

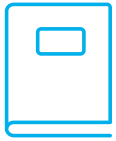


AT&T Financial and Operational Results

JANUARY 25, 2017

AT&T Financial and Operational Results

Consolidated	3
Consolidated Statements of Income - GAAP	4
Financial and Operating Statistics Summary	4
Consolidated Balance Sheets	5
Consolidated Statements of Cash Flows	6
Details of Consolidated Statements of Income	7
Details of Consolidated Statements of Income (continued)	8
Business Solutions	9
Statement of Segment Income - GAAP	10
Business Solutions - Revenue Detail and Operating Volumes	11
Entertainment Group	12
Statement of Segment Income - GAAP	13
Entertainment Group - Operating Volumes	13
Consumer Mobility	14
Statement of Segment Income - GAAP	15
Consumer Mobility - Operating Volumes	15
International	16
Statement of Segment Income - GAAP	17
International - Operating Volumes	18
Supplemental	19
Supplemental AT&T Mobility Results	20
Supplemental AT&T Mobility Results (continued)	21
Supplemental Corporate & Other Results	22
Non-GAAP Consolidated Reconciliations	23
Capital Investment and Free Cash Flow	24
Adjusted Diluted EPS	25
Adjusting Items	26
Adjusted Operating Income, EBITDA and Margins	27
Annualized Net Debt to Adjusted EBITDA Ratio	28
Non-GAAP Reconciliations - Segments and Supplemental	29
Non-GAAP Segment Reconciliation - Segment EBITDA	30
Non-GAAP Segment Reconciliation - Segment EBITDA (continued)	31
Non-GAAP Reconciliation - Supplemental	32



Consolidated

Consolidated Statements of Income - GAAP

AT&T Inc.

Dollars in millions except per share amounts

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Operating Revenues	\$ 32,576	\$ 33,015	\$ 39,091	\$ 42,119	\$ 40,535	\$ 40,520	\$ 40,890	\$ 41,841
Operating Expenses								
Cost of services and sales								
Equipment	4,546	4,353	4,501	5,868	4,375	4,260	4,455	5,667
Broadcast, programming and operations	1,122	1,148	4,081	5,645	4,629	4,701	4,909	5,612
Other cost of services and sales (exclusive of depreciation and amortization shown separately below)	8,812	9,578	9,214	8,178	9,396	9,514	9,526	9,840
Selling, general and administrative	7,961	7,467	9,072	8,419	8,441	8,909	9,013	9,984
Asset abandonments and impairments	-	-	35	-	-	-	-	361
Depreciation and amortization	4,578	4,696	6,265	6,477	6,563	6,576	6,579	6,129
Total Operating Expenses	27,019	27,242	33,168	34,587	33,404	33,960	34,482	37,593
Operating Income	5,557	5,773	5,923	7,532	7,131	6,560	6,408	4,248
Interest Expense	899	932	1,146	1,143	1,207	1,258	1,224	1,221
Equity in Net Income of Affiliates	-	33	15	31	13	28	16	41
Other Income (Expense) – Net	70	48	(57)	(113)	70	91	(7)	123
Income Before Income Taxes	4,728	4,922	4,735	6,307	6,007	5,421	5,193	3,191
Income Tax Expense	1,389	1,738	1,657	2,221	2,122	1,906	1,775	676
Net Income	3,339	3,184	3,078	4,086	3,885	3,515	3,418	2,515
Less: Net Income Attributable to Noncontrolling Interest	(76)	(102)	(84)	(80)	(82)	(107)	(90)	(78)
Net Income Attributable to AT&T	\$ 3,263	\$ 3,082	\$ 2,994	\$ 4,006	\$ 3,803	\$ 3,408	\$ 3,328	\$ 2,437
Diluted Earnings Per Share Attributable to AT&T	\$ 0.63	\$ 0.59	\$ 0.50	\$ 0.65	\$ 0.61	\$ 0.55	\$ 0.54	\$ 0.39

Financial and Operating Statistics Summary

AT&T Inc.

Dollars in millions except per share amounts

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Capital Expenditures:								
Purchase of property and equipment	\$ 3,848	\$ 4,480	\$ 5,028	\$ 5,862	\$ 4,451	\$ 5,251	\$ 5,581	\$ 6,233
Interest during construction	123	216	227	231	218	219	232	223
Dividends Declared Per Share	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.48	\$ 0.49
Annual Dividend Per Share Growth	2.2%	2.2%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%
End of Period								
Common Shares Outstanding (000,000)	5,193	5,193	6,152	6,145	6,156	6,152	6,141	6,139
Debt Ratio	51.5%	55.5%	50.8%	50.5%	51.2%	50.5%	50.1%	49.9%
Total Employees	250,790	250,730	281,240	281,450	280,870	277,200	273,140	268,540

Consolidated Balance Sheets

AT&T Inc.

