): 4/4/19[2]
The Red Line (S1, CBS): 4/28/19[2]
The 100 (S6, CW): 4/30/19[2]
iZombie (S5, CW): 5/2/19
The Bachelorette (15th cycle, ABC): 5/13/19

TV Production: Cable/Pay/OTT
Lucifer (S4, Netflix): 5/8/19
Swamp Thing (S1, DC Universe): 5/31/19

Theatrical: Box Office[3]

1Q 2019
The LEGO Movie 2: The Second Part: 2/8/19
Isn't It Romantic: 2/13/19

2Q 2019
Shazam!: 4/5/19
The Curse of La Llorona: 4/19/19
Pokémon: Detective Pikachu: 5/10/19
The Sun Is Also a Star: 5/17/19
Godzilla: King of the Monsters: 5/31/19
Shaft: 6/14/19
Annabelle Comes Home: 6/28/19

3Q 2019
The Kitchen: 8/9/19
Blinded By the Light: 8/14/19
IT: Chapter Two: 9/6/19
The Goldfinch: 9/13/19

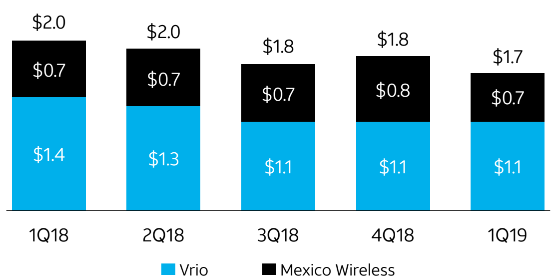
4Q 2019
The Joker: 10/4/19
Motherless Brooklyn: 11/1/19
Doctor Sleep: 11/8/19
The Good Liar: 11/15/19
Superintelligence: 12/20/19

Games
Mortal Kombat (mobile, expansion): 4/17/19
Mortal Kombat 11 (console): 4/23/19

Note: Represents a limited, select list of releases only. Premiere/release dates shown may be estimated and are subject to change.
[1]Continuation of season. [2]Co-produced with CBS. [3]Domestic release dates shown.

Latin America

Revenues	$1.7 billion, down 15.2% year over year largely due to foreign exchange pressures from revenues in multiple currencies
Operating Expenses	$1.9 billion, down 11.5% year over year
Operating Loss	($173) million, compared to a ($111) million loss in the year-ago first quarter; operating income margin (10.1)%, down from (5.5)% in the prior year



MEXICO

Revenues	$651 million, down 3.0% year over year, primarily due to lower equipment sales from introduction of the NEXT installment purchase program in the prior year and foreign exchange pressure, which was partially offset by service revenue growth
Service Revenues	$442 million, up 9.4% year over year due to subscriber growth, partially offset by lower ARPU
Operating Loss	($205) million, compared to a loss of ($259) million in the year-ago quarter with continued subscriber growth
Subscriber Metrics	93,000 total net adds; 114,000 prepaid net adds, 69,000 postpaid net losses and 48,000 reseller net adds to reach 17.7 million total wireless subscribers

VRIO

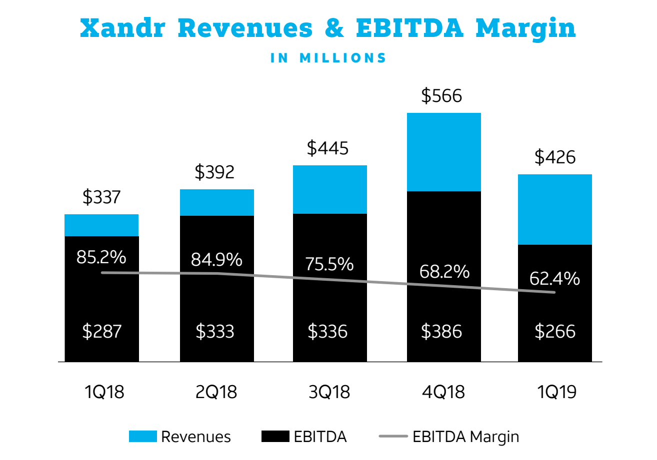
Revenues	$1.1 billion, down 21.2% year over year primarily due to foreign exchange pressures
Operating Income	$32 million compared to $148 million in the year-ago quarter with continued positive cash flow for the quarter
Subscriber Metrics	32,000 net loss; total subscribers at the end of the quarter were 13.6 million Sky Mexico, an equity method investment, had approximately 7.6 million subscribers as of December 31, 2018

Xandr

FINANCIAL HIGHLIGHTS

Xandr revenues include AdWorks revenues *(which are also reported in the Entertainment Group and are reconciled at the corporate level)* and AppNexus revenues. AppNexus was acquired on August 15, 2018.

Revenues	▸ $426 million, up 26.4% year over year; without AppNexus, revenues were up 5.9% year over year
Operating Expenses	▸ $173 million, up $122 million year over year due to the acquisition of AppNexus and higher costs associated with revenue growth
Operating Income	▸ $253 million, down 11.5% year over year due to increased costs associated with scaling the business; operating income margin of 59.4% compared with 84.9% in the year-ago quarter



SECOND-QUARTER 2019 EARNINGS DATE: JULY 24, 2019

AT&T will release second-quarter 2019 earnings on July 24, 2019 before the market opens.

