












Q2

2018 AT&T EARNINGS

Investor Briefing

No. 301 | JULY 24, 2018

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	<p>▶ <i>The company's consolidated results include 16 days of Time Warner results for the second quarter. Time Warner's total second-quarter results on a historical basis are located on AT&T's Investor Relations website. Pro forma schedules are expected to be filed in August.</i></p>	
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AT&T Completes Time Warner Acquisition; Agrees to Acquire AppNexus; Reports Second-Quarter Results

Consolidated results include 16 days of Time Warner results for the second quarter

- ▶ Diluted EPS of \$0.81 as reported compared to \$0.63 in the year-ago quarter
- ▶ Adjusted EPS of \$0.91 compared to \$0.79 in the year-ago quarter
- ▶ Consolidated revenues of \$39.0 billion
- ▶ Cash from operations of \$10.2 billion, up 17.5%
- ▶ Capital expenditures of \$5.1 billion
- ▶ Free cash flow of \$5.1 billion, up 46.4%

Company Updates 2018 Guidance¹

- ▶ Raising adjusted EPS to high end of \$3.50 range
- ▶ Raising free cash flow to high end of \$21 billion range (inclusive of all deal and integration costs)
- ▶ Capital Investment of approximately \$25 billion; \$22 billion net of expected FirstNet reimbursements and vendor financing

▶ Strong subscriber gains:

- 3.8 million total wireless net adds
 - 3.1 million in U.S., driven by connected devices and prepaid
 - 756,000 in Mexico
- 219,000 total video net adds (U.S. and Latin America)

▶ U.S. wireless results:

- Service revenue growth on a comparable basis
- 46,000 postpaid phone net adds with continued strong year-over-year improvement
- Continued prepaid growth with 356,000 phone net adds
- Nearly 400,000 branded smartphones added to base
- Second-quarter postpaid phone churn of 0.82%

▶ Entertainment Group results:

- 342,000 DIRECTV NOW net adds to reach more than 1.8 million subscribers
- 80,000 total video net adds; total video customer base stable with DIRECTV NOW; AT&T WatchTV launched
- 76,000 IP broadband net adds; 23,000 total broadband net adds; more than 9 million customer locations passed with fiber
- AdWorks continues double-digit revenue growth

▶ Time Warner acquisition closed on June 14; full second-quarter results include:

- HBO and Turner year-over-year subscription revenue growth
- Turner ad revenue up 3%
- Record number of series in production at Warner Bros.
- 166 Primetime Emmy Awards nominations

CONSOLIDATED FINANCIAL RESULTS

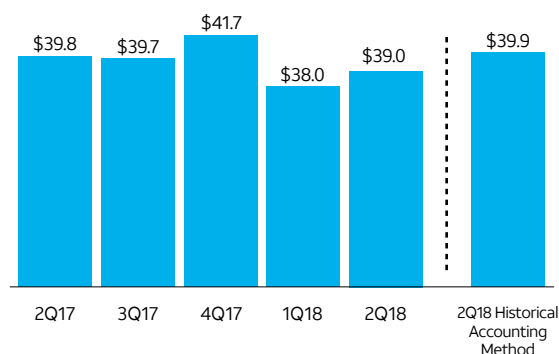
AT&T adopted new U.S. accounting standards as required that deal with revenue recognition (ASC 606), post-employment benefit costs and certain cash receipts on installment receivables. These changes impact the company's income statements and cash flows. With the adoption of ASC 606, the company made a policy decision to record Universal Service Fees (USF) and other regulatory fees on a net basis. The company is providing comparable results in addition to GAAP to help investors better understand the impact on financials from ASC 606 and the policy decision. Historical income statements and cash flows have been recast to show only the impact of the adoption of the other two accounting standards.

The company's consolidated results include 16 days of Time Warner results for the second quarter. Time Warner's total second-quarter results on a historical basis are located on AT&T's Investor Relations website. Pro forma schedules are expected to be filed in August.

AT&T's consolidated revenues for the second quarter totaled \$39.0 billion versus \$39.8 billion in the year-ago quarter, primarily due to the impact of ASC 606 which included netting of \$900 million of USF with operating expenses. On a comparative basis, declines in domestic video and legacy wireline services were offset by adding approximately \$1.1 billion from Time Warner net of eliminations and growth in wireless, strategic business services and advertising. On a comparative basis, revenues were \$39.9 billion, an increase of 0.2% primarily due to the second-quarter close of the Time Warner acquisition.

Consolidated Revenues

IN BILLIONS

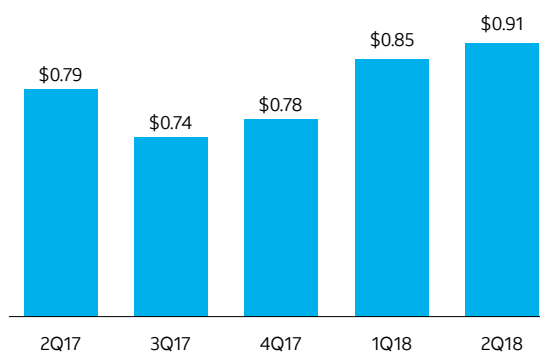


Operating expenses were \$32.5 billion versus \$33.3 billion, primarily due to the netting of USF and other regulatory fee revenues and the deferral of commissions under ASC 606. Excluding those impacts, operating expenses were \$34.0 billion, an increase of about \$700 million due to inclusion of Time Warner results, content cost pressure and higher wireless equipment costs partially offset by cost efficiencies.

Operating income was \$6.5 billion, stable versus the year-ago quarter; and operating income margin was 16.6% versus 16.4%. On a comparative basis, operating income was \$5.9 billion and operating income margin was 14.8%. When adjusting for a non-cash actuarial gain on benefit plans, amortization, merger- and integration-related expenses and other items, operating income was \$8.2 billion, or \$7.7 billion on a comparative basis, versus \$8.1 billion in the year-ago quarter and operating income margin was 21.1%, or 19.2% on a comparative basis, versus 20.3% in the year-ago quarter.

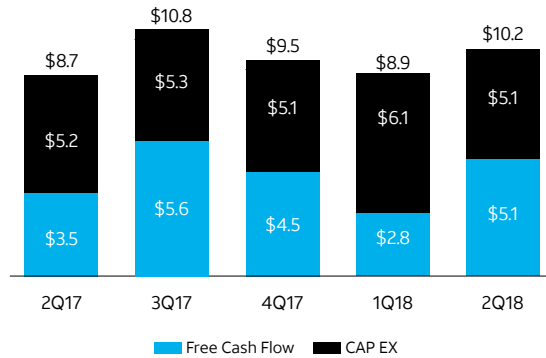
Second-quarter net income attributable to AT&T was \$5.1 billion, or \$0.81 per diluted share, versus \$3.9 billion, or \$0.63 per diluted share, in the year-ago quarter. Adjusting for a \$0.21 non-cash actuarial gain on benefit plans and \$0.31 of costs for amortization, merger- and integration-related expenses and other items, earnings per diluted share was \$0.91 compared to an adjusted \$0.79 in the year-ago quarter, a 15.2% increase.

Cash from operating activities was \$10.2 billion, and capital expenditures were \$5.1 billion. Capital investment included about \$275 million in FirstNet capital costs and reflects about \$300 million in FirstNet reimbursements. Free cash flow — cash from operating activities minus capital expenditures — was \$5.1 billion for the quarter.

Adjusted Earnings Per Share

Cash from Operations

IN BILLIONS

2018 OUTLOOK¹

AT&T expects in 2018:

- ▶ Raising adjusted EPS to high end of the \$3.50 range
- ▶ Raising free cash flow to high end of the \$21 billion range; inclusive of all deal and integration costs
- ▶ Capital Investment of approximately \$25 billion; \$22 billion net of expected FirstNet reimbursements and vendor financing

¹Adjustments include a non-cash mark-to-market benefit plan gain/loss, merger-related interest expense, merger integration and amortization costs and other adjustments. We expect the mark-to-market adjustment which is driven by interest rates and investment returns that are not reasonably estimable at this time, to be the largest of these items. Accordingly, we cannot provide a reconciliation between forecasted adjusted diluted EPS and reported diluted EPS without unreasonable effort.

Business Solutions



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

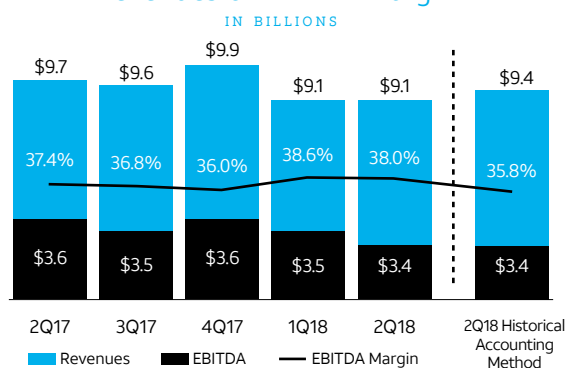
Effective Jan. 1, 2018, wireless subscribers who participate in employer-sponsored plans have been moved to Consumer Mobility from Business Solutions. Historical results have been recast to reflect that change.

FINANCIAL HIGHLIGHTS

Total second-quarter revenues from business customers were \$9.1 billion, down 6.2% versus the year-earlier quarter due to the impact of ASC 606 revenue recognition and declines in legacy wireline services which were partially offset by increases in strategic business services and wireless. On a comparative basis, revenues were \$9.4 billion, down 2.4%.

- ▶ Second-quarter operating expenses were \$7.1 billion, down 5.7%, or essentially flat on a comparative basis, versus the second quarter of 2017. Operating income totaled \$2.0 billion, down 8.0%, or down 11.4% on a comparative basis, year over year with IP revenue growth and cost efficiencies partially offsetting declines in legacy services, higher FirstNet expenses and higher wireless sales costs.
- ▶ Second-quarter operating income margin was 21.6%, or 20.0% on a comparative basis, with declines in legacy services and higher FirstNet expenses and wireless sales costs offsetting growth in IP revenues, wireless and increased cost efficiencies.

Revenues & EBITDA Margin*



*Prior quarters have been recast to remove certain hosting colocation operations pending divestiture.

BUSINESS WIRELESS FINANCIAL RESULTS

Business wireless revenues were \$2.4 billion, up 2.1% year over year due to higher equipment revenues. On a comparative basis, revenues were up 4.2% driven by growth in both service and equipment revenues.

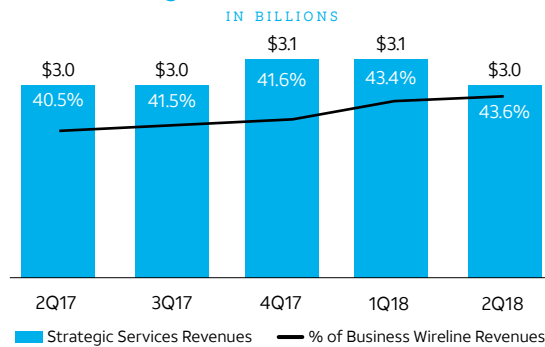
- ▶ Wireless service revenues were down 8.7% year over year on a reported basis, reflecting revenue recognition including changes in USF recording net. On a comparative basis, service revenues were up 1.7%.

BUSINESS WIRELINE FINANCIAL RESULTS

In business wireline, declines in legacy products were partially offset by continued growth in strategic business services. Total business wireline revenues were \$6.7 billion, down 8.9% year over year, or down 4.5% on a comparable basis.

- ▶ Strategic business services, the wireline capabilities that lead AT&T's most advanced business solutions — including VPNs, Ethernet, cloud, IP conferencing, voice over IP, dedicated internet, IP broadband and security services — continued its solid performance. Revenues grew by about 3%, or about \$83 million, on a comparable basis versus the year-earlier quarter. On a comparative basis, these services represent 44% of total business wireline revenues and more than 70% of wireline data revenues and are an annualized revenue stream of more than \$12 billion. This growth helped offset a decline of about \$450 million, on a comparable basis, in legacy services in the quarter.

Strategic Service Revenues*, **



*Uses historical accounting method.