Dollars in millions

12/31/16 12/31/15

Unaudited

Assets

Current Assets

Cash and cash equivalents	\$ 5,788	\$ 5,121
Accounts receivable - net of allowances for doubtful accounts of \$661 and \$704	16,794	16,532
Prepaid expenses	1,555	1,072
Other current assets	14,232	13,267
Total current assets	38,369	35,992
Property, Plant and Equipment - Net	124,899	124,450
Goodwill	105,207	104,568
Licenses	94,176	93,093
Customer Lists and Relationships - Net	14,243	18,208
Other Intangible Assets - Net	8,441	9,409
Investments in Equity Affiliates	1,674	1,606
Other Assets	16,812	15,346
Total Assets	\$ 403,821	\$ 402,672

Liabilities and Stockholders' Equity

Current Liabilities

Debt maturing within one year	\$ 9,832	\$ 7,636
Accounts payable and accrued liabilities	31,138	30,372
Advanced billing and customer deposits	4,519	4,682
Accrued taxes	2,079	2,176
Dividends payable	3,008	2,950
Total current liabilities	50,576	47,816
Long-Term Debt	113,681	118,515

Deferred Credits and Other Noncurrent Liabilities

Deferred income taxes	60,128	56,181
Postemployment benefit obligation	33,578	34,262
Other noncurrent liabilities	21,748	22,258
Total deferred credits and other noncurrent liabilities	115,454	112,701

Stockholders' Equity

Common stock	6,495	6,495
Additional paid-in capital	89,604	89,763
Retained earnings	34,734	33,671
Treasury stock	(12,659)	(12,592)
Accumulated other comprehensive income	4,961	5,334
Noncontrolling interest	975	969
Total stockholders' equity	124,110	123,640
Total Liabilities and Stockholders' Equity	\$ 403,821	\$ 402,672

Consolidated Statements of Cash Flows

AT&T Inc.

Dollars in millions

Unaudited

Twelve Months Ended
12/31/16 12/31/15

Operating Activities

Net income	\$ 13,333	\$ 13,687
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	25,847	22,016
Undistributed earnings from investments in equity affiliates	(37)	(49)
Provision for uncollectible accounts	1,474	1,416
Deferred income tax expense	2,947	4,117
Net (gain) loss from sale of investments, net of impairments	(169)	91
Actuarial loss (gain) on pension and postretirement benefits	1,024	(2,152)
Asset abandonments and impairments	361	35
Changes in operating assets and liabilities:		
Accounts receivable	(1,003)	30
Other current assets	1,708	(1,182)
Accounts payable and accrued liabilities	118	1,354
Equipment installment receivables and related sales	(576)	(3,023)
Deferred fulfillment costs	(2,359)	(1,437)
Retirement benefit funding	(910)	(735)
Other - net	(2,414)	1,712
Total adjustments	26,011	22,193
Net Cash Provided by Operating Activities	39,344	35,880

Investing Activities

Capital expenditures:

Purchase of property and equipment	(21,516)	(19,218)
Interest during construction	(892)	(797)
Acquisitions, net of cash acquired	(2,959)	(30,759)
Dispositions	646	83
Sales of securities, net	506	1,545
Other	-	2
Net Cash Used in Investing Activities	(24,215)	(49,144)

Financing Activities

Net change in short-term borrowings with original maturities of three months or less	-	(1)
Issuance of long-term debt	10,140	33,969
Repayment of long-term debt	(10,823)	(10,042)
Purchase of treasury stock	(512)	(269)
Issuance of treasury stock	146	143
Dividends paid	(11,797)	(10,200)
Other	(1,616)	(3,818)
Net Cash (Used in) Provided by Financing Activities	(14,462)	9,782
Net increase (decrease) in cash and cash equivalents	667	(3,482)
Cash and cash equivalents beginning of year	5,121	8,603
Cash and Cash Equivalents End of Period	\$ 5,788	\$ 5,121

Details of Consolidated Statements of Income - Quarter

AT&T Inc.