The company's Investor Briefing and related earnings materials will be available on the AT&T website at https://investors.att.com by 7:30 a.m. Eastern time.

AT&T will also host a conference call to discuss the results at 8:30 a.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.

The "quiet period" for FCC Spectrum Auctions 101/102 (28Ghz and 24Ghz) is now in effect. During the quiet period, auction applicants are required to avoid discussions of bids, bidding strategy and post-auction market structure with other auction applicants.

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 and Operational Information

AT&T INC. FINANCIAL DATA

Consolidated Statements of Income			
Dollars in millions except per share amounts			
Unaudited	First Quarter		Percent
	2019	2018	Change
Operating Revenues			
Service	**$ 40,684**	$ 33,646	20.9 %
Equipment	**4,143**	4,392	(5.7) %
Total Operating Revenues	**44,827**	38,038	17.8 %
Operating Expenses			
Cost of revenues			
Equipment	**4,502**	4,848	(7.1) %
Broadcast, programming and operations	**7,652**	5,166	48.1 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**8,585**	7,932	8.2 %
Selling, general and administrative	**9,649**	7,897	22.2 %
Depreciation and amortization	**7,206**	5,994	20.2 %
Total Operating Expenses	**37,594**	31,837	18.1 %
Operating Income	**7,233**	6,201	16.6 %
Interest Expense	**2,141**	1,771	20.9 %
Equity in Net Income (Loss) of Affiliates	**(7)**	9	- %
Other Income (Expense) - Net	**286**	1,702	(83.2) %
Income Before Income Taxes	**5,371**	6,141	(12.5) %
Income Tax Expense	**1,023**	1,382	(26.0) %
Net Income	**4,348**	4,759	(8.6) %
Less: Net Income Attributable to Noncontrolling Interest	**(252)**	(97)	- %
Net Income Attributable to AT&T	**$ 4,096**	$ 4,662	(12.1) %
Basic Earnings Per Share Attributable to AT&T	**$ 0.56**	$ 0.75	(25.3) %
Weighted Average Common Shares Outstanding (000,000)	**7,313**	6,161	18.7 %
Diluted Earnings Per Share Attributable to AT&T	**$ 0.56**	$ 0.75	(25.3) %
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,342**	6,180	18.8 %

AT&T INC. FINANCIAL DATA

Consolidated Balance Sheets				
Dollars in millions *Unaudited*		**Mar. 31, 2019**		Dec. 31, 2018
Assets				
Current Assets				
Cash and cash equivalents	**$**	**6,516**	$	5,204
Accounts receivable - net of allowances for doubtful accounts of $905 and $907		**23,863**		26,472
Prepaid expenses		**1,518**		2,047
Other current assets		**14,575**		17,704
Total current assets		**46,472**		51,427
Noncurrent Inventories and Theatrical Film and Television Production Costs		**10,270**		7,713
Property, Plant and Equipment – Net		**132,051**		131,473
Goodwill		**146,434**		146,370
Licenses – Net		**97,001**		96,144
Trademarks and Trade Names – Net		**24,218**		24,345
Distribution Networks – Net		**16,623**		17,069
Other Intangible Assets – Net		**24,732**		26,269
Investments in and Advances to Equity Affiliates		**6,230**		6,245
Operating Lease Right-of-Use Assets		**20,235**		-
Other Assets		**24,118**		24,809
Total Assets	**$**	**548,384**	$	531,864
Liabilities and Stockholders' Equity				
Current Liabilities				
Debt maturing within one year	**$**	**11,538**	$	10,255
Accounts payable and accrued liabilities		**42,306**		43,184
Advanced billings and customer deposits		**5,956**		5,948
Accrued taxes		**1,130**		1,179
Dividends payable		**3,722**		3,854
Total current liabilities		**64,652**		64,420
Long-Term Debt		**163,942**		166,250
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**59,207**		57,859
Postemployment benefit obligation		**19,664**		19,218
Operating lease liabilities		**18,253**		-
Other noncurrent liabilities		**27,715**		30,233
Total deferred credits and other noncurrent liabilities		**124,839**		107,310
Stockholders' Equity				
Common stock		**7,621**		7,621
Additional paid-in capital		**125,174**		125,525
Retained earnings		**59,424**		58,753
Treasury stock		**(11,452)**		(12,059)
Accumulated other comprehensive income		**4,345**		4,249
Noncontrolling interest		**9,839**		9,795
Total stockholders' equity		**194,951**		193,884
Total Liabilities and Stockholders' Equity	**$**	**548,384**	$	531,864

