



3rd Quarter Earnings

AT&T Investor Update

October 22, 2016

Q3

2016 AT&T EARNINGS

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might 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 and revise statements contained in this presentation based on new information or otherwise.

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The “quiet period” for FCC Spectrum Auction 1000 (also known as the 600 MHz incentive 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.



3Q16 Financial Summary

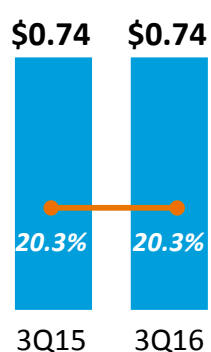
\$ in billions, except EPS

Revenues



Adjusted EPS

— Adj. OI Margin



Cash from Ops

■ Capital Investment²
■ Free Cash Flow



Consolidated revenues of \$40.9 billion, up 4.6%; down slightly on comparable basis

- Growth in video and IP services

Net income continues to grow

- Adjusted EPS of \$0.74 for the quarter; up nearly 4% year to date
- Adjusted operating margins stable

Cash from operations of \$11 billion in quarter; \$29.2 billion year to date, up 9.4%

- Free cash flow of \$5.2 billion, \$13.3 billion year to date
- Capital investment of \$5.9 billion; \$16.2 billion year to date
- Dividends of \$3 billion per quarter
 - 67% free cash flow dividend coverage year to date

	3Q15	3Q16
Reported EPS	\$0.50	\$0.54
Adjustments:		
Amortization of intangibles	\$0.13	\$0.14
Merger, integration and other ¹	\$0.11	\$0.06
Adjusted EPS	\$0.74	\$0.74

¹3Q16 includes merger-related items for DIRECTV (\$0.02), Mexico/Other wireless (\$0.01) and (\$0.03) employee separation charges.

²3Q16 includes \$87 million capital purchases in Mexico with favorable vendor payment terms.



3Q16 Results: U.S. Wireless

Wireless Trends (\$ in billions)

	3Q15	3Q16	Δ
Service Rev.	15.1	15.0	(0.1)
Equipment Rev.	3.2	3.2	0.0
Total Revenues	18.3	18.2	(0.1)
Cash Opex	10.9	10.7	(0.2)
EBITDA	7.5	7.5	0.0
EBITDA Margin	40.7%	41.2%	50 bps
EBITDA Svc. Mgn.	49.4%	50.1%	70 bps

- Record EBITDA service margin of 50.1%
- Equipment revenues stable with fewer upgrades
- Continued ARPU growth
 - 1.7% increase in postpaid phone ARPU + Next
- More than 90% of smartphone sales off subsidy
- 80% of smartphone base off subsidy pricing

Branded Phone Subscribers

(in thousands)



- Strong postpaid churn improvement
- Continued prepaid subscriber and revenue growth
- Nearly 700,000 branded smartphones added to base
- 1.5 million U.S. net adds; 2.3 million in North America
 - 212,000 U.S. postpaid net adds
 - 304,000 U.S. prepaid net adds
- 2G shutdown impacts subscriber metrics and churn

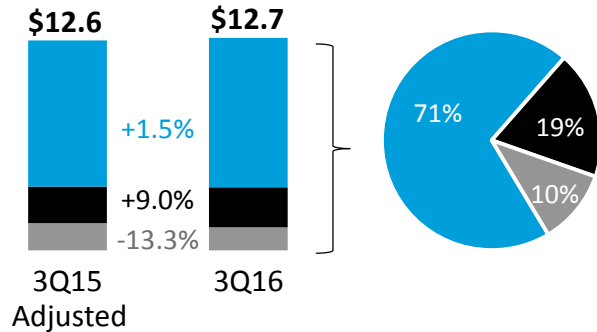


3Q16 Results: Entertainment Group

Revenue Trends¹

(\$ in billions)

Video/Ad Sales IP Voice/Data Legacy/Other

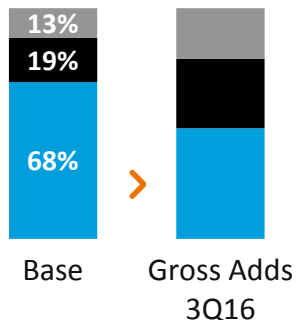


EBITDA Margin² 22.2% 23.5%

- Revenues up 1% on comparable basis
 - Growth in video and IP services
 - IPBB revenues up 12%; total broadband up 5%
- AdWorks \$1.5 billion annualized revenue stream
 - Growing double digit year to date with strong margins helping offset legacy declines
- Continued margin expansion, with content savings on track

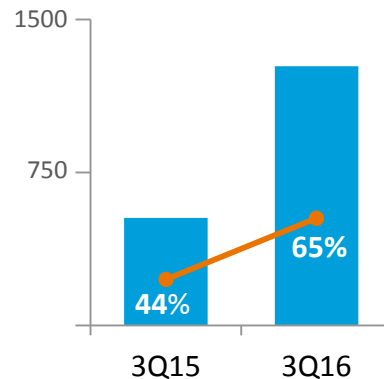
Multi-Product Homes

Single Double Triple/Quad



DTV Sales in Footprint

DTV sales w/ IPBB



- Stable TV and broadband subscriber base, led by:
 - 323,000 DIRECTV net adds with about 70% transitioning from U-verse
 - 156,000 IP Broadband net adds
- Increasing integrated services flow: lower churn profile, higher ARPUs and LTV
- 6.7 million unlimited mobile+TV subscribers

¹ Adjusted to include prior-period DIRECTV revenues on a comparable basis. ² EBITDA is as reported in both periods.