Dollars in millions

Unaudited

For the quarter ended December 31, 2016

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	\$ 18,033	\$ 11,746	\$ 6,287	\$ 2,264	\$ 4,023	\$ -	\$ 4,023
Entertainment Group	13,206	10,463	2,743	1,381	1,362	8	1,370
Consumer Mobility	8,419	5,316	3,103	918	2,185	-	2,185
International	1,909	1,879	30	298	(268)	28	(240)
Segment Total	41,567	29,404	12,163	4,861	7,302	\$ 36	\$ 7,338
Corporate and Other	284	233	51	11	40		
Acquisition-related items	-	385	(385)	1,228	(1,613)		
Certain Significant items	(10)	1,442	(1,452)	29	(1,481)		
AT&T Inc.	\$ 41,841	\$ 31,464	\$ 10,377	\$ 6,129	\$ 4,248		

For the quarter ended December 31, 2015

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	\$ 18,214	\$ 11,980	\$ 6,234	\$ 2,513	\$ 3,721	\$ -	\$ 3,721
Entertainment Group	12,994	10,123	2,871	1,426	1,445	12	1,457
Consumer Mobility	8,749	5,669	3,080	939	2,141	-	2,141
International	1,849	1,799	50	309	(259)	(1)	(260)
Segment Total	41,806	29,571	12,235	5,187	7,048	\$ 11	\$ 7,059
Corporate and Other	313	272	41	17	24		
Acquisition-related items	-	383	(383)	1,273	(1,656)		
Certain Significant items	-	(2,116)	2,116	-	2,116		
AT&T Inc.	\$ 42,119	\$ 28,110	\$ 14,009	\$ 6,477	\$ 7,532		

Details of Consolidated Statements of Income - Annual

AT&T Inc.

Dollars in millions

Unaudited

For the year ended December 31, 2016

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	\$ 70,988	\$ 44,330	\$ 26,658	\$ 9,832	\$ 16,826	\$ -	\$ 16,826
Entertainment Group	51,295	39,338	11,957	5,862	6,095	9	6,104
Consumer Mobility	33,200	19,659	13,541	3,716	9,825	-	9,825
International	7,283	6,830	453	1,166	(713)	52	(661)
Segment Total	162,766	110,157	52,609	20,576	32,033	\$ 61	\$ 32,094
Corporate and Other	1,043	1,173	(130)	65	(195)		
Acquisition-related items	-	1,203	(1,203)	5,177	(6,380)		
Certain Significant items	(23)	1,059	(1,082)	29	(1,111)		
AT&T Inc.	\$ 163,786	\$ 113,592	\$ 50,194	\$ 25,847	\$ 24,347		

For the year ended December 31, 2015

	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Business Solutions	\$ 71,127	\$ 44,946	\$ 26,181	\$ 9,789	\$ 16,392	\$ -	\$ 16,392
Entertainment Group	35,294	28,345	6,949	4,945	2,004	(4)	2,000
Consumer Mobility	35,066	21,477	13,589	3,851	9,738	-	9,738
International	4,102	3,930	172	655	(483)	(5)	(488)
Segment Total	145,589	98,698	46,891	19,240	27,651	\$ (9)	\$ 27,642
Corporate and Other	1,297	1,057	240	64	176		
Acquisition-related items	(85)	1,987	(2,072)	2,712	(4,784)		
Certain Significant items	-	(1,742)	1,742	-	1,742		
AT&T Inc.	\$ 146,801	\$ 100,000	\$ 46,801	\$ 22,016	\$ 24,785		



Business Solutions

Statement of Segment Income - GAAP

Business Solutions

Dollars in millions

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Operating Revenues								
Wireless Service	\$ 7,515	\$ 7,756	\$ 7,732	\$ 7,684	\$ 7,855	\$ 7,963	\$ 8,049	\$ 7,983
Fixed Strategic Services ¹	2,519	2,580	2,646	2,716	2,762	2,797	2,888	2,942
Legacy Voice and Data Services	4,784	4,681	4,616	4,387	4,363	4,158	4,046	3,797
Other Service and Equipment	846	854	885	973	858	886	908	963
Wireless Equipment	1,893	1,793	1,813	2,454	1,771	1,775	1,876	2,348
Total Segment Operating Revenues	\$ 17,557	\$ 17,664	\$ 17,692	\$ 18,214	\$ 17,609	\$ 17,579	\$ 17,767	\$ 18,033
Segment Operating Expenses								
Operations and support	11,073	10,972	10,921	11,980	10,802	10,857	10,925	11,746
Depreciation and amortization	2,342	2,460	2,474	2,513	2,508	2,521	2,539	2,264
Total Segment Operating Expenses	13,415	13,432	13,395	14,493	13,310	13,378	13,464	14,010
Segment Operating Income	4,142	4,232	4,297	3,721	4,299	4,201	4,303	4,023
Equity in Net Income (Loss) of Affiliates	-	-	-	-	-	-	-	-
Segment Contribution	\$ 4,142	\$ 4,232	\$ 4,297	\$ 3,721	\$ 4,299	\$ 4,201	\$ 4,303	\$ 4,023