AT&T INC. FINANCIAL DATA

Consolidated Statements of Cash Flows		
Dollars in millions		
Unaudited	First Quarter	
	2019	2018
Operating Activities		
Net income	**$ 4,348**	$ 4,759
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**7,206**	5,994
Amortization of film and television costs	**2,497**	-
Undistributed earnings from investments in equity affiliates	**112**	(2)
Provision for uncollectible accounts	**592**	438
Deferred income tax expense (benefit)	**1,069**	1,222
Net (gain) loss from investments, net of impairments	**(175)**	2
Actuarial (gain) loss on pension and postretirement benefits	**432**	(930)
Changes in operating assets and liabilities:		
Accounts receivable	**1,894**	(439)
Other current assets, inventories and theatrical film and television production costs	**(2,510)**	614
Accounts payable and other accrued liabilities	**(3,686)**	(1,962)
Equipment installment receivables and related sales	**652**	505
Deferred customer contract acquisition and fulfillment costs	**(375)**	(826)
Retirement benefit funding	**-**	(140)
Other - net	**(1,004)**	(288)
Total adjustments	**6,704**	4,188
Net Cash Provided by Operating Activities	**11,052**	8,947
Investing Activities		
Capital expenditures:		
Purchase of property and equipment	**(5,121)**	(5,957)
Interest during construction	**(61)**	(161)
Acquisitions, net of cash acquired	**(213)**	(234)
Dispositions	**10**	56
(Purchases) sales of securities, net	**(1)**	(116)
Advances to and investments in equity affiliates, net	**(15)**	(1,007)
Cash collections of deferred purchase price	**-**	267
Net Cash Used in Investing Activities	**(5,401)**	(7,152)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**(256)**	-
Issuance of other short-term borrowings	**296**	-
Repayment of other short-term borrowings	**(176)**	-
Issuance of long-term debt	**9,182**	2,565
Repayment of long-term debt	**(9,840)**	(4,911)
Purchase of treasury stock	**(189)**	(145)
Issuance of treasury stock	**167**	11
Dividends paid	**(3,714)**	(3,070)
Other	**109**	2,048
Net Cash Used in Financing Activities	**(4,421)**	(3,502)
Net increase (decrease) in cash and cash equivalents and restricted cash	**1,230**	(1,707)
Cash and cash equivalents and restricted cash beginning of year	**5,400**	50,932
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 6,630**	$ 49,225

AT&T INC. CONSOLIDATED SUPPLEMENTARY DATA

Supplementary Financial Data							
Dollars in millions except per share amounts							
Unaudited	First Quarter					Percent	
		2019		2018		Change	
Capital expenditures							
Purchase of property and equipment	**$**	**5,121**	$	5,957		(14.0)	%
Interest during construction		**61**		161		(62.1)	%
Total Capital Expenditures	**$**	**5,182**	$	6,118		(15.3)	%
Dividends Declared per Share	**$**	**0.51**	$	0.50		2.0	%
End of Period Common Shares Outstanding (000,000)		**7,297**		6,148		18.7	%
Debt Ratio		**47.4**	**%**	52.6	%	(520)	BP
Total Employees		**262,290**		249,240		5.2	%

Supplementary Operating Data				
Subscribers and connections in thousands				
Unaudited	First Quarter		Percent	
	2019	2018	Change	
Wireless Subscribers				
Domestic	**155,732**	143,832	8.3	%
Mexico	**17,722**	15,642	13.3	%
Total Wireless Subscribers	**173,454**	159,474	8.8	%
Video Connections				
Domestic	**23,891**	25,394	(5.9)	%
Latin America	**13,584**	13,573	0.1	%
Total Video Connections	**37,475**	38,967	(3.8)	%
Broadband Connections				
IP	**14,852**	14,637	1.5	%
DSL	**885**	1,138	(22.2)	%
Total Broadband Connections	**15,737**	15,775	(0.2)	%
Voice Connections				
Network Access Lines	**9,576**	11,288	(15.2)	%
U-verse VoIP Connections	**4,935**	5,585	(11.6)	%
Total Retail Voice Connections	**14,511**	16,873	(14.0)	%

	First Quarter		Percent	
	2019	2018	Change	
Wireless Net Additions				
Domestic	**2,727**	2,630	3.7	%
Mexico	**93**	543	(82.9)	%
Total Wireless Net Additions	**2,820**	3,173	(11.1)	%
Video Net Additions				
Domestic	**(626)**	124	-	%
Latin America	**(32)**	(15)	-	%
Total Video Net Additions	**(658)**	109	-	%
Broadband Net Additions				
IP	**100**	150	(33.3)	%
DSL	**(64)**	(94)	31.9	%
Total Broadband Net Additions	**36**	56	(35.7)	%

COMMUNICATIONS SEGMENT

The Communications segment provides wireless and wireline telecom, video and broadband services to consumers located in the U.S. or in U.S. territories and businesses globally. The Communications segment contains three reporting units: Mobility, Entertainment Group, and Business Wireline.

Segment Results

Dollars in millions			
Unaudited	First Quarter		Percent
	2019	2018	Change
Segment Operating Revenues			
Mobility	**$ 17,567**	$ 17,355	1.2 %
Entertainment Group	**11,328**	11,431	(0.9) %
Business Wireline	**6,498**	6,747	(3.7) %
Total Segment Operating Revenues	**35,393**	35,533	(0.4) %
Segment Operating Contribution			
Mobility	**5,351**	5,158	3.7 %
Entertainment Group	**1,478**	1,309	12.9 %
Business Wireline	**1,223**	1,560	(21.6) %
Total Segment Operating Contribution	**$ 8,052**	$ 8,027	0.3 %

MOBILITY

Mobility provides nationwide wireless service and equipment.