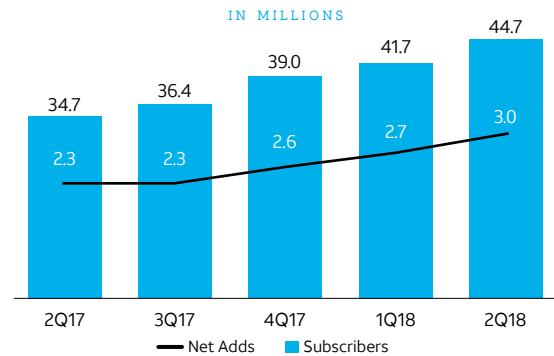
**Prior quarters have been recast to remove certain hosting colocation operations pending divestiture.

SUBSCRIBER METRICS

At the end of the second quarter, AT&T had about 58 million business wireless subscribers, including all connected devices for the company.

- ▶ Business Solutions added 122,000 postpaid subscribers and a record 3.0 million connected devices in the second quarter.
- ▶ During the quarter, the company lost 4,000 high-speed IP broadband business subscribers. Total business broadband subscribers were down 26,000.

Connected Devices Subscribers & Net Adds*



*Connected devices are now entirely in the business segment; historical numbers have been adjusted.

Entertainment Group



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

FINANCIAL HIGHLIGHTS

Total revenues were \$11.7 billion, down 8.0% versus the year-earlier quarter due to the impact of ASC 606 revenue recognition and declines in linear TV subscribers and legacy services. On a comparative basis, excluding the impact of revenue recognition, revenues were down 6.4%.

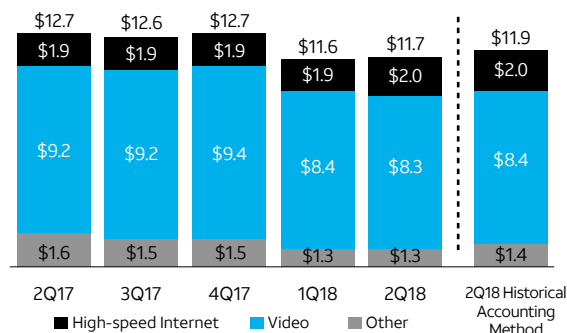
- ▶ Total video revenues were down mostly due to declines in linear TV subscribers.
 - AdWorks revenues were \$461 million, up about 16% year over year.
- ▶ Broadband revenues were up slightly due to an accounting change for bundled discounts and higher IP broadband subscribers partially offset by legacy DSL declines.

Operating income totaled \$1.5 billion, down 11.6% from the year-ago quarter. On a comparative basis, operating income was \$1.2 billion, down 24.9% from the year-ago quarter.

- ▶ Second-quarter operating income margin was 12.5%, down from 13.0% in the year-earlier quarter. Excluding the impact of revenue recognition, operating income margin was 10.4%.
- ▶ Entertainment Group EBITDA margin was 24.0%, compared to 24.5% in the second quarter of 2017 and 21.8% on a comparative basis, with cost efficiencies partially offsetting TV content-cost pressure, fewer linear subscribers, new video platform expenses and declines in legacy services. (EBITDA margin is operating income before depreciation and amortization, divided by total Entertainment Group revenues.)

Product Revenues

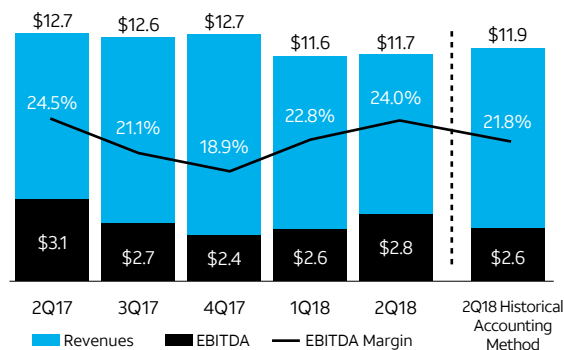
IN BILLIONS



Second-quarter operating expenses were \$10.2 billion, down 7.5% from a year ago. On a comparative basis, operating expenses were down 3.6% due to cost initiatives, lower volumes and lower deferral amortization from an update to expected subscriber life, partially offset by content-cost increases.

Revenues and EBITDA Margin

IN BILLIONS



SUBSCRIBER METRICS

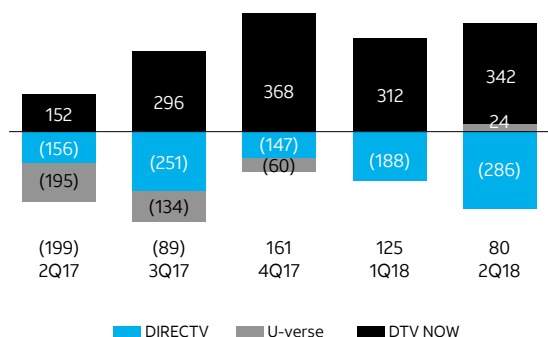
Total video subscribers grew by 80,000 in the quarter as DIRECTV NOW subscribers more than offset linear video declines. The Entertainment Group ended the quarter with 25.4 million total video subscribers.

- ▶ Linear video subscribers declined 262,000 in the second quarter due to heightened competition in linear pay-TV markets and from over-the-top services. Satellite subscribers declined by 286,000 in the quarter, and IPTV subscribers increased by 24,000.

- ▶ On June 28, the company launched its newest video offering, AT&T WatchTV. The service is included at no cost with AT&T Unlimited &MoreSM and AT&T Unlimited &MoreSM Premium wireless service plans or as a \$15-a-month stand-alone service.
- ▶ WatchTV features 30+ live channels and is compatible on virtually every current smartphone, tablet or web browser and certain streaming devices. In addition to live programming, WatchTV includes more than 15,000 TV shows and movies on demand.

Video Net Adds

IN THOUSANDS



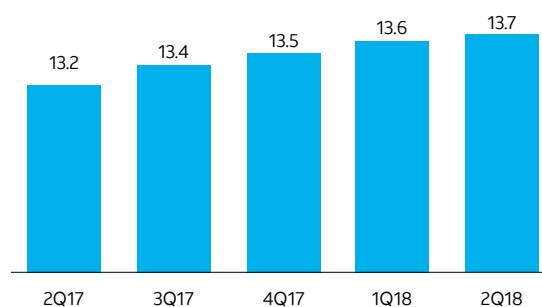
- ▶ DIRECTV NOW added 342,000 subscribers to reach 1.8 million. During the quarter, the company launched a new video platform with enhanced capabilities including cloud DVR.

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

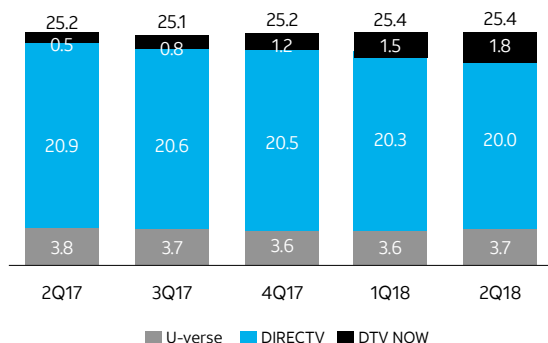
- ▶ The Entertainment Group had a net gain of 76,000 IP broadband subscribers in the second quarter with DSL losses of 53,000, for total broadband subscriber growth of 23,000. IP broadband subscribers benefitted from the expansion of the fiber network and simplified pricing and, at the end of the quarter, totaled 13.7 million.

IP Broadband Subscribers

IN MILLIONS

**Total Video Subscribers**

IN MILLIONS



- ▶ Customers continue to move up broadband speed tiers. About 68% of all IP broadband customers have purchased speed tiers between 18 megabits and 1 gigabit. Half of all broadband subscribers on AT&T's fiber network have speeds of 100 megabits or more. Customers with speeds of 100 megabits or faster have more than doubled year over year.
- ▶ At the same time, the company continues its fiber deployment. The company now markets its 100% fiber network to more than 9 million customer locations in parts of 71 metro areas. Broadband penetration in the fiber footprint continues to be significantly higher than in AT&T's non-fiber footprint and is nearly 50% in locations marketed to for more than 30 months.

Consumer Mobility



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

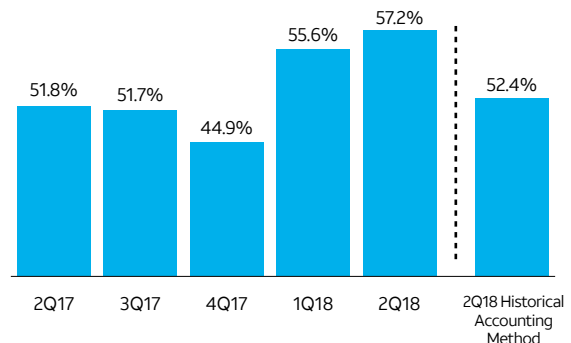
Effective Jan. 1, 2018, wireless subscribers who participate in employer-sponsored plans have been moved to Consumer Mobility from Business Solutions. Historical results have been recast to reflect that change.

FINANCIAL HIGHLIGHTS

Total revenues from Consumer Mobility customers totaled \$14.9 billion, down 1.5% versus the year-earlier quarter and up 0.6% on a comparative basis, reflecting higher postpaid equipment revenues and stable postpaid service revenues.

- ▶ Second-quarter operating expenses were \$9.9 billion, down 4.5% versus the second quarter of 2017, and up 1.1% on a comparative basis, reflecting higher smartphone sales and higher depreciation expense partly offset by increased cost efficiencies.
- ▶ Operating income totaled \$5.0 billion, up 5.0% versus the second quarter of 2017 and down 0.4% on a comparative basis, due to higher postpaid smartphone volumes. Second-quarter operating income margin was 33.5%, or 31.1% on a comparative basis, down from the year-earlier quarter with higher smartphone sales and increased depreciation expense partially offset by increased cost efficiencies.
- ▶ Consumer Mobility EBITDA margin was 45.6%, compared to 42.8% in the second quarter of 2017 and 43.0% on a comparative basis. EBITDA service margin was 57.2%, compared to 51.8% in the year-ago quarter and 52.4% on a comparative basis. (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues.)

EBITDA Service Margin



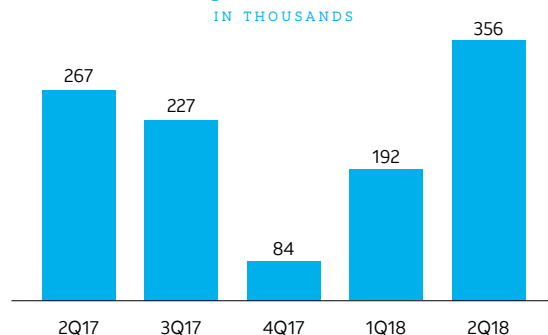
SUBSCRIBER METRICS

At the end of the second quarter, AT&T had 89.2 million Consumer Mobility subscribers.

- ▶ In the quarter, Consumer Mobility lost 144,000 total subscribers. The company had prepaid phone net adds of 356,000. This was more than offset by the loss of 49,000 postpaid subscribers, due to tablet declines, and 451,000 reseller subscribers.

Prepaid Net Adds

IN THOUSANDS



International

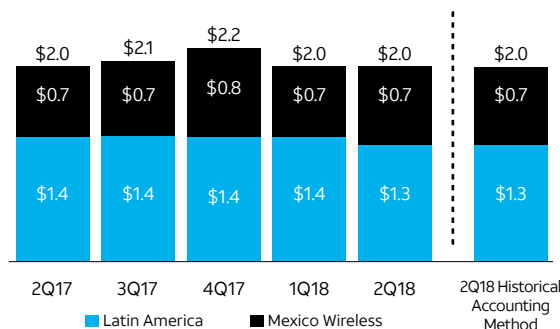


The International segment includes wireless services in Mexico and satellite entertainment services in Latin America. AT&T is a leading provider of pay television services in Latin America with satellite operations serving Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela and parts of the Caribbean. The company also owns 41% of Sky Mexico. Sky Mexico financial results are accounted for as an equity-method investment.