Revenues by Customer Type²

Business Solutions

Dollars in millions

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Operating Revenues								
Wireless	\$ 5,278	\$ 5,359	\$ 5,346	\$ 5,680	\$ 5,396	\$ 5,441	\$ 5,529	\$ 5,771
Fixed	4,009	3,948	3,999	3,994	3,940	3,865	3,844	3,740
Global Business³	9,287	9,307	9,345	9,674	9,336	9,306	9,373	9,511
Wireless	1,543	1,570	1,579	1,674	1,608	1,660	1,709	1,778
Fixed	1,518	1,504	1,519	1,482	1,491	1,463	1,466	1,434
Small Business	3,061	3,074	3,098	3,156	3,099	3,123	3,175	3,212
Wireless	2,522	2,552	2,553	2,711	2,551	2,565	2,609	2,697
Fixed	1,066	1,113	1,107	1,113	1,070	1,073	1,106	1,104
Public Sector³	3,588	3,665	3,660	3,824	3,621	3,638	3,715	3,801
Wireless	65	68	67	73	71	72	78	85
Fixed	1,556	1,550	1,522	1,487	1,482	1,440	1,426	1,424
Partner Solutions³	1,621	1,618	1,589	1,560	1,553	1,512	1,504	1,509
Wireless	9,408	9,549	9,545	10,138	9,626	9,738	9,925	10,331
Fixed	8,149	8,115	8,147	8,076	7,983	7,841	7,842	7,702
Total Segment Operating Revenues	\$ 17,557	\$ 17,664	\$ 17,692	\$ 18,214	\$ 17,609	\$ 17,579	\$ 17,767	\$ 18,033

¹ Fixed Strategic Services are the next generation wireline capabilities that lead AT&T's most advanced business solutions — including VPNs, Ethernet, cloud, hosting, IP conferencing, voice over IP, dedicated internet, U-verse and security services.

² The Business Solutions Segment provides both wireless and fixed services to business customers and wireless services to individual subscribers who participate through employer-sponsored plans.

³ Global Business primarily consists of large business customers, including multi-national corporations. Public Sector primarily consists of government and education. Partner Solutions primarily consists of Wholesale.

Revenues by Segment

Business Solutions

Dollars in millions

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Operating Revenues								
Wireless - Service	\$ 7,515	\$ 7,756	\$ 7,732	\$ 7,684	\$ 7,855	\$ 7,963	\$ 8,049	\$ 7,983
Wireless - Equipment	1,893	1,793	1,813	2,454	1,771	1,775	1,876	2,348
Total Wireless Revenues	9,408	9,549	9,545	10,138	9,626	9,738	9,925	10,331
Fixed Strategic Services ¹	2,519	2,580	2,646	2,716	2,762	2,797	2,888	2,942
Legacy Data Services	2,216	2,188	2,121	2,023	1,983	1,862	1,785	1,663
Legacy Voice and Other	3,414	3,347	3,380	3,337	3,238	3,182	3,169	3,097
Total Fixed Revenues	8,149	8,115	8,147	8,076	7,983	7,841	7,842	7,702
Total Segment Operating Revenues	\$ 17,557	\$ 17,664	\$ 17,692	\$ 18,214	\$ 17,609	\$ 17,579	\$ 17,767	\$ 18,033