Mobility Results				
Dollars in millions				
Unaudited	First Quarter		Percent	
	2019	2018	Change	
Operating Revenues				
Service	**$ 13,792**	$ 13,403	2.9	%
Equipment	**3,775**	3,952	(4.5)	%
Total Operating Revenues	**17,567**	17,355	1.2	%
Operating Expenses				
Operations and support	**10,181**	10,102	0.8	%
Depreciation and amortization	**2,035**	2,095	(2.9)	%
Total Operating Expenses	**12,216**	12,197	0.2	%
Operating Income	**5,351**	5,158	3.7	%
Equity in Net Income (Loss) of Affiliates	**-**	-	-	%
Operating Contribution	**$ 5,351**	$ 5,158	3.7	%
Operating Income Margin	**30.5 %**	29.7 %	80	BP

Supplementary Operating Data				
Subscribers and connections in thousands				
Unaudited	First Quarter		Percent	
	2019	2018	Change	
Mobility Subscribers				
Postpaid	**76,550**	77,431	(1.1)	%
Prepaid	**17,180**	15,671	9.6	%
Reseller	**7,574**	9,002	(15.9)	%
Connected Devices	**54,428**	41,728	30.4	%
Total Mobility Subscribers	**155,732**	**143,832**	8.3	%
	First Quarter		Percent	
	2019	2018	Change	
Mobility Net Additions				
Postpaid	**(204)**	49	-	%
Prepaid	**96**	241	(60.2)	%
Reseller	**(253)**	(388)	34.8	%
Connected Devices	**3,088**	2,728	13.2	%
Total Mobility Net Additions	**2,727**	**2,630**	3.7	%
Postpaid Churn	**1.17 %**	1.06 %	11	BP
Postpaid Phone-Only Churn	**0.93 %**	0.84 %	9	BP

ENTERTAINMENT GROUP

Entertainment Group provides video, including over-the-top (OTT) services, broadband and voice communication services primarily to residential customers. This business unit also sells advertising on video distribution platforms.

Entertainment Group Results

Dollars in millions *Unaudited*	First Quarter 2019	First Quarter 2018	Percent Change
Operating Revenues			
Video entertainment	**$ 8,074**	$ 8,225	(1.8) %
High-speed internet	**2,070**	1,878	10.2 %
Legacy voice and data services	**683**	806	(15.3) %
Other service and equipment	**501**	522	(4.0) %
Total Operating Revenues	**11,328**	11,431	(0.9) %
Operating Expenses			
Operations and support	**8,527**	8,811	(3.2) %
Depreciation and amortization	**1,323**	1,310	1.0 %
Total Operating Expenses	**9,850**	10,121	(2.7) %
Operating Income	**1,478**	1,310	12.8 %
Equity in Net Income (Loss) of Affiliates	**-**	(1)	- %
Operating Contribution	**$ 1,478**	$ 1,309	12.9 %
Operating Income Margin	**13.0 %**	11.5 %	150 BP

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	First Quarter 2019	First Quarter 2018	Percent Change
Video Connections[1]			
Premium TV	**22,359**	23,902	(6.5) %
DIRECTV NOW	**1,508**	1,467	2.8 %
Total Video Connections	**23,867**	25,369	(5.9) %
Broadband Connections[1]			
IP	**13,822**	13,616	1.5 %
DSL	**632**	816	(22.5) %
Total Broadband Connections	**14,454**	14,432	0.2 %
Voice Connections			
Retail Consumer Switched Access Lines	**3,787**	4,535	(16.5) %
U-verse Consumer VoIP Connections	**4,393**	5,105	(13.9) %
Total Retail Consumer Voice Connections	**8,180**	9,640	(15.1) %

	First Quarter 2019	First Quarter 2018	Percent Change
Video Net Additions[1,2]			
Premium TV	**(544)**	(187)	- %
DIRECTV NOW	**(83)**	312	- %
Total Video Net Additions	**(627)**	125	- %
Broadband Net Additions[1]			
IP	**93**	154	(39.6) %
DSL	**(48)**	(72)	33.3 %
Total Broadband Net Additions	**45**	82	(45.1) %

[1] 2019 includes the impact of conforming our subscriber disconnection policy with that of our wireless business and industry practice (to billing cycle basis), resulting in 117 additional video and 38 additional broadband subscribers at March 31, 2019.

[2] Includes the impact of customers that migrated to DIRECTV NOW.

BUSINESS WIRELINE

Business Wireline unit provides advanced IP-based services, as well as traditional data services to business customers. Revenues have been recast to conform to the current period's presentation.

Business Wireline Results						
Dollars in millions						
Unaudited	First Quarter				Percent	
		2019		2018	Change	
Operating Revenues						
Strategic and managed services	**$**	**3,792**	$	3,595	5.5	%
Legacy voice and data services		**2,404**		2,865	(16.1)	%
Other service and equipment		**302**		287	5.2	%
Total Operating Revenues		**6,498**		6,747	(3.7)	%
Operating Expenses						
Operations and support		**4,040**		4,016	0.6	%
Depreciation and amortization		**1,235**		1,170	5.6	%
Total Operating Expenses		**5,275**		5,186	1.7	%
Operating Income		**1,223**		1,561	(21.7)	%
Equity in Net Income (Loss) of Affiliates		**-**		(1)	-	%
Operating Contribution	**$**	**1,223**	$	1,560	(21.6)	%
Operating Income Margin		**18.8 %**		23.1 %	(430)	BP

BUSINESS SOLUTIONS

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and fixed operations. This combined view presents a complete profile of the entire business customer relationship and underscores the importance of mobile solutions to serving our business customers. Revenues have been recast to conform to the current period's presentation.