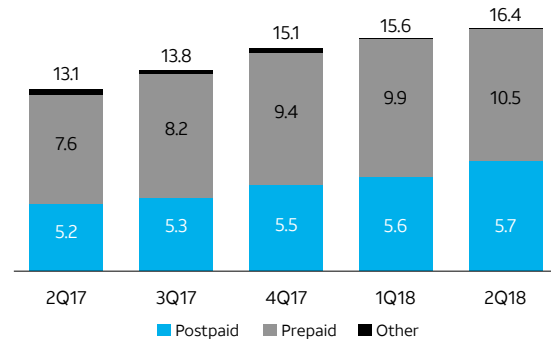
With revenues in multiple currencies, total International revenues were \$20 billion, down 37% from the year-ago quarter largely due to foreign exchange pressures. On a comparable basis, revenues were \$2.0 billion, down 2.6% year over year. Second-quarter operating expenses were \$2.1 billion, or \$2.2 billion on a comparable basis. AT&T's International operating loss totaled (\$165) million, compared to (\$57) million in the year-ago second quarter. Second-quarter operating income margin was (8.5)%, or (9.3)% on a comparable basis.

- ▶ Mexico second-quarter operating loss was (\$217) million compared to a loss of (\$198) million in the year-ago quarter, and (\$196) million on a comparable basis, with continued subscriber growth offset by higher depreciation.
- ▶ In the quarter, AT&T added 142,000 postpaid subscribers and 611,000 prepaid subscribers to reach 16.4 million total wireless subscribers in Mexico, a 25% increase from a year ago.

Revenues
IN BILLIONS



Wireless Subscribers - Mexico
IN MILLIONS



MEXICO

AT&T owns and operates a wireless network in Mexico. AT&T covered nearly 100 million people in Mexico with 4G LTE at the end of the second quarter.

- ▶ Revenues in Mexico were \$697 million, up 4.8% versus the year-earlier quarter, largely due to gains in equipment revenues and subscriber growth, which were partially offset by competitive pricing. On a comparable basis, revenues were up 8.1%. Service revenues were down year over year due to an approximately \$100 million impact from the shutdown of a wholesale business in the fourth quarter of 2017.

DIRECTV LATIN AMERICA

DIRECTV Latin America revenues reflect price increases driven by macroeconomic conditions with generally depreciating local currencies. Total revenues from Latin America were \$1.3 billion, down 7.9% year over year due primarily to foreign exchange pressures. Operating income was \$52 million with continued positive free cash flow year to date.

- ▶ Second-quarter subscriber net adds were 140,000 even with declines in Brazil. Total subscribers at the end of the quarter were 13.7 million. Sky Mexico had approximately 8.0 million subscribers as of June 30, 2018.

AT&T Mobility



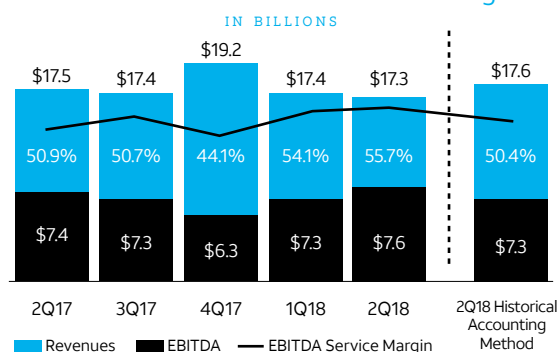
AT&T's U.S. mobility operations are divided between the Business Solutions and Consumer Mobility segments. For comparison purposes, the company is providing supplemental information for its total domestic mobility operations.

FINANCIAL HIGHLIGHTS

Wireless revenues reflected the impact of ASC 606 revenue recognition, lower service revenues from customers migrating to no-coverage plans, and declines in reseller, offset by higher equipment revenues from increased postpaid smartphone sales versus the year-ago quarter.

- ▶ Total wireless revenues were \$17.3 billion, down 1.0% year over year, due to a decrease in service revenues. On a comparable basis, revenues were up 1.1%. Wireless service revenues of \$13.7 billion were down 5.5% year over year but up 0.2% on a comparable basis. Wireless equipment revenues increased 20.6% to \$3.6 billion, or up 5.5% on a comparable basis, due to increased postpaid smartphone sales.
- ▶ Second-quarter wireless operating expenses totaled \$11.8 billion, down 2.5% year over year, as the impact of revenue recognition and cost efficiencies offset higher postpaid smartphone volumes, increased depreciation and higher FirstNet expenses. Wireless operating income was \$5.5 billion, up 2.4% year over year. On a comparable basis, wireless operating income was \$5.2 billion, or down 3.3%.
- ▶ Wireless margins reflected pressure from the higher postpaid smartphone volumes and increased depreciation in the quarter, partially offset by the impact of revenue recognition and continued success in driving operating costs out of the business. AT&T's second-quarter wireless operating income margin was 31.9%, compared to 30.8% in the year-earlier quarter and 29.5% on a comparable basis.
- ▶ Wireless EBITDA margin was 44.1%, compared to 42.2% in the second quarter of 2017 and 41.4% on a comparable basis. Wireless EBITDA service margin was 55.7%, compared to 50.9% in the year-ago quarter and 50.4% on a comparable basis.

Revenues and EBITDA Service Margins

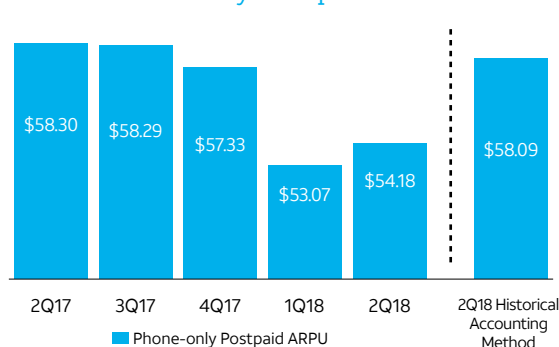


ARPU

The impact of revenue recognition and change in policy on USF fees and the continued migration to no-coverage plans is reflected in postpaid service ARPU (average revenues per user).

- ▶ Postpaid phone-only ARPU decreased 7.1% versus the year-earlier quarter. On a comparable basis, phone-only ARPU was down 0.4%.

Phone-only Postpaid ARPU

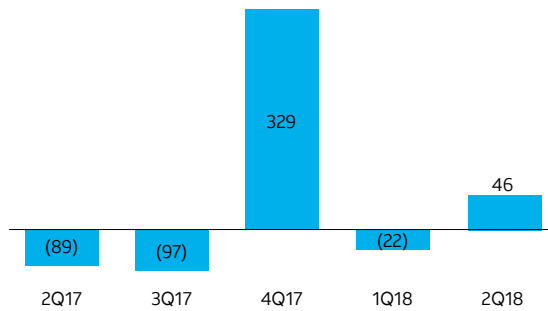


SUBSCRIBER METRICS

In the second quarter, AT&T posted a net increase in total wireless subscribers of 3.1 million to reach 146.9 million in service.

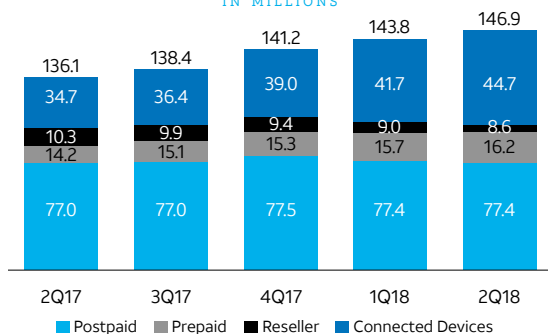
- ▶ The company had a net gain of 73,000 postpaid subscribers of which 46,000 were postpaid phones. Postpaid smartphone net adds were 143,000. Gains in connected watches were offset by tablet losses.

Postpaid Phone Net Adds
IN THOUSANDS



- ▶ The company added 453,000 prepaid subscribers, which included 356,000 prepaid phone subscribers. AT&T also added 3.0 million connected devices in the quarter and lost 444,000 reseller subscribers.
- ▶ The company had 526,000 branded net adds (both postpaid and prepaid) in the quarter, including 285,000 branded smartphones.

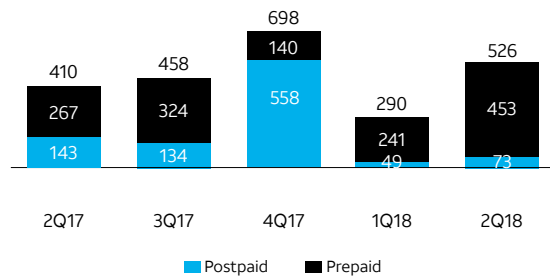
Wireless Subscribers
IN MILLIONS



SMARTPHONES

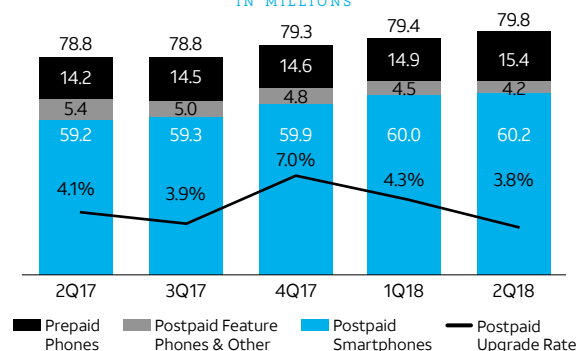
The company's branded smartphone base continued to grow in the quarter.

Branded Net Adds
IN THOUSANDS



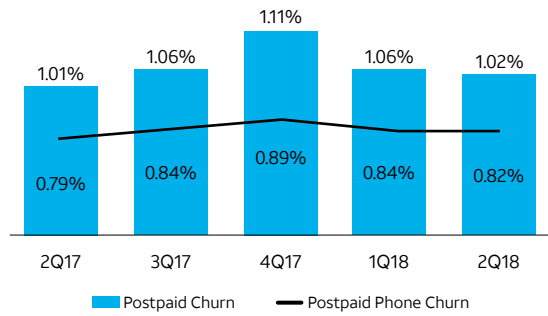
- ▶ The company had 6.1 million branded smartphone gross adds and upgrades in the quarter, including 1.7 million from prepaid. The postpaid upgrade rate in the quarter was 38%, the lowest upgrade rate ever.
- ▶ Sales on AT&T Next were 3.6 million, or 83% of all postpaid smartphone gross adds and upgrades. The company also had 409,000 BYOD gross adds. That means about 92% of postpaid smartphone transactions in the quarter were on non-subsidy plans.
 - More than 50% of the company's postpaid smartphone base is currently on AT&T Next, with more than 90% of postpaid smartphone subscribers on no-device-subsidy plans.

Branded Phone Subscribers & Postpaid Upgrade Rate
IN MILLIONS



CHURN

Postpaid churn was 1.02%, essentially stable from 1.01% in the year-ago quarter. Postpaid phone churn was 0.82%, compared to an all-time low of 0.79% in the year-ago quarter. Branded churn was 1.50%, compared to 1.57% in the year-ago quarter.

Postpaid Churn

Highlights



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

In recent weeks, AT&T:

WIRELESS

- ▶ Launched two new unlimited wireless plans — AT&T Unlimited &More Premium and AT&T Unlimited &More — that include a streaming service called WatchTV that offers over 30 channels of live TV at no additional cost. AT&T &More Premium customers can also add a premium option of their choice, like HBO, Amazon Music Unlimited or Pandora Premium, for no extra cost.
- ▶ Hosted the first AT&T 5G consumer demo, a unique holo-portation experience spanning multiple buildings, at both AT&T SHAPE and the 24th Electronic Entertainment Expo an annual event bringing together top talent in the esports community.
- ▶ Surpassed the 9 million subscriber mark at Cricket Wireless – doubling its subscriber base in 4 years.
- ▶ Opened the company's first pop-up retail store and confirmed plans to add more points of distribution by the end of 2018, including a variety of store formats.
- ▶ Announced AT&T's investment in Magic Leap and intent to be the exclusive wireless distributor of the Magic Leap One.
- ▶ Announced AT&T's intent to carry the world's first holographic smartphone — RED HYDROGEN ONE — which will be available later this year.