Operating Volumes

Business Solutions

Volumes in thousands

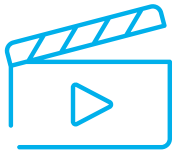
Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Wireless Subscribers and Connections²								
Total Subscribers and Connections	66,945	69,178	71,561	73,659	75,771	77,545	79,427	81,402
Postpaid	45,959	46,697	47,414	48,290	48,844	49,432	50,014	50,688
Connected Devices	20,972	22,462	24,064	25,284	26,863	28,061	29,355	30,649
Wireless Net Add Detail (Adjusted for M&A)²								
Net Customer Additions	1,324	1,769	1,875	1,563	1,689	1,371	1,482	1,514
Postpaid Net Adds	297	288	265	353	133	185	191	250
Connected Devices Net Adds	1,024	1,478	1,602	1,211	1,578	1,199	1,290	1,263
Wireless Churn Detail								
Postpaid Churn ³	0.90%	0.91%	1.05%	1.10%	1.02%	0.91%	0.97%	1.11%
Broadband Connections								
IP	848	872	891	911	928	948	963	977
DSL	711	661	619	581	545	512	479	449
Total Wireline Broadband Connections	1,559	1,533	1,510	1,492	1,473	1,460	1,442	1,426
Voice Connections								
Total Wireline Voice Connections⁴	10,316	10,033	9,758	9,485	9,212	8,933	8,653	8,376

¹ Fixed Strategic Services are the next generation wireline capabilities that lead AT&T's most advanced business solutions — including VPNs, Ethernet, cloud, hosting, IP conferencing, voice over IP, dedicated internet, U-verse and security services.

² Business Mobility includes reseller subscribers, which are not significant.

³ Churn is calculated by dividing the aggregate number of wireless subscribers who canceled service during a period by the total number of wireless subscribers at the beginning of that period. The churn rate for the period is equal to the average of the churn rate for each month of that period.

⁴ Total Wireline Voice Connections includes switched access lines served by AT&T's incumbent local exchange carriers and affiliates, switched access lines served by AT&T Corp and U-verse Voice over Internet Protocol connections. Includes both primary and additional lines.



Entertainment Group

Statement of Segment Income - GAAP

Entertainment Group

Dollars in millions

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Operating Revenues								
Video Entertainment	\$ 1,871	\$ 1,991	\$ 7,162	\$ 9,247	\$ 8,904	\$ 8,963	\$ 9,026	\$ 9,567
High-Speed Internet	1,553	1,623	1,685	1,740	1,803	1,867	1,892	1,910
Legacy Voice and Data Services	1,612	1,516	1,419	1,367	1,313	1,244	1,168	1,104
Other Service and Equipment	624	652	592	640	638	637	634	625
Total Segment Operating Revenues	\$ 5,660	\$ 5,782	\$ 10,858	\$ 12,994	\$ 12,658	\$ 12,711	\$ 12,720	\$ 13,206
Segment Operating Expenses								
Operations and support	4,859	4,913	8,450	10,123	9,578	9,569	9,728	10,463
Depreciation and amortization	1,065	1,065	1,389	1,426	1,488	1,489	1,504	1,381
Total Segment Operating Expenses	5,924	5,978	9,839	11,549	11,066	11,058	11,232	11,844
Segment Operating Income (Loss)	(264)	(196)	1,019	1,445	1,592	1,653	1,488	1,362
Equity in Net Income (Loss) of Affiliates	(6)	(12)	2	12	3	(2)	-	8
Segment Contribution	\$ (270)	\$ (208)	\$ 1,021	\$ 1,457	\$ 1,595	\$ 1,651	\$ 1,488	\$ 1,370

Operating Volumes and Statistics

Entertainment Group

Volumes in thousands

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Video Connections¹								
Satellite	-	-	19,570	19,784	20,112	20,454	20,777	21,012
U-verse	5,969	5,946	5,854	5,614	5,232	4,841	4,515	4,253
Total Video Connections	5,969	5,946	25,424	25,398	25,344	25,295	25,292	25,265
Broadband Connections								
IP	11,796	12,013	12,185	12,356	12,542	12,596	12,752	12,888
DSL	2,740	2,416	2,137	1,930	1,749	1,585	1,424	1,291
Total Wireline Broadband Connections²	14,537	14,428	14,322	14,286	14,291	14,181	14,176	14,179
Voice								
Total Wireline Voice Connections³	13,669	13,312	12,891	12,498	12,113	11,815	11,533	11,278
Net Adds¹								
Satellite	-	-	26	214	328	342	323	235
U-verse	49	(23)	(92)	(240)	(382)	(391)	(326)	(262)
Video	49	(23)	(66)	(26)	(54)	(49)	(3)	(27)
IP	413	217	172	171	186	54	156	136
DSL	(319)	(324)	(278)	(208)	(181)	(164)	(161)	(133)
Broadband	94	(107)	(106)	(37)	5	(110)	(5)	3
Total Entertainment Group Revenue Connections	34,175	33,686	52,637	52,182	51,748	51,291	51,001	50,722
Net Change	(191)	(489)	18,951	(455)	(434)	(457)	(290)	(279)
Video ARPU¹	\$ 104.93	\$ 111.44	\$ 114.40	\$ 120.59	\$ 116.12	\$ 117.01	\$ 118.09	\$ 125.25
IP Broadband ARPU	\$ 44.69	\$ 45.42	\$ 46.48	\$ 47.22	\$ 48.22	\$ 49.52	\$ 49.82	\$ 49.69

¹ Video connections, net adds, and video ARPU exclude DIRECTV NOW.