Business Solutions Results						
Dollars in millions						
Unaudited	First Quarter				Percent	
		2019		2018	Change	
Operating Revenues						
Wireless service	**$**	**1,913**	$	1,791	6.8	%
Strategic and managed services		**3,792**		3,595	5.5	%
Legacy voice and data services		**2,404**		2,865	(16.1)	%
Other service and equipment		**302**		287	5.2	%
Wireless equipment		**596**		578	3.1	%
Total Operating Revenues		**9,007**		9,116	(1.2)	%
Operating Expenses						
Operations and support		**5,640**		5,594	0.8	%
Depreciation and amortization		**1,541**		1,458	5.7	%
Total Operating Expenses		**7,181**		7,052	1.8	%
Operating Income		**1,826**		2,064	(11.5)	%
Equity in Net Income (Loss) of Affiliates		**-**		(1)	-	%
Operating Contribution	**$**	**1,826**	$	2,063	(11.5)	%
Operating Income Margin		**20.3 %**		22.6 %	(230)	BP

WARNERMEDIA SEGMENT

The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. Results from Turner, Home Box Office and Warner Bros. businesses are combined with AT&T's Regional Sports Network (RSN) and Otter Media Holdings in the WarnerMedia segment.

Segment Results

Dollars in millions *Unaudited*	First Quarter 2019	First Quarter 2018	Percent Change
Operating Revenues			
Subscription	**$ 3,369**	$ 98	- %
Advertising	**1,279**	14	- %
Content and other	**3,731**	-	- %
Total Operating Revenues	**8,379**	112	- %
Operating Expenses			
Operations and support	**5,993**	82	- %
Depreciation and amortization	**143**	1	- %
Total Operating Expenses	**6,136**	83	- %
Operating Income	**2,243**	29	- %
Equity in Net Income (Loss) of Affiliates	**67**	10	- %
Operating Contribution	**$ 2,310**	$ 39	- %
Operating Income Margin	**26.8 %**	25.9 %	90 BP

LATIN AMERICA SEGMENT

The Latin America segment provides entertainment and wireless service outside of the U.S. Our international subsidiaries conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates. The Latin America segment contains two business units: Vrio and Mexico.

Segment Results

Dollars in millions
Unaudited

	First Quarter 2019	First Quarter 2018	Percent Change
Segment Operating Revenues			
Vrio	$ **1,067**	$ 1,354	(21.2) %
Mexico	**651**	671	(3.0) %
Total Segment Operating Revenues	**1,718**	2,025	(15.2) %
Segment Operating Contribution			
Vrio	**32**	148	(78.4) %
Mexico	**(205)**	(259)	20.8 %
Total Segment Operating Contribution	$ **(173)**	$ (111)	(55.9) %

VRIO

Vrio provides entertainment services to customers utilizing satellite technology in Latin America and the Caribbean.

Vrio Results

Dollars in millions
Unaudited

	First Quarter 2019	First Quarter 2018	Percent Change
Operating Revenues	$ **1,067**	$ 1,354	(21.2) %
Operating Expenses			
Operations and support	**866**	1,001	(13.5) %
Depreciation and amortization	**169**	205	(17.6) %
Total Operating Expenses	**1,035**	1,206	(14.2) %
Operating Income	**32**	148	(78.4) %
Equity in Net Income of Affiliates	**-**	-	- %
Operating Contribution	$ **32**	$ 148	(78.4) %
Operating Income Margin	**3.0 %**	10.9 %	(790) BP

Supplementary Operating Data

Subscribers and connections in thousands
Unaudited

	First Quarter 2019	First Quarter 2018	Percent Change
Vrio Video Subscribers[1]	**13,584**	13,573	0.1 %

	First Quarter 2019	First Quarter 2018	Percent Change
Vrio Video Net Subscriber Additions	**(32)**	(15)	- %

[1] 2019 excludes the impact of 222 subscriber disconnections resulting from conforming our video credit policy across the region, which is reflected in beginning of period subscribers.

MEXICO

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results

Dollars in millions *Unaudited*	First Quarter 2019	First Quarter 2018	Percent Change
Operating Revenues			
Wireless service	**$ 442**	$ 404	9.4 %
Wireless equipment	**209**	267	(21.7) %
Total Operating Revenues	**651**	671	(3.0) %
Operating Expenses			
Operations and support	**725**	803	(9.7) %
Depreciation and amortization	**131**	127	3.1 %
Total Operating Expenses	**856**	930	(8.0) %
Operating Income (Loss)	**(205)**	(259)	20.8 %
Equity in Net Income of Affiliates	**-**	-	- %
Operating Contribution	**$ (205)**	$ (259)	20.8 %
Operating Income Margin	**(31.5) %**	(38.6) %	710 BP

Supplementary Operating Data

Subscribers and connections in thousands *Unaudited*	First Quarter 2019	First Quarter 2018	Percent Change
Mexico Wireless Subscribers[1]			
Postpaid	**5,642**	5,607	0.6 %
Prepaid	**11,779**	9,857	19.5 %
Reseller	**301**	178	69.1 %
Total Mexico Wireless Subscribers	**17,722**	15,642	13.3 %

	First Quarter 2019	First Quarter 2018	Percent Change
Mexico Wireless Net Additions			
Postpaid	**(69)**	109	- %
Prepaid	**114**	459	(75.2) %
Reseller	**48**	(25)	- %
Total Mexico Wireless Net Subscriber Additions	**93**	543	(82.9) %

[1] 2019 excludes the impact of 692 subscriber disconnections resulting from the churn of customers related to sales by certain third-party distributors and the sunset of 2G services in Mexico, which are reflected in beginning of period subscribers.