ENTERTAINMENT GROUP

- ▶ Unveiled the all new over-the-top (OTT) streaming service, WatchTV, following the close of AT&T's merger with Time Warner. The no-frills live TV streaming service has more than 30 live channels and access to 15,000 on-demand titles. WatchTV costs \$15 per month as a stand-alone service and is available at no additional cost with the company's two new unlimited plans, &More and &More Premium.
- ▶ Updated DIRECTV NOW with a refreshed user interface and experience, a cloud DVR, an additional stream, expanded on-demand content library and nearly 90 new local affiliate channels with the ability to take these locals on the road in rights-eligible markets.
- ▶ Highlighted the convergence of technology and entertainment at AT&T SHAPE at Warner Bros. Studios. The third annual event sold out with more than 14,000 registrants, more than 20 innovative tech demos and revolutionary speakers including Sean Combs, Ava DuVernay and Issa Rae.
- ▶ Premiered the new original spy-thriller series *CONDOR* on AUDIENCE Network. *CONDOR* received critical acclaim and was the second-highest-performing drama on the network.

- ▶ Expanded to now reach more than 9 million locations in parts of 71 metro areas with fiber. A recent launch was in South Bend, Ind. where AT&T is also conducting its first residential customer fixed wireless 5G trial, illustrating how the convergence of fiber and 5G will allow the company to deliver faster speeds and lower latency for its customers. AT&T plans to reach at least 14 million fiber locations across at least 84 metro areas by mid-2019.
- ▶ Launched “Todo y Más,” a new service tier on DIRECTV NOW specifically for Hispanic audiences, bringing the most live-streaming Spanish channels together in a single package compared with other OTT providers.
- ▶ Announced that AT&T and Google Cloud are optimizing collaboration and cloud networking for business customers. Google Cloud Platform joined the AT&T NetBond® for Cloud ecosystem, and AT&T CollaborateSM now supports G Suite, Google’s cloud-based productivity suite for business.
- ▶ Conducted a 5G trial at the 118th U.S. Open Championship at Shinnecock Hills Golf Club with FOX Sports, FOX Innovation Lab, Intel and Ericsson. AT&T’s spectrum was used to transmit 4K video via emerging 5G technology from a wireless camera on the 7th hole to the FOX production truck, where the footage was then used in the broadcast to DIRECTV viewers.
- ▶ Launched the 3rd generation of the company’s DIRECTV for Business video platform, the COM3000, to offer business customers 4K HDR programming, more HD channels and more flexibility than ever before.
- ▶ Announced a new strategic alliance with Brookfield Infrastructure and its institutional partners for AT&T to transfer data center co-location operations and assets to Brookfield Infrastructure Partners.

BUSINESS

- ▶ Launched new ways to sign up for FirstNet service with the Subscriber Paid offer and FirstNet Dealer Program. Nearly 1,500 public safety agencies across 52 states and territories have joined FirstNet, more than doubling the network’s adoption since April.
- ▶ Announced plans to acquire AlienVault®, a privately held company based in San Mateo, Calif. The acquisition will enable AT&T to expand its enterprise-grade security solutions portfolio and offerings to millions of small and medium-sized businesses. The transaction is expected to close in the third quarter of 2018.
- ▶ Announced plans to launch NarrowBand Internet of Things (NB-IoT) in the U.S. and Mexico in 2019, as a complement to AT&T’s existing LTE-M network. The addition of NB-IoT will help support massive IoT deployments and the growing business need for connectivity solutions that offer longer battery life, lower costs and better in-building coverage.
- ▶ Collaborated with Honeywell to deliver IoT technology for aircraft and freight solutions in countries across the globe in Europe, North America, Latin America, Asia, Africa and Australia.

WARNERMEDIA

- ▶ Ranked #1, #3 and #5 in the top five ad-supported cable networks in primetime among adults 18-49 with TNT, TBS and Adult Swim, respectively, in the second quarter of 2018. Additionally, Adult Swim was the #1 ad-supported cable network in total day among adults 18-34 and 18-49 in the quarter.
- ▶ Received 108 Primetime Emmy nominations for HBO, marking the eighth year that HBO has received 100 or more nominations.
- ▶ Released Warner Bros.’ star-studded film *Ocean’s 8*, which has grossed more than \$250 million at the worldwide box office to date.
- ▶ Placed more than 75 series from Warner Bros. – its highest number ever – across all networks and services heading into the 2018-2019 television season.

INTERNATIONAL

- ▶ Continued to deploy AT&T's network in the Mexico City Metro. In 2Q, AT&T announced the third connected line, Line 3, which now has 4G LTE connectivity and free Wi-Fi service.
- ▶ Was recognized for the third year in a row as a Great Place to Work®, improving the company's ranking to #5 across all industries in Mexico.
- ▶ Was recognized by Great Place to Work® with the 2018 *"Better for the World"* award. The company's Latin American operations were also ranked as a *"Top 25 Best Place to Work."*
- ▶ Delivered the most complete coverage of the 2018 FIFA World Cup™ with all games live on DIRECTV Sports in HD, 4K and virtual reality. All games were also available with live streaming on the DIRECTV Sports app & DIRECTVSports.com.

THIRD-QUARTER 2018 EARNINGS**DATE: OCTOBER 24, 2018**

AT&T will release third-quarter 2018 earnings on October 24, 2018, after the market closes.

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

AT&T will also host a conference call to discuss the results at 4:30 p.m. Eastern time the same day. Dial-in and replay information will be announced on First Call approximately 8 weeks before the call, which will also be broadcast live and will be available for replay over the internet at <https://investors.att.com>.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this Investor Briefing contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update or revise statements contained in this Investor Briefing based on new information or otherwise.

This Investor Briefing may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are included in the exhibits to the Investor Briefing and are available on the company's website at <https://investors.att.com>.

The "quiet period" for FCC Spectrum Auction 903 (also known as the CAF II auction) 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	Three Months Ended June 30,			Six Months Ended June 30,		
	2018	2017	Percent Change	2018	2017	Percent Change
		<i>As Adjusted</i>			<i>As Adjusted</i>	
Operating Revenues						
Service	\$ 33,773	\$ 36,538	-7.6 %	\$ 67,419	\$ 72,994	-7.6 %
Equipment	4,080	3,299	23.7 %	8,472	6,208	36.5 %
Media	1,133	-	- %	1,133	-	- %
Total Operating Revenues	38,986	39,837	-2.1 %	77,024	79,202	-2.7 %
Operating Expenses						
Cost of revenues						
Equipment	4,377	4,138	5.8 %	9,225	7,986	15.5 %
Broadcast, programming and operations	5,449	4,898	11.2 %	10,615	9,872	7.5 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	7,632	9,569	-20.2 %	15,564	18,857	-17.5 %
Selling, general and administrative	8,684	8,559	1.5 %	16,581	17,331	-4.3 %
Depreciation and amortization	6,378	6,147	3.8 %	12,372	12,274	0.8 %
Total Operating Expenses	32,520	33,311	-2.4 %	64,357	66,320	-3.0 %
Operating Income	6,466	6,526	-0.9 %	12,667	12,882	-1.7 %
Interest Expense	(2,023)	(1,395)	45.0 %	(3,794)	(2,688)	41.1 %
Equity in Net Income (Loss) of Affiliates	(16)	14	- %	(7)	(159)	95.6 %
Other Income (Expense) - Net	2,353	925	- %	4,055	1,413	- %
Income Before Income Taxes	6,780	6,070	11.7 %	12,921	11,448	12.9 %
Income Tax Expense	1,532	2,056	-25.5 %	2,914	3,860	-24.5 %
Net Income	5,248	4,014	30.7 %	10,007	7,588	31.9 %
Less: Net Income Attributable to Noncontrolling Interest	(116)	(99)	-17.2 %	(213)	(204)	-4.4 %
Net Income Attributable to AT&T	\$ 5,132	3,915	31.1 %	9,794	7,384	32.6 %
Basic Earnings Per Share Attributable to AT&T	\$ 0.81	0.63	28.6 %	1.56	1.19	31.1 %
Weighted Average Common Shares Outstanding (000,000)	6,351	6,165	3.0 %	6,257	6,166	1.5 %
Diluted Earnings Per Share Attributable to AT&T	\$ 0.81	0.63	28.6 %	1.56	1.19	31.1 %
Weighted Average Common Shares Outstanding with Dilution (000,000)	6,374	6,184	3.1 %	6,277	6,185	1.5 %

AT&T INC. FINANCIAL DATA

Consolidated Balance Sheets		
<i>Dollars in millions</i>		
<i>Unaudited</i>	Jun. 30, 2018	Dec. 31, 2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 13,523	\$ 50,498
Accounts receivable - net of allowances for doubtful accounts of \$804 and \$663	25,492	16,522
Prepaid expenses	1,966	1,369
Other current assets	14,305	10,757
Total current assets	55,286	79,146
Noncurrent Inventories and Theatrical Film and Television Production Costs	5,849	-
Property, Plant and Equipment - Net	129,556	125,222
Goodwill	143,499	105,449
Licenses	96,802	96,136
Trademarks and Trade Names - Net	24,440	7,021
Distribution Networks	17,403	-
Other Intangible Assets - Net	30,800	11,119
Investments in and Advances to Equity Affiliates	8,007	1,560
Other Assets	23,734	18,444
Total Assets	\$ 535,376	\$ 444,097
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 21,672	\$ 38,374
Accounts payable and accrued liabilities	35,488	34,470
Advanced billing and customer deposits	5,914	4,213
Accrued taxes	1,889	1,262
Dividends payable	3,630	3,070
Total current liabilities	68,593	81,389
Long-Term Debt	168,495	125,972
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	59,665	43,207
Postemployment benefit obligation	29,476	31,775
Other noncurrent liabilities	25,017	19,747
Total deferred credits and other noncurrent liabilities	114,158	94,729
Stockholders' Equity		
Common stock	7,621	6,495
Additional paid-in capital	125,960	89,563
Retained earnings	56,555	50,500
Treasury stock	(12,872)	(12,714)
Accumulated other comprehensive income	5,716	7,017
Noncontrolling interest	1,150	1,146
Total stockholders' equity	184,130	142,007
Total Liabilities and Stockholders' Equity	\$ 535,376	\$ 444,097

AT&T INC. FINANCIAL DATA

Consolidated Statements of Cash Flows		
<i>Dollars in millions</i>	Six Months Ended	
<i>Unaudited</i>	June 30,	
	2018	2017
		<i>As Adjusted</i>
Operating Activities		
Net income	\$ 10,007	\$ 7,588
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,372	12,274
Amortization of film and television costs	168	-
Undistributed earnings from investments in equity affiliates	235	167
Provision for uncollectible accounts	808	795
Deferred income tax expense	2,032	964
Net (gain) loss from sale of investments, net of impairments	(29)	12
Actuarial (gain) loss on pension and postretirement benefits	(2,726)	(259)
Changes in operating assets and liabilities:		
Accounts receivable	233	119
Other current assets, inventories and theatrical film and television production costs	1,039	470
Accounts payable and other accrued liabilities	(3,890)	(2,761)
Equipment installment receivables and related sales	490	525
Deferred customer contract acquisition and fulfillment costs	(1,725)	(796)
Retirement benefit funding	(280)	(280)
Other - net	442	(1,148)
Total adjustments	9,169	10,082
Net Cash Provided by Operating Activities	19,176	17,670
Investing Activities		
Capital expenditures:		
Purchase of property and equipment	(10,959)	(10,750)
Interest during construction	(267)	(473)
Acquisitions, net of cash acquired	(40,715)	1,224
Dispositions	59	51
(Purchases) sales of securities, net	(218)	169
Advances to and investments in equity affiliates, net	(1,035)	-
Cash collections of deferred purchase price	500	382
Net Cash Used in Investing Activities	(52,635)	(9,397)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	2,992	(2)
Issuance of other short-term borrowings	4,839	-
Issuance of long-term debt	26,478	24,115
Repayment of long-term debt	(30,212)	(6,118)
Purchase of treasury stock	(564)	(458)
Issuance of treasury stock	12	24
Dividends paid	(6,144)	(6,021)
Other	(1,121)	77
Net Cash (Used in) Provided by Financing Activities	(3,720)	11,617
Net (decrease) increase in cash and cash equivalents and restricted cash	(37,179)	19,890
Cash and cash equivalents and restricted cash beginning of year	50,932	5,935
Cash and Cash Equivalents and Restricted Cash End of Period	\$ 13,753	\$ 25,825