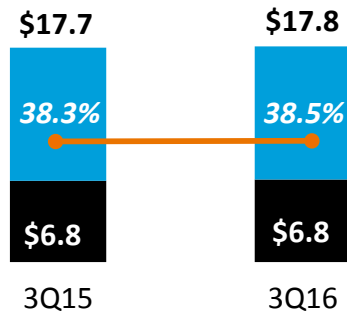


3Q16 Results: Business Solutions

Financial Results

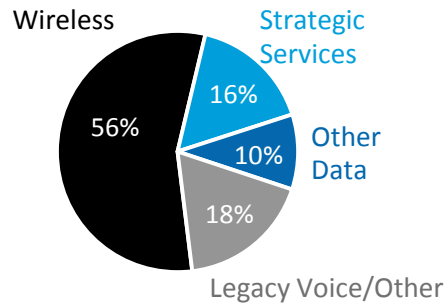
(\$ in billions)

■ Revenues ■ EBITDA — EBITDA Margin

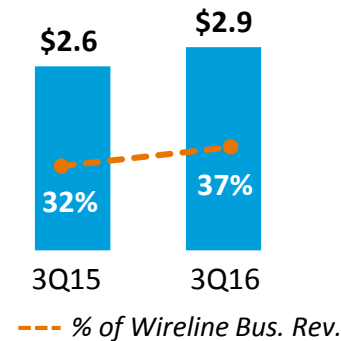


- Wireless drives revenue growth
 - Up even more when adjusting for divested business
- Growth in all retail segments
- Continued solid margins

Business Solutions Revenue Mix



Wireline Strategic Services Revenues



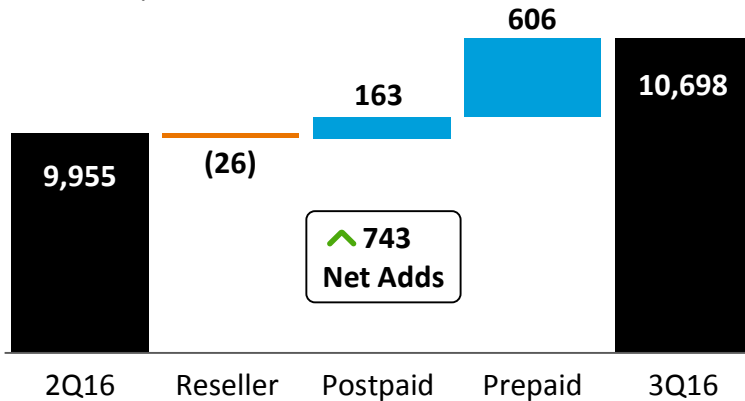
- Revenue shift to wireless and strategic services continues
 - More than 70% of revenues
- Strategic services revenues up \$240 million, or 9.1%, year over year
 - 37% of business wireline revenues



3Q16 Results: International

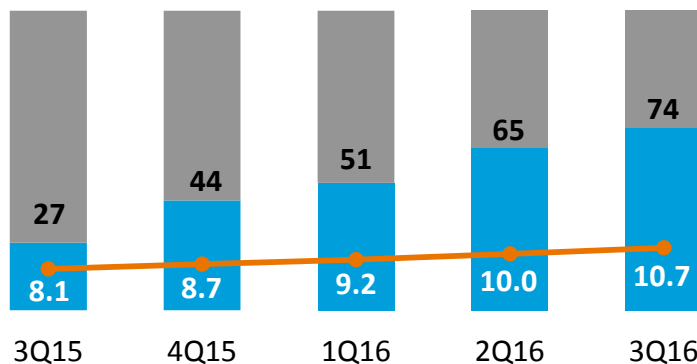
3Q16 Mexico Wireless Subscribers

(in thousands)



Mexico Deployment (millions)

- Population
- LTE POPs Deployed
- Subscribers



Mexico

769,000 branded net adds as 4G LTE deployment nears year-end target

- 10.7 million total wireless subscribers
- 74 million LTE POPs covered; branding launched in 136 cities
- Revenues stable, even with FX pressure

DIRECTV Latin America

Positive free cash flows

- Revenues of \$1.3 billion, up 6% sequentially
- Continued profitability and cash flow improvement
- TV subscribers decline by 48,000



3Q16 Summary

Growing earnings with stable margins

Net income gains with cash from operations up 9.4% year to date

Best-ever wireless EBITDA margins with low postpaid churn

Expanding smartphone base and 1.5 million U.S. net adds

Stable video and broadband subscribers as shift to DIRECTV continues

Growing margins with expanding integrated services base; double-digit AdWorks growth; DIRECTV Now launch in fourth quarter

4G LTE deployment in Mexico ahead of plan

10.7 million total subscribers; 4G LTE deployed across 74 million POPs

2016 guidance on track

Adjusted earnings growth in mid-single digits, stable consolidated margins with free cash flow dividend coverage 67% year to date





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