XANDR SEGMENT

The Xandr segment provides advertising services. These services utilize data insights to develop higher value targeted advertising. Certain revenues in this segment are also reported by the Communications segment and are eliminated upon consolidation.

Segment Operating Results

Dollars in millions
Unaudited

	First Quarter 2019	First Quarter 2018	Percent Change
Segment Operating Revenues	**$ 426**	$ 337	26.4 %
Segment Operating Expenses			
Operations and support	**160**	50	- %
Depreciation and amortization	**13**	1	- %
Total Segment Operating Expenses	**173**	51	- %
Operating Income	**253**	286	(11.5) %
Equity in Net Income of Affiliates	**-**	-	- %
Segment Operating Contribution	**$ 253**	$ 286	(11.5) %
Segment Operating Income Margin	**59.4 %**	84.9 %	(2,550) BP

SUPPLEMENTAL AT&T ADVERTISING REVENUES

As a supplemental presentation to our Xandr segment operating results, we are providing a view of total advertising revenues generated by AT&T, which combines the advertising revenues recorded across all operating segments. This combined view presents the entire portfolio of revenues generated from AT&T assets and represents a significant strategic initiative and growth opportunity for AT&T.

Advertising Revenues

Dollars in millions
Unaudited

	First Quarter 2019	First Quarter 2018	Percent Change
Operating Revenues			
WarnerMedia	**$ 1,279**	$ 14	- %
Communications	**417**	375	11.2 %
Xandr	**426**	337	26.4 %
Eliminations	**(350)**	(334)	(4.8) %
Total Advertising Revenues	**$ 1,772**	$ 392	- %

SUPPLEMENTAL SEGMENT RECONCILIATION

First Quarter

Dollars in millions
Unaudited
March 31, 2019

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 17,567**	**$ 10,181**	**$ 7,386**	**$ 2,035**	**$ 5,351**	**$ -**	**$ 5,351**
Entertainment Group	**11,328**	**8,527**	**2,801**	**1,323**	**1,478**	**-**	**1,478**
Business Wireline	**6,498**	**4,040**	**2,458**	**1,235**	**1,223**	**-**	**1,223**
Total Communications	**35,393**	**22,748**	**12,645**	**4,593**	**8,052**	**-**	**8,052**
WarnerMedia	**8,379**	**5,993**	**2,386**	**143**	**2,243**	**67**	**2,310**
Latin America							
Vrio	**1,067**	**866**	**201**	**169**	**32**	**-**	**32**
Mexico	**651**	**725**	**(74)**	**131**	**(205)**	**-**	**(205)**
Total Latin America	**1,718**	**1,591**	**127**	**300**	**(173)**	**-**	**(173)**
Xandr	**426**	**160**	**266**	**13**	**253**	**-**	**253**
Segment Total	**45,916**	**30,492**	**15,424**	**5,049**	**10,375**	**$ 67**	**$ 10,442**
Corporate and Other							
Corporate	**209**	**513**	**(304)**	**169**	**(473)**		
Acquisition-related items	**(42)**	**73**	**(115)**	**1,988**	**(2,103)**		
Certain significant items	**-**	**248**	**(248)**	**-**	**(248)**		
Eliminations and consolidations	**(1,256)**	**(938)**	**(318)**	**-**	**(318)**		
AT&T Inc.	**$ 44,827**	**$ 30,388**	**$ 14,439**	**$ 7,206**	**$ 7,233**		

March 31, 2018

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 17,355	$ 10,102	$ 7,253	$ 2,095	$ 5,158	$ -	$ 5,158
Entertainment Group	11,431	8,811	2,620	1,310	1,310	(1)	1,309
Business Wireline	6,747	4,016	2,731	1,170	1,561	(1)	1,560
Total Communications	35,533	22,929	12,604	4,575	8,029	(2)	8,027
WarnerMedia	112	82	30	1	29	10	39
Latin America							
Vrio	1,354	1,001	353	205	148	-	148
Mexico	671	803	(132)	127	(259)	-	(259)
Total Latin America	2,025	1,804	221	332	(111)	-	(111)
Xandr	337	50	287	1	286	-	286
Segment Total	38,007	24,865	13,142	4,909	8,233	$ 8	$ 8,241
Corporate and Other							
Corporate	333	735	(402)	23	(425)		
Acquisition-related items	-	67	(67)	1,062	(1,129)		
Certain significant items	-	180	(180)	-	(180)		
Eliminations and consolidations	(302)	(4)	(298)	-	(298)		
AT&T Inc.	$ 38,038	$ 25,843	$ 12,195	$ 5,994	$ 6,201		

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. These measures should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with U.S. generally accepted accounting principles (GAAP).