CONSUMER MOBILITY

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

Segment Results							
Dollars in millions Unaudited	Three Months Ended			Percent Change	Six Months Ended		Percent Change
	June 30,				June 30,		
	2018	2017			2018	2017	
Segment Operating Revenues							
Service	\$ 11,853	\$ 12,467	-4.9 %	\$ 23,465	\$ 24,932	-5.9 %	
Equipment	3,016	2,624	14.9 %	6,390	4,965	28.7 %	
Total Segment Operating Revenues	14,869	15,091	-1.5 %	29,855	29,897	-0.1 %	
Segment Operating Expenses							
Operations and support	8,085	8,636	-6.4 %	16,609	17,196	-3.4 %	
Depreciation and amortization	1,806	1,716	5.2 %	3,613	3,432	5.3 %	
Total Segment Operating Expenses	9,891	10,352	-4.5 %	20,222	20,628	-2.0 %	
Segment Operating Income	4,978	4,739	5.0 %	9,633	9,269	3.9 %	
Equity in Net Income of Affiliates	-	-	- %	-	-	- %	
Segment Contribution	\$ 4,978	\$ 4,739	5.0 %	\$ 9,633	\$ 9,269	3.9 %	
Segment Operating Income Margin	33.5 %	31.4 %	210 BP	32.3 %	31.0 %	130 BP	

Supplementary Operating Data				
Subscribers and connections in thousands Unaudited	June 30,		Percent Change	
	2018	2017		
	Consumer Mobility Subscribers			
Postpaid	65,326	65,570	-0.4 %	
Prepaid	15,376	14,187	8.4 %	
Branded	80,702	79,757	1.2 %	
Reseller	8,484	10,182	-16.7 %	
Total Consumer Mobility Subscribers	89,186	89,939	-0.8 %	
	Three Months Ended		Percent Change	
	June 30,			
	2018	2017		
Consumer Mobility Net Additions				
Postpaid	(49)	(28)	-75.0 %	(113)
Prepaid	356	267	33.3 %	548
Branded	307	239	28.5 %	435
Reseller	(451)	(364)	-23.9 %	(841)
Total Consumer Mobility Net Additions	(144)	(125)	-15.2 %	(406)

BUSINESS SOLUTIONS

The Business Solutions segment provides services to business customers, including multinational companies; governmental and wholesale customers. We provide advanced IP-based services including Virtual Private Networks (VPN); Ethernet-related products and broadband, collectively referred to as strategic business services; as well as traditional data and voice products. We provide a complete communications solution to our business customers.

Segment Results						
<i>Dollars in millions</i>	Three Months Ended			Six Months Ended		
<i>Unaudited</i>	June 30,		Percent	June 30,		Percent
	2018	2017	Change	2018	2017	Change
Segment Operating Revenues						
Wireless service	\$ 1,829	\$ 2,004	-8.7 %	\$ 3,620	\$ 4,007	-9.7 %
Strategic services	3,039	2,958	2.7 %	6,109	5,862	4.2 %
Legacy voice and data services	2,723	3,423	-20.4 %	5,561	6,971	-20.2 %
Other service and equipment	888	922	-3.7 %	1,727	1,800	-4.1 %
Wireless equipment	584	360	62.2 %	1,162	648	79.3 %
Total Segment Operating Revenues	9,063	9,667	-6.2 %	18,179	19,288	-5.7 %
Segment Operating Expenses						
Operations and support	5,616	6,053	-7.2 %	11,210	12,051	-7.0 %
Depreciation and amortization	1,487	1,483	0.3 %	2,945	2,943	0.1 %
Total Segment Operating Expenses	7,103	7,536	-5.7 %	14,155	14,994	-5.6 %
Segment Operating Income	1,960	2,131	-8.0 %	4,024	4,294	-6.3 %
Equity in Net Income (Loss) of Affiliates	1	-	- %	-	-	- %
Segment Contribution	\$ 1,961	\$ 2,131	-8.0 %	\$ 4,024	\$ 4,294	-6.3 %
Segment Operating Income Margin	21.6 %	22.0 %	-40 BP	22.1 %	22.3 %	-20 BP

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>	June 30,		Percent	June 30,		Percent
	2018	2017	Change	2018	2017	Change
Business Solutions Wireless Subscribers						
Postpaid	12,046	11,432	5.4 %			
Prepaid	841	-	- %			
Branded	12,887	11,432	12.7 %			
Reseller	98	73	34.2 %			
Connected Devices	44,718	34,658	29.0 %			
Total Business Mobility Subscribers	57,703	46,163	25.0 %			
Business Solutions IP Broadband Connections	1,017	992	2.5 %			
	Three Months Ended		Percent	Six Months Ended		Percent
	June 30,		Change	June 30,		Change
	2018	2017		2018	2017	
Business Solutions Wireless Net Additions						
Postpaid	122	171	-28.7 %	235	259	-9.3 %
Prepaid	97	-	- %	146	-	- %
Branded	219	171	28.1 %	381	259	47.1 %
Reseller	7	(4)	- %	9	1	- %
Connected Devices	2,982	2,256	32.2 %	5,710	4,828	18.3 %
Total Business Solutions Wireless Net Additions	3,208	2,423	32.4 %	6,100	5,088	19.9 %
Business Solutions IP Broadband Net Additions	(4)	12	- %	(8)	16	- %

ENTERTAINMENT GROUP

The Entertainment Group segment provides video, internet, voice communication, and interactive and targeted advertising services to customers located in the U.S. or in U.S. territories.

Segment Results							
Dollars in millions Unaudited	Three Months Ended			Percent Change	Six Months Ended		Percent Change
	June 30,		2017		June 30,		
	2018	2017			2018	2017	
Segment Operating Revenues							
Video entertainment	\$ 8,331	\$ 9,153		-9.0 %	\$ 16,690	\$ 18,173	-8.2 %
High-speed internet	1,981	1,927		2.8 %	3,859	3,868	-0.2 %
Legacy voice and data services	785	981		-20.0 %	1,604	2,012	-20.3 %
Other service and equipment	553	600		-7.8 %	1,074	1,209	-11.2 %
Total Segment Operating Revenues	11,650	12,661		-8.0 %	23,227	25,262	-8.1 %
Segment Operating Expenses							
Operations and support	8,852	9,561		-7.4 %	17,791	19,166	-7.2 %
Depreciation and amortization	1,346	1,458		-7.7 %	2,658	2,878	-7.6 %
Total Segment Operating Expenses	10,198	11,019		-7.5 %	20,449	22,044	-7.2 %
Segment Operating Income	1,452	1,642		-11.6 %	2,778	3,218	-13.7 %
Equity in Net Income (Loss) of Affiliates	(20)	(12)		-66.7 %	(11)	(18)	38.9 %
Segment Contribution	\$ 1,432	\$ 1,630		-12.1 %	\$ 2,767	\$ 3,200	-13.5 %
Segment Operating Income Margin	12.5 %	13.0 %		-50 BP	12.0 %	12.7 %	-70 BP

Supplementary Operating Data							
Subscribers and connections in thousands Unaudited	June 30,		Percent Change				
	2018	2017					
	Video Connections						
Satellite	19,984	20,856	-4.2 %				
U-verse	3,656	3,825	-4.4 %				
DIRECTV NOW	1,809	491	-				
Total Video Connections	25,449	25,172	1.1 %				
Broadband Connections							
IP	13,692	13,242	3.4 %				
DSL	763	1,060	-28.0 %				
Total Broadband Connections	14,455	14,302	1.1 %				
Voice Connections							
Retail Consumer Switched Access Lines	4,333	5,257	-17.6 %				
U-verse Consumer VoIP Connections	4,950	5,439	-9.0 %				
Total Retail Consumer Voice Connections	9,283	10,696	-13.2 %				
	Three Months Ended			Percent Change	Six Months Ended		Percent Change
	June 30,		2017		June 30,		
	2018	2017			2018	2017	
Video Net Additions¹							
Satellite	(286)	(156)		-83.3 %	(474)	(156)	-
U-verse	24	(195)		-	25	(428)	-
DIRECTV NOW	342	152		-	654	224	-
Total Video Net Additions	80	(199)		-	205	(360)	-
Broadband Net Additions							
IP	76	112		-32.1 %	230	354	-35.0 %
DSL	(53)	(104)		49.0 %	(125)	(231)	45.9 %
Total Broadband Net Additions	23	8		-	105	123	-14.6 %

¹ Includes the impact of customers that migrated to DIRECTV NOW.

INTERNATIONAL

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

Segment Results						
Dollars in millions Unaudited	Three Months Ended			Six Months Ended		
	June 30,		Percent Change	June 30,		Percent Change
	2018	2017		2018	2017	
Segment Operating Revenues						
Video entertainment	\$ 1,254	\$ 1,361	-7.9 %	\$ 2,608	\$ 2,702	-3.5 %
Wireless service	417	535	-22.1 %	821	1,010	-18.7 %
Wireless equipment	280	130	115.4 %	547	243	125.1 %
Total Segment Operating Revenues	1,951	2,026	-3.7 %	3,976	3,955	0.5 %
Segment Operating Expenses						
Operations and support	1,803	1,772	1.7 %	3,607	3,531	2.2 %
Depreciation and amortization	313	311	0.6 %	645	601	7.3 %
Total Segment Operating Expenses	2,116	2,083	1.6 %	4,252	4,132	2.9 %
Segment Operating Income (Loss)	(165)	(57)	- %	(276)	(177)	-55.9 %
Equity in Net Income of Affiliates	15	25	-40.0 %	15	45	-66.7 %
Segment Contribution	\$ (150)	\$ (32)	- %	\$ (261)	\$ (132)	-97.7 %
Segment Operating Income Margin	(8.5) %	(2.8) %	-570 BP	(6.9) %	(4.5) %	-240 BP

Supplementary Operating Data						
Subscribers and connections in thousands Unaudited	June 30,		Percent Change			
	2018	2017				
Mexican Wireless Subscribers						
Postpaid	5,749	5,187	10.8 %			
Prepaid	10,468	7,646	36.9 %			
Branded	16,217	12,833	26.4 %			
Reseller	181	249	-27.3 %			
Total Mexican Wireless Subscribers	16,398	13,082	25.3 %			
Latin America Satellite Subscribers						
Total Latin America Satellite Subscribers	13,713	13,622	0.7 %			
	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	June 30,			June 30,		
	2018	2017		2018	2017	
Mexican Wireless Net Additions						
Postpaid	142	92	54.3 %	251	222	13.1 %
Prepaid	611	402	52.0 %	1,070	919	16.4 %
Branded	753	494	52.4 %	1,321	1,141	15.8 %
Reseller	3	(18)	- %	(22)	(32)	31.3 %
Total Mexican Wireless Net Additions	756	476	58.8 %	1,299	1,109	17.1 %
Latin America Satellite Net Additions						
Total Latin America Satellite Net Additions	140	(56)	- %	125	35	- %

SUPPLEMENTAL OPERATING INFORMATION - AT&T MOBILITY

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

Operating Results								
Dollars in millions Unaudited	Three Months Ended			Percent Change	Six Months Ended		Percent Change	
	June 30,		2018		June 30,			2017
	2018	2017			2018	2017		
Operating Revenues								
Service	\$ 13,682	\$ 14,471	-5.5 %	\$ 27,085	\$ 28,939	-6.4 %		
Equipment	3,600	2,984	20.6 %	7,552	5,613	34.5 %		
Total Operating Revenues	17,282	17,455	-1.0 %	34,637	34,552	0.2 %		
Operating Expenses								
Operations and support	9,663	10,091	-4.2 %	19,765	19,976	-1.1 %		
Depreciation and amortization	2,113	1,988	6.3 %	4,208	3,980	5.7 %		
Total Operating Expenses	11,776	12,079	-2.5 %	23,973	23,956	0.1 %		
Operating Income	\$ 5,506	\$ 5,376	2.4 %	\$ 10,664	\$ 10,596	0.6 %		
Operating Income Margin	31.9 %	30.8 %	110 BP	30.8 %	30.7 %	10 BP		