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	First Quarter	
	2019	2018
Net cash provided by operating activities	**$ 11,052**	$ 8,947
Less: Capital expenditures	**(5,182)**	(6,118)
Free Cash Flow	**5,870**	2,829
Less: Dividends paid	**(3,714)**	(3,070)
Free Cash Flow after Dividends	**$ 2,156**	$ (241)
Free Cash Flow Dividend Payout Ratio	**63.3%**	108.5%

CASH PAID FOR CAPITAL INVESTMENT

In connection with capital improvements, we negotiate with some of our vendors to obtain favorable payment terms of 120 days or more, referred to as vendor financing, which are excluded from capital expenditures and reported in accordance with GAAP as financing activities. We present an additional view of cash paid for capital investment to provide investors with a comprehensive view of cash used to invest in our networks, product developments and support systems.

Cash Paid for Capital Investment

Dollars in millions	First Quarter	
	2019	2018
Capital Expenditures	**$ (5,182)**	$ (6,118)
Cash paid for vendor financing	**(820)**	(172)
Cash paid for Capital Investment	**$ (6,002)**	$ (6,290)

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, business unit and supplemental results, EBITDA excludes equity in net income (loss) of affiliates, and depreciation and amortization from operating contribution.

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 operating 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 management is responsible and upon which we evaluate performance.

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 Mobility business unit 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	First Quarter	
	2019	2018
Net Income	**$ 4,348**	$ 4,759
Additions:		
Income Tax (Benefit) Expense	**1,023**	1,382
Interest Expense	**2,141**	1,771
Equity in Net (Income) Loss of Affiliates	**7**	(9)
Other (Income) Expense - Net	**(286)**	(1,702)
Depreciation and amortization	**7,206**	5,994
EBITDA	**14,439**	12,195
Total Operating Revenues	**44,827**	38,038
Service Revenues	**40,684**	33,646
EBITDA Margin	**32.2%**	32.1%
EBITDA Service Margin	**35.5%**	36.2%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin		
Dollars in millions		
	First Quarter	
	2019	2018
WarnerMedia Segment		
Operating Contribution	**$ 2,310**	$ 39
Additions:		
Equity in Net (Income) of Affiliates	**(67)**	(10)
Depreciation and amortization	**143**	1
EBITDA	**2,386**	30
Total Operating Revenues	**8,379**	112
Operating Income Margin	**26.8%**	25.9%
EBITDA Margin	**28.5%**	26.8%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin		
Dollars in millions		
	First Quarter	
	2019	2018
Latin America Segment		
Operating Contribution	**$ (173)**	$ (111)
Additions:		
Depreciation and amortization	**300**	332
EBITDA	**127**	221
Total Operating Revenues	**1,718**	2,025
Operating Income Margin	**-10.1%**	-5.5%
EBITDA Margin	**7.4%**	10.9%
Vrio		
Operating Contribution	**$ 32**	$ 148
Additions:		
Depreciation and amortization	**169**	205
EBITDA	**201**	353
Total Operating Revenues	**1,067**	1,354
Operating Income Margin	**3.0%**	10.9%
EBITDA Margin	**18.8%**	26.1%
Mexico		
Operating Contribution	**$ (205)**	$ (259)
Additions:		
Depreciation and amortization	**131**	127
EBITDA	**(74)**	(132)
Total Operating Revenues	**651**	671
Operating Income Margin	**-31.5%**	-38.6%
EBITDA Margin	**-11.4%**	-19.7%

Segment EBITDA, EBITDA Margin and EBITDA Service Margin		
Dollars in millions		
	First Quarter	
	2019	2018
Xandr		
Operating Contribution	**$ 253**	$ 286
Additions:		
Depreciation and amortization	**13**	1
EBITDA	**266**	287
Total Operating Revenues	**426**	337
Operating Income Margin	**59.4%**	84.9%
EBITDA Margin	**62.4%**	85.2%

ADJUSTING ITEMS

Adjusting items include revenues and costs we consider non-operational 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, unless earlier remeasurement is required (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 25% for transactions after tax reform.

Adjusting Items		
Dollars in millions		
	First Quarter	
	2019	2018
Operating Revenues		
Time Warner merger adjustment	**$ 42**	$ -
Adjustments to Operating Revenues	**42**	-
Operating Expenses		
Time Warner and other merger costs	**73**	67
Employee separation costs	**248**	51
Natural disaster costs	**-**	104
Foreign currency exchange	**-**	25
Adjustments to Operations and Support Expenses	**321**	247
Amortization of intangible assets	**1,989**	1,062
Adjustments to Operating Expenses	**2,310**	1,309
Other		
Merger-related interest and fees[1]	**-**	393
Special termination charges, debt redemption costs and other adjustments	**211**	-
Actuarial (gain) loss	**432**	(930)
Adjustments to Income Before Income Taxes	**2,995**	772
Tax impact of adjustments	**649**	173
Tax-related items	**141**	-
Adjustments to Net Income	**$ 2,205**	$ 599