Supplementary Operating Data						
Subscribers and connections in thousands Unaudited	June 30,		Percent Change	Percent Change		
	2018				2017	
	2018	2017				
AT&T Mobility Subscribers						
Postpaid	77,372	77,002	0.5 %			
Prepaid	16,217	14,187	14.3 %			
Branded	93,589	91,189	2.6 %			
Reseller	8,582	10,255	-16.3 %			
Connected Devices	44,718	34,658	29.0 %			
Total AT&T Mobility Subscribers	146,889	136,102	7.9 %			
Domestic Licensed POPs (000,000)	329	326	0.9 %			
	Three Months Ended		Percent Change	Six Months Ended		Percent Change
	June 30,			June 30,		
	2018	2017		2018	2017	
AT&T Mobility Net Additions						
Postpaid	73	143	-49.0 %	122	(51)	- %
Prepaid	453	267	69.7 %	694	549	26.4 %
Branded	526	410	28.3 %	816	498	63.9 %
Reseller	(444)	(368)	-20.7 %	(832)	(950)	12.4 %
Connected Devices	2,982	2,256	32.2 %	5,710	4,828	18.3 %
Total AT&T Mobility Net Additions	3,064	2,298	33.3 %	5,694	4,376	30.1 %
M&A Activity, Partitioned Customers and Other Adjustments	(7)	-	- %	(6)	(2,723)	99.8 %
Branded Churn	1.50 %	1.57 %	-7 BP	1.57 %	1.64 %	-7 BP
Postpaid Churn	1.02 %	1.01 %	1 BP	1.04 %	1.07 %	-3 BP
Postpaid Phone Only Churn	0.82 %	0.79 %	3 BP	0.83 %	0.84 %	-1 BP

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
June 30, 2018							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Consumer Mobility	\$ 14,869	\$ 8,085	\$ 6,784	\$ 1,806	\$ 4,978	\$ -	\$ 4,978
Business Solutions	9,063	5,616	3,447	1,487	1,960	1	1,961
Entertainment Group	11,650	8,852	2,798	1,346	1,452	(20)	1,432
International	1,951	1,803	148	313	(165)	15	(150)
WarnerMedia	1,275	794	481	30	451	(6)	445
Segment Total	38,808	25,150	13,658	4,982	8,676	\$ (10)	\$ 8,666
Corporate and Other	319	660	(341)	118	(459)		
Acquisition-related items	-	321	(321)	1,278	(1,599)		
Certain Significant items	-	152	(152)	-	(152)		
Eliminations	(141)	(141)	-	-	-		
AT&T Inc.	\$ 38,986	\$ 26,142	\$ 12,844	\$ 6,378	\$ 6,466		
June 30, 2017							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Consumer Mobility	\$ 15,091	\$ 8,636	\$ 6,455	\$ 1,716	\$ 4,739	\$ -	\$ 4,739
Business Solutions	9,667	6,053	3,614	1,483	2,131	-	2,131
Entertainment Group	12,661	9,561	3,100	1,458	1,642	(12)	1,630
International	2,026	1,772	254	311	(57)	25	(32)
Segment Total	39,445	26,022	13,423	4,968	8,455	\$ 13	\$ 8,468
Corporate and Other	392	766	(374)	9	(383)		
Acquisition-related items	-	281	(281)	1,170	(1,451)		
Certain Significant items	-	95	(95)	-	(95)		
AT&T Inc.	\$ 39,837	\$ 27,164	\$ 12,673	\$ 6,147	\$ 6,526		

Six Months Ended							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
June 30, 2018							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Consumer Mobility	\$ 29,855	\$ 16,609	\$ 13,246	\$ 3,613	\$ 9,633	\$ -	\$ 9,633
Business Solutions	18,179	11,210	6,969	2,945	4,024	-	4,024
Entertainment Group	23,227	17,791	5,436	2,658	2,778	(11)	2,767
International	3,976	3,607	369	645	(276)	15	(261)
WarnerMedia	1,275	794	481	30	451	(6)	445
Segment Total	76,512	50,011	26,501	9,891	16,610	\$ (2)	\$ 16,608
Corporate and Other	653	1,395	(742)	141	(883)		
Acquisition-related items	-	388	(388)	2,340	(2,728)		
Certain Significant items	-	332	(332)	-	(332)		
Eliminations	(141)	(141)	-	-	-		
AT&T Inc.	\$ 77,024	\$ 51,985	\$ 25,039	\$ 12,372	\$ 12,667		
June 30, 2017							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Consumer Mobility	\$ 29,897	\$ 17,196	\$ 12,701	\$ 3,432	\$ 9,269	\$ -	\$ 9,269
Business Solutions	19,288	12,051	7,237	2,943	4,294	-	4,294
Entertainment Group	25,262	19,166	6,096	2,878	3,218	(18)	3,200
International	3,955	3,531	424	601	(177)	45	(132)
Segment Total	78,402	51,944	26,458	9,854	16,604	\$ 27	\$ 16,631
Corporate and Other	800	1,637	(837)	48	(885)		
Acquisition-related items	-	488	(488)	2,372	(2,860)		
Certain Significant items	-	(23)	23	-	23		
AT&T Inc.	\$ 79,202	\$ 54,046	\$ 25,156	\$ 12,274	\$ 12,882		

As a supplemental discussion of our operating results, we are providing consolidated results under the comparative historical accounting method prior to our adoption of ASC 606.

SUPPLEMENTAL INCOME STATEMENT

Supplemental Consolidated Statements of Income					
<i>Dollars in millions except per share amounts</i>					
<i>Unaudited</i>					
	Three Months Ended June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Operating Revenues					
Service	\$ 33,773	\$ (1,390)	\$ 35,163	\$ 36,538	-3.8 %
Equipment	4,080	469	3,611	3,299	9.5 %
Media	1,133	(2)	1,135	-	- %
Total Operating Revenues	38,986	(923)	39,909	39,837	0.2 %
Operating Expenses					
Cost of revenues					
Equipment	4,377	-	4,377	4,138	5.8 %
Broadcast, programming and operations	5,449	-	5,449	4,898	11.2 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	7,632	(903)	8,535	9,569	-10.8 %
Selling, general and administrative	8,684	(583)	9,267	8,559	8.3 %
Depreciation and amortization	6,378	-	6,378	6,147	3.8 %
Total Operating Expenses	32,520	(1,486)	34,006	33,311	2.1 %
Operating Income	6,466	563	5,903	6,526	-9.5 %
Interest Expense	(2,023)	-	(2,023)	(1,395)	45.0 %
Equity in Net Income (Loss) of Affiliates	(16)	-	(16)	14	- %
Other Income (Expense) - Net	2,353	-	2,353	925	- %
Income Before Income Taxes	6,780	563	6,217	6,070	2.4 %
Income Tax Expense	1,532	138	1,394	2,056	-32.2 %
Net Income	5,248	425	4,823	4,014	20.2 %
Less: Net Income Attributable to Noncontrolling Interest	(116)	(6)	(110)	(99)	-11.1 %
Net Income Attributable to AT&T	\$ 5,132	\$ 419	\$ 4,713	\$ 3,915	20.4 %
Basic Earnings Per Share Attributable to AT&T	\$ 0.81	\$ 0.07	\$ 0.74	\$ 0.63	17.5 %
Weighted Average Common Shares Outstanding (000,000)	6,351	-	6,351	6,165	3.0 %
Diluted Earnings Per Share Attributable to AT&T	\$ 0.81	\$ 0.07	\$ 0.74	\$ 0.63	17.5 %
Weighted Average Common Shares Outstanding with Dilution (000,000)	6,374	-	6,374	6,184	3.1 %

SUPPLEMENTAL CONSUMER MOBILITY

Supplemental Segment Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	Three Months Ended				
	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Segment Operating Revenues					
Service	\$ 11,853	\$ (603)	\$ 12,456	\$ 12,467	-0.1 %
Equipment	3,016	291	2,725	2,624	3.8 %
Total Segment Operating Revenues	14,869	(312)	15,181	15,091	0.6 %
Segment Operating Expenses					
Operations and support	8,085	(571)	8,656	8,636	0.2 %
EBITDA	6,784	259	6,525	6,455	1.1 %
Depreciation and amortization	1,806	-	1,806	1,716	5.2 %
Total Segment Operating Expenses	9,891	(571)	10,462	10,352	1.1 %
Segment Operating Income	4,978	259	4,719	4,739	-0.4 %
Equity in Net Income of Affiliates	-	-	-	-	- %
Segment Contribution	\$ 4,978	\$ 259	\$ 4,719	\$ 4,739	-0.4 %
Operating Income Margin	33.5%		31.1%	31.4%	-30 BP
EBITDA Margin	45.6%		43.0%	42.8%	20 BP
EBITDA Service Margin	57.2%		52.4%	51.8%	60 BP

SUPPLEMENTAL BUSINESS SOLUTIONS

Supplemental Segment Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	Three Months Ended				
	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Segment Operating Revenues					
Wireless service	\$ 1,829	\$ (209)	\$ 2,038	\$ 2,004	1.7 %
Strategic services	3,039	(2)	3,041	2,958	2.8 %
Legacy voice and data services	2,723	(251)	2,974	3,423	-13.1 %
Other service and equipment	888	(70)	958	922	3.9 %
Wireless equipment	584	160	424	360	17.8 %
Total Segment Operating Revenues	9,063	(372)	9,435	9,667	-2.4 %
Segment Operating Expenses					
Operations and support	5,616	(443)	6,059	6,053	0.1 %
EBITDA	3,447	71	3,376	3,614	-6.6 %
Depreciation and amortization	1,487	-	1,487	1,483	0.3 %
Total Segment Operating Expenses	7,103	(443)	7,546	7,536	0.1 %
Segment Operating Income	1,960	71	1,889	2,131	-11.4 %
Equity in Net Income of Affiliates	1	-	1	-	- %
Segment Contribution	\$ 1,961	\$ 71	\$ 1,890	\$ 2,131	-11.3 %
Operating Income Margin	21.6%		20.0%	22.0%	-200 BP
EBITDA Margin	38.0%		35.8%	37.4%	-160 BP

SUPPLEMENTAL ENTERTAINMENT GROUP

Supplemental Segment Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	Three Months Ended				
	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Segment Operating Revenues					
Video entertainment	\$ 8,331	\$ (107)	\$ 8,438	\$ 9,153	-7.8 %
High-speed internet	1,981	-	1,981	1,927	2.8 %
Legacy voice and data services	785	(33)	818	981	-16.6 %
Other service and equipment	553	(66)	619	600	3.2 %
Total Segment Operating Revenues	11,650	(206)	11,856	12,661	-6.4 %
Segment Operating Expenses					
Operations and support	8,852	(425)	9,277	9,561	-3.0 %
EBITDA	2,798	219	2,579	3,100	-16.8 %
Depreciation and amortization	1,346	-	1,346	1,458	-7.7 %
Total Segment Operating Expenses	10,198	(425)	10,623	11,019	-3.6 %
Segment Operating Income	1,452	219	1,233	1,642	-24.9 %
Equity in Net Income (Loss) of Affiliates	(20)	-	(20)	(12)	-66.7 %
Segment Contribution	\$ 1,432	\$ 219	\$ 1,213	\$ 1,630	-25.6 %
Operating Income Margin	12.5%		10.4%	13.0%	-260 BP
EBITDA Margin	24.0%		21.8%	24.5%	-270 BP

SUPPLEMENTAL INTERNATIONAL

Supplemental Segment Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	Three Months Ended				
	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Segment Operating Revenues					
Video entertainment	\$ 1,254	\$ -	\$ 1,254	\$ 1,361	-7.9 %
Wireless service	417	(40)	457	535	-14.6 %
Wireless equipment	280	18	262	130	- %
Total Segment Operating Revenues	1,951	(22)	1,973	2,026	-2.6 %
Segment Operating Expenses					
Operations and support	1,803	(41)	1,844	1,772	4.1 %
EBITDA	148	19	129	254	-49.2 %
Depreciation and amortization	313	-	313	311	0.6 %
Total Segment Operating Expenses	2,116	(41)	2,157	2,083	3.6 %
Segment Operating Income (Loss)	(165)	19	(184)	(57)	- %
Equity in Net Income of Affiliates	15	-	15	25	-40.0 %
Segment Contribution	\$ (150)	\$ 19	\$ (169)	\$ (32)	- %
Operating Income Margin	-8.5%		-9.3%	-2.8%	-650 BP
EBITDA Margin	7.6%		6.5%	12.5%	-600 BP

SUPPLEMENTAL AT&T MOBILITY

Supplemental Operating Results					
<i>Dollars in millions</i>	Three Months Ended				
<i>Unaudited</i>	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Operating Revenues					
Service	\$ 13,682	\$ (813)	\$ 14,495	\$ 14,471	0.2 %
Equipment	3,600	451	3,149	2,984	5.5 %
Total Operating Revenues	17,282	(362)	17,644	17,455	1.1 %
Operating Expenses					
Operations and support	9,663	(670)	10,333	10,091	2.4 %
EBITDA	7,619	308	7,311	7,364	-0.7 %
Depreciation and amortization	2,113	-	2,113	1,988	6.3 %
Total Operating Expenses	11,776	(670)	12,446	12,079	3.0 %
Operating Income	\$ 5,506	\$ 308	\$ 5,198	\$ 5,376	-3.3 %
Operating Income Margin	31.9%		29.5%	30.8%	-130 BP
EBITDA Margin	44.1%		41.4%	42.2%	-80 BP
EBITDA Service Margin	55.7%		50.4%	50.9%	-50 BP

SUPPLEMENTAL LATIN AMERICA

Supplemental Latin America Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	Three Months Ended				
	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Operating Revenues					
Video entertainment	\$ 1,254	\$ -	\$ 1,254	\$ 1,361	-7.9 %
Total Operating Revenues	1,254	-	1,254	1,361	-7.9 %
Operating Expenses					
Operations and support	1,016	(40)	1,056	998	5.8 %
EBITDA	238	40	198	363	-45.5 %
Depreciation and amortization	186	-	186	222	-16.2 %
Total Operating Expenses	1,202	(40)	1,242	1,220	1.8 %
Operating Income (Loss)	52	40	12	141	-91.5 %
Equity in Net Income (Loss) of Affiliates	15	-	15	25	-40.0 %
Operating Contribution	\$ 67	\$ 40	\$ 27	\$ 166	-83.7 %
Operating Income Margin	4.1%		1.0%	10.4%	-940 BP
EBITDA Margin	19.0%		15.8%	26.7%	-1090 BP

SUPPLEMENTAL MEXICO

Supplemental Mexico Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	Three Months Ended				
	June 30,				
	2018	Accounting Impact	Historical 2018	2017	Percent Change
Operating Revenues					
Wireless service	\$ 417	\$ (40)	\$ 457	\$ 535	-14.6 %
Wireless equipment	280	18	262	130	- %
Total Operating Revenues	697	(22)	719	665	8.1 %
Operating Expenses					
Operations and support	787	(1)	788	774	1.8 %
EBITDA	(90)	(21)	(69)	(109)	36.7 %
Depreciation and amortization	127	-	127	89	42.7 %
Total Operating Expenses	914	(1)	915	863	6.0 %
Operating Income (Loss)	(217)	(21)	(196)	(198)	1.0 %
Operating Contribution	\$ (217)	\$ (21)	\$ (196)	\$ (198)	1.0 %
Operating Income Margin	-31.1%		-27.3%	-29.8%	250 BP
EBITDA Margin	-12.9%		-9.6%	-16.4%	680 BP

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.

Certain amounts have been conformed to the current period's presentation, including our adoption of new accounting standards; ASU No. 2017-07, "Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," ASU No. 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments," and ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash; and our realignment of certain responsibilities and operations within our segments, the most significant of which is to report wireless accounts with employer discounts in our Consumer Mobility segment.

FREE CASH FLOW

Free cash flow is defined as cash from operations minus Capital expenditures. Free cash flow after dividends is defined as cash from operations minus Capital expenditures and dividends. Free cash flow dividend payout ratio is defined as the percentage of dividends paid to free cash flow. We believe these metrics provide useful information to our investors because management views free cash flow as an important indicator of how much cash is generated by routine business operations, including Capital expenditures, and makes decisions based on it. Management also views free cash flow as a measure of cash available to pay debt and return cash to shareowners.

Free Cash Flow and Free Cash Flow Dividend Payout Ratio				
Dollars in millions	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net cash provided by operating activities	\$ 10,229	\$ 8,705	\$ 19,176	\$ 17,670
Less: Capital expenditures	(5,108)	(5,208)	(11,226)	(11,223)
Free Cash Flow	5,121	3,497	7,950	6,447
Less: Dividends paid	(3,074)	(3,012)	(6,144)	(6,021)
Free Cash Flow after Dividends	\$ 2,047	\$ 485	\$ 1,806	\$ 426
Free Cash Flow Dividend Payout Ratio	60.0%	86.1%	77.3%	93.4%

EBITDA

Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies. For AT&T, EBITDA excludes other income (expense) – net, and equity in net income (loss) of affiliates, as these do not reflect the operating results of our subscriber base or operations that are not under our control. Equity in net income (loss) of affiliates represents the proportionate share of the net income (loss) of affiliates in which we exercise significant influence, but do not control. Because we do not control these entities, management excludes these results when evaluating the performance of our primary operations. EBITDA also excludes interest expense and the provision for income taxes.

Excluding these items eliminates the expenses associated with our capital and tax structures. Finally, EBITDA excludes depreciation and amortization in order to eliminate the impact of capital investments. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA is not presented as an alternative measure of operating results or cash flows from operations, as determined in accordance with U.S. generally accepted accounting principles (GAAP).

EBITDA service margin is calculated as EBITDA divided by service revenues.

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

These measures are used by management as a gauge of our success in acquiring, retaining and servicing subscribers because we believe these measures reflect AT&T's ability to generate and grow subscriber revenues while providing a high level of customer service in a cost-effective manner. Management also uses these measures as a method of comparing segment performance with that of many of its competitors. The financial and operating metrics which affect EBITDA include the key revenue and expense drivers for which segment managers are responsible and upon which we evaluate their performance. Management uses Mexico Wireless EBITDA in evaluating profitability trends after our two Mexico wireless acquisitions in 2015, and our investments in building a nationwide LTE network by end of 2018. Management uses Latin America EBITDA in evaluating the ability of our Latin America operations to generate cash to finance its own operations.

We believe EBITDA Service Margin (EBITDA as a percentage of service revenues) to be a more relevant measure than EBITDA Margin (EBITDA as a percentage of total revenue) for our Consumer Mobility segment operating margin and our supplemental AT&T Mobility operating margin. We also use wireless service revenues to calculate margin to facilitate comparison, both internally and externally with our wireless competitors, as they calculate their margins using wireless service revenues as well.

There are material limitations to using these non-GAAP financial measures. EBITDA, EBITDA margin and EBITDA service margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies. Furthermore, these performance measures do not take into account certain significant items, including depreciation and amortization, interest expense, tax expense and equity in net income (loss) of affiliates. Management compensates for these limitations by carefully analyzing how its competitors present performance measures that are similar in nature to EBITDA as we present it, and considering the economic effect of the excluded expense items independently as well as in connection with its analysis of net income as calculated in accordance with GAAP. EBITDA, EBITDA margin and EBITDA service margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.

EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Net Income	\$ 5,248	\$ 4,014	\$ 10,007	\$ 7,588
Additions:				
Income Tax (Benefit) Expense	1,532	2,056	2,914	3,860
Interest Expense	2,023	1,395	3,794	2,688
Equity in Net (Income) Loss of Affiliates	16	(14)	7	159
Other (Income) Expense - Net	(2,353)	(925)	(4,055)	(1,413)
Depreciation and amortization	6,378	6,147	12,372	12,274
EBITDA	12,844	12,673	25,039	25,156
Total Operating Revenues	38,986	39,837	77,024	79,202
Service Revenues	33,773	36,538	67,419	72,994
EBITDA Margin	32.9%	31.8%	32.5%	31.8%
EBITDA Service Margin	38.0%	34.7%	37.1%	34.5%

Supplemental EBITDA, EBITDA Margin and EBITDA Service Margin	
<i>Dollars in millions</i>	Three Months Ended
	June 30, 2018
Net Income	\$ 4,823
Additions:	
Income Tax (Benefit) Expense	1,394
Interest Expense	2,023
Equity in Net (Income) Loss of Affiliates	16
Other (Income) Expense - Net	(2,353)
Depreciation and amortization	6,378
EBITDA	12,281
Total Operating Revenues	39,909
Service Revenues	35,163
EBITDA Margin	30.8%
EBITDA Service Margin	34.9%

Segment EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Consumer Mobility Segment				
Segment Contribution	\$ 4,978	\$ 4,739	\$ 9,633	\$ 9,269
Additions:				
Depreciation and amortization	1,806	1,716	3,613	3,432
EBITDA	6,784	6,455	13,246	12,701
Total Segment Operating Revenues	14,869	15,091	29,855	29,897
Service Revenues	11,853	12,467	23,465	24,932
Segment Operating Income Margin	33.5%	31.4%	32.3%	31.0%
EBITDA Margin	45.6%	42.8%	44.4%	42.5%
EBITDA Service Margin	57.2%	51.8%	56.5%	50.9%
Business Solutions Segment				
Segment Contribution	\$ 1,961	\$ 2,131	\$ 4,024	\$ 4,294
Additions:				
Equity in Net (Income) Loss of Affiliates	(1)	-	-	-
Depreciation and amortization	1,487	1,483	2,945	2,943
EBITDA	3,447	3,614	6,969	7,237
Total Segment Operating Revenues	9,063	9,667	18,179	19,288
Segment Operating Income Margin	21.6%	22.0%	22.1%	22.3%
EBITDA Margin	38.0%	37.4%	38.3%	37.5%
Entertainment Group Segment				
Segment Contribution	\$ 1,432	\$ 1,630	\$ 2,767	\$ 3,200
Additions:				
Equity in Net (Income) Loss of Affiliates	20	12	11	18
Depreciation and amortization	1,346	1,458	2,658	2,878
EBITDA	2,798	3,100	5,436	6,096
Total Segment Operating Revenues	11,650	12,661	23,227	25,262
Segment Operating Income Margin	12.5%	13.0%	12.0%	12.7%
EBITDA Margin	24.0%	24.5%	23.4%	24.1%
International Segment				
Segment Contribution	\$ (150)	\$ (32)	\$ (261)	\$ (132)
Additions:				
Equity in Net (Income) of Affiliates	(15)	(25)	(15)	(45)
Depreciation and amortization	313	311	645	601
EBITDA	148	254	369	424
Total Segment Operating Revenues	1,951	2,026	3,976	3,955
Segment Operating Income Margin	-8.5%	-2.8%	-6.9%	-4.5%
EBITDA Margin	7.6%	12.5%	9.3%	10.7%

Supplemental AT&T Mobility EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
AT&T Mobility				
Operating Income	\$ 5,506	\$ 5,376	\$ 10,664	\$ 10,596
Add: Depreciation and amortization	2,113	1,988	4,208	3,980
EBITDA	7,619	7,364	14,872	14,576
Total Operating Revenues	17,282	17,455	34,637	34,552
Service Revenues	13,682	14,471	27,085	28,939
Operating Income Margin	31.9%	30.8%	30.8%	30.7%
EBITDA Margin	44.1%	42.2%	42.9%	42.2%
EBITDA Service Margin	55.7%	50.9%	54.9%	50.4%

Supplemental Latin America EBITDA and EBITDA Margin				
<i>Dollars in millions</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
International - Latin America				
Operating Income	\$ 52	\$ 141	\$ 200	\$ 218
Add: Depreciation and amortization	186	222	391	436
EBITDA	238	363	591	654
Total Operating Revenues	1,254	1,361	2,608	2,702
Operating Income Margin	4.1%	10.4%	7.7%	8.1%
EBITDA Margin	19.0%	26.7%	22.7%	24.2%

Supplemental Mexico EBITDA and EBITDA Margin				
<i>Dollars in millions</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
International - Mexico				
Operating Income (Loss)	\$ (217)	\$ (198)	\$ (476)	\$ (395)
Add: Depreciation and amortization	127	89	254	165
EBITDA	(90)	(109)	(222)	(230)
Total Operating Revenues	697	665	1,368	1,253
Operating Income Margin	-31.1%	-29.8%	-34.8%	-31.5%
EBITDA Margin	-12.9%	-16.4%	-16.2%	-18.4%

ADJUSTING ITEMS

Adjusting items include revenues and costs we consider nonoperational in nature, such as items arising from asset acquisitions or dispositions. We also adjust for net actuarial gains or losses associated with our pension and postemployment benefit plans due to the often significant impact on our fourth-quarter results, 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 38% for transactions prior to tax reform and 25% for transactions after tax reform.