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

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	First Quarter	
	2019	2018
Operating Income	**$ 7,233**	$ 6,201
Adjustments to Operating Revenues	**42**	-
Adjustments to Operating Expenses	**2,310**	1,309
Adjusted Operating Income	**9,585**	7,510
EBITDA	**14,439**	12,195
Adjustments to Operating Revenues	**42**	-
Adjustments to Operations and Support Expenses	**321**	247
Adjusted EBITDA	**14,802**	12,442
Total Operating Revenues	**44,827**	38,038
Adjustments to Operating Revenues	**42**	-
Total Adusted Operating Revenue	**44,869**	38,038
Service Revenues	**40,684**	33,646
Adjustments to Service Revenues	**42**	-
Adusted Service Revenue	**40,726**	33,646
Operating Income Margin	**16.1%**	16.3%
Adjusted Operating Income Margin	**21.4%**	19.7%
Adjusted EBITDA Margin	**33.0%**	32.7%
Adjusted EBITDA Service Margin	**36.3%**	37.0%

Adjusted Diluted EPS				
	First Quarter			
		2019		2018
Diluted Earnings Per Share (EPS)	**$**	**0.56**	$	0.75
Amortization of intangible assets		**0.21**		0.13
Merger integration items[1]		**0.01**		0.06
(Gain) loss on sale of assets, impairments and other adjustments[2]		**0.05**		0.03
Actuarial (gain) loss[3]		**0.05**		(0.12)
Tax-related items		**(0.02)**		-
Adjusted EPS	**$**	**0.86**	$	0.85
Year-over-year growth - Adjusted		**1.2%**		
Weighted Average Common Shares Outstanding with Dilution (000,000)		**7,342**		6,180

[1]Includes combined merger integration items and merger-related interest income and expense, and redemption premiums.
[2]Includes gains on transactions, natural disaster adjustments and charges, and employee-related and other costs.
[3]Includes adjustments for actuarial gains or losses ($432 million loss in the first quarter of 2019) associated with our pension 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 EPS reflects an expected return on plan assets of $816 million (based on an average expected return on plan assets of 7.00% for our pension trust), rather than the actual return on plan assets of $2.8 billion (actual return of 5.8% for the quarter), included in the GAAP measure of income.

PRO FORMA 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. Our Net Debt to Pro Forma Adjusted EBITDA ratio is calculated by dividing the Net Debt by the sum of the most recent four quarters Pro Forma 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.

Net Debt to Pro Forma Adjusted EBITDA

Dollars in millions

	Three Months Ended				
	Jun. 30, 2018[1]	Sep. 30, 2018[1]	Dec. 31, 2018[1]	**Mar. 31, 2019**	**Four Quarters**
Pro Forma Adjusted EBITDA[1,2]	$ 15,119	$ 15,872	$ 15,029	$ **14,802**	$ **60,822**
Add back severance	(133)	(76)	(327)	**-**	**(536)**
Net Debt Pro Forma Adjusted EBITDA	14,986	15,796	14,702	**14,802**	**60,286**
End-of-period current debt					**11,538**
End-of-period long-term debt					**163,942**
Total End-of-Period Debt					**175,480**
Less: Cash and Cash Equivalents					**6,516**
Net Debt Balance					**168,964**
Annualized Net Debt to Pro Forma Adjusted EBITDA Ratio					**2.80**

[1]As reported in AT&T's Form 8-K filed July 24, 2018, October 24, 2018 and January 30, 2019.
[2]Includes the purchase accounting reclassification of released content amortization of $491 million pro forma and $98 million reported by AT&T in the second quarter of 2018, $772 million reported in the third quarter of 2018, $545 million reported by AT&T in the fourth quarter of 2018 and $150 million reported by AT&T in the first quarter of 2019.

SUPPLEMENTAL OPERATIONAL MEASURES

We provide a supplemental discussion of our business solutions operations that is calculated by combining our Mobility and Business Wireline operating units, and then adjusting to remove non-business operations. The following table presents a reconciliation of our supplemental Business Solutions results.

Supplemental Operational Measure

	First Quarter							
	March 31, 2019				March 31, 2018			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	$ 13,792	$ -	$ (11,879)	$ 1,913	$ 13,403	$ -	$ (11,612)	$ 1,791
Strategic and managed services	-	3,792	-	3,792	-	3,595	-	3,595
Legacy voice and data services	-	2,404	-	2,404	-	2,865	-	2,865
Other services and equipment	-	302	-	302	-	287	-	287
Wireless equipment	3,775	-	(3,179)	596	3,952	-	(3,374)	578
Total Operating Revenues	17,567	6,498	(15,058)	9,007	17,355	6,747	(14,986)	9,116
Operations and support	10,181	4,040	(8,581)	5,640	10,102	4,016	(8,524)	5,594
EBITDA	7,386	2,458	(6,477)	3,367	7,253	2,731	(6,462)	3,522
Depreciation and amortization	2,035	1,235	(1,729)	1,541	2,095	1,170	(1,807)	1,458
Total Operating Expenses	12,216	5,275	(10,310)	7,181	12,197	5,186	(10,331)	7,052
Operating Income	5,351	1,223	(4,748)	1,826	5,158	1,561	(4,655)	2,064
Equity in net Income of Affiliates	-	-	-	-	-	(1)	-	(1)
Contribution	$ 5,351	$ 1,223	$ (4,748)	$ 1,826	$ 5,158	$ 1,560	$ (4,655)	$ 2,063

[1]Non-business wireless reported in the Communication segment under the Mobility business unit.