Adjusting Items				
Dollars in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Operating Expenses				
Time Warner and other merger costs	321	78	388	119
Employee separation costs	133	60	184	60
Natural disaster costs	-	-	104	-
DIRECTV merger integration costs	-	123	-	250
Mexico merger integration costs	-	80	-	119
(Gain) loss on transfer of wireless spectrum	-	(63)	-	(181)
Foreign currency devaluation	18	98	43	98
Adjustments to Operations and Support Expenses	472	376	719	465
Amortization of intangible assets	1,278	1,170	2,340	2,372
Adjustments to Operating Expenses	1,750	1,546	3,059	2,837
Other				
Merger-related interest and fees ¹	636	158	1,029	267
Actuarial (gain) loss	(1,796)	(259)	(2,726)	(259)
(Gain) loss on sale of assets, impairments and other adjustments	48	(36)	48	221
Adjustments to Income Before Income Taxes	638	1,409	1,410	3,066
Tax impact of adjustments	44	445	217	1,001
Tax related items	(96)	-	(96)	-
Adjustments to Net Income	\$ 690	\$ 964	\$ 1,289	\$ 2,065

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				
<i>Dollars in millions</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Operating Income	\$ 6,466	\$ 6,526	\$ 12,667	\$ 12,882
Adjustments to Operating Expenses	1,750	1,546	3,059	2,837
Adjusted Operating Income	8,216	8,072	15,726	15,719
EBITDA	12,844	12,673	25,039	25,156
Adjustments to Operations and Support Expenses	472	376	719	465
Adjusted EBITDA	13,316	13,049	25,758	25,621
WarnerMedia Operating Income	1,236		3,047	
Pro Forma				
Additions:				
Depreciation and amortization	168		339	
Merger costs	548		694	
WarnerMedia Adjusted EBITDA	1,952		4,080	
WarnerMedia segment income (post acquisition)	(451)		(451)	
WarnerMedia segment depreciation and amortization (post acquisition)	(30)		(30)	
WarnerMedia merger costs (post acquisition)	(159)		(159)	
Film and television cost amortization (release prior to June 14)	1,324		2,693	
Pro Forma Adjusted EBITDA ¹	15,952		31,891	
Total Operating Revenues	38,986	39,837	77,024	79,202
Service Revenues	33,773	36,538	67,419	72,994
Operating Income Margin	16.6%	16.4%	16.4%	16.3%
Adjusted Operating Income Margin	21.1%	20.3%	20.4%	19.8%
Adjusted EBITDA Margin	34.2%	32.8%	33.4%	32.3%
Adjusted EBITDA Service Margin	39.4%	35.7%	38.2%	35.1%
Supplemental Results under Historical Accounting Method				
Operating Income	5,903			
Adjustments to Operating Expenses	1,750			
Adjusted Supplemental Operating Income	7,653			
EBITDA	12,281			
Adjustments to Operations and Support Expenses	472			
Adjusted Supplemental EBITDA	12,753			
Supplemental Operating Revenues	39,909			
Adjusted Supplemental Operating Income Margin	19.2%			
Adjusted Supplemental EBITDA margin	32.0%			

¹ Pro Forma Adjusted EBITDA reflects the combined results operations of the combined company based on the historical financial statements of AT&T and Time Warner, after giving effect to the merger and certain adjustments, and is intended to reflect the impact of the Time Warner acquisition on AT&T. WarnerMedia operating income, depreciation and amortization expense and merger costs are provided on Item 7.01 Form 8-K filed by AT&T on July 24, 2018. Pro Forma adjustments are to (1) remove the duplication of operating results for the 16-period in which AT&T also reported Time Warner results and (2) to recognize the purchase accounting classification of released content as intangible assets and accordingly reclassify associated content amortization from operating expense to amortization expense. Intercompany revenue and expense eliminations net and do not impact EBITDA.

Adjusted Diluted EPS					
	Three Months Ended June 30,		Six Months Ended June 30,		
	2018	2017	2018	2017	
Diluted Earnings Per Share (EPS)	\$ 0.81	\$ 0.63	\$ 1.56	\$ 1.19	
Amortization of intangible assets	0.16	0.13	0.29	0.26	
Merger items ¹	0.14	0.05	0.20	0.08	
(Gain) loss on sale of assets, impairments and other adjustments ²	0.01	0.01	0.05	0.03	
Actuarial (gain) loss ³	(0.21)	(0.03)	(0.33)	(0.03)	
Adjusted EPS	\$ 0.91	\$ 0.79	\$ 1.77	\$ 1.53	
<i>Year-over-year growth - Adjusted</i>	15.2%		15.7%		
Weighted Average Common Shares Outstanding with Dilution (000,000)	6,374	6,184	6,277	6,185	

¹Includes combined merger integration items and merger-related interest income and expense, and redemption premiums.

²Includes natural disaster, employee-related, and other costs.

³Includes adjustments for actuarial gains or losses associated with our postemployment benefit plans, which we immediately recognize in the income statement, pursuant to our accounting policy for the recognition of actuarial gains/losses. We recorded an actuarial gain of \$930 million in the first quarter of 2018 associated with our postretirement plan and a gain of \$1,796 million in the second quarter associated with our pension plan. As a result, adjusted EPS reflects (1) in the first quarter and for the first six months, an expected return on plan assets of \$77 million (based on an average expected return on plan assets of 5.75% for our VEBA trusts), rather than the actual return on plan assets of \$31 million loss (VEBA return of -3.08%) and (2) in the second quarter and for the first six months, an expected return on plan assets of \$754 million (based on an average expected return on plan assets of 7.00% for our Pension trusts), rather than the actual return on plan assets of \$186 million loss (Pension return of -0.56%), both of which are included in the GAAP measure of income.

NET DEBT TO PRO FORMA 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 Annualized 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. Annualized Pro Forma Adjusted EBITDA is calculated by annualizing the year-to-date Pro Forma Adjusted EBITDA.

Net Debt to Pro Forma Adjusted EBITDA				
<i>Dollars in millions</i>				
	Three Months Ended			YTD 2018
	Mar. 31, 2018	Jun. 30, 2018		
Pro Forma Adjusted EBITDA	\$ 15,939	\$ 15,952	\$	31,891
Add back severance	(51)	(133)		(184)
Net Debt Pro Forma Adjusted EBITDA	15,888	15,819		31,707
Annualized Pro Forma Adjusted EBITDA				63,414
End-of-period current debt				21,672
End-of-period long-term debt				168,495
Total End-of-Period Debt				190,167
Less: Cash and Cash Equivalents				13,523
Net Debt Balance				176,644
Annualized Net Debt to Pro Forma Adjusted EBITDA Ratio				2.79

SUPPLEMENTAL OPERATIONAL MEASURES

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

Supplemental Operational Measure								
Three Months Ended								
June 30, 2018				June 30, 2017				
	Consumer Mobility	Business Solutions	Adjustments ¹	AT&T Mobility	Consumer Mobility	Business Solutions	Adjustments ¹	AT&T Mobility
Operating Revenues								
Wireless service	\$ 11,853	\$ 1,829	\$ -	\$ 13,682	\$ 12,467	\$ 2,004	\$ -	\$ 14,471
Strategic services	-	3,039	(3,039)	-	-	2,958	(2,958)	-
Legacy voice and data services	-	2,723	(2,723)	-	-	3,423	(3,423)	-
Other services and equipment	-	888	(888)	-	-	922	(922)	-
Wireless equipment	3,016	584	-	3,600	2,624	360	-	2,984
Total Operating Revenues	14,869	9,063	(6,650)	17,282	15,091	9,667	(7,303)	17,455
Operating Expenses								
Operations and support	8,085	5,616	(4,038)	9,663	8,636	6,053	(4,598)	10,091
EBITDA	6,784	3,447	(2,612)	7,619	6,455	3,614	(2,705)	7,364
Depreciation and amortization	1,806	1,487	(1,180)	2,113	1,716	1,483	(1,211)	1,988
Total Operating Expenses	9,891	7,103	(5,218)	11,776	10,352	7,536	(5,809)	12,079
Operating Income	\$ 4,978	\$ 1,960	\$ (1,432)	\$ 5,506	\$ 4,739	\$ 2,131	\$ (1,494)	\$ 5,376

¹ Business wireline operations reported in Business Solutions segment.

Supplemental Operational Measure								
Six Months Ended								
June 30, 2018				June 30, 2017				
	Consumer Mobility	Business Solutions	Adjustments ¹	AT&T Mobility	Consumer Mobility	Business Solutions	Adjustments ¹	AT&T Mobility
Operating Revenues								
Wireless service	\$ 23,465	\$ 3,620	\$ -	\$ 27,085	\$ 24,932	\$ 4,007	\$ -	\$ 28,939
Strategic services	-	6,109	(6,109)	-	-	5,862	(5,862)	-
Legacy voice and data services	-	5,561	(5,561)	-	-	6,971	(6,971)	-
Other services and equipment	-	1,727	(1,727)	-	-	1,800	(1,800)	-
Wireless equipment	6,390	1,162	-	7,552	4,965	648	-	5,613
Total Operating Revenues	29,855	18,179	(13,397)	34,637	29,897	19,288	(14,633)	34,552
Operating Expenses								
Operations and support	16,609	11,210	(8,054)	19,765	17,196	12,051	(9,271)	19,976
EBITDA	13,246	6,969	(5,343)	14,872	12,701	7,237	(5,362)	14,576
Depreciation and amortization	3,613	2,945	(2,350)	4,208	3,432	2,943	(2,395)	3,980
Total Operating Expenses	20,222	14,155	(10,404)	23,973	20,628	14,994	(11,666)	23,956
Operating Income	\$ 9,633	\$ 4,024	\$ (2,993)	\$ 10,664	\$ 9,269	\$ 4,294	\$ (2,967)	\$ 10,596

¹ Business wireline operations reported in Business Solutions segment.

SUPPLEMENTAL INTERNATIONAL

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

Supplemental International						
Three Months Ended						
June 30, 2018			June 30, 2017			
	Latin America	Mexico	International	Latin America	Mexico	International
Operating Revenues						
Video service	\$ 1,254	\$ -	\$ 1,254	\$ 1,361	\$ -	\$ 1,361
Wireless service	-	417	417	-	535	535
Wireless equipment	-	280	280	-	130	130
Total Operating Revenues	1,254	697	1,951	1,361	665	2,026
Operating Expenses						
Operations and support		1,016	787	998	774	1,772
Depreciation and amortization		186	127	222	89	311
Total Operating Expenses		1,202	914	1,220	863	2,083
Operating Income (Loss)		52	(217)	141	(198)	(57)
Equity in Net Income of Affiliates		15	-	25	-	25
Segment Contribution	\$ 67	\$ (217)	\$ (150)	\$ 166	\$ (198)	\$ (32)

Supplemental International						
Six Months Ended						
June 30, 2018			June 30, 2017			
	Latin America	Mexico	International	Latin America	Mexico	International
Operating Revenues						
Video service	\$ 2,608	\$ -	\$ 2,608	\$ 2,702	\$ -	\$ 2,702
Wireless service	-	821	821	-	1,010	1,010
Wireless equipment	-	547	547	-	243	243
Total Operating Revenues	2,608	1,368	3,976	2,702	1,253	3,955
Operating Expenses						
Operations and support	2,017	1,590	3,607	2,048	1,483	3,531
Depreciation and amortization	391	254	645	436	165	601
Total Operating Expenses	2,408	1,844	4,252	2,484	1,648	4,132
Operating Income (Loss)	200	(476)	(276)	218	(395)	(177)
Equity in Net Income of Affiliates	15	-	15	45	-	45
Segment Contribution	\$ 215	\$ (476)	\$ (261)	\$ 263	\$ (395)	\$ (132)