² Total Wireline (also known as wired) Broadband Connections include DSL lines, U-verse High Speed Internet access lines and satellite broadband.

³ Total Wireline Voice Connections includes switched access lines served by AT&T's incumbent local exchange carriers and affiliates, switched access lines served by AT&T Corp and U-verse Voice over Internet Protocol connections. Includes both primary and additional lines. Includes consumer U-verse Voice over Internet Protocol connections of 5,425 as of December 31, 2016.



Consumer Mobility

Statement of Segment Income - GAAP

Consumer Mobility

Dollars in millions

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Operating Revenues								
Service	\$ 7,297	\$ 7,359	\$ 7,363	\$ 7,131	\$ 6,943	\$ 6,948	\$ 6,914	\$ 6,731
Equipment	1,481	1,396	1,421	1,618	1,385	1,238	1,353	1,688
Total Segment Operating Revenues	\$ 8,778	\$ 8,755	\$ 8,784	\$ 8,749	\$ 8,328	\$ 8,186	\$ 8,267	\$ 8,419
Segment Operating Expenses								
Operations and support	5,541	5,202	5,065	5,669	4,912	4,680	4,751	5,316
Depreciation and amortization	1,002	934	976	939	922	932	944	918
Total Segment Operating Expenses	6,543	6,136	6,041	6,608	5,834	5,612	5,695	6,234
Segment Operating Income	2,235	2,619	2,743	2,141	2,494	2,574	2,572	2,185
Equity in Net Income (Loss) of Affiliates	-	-	-	-	-	-	-	-
Segment Contribution	\$ 2,235	\$ 2,619	\$ 2,743	\$ 2,141	\$ 2,494	\$ 2,574	\$ 2,572	\$ 2,185

Operating Volumes

Consumer Mobility

Volumes in thousands

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Wireless Subscribers and Connections								
Total Subscribers and Connections	54,827	54,724	54,845	54,981	54,674	54,260	53,911	53,457
Postpaid	30,216	29,844	29,257	28,814	28,294	27,862	27,374	27,095
Prepaid	10,037	10,438	10,988	11,548	12,171	12,633	13,035	13,536
Branded Connections	40,253	40,282	40,245	40,362	40,465	40,495	40,409	40,631
Reseller	13,581	13,487	13,647	13,690	13,313	12,869	12,566	11,884
Connected Devices	993	955	953	929	896	896	936	942
Net Add Detail (Adjusted for M&A)								
Net Customer Additions	(106)	325	638	671	92	(10)	50	8
Postpaid Net Adds	144	122	23	174	(4)	72	21	270
Prepaid Net Adds	98	331	466	469	500	365	304	406
Branded Net Adds	242	453	489	643	496	437	325	676
Reseller Net Adds	(269)	(98)	149	50	(378)	(446)	(316)	(673)
Connected Devices	(79)	(30)	-	(22)	(26)	(1)	41	5
Churn Detail								
Total Churn ¹	2.04%	1.86%	1.90%	1.97%	2.11%	1.96%	2.11%	2.43%
Postpaid Churn ¹	1.20%	1.16%	1.33%	1.31%	1.24%	1.09%	1.19%	1.25%

¹ Churn is calculated by dividing the aggregate number of wireless subscribers who canceled service during a period by the total number of wireless subscribers at the beginning of that period. The churn rate for the period is equal to the average of the churn rate for each month of that period.



International

Statement of Segment Income - GAAP

International

Dollars in millions

Unaudited	Three Months Ended							12/31/16
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	
Segment Operating Revenues								
Video Entertainment	\$ -	\$ -	\$ 945	\$ 1,206	\$ 1,130	\$ 1,222	\$ 1,297	\$ 1,261
Wireless Service	215	444	494	494	455	489	484	477
Wireless Equipment	21	47	87	149	82	117	98	171
Total Segment Operating Revenues	\$ 236	\$ 491	\$ 1,526	\$ 1,849	\$ 1,667	\$ 1,828	\$ 1,879	\$ 1,909
Segment Operating Expenses								
Operations and support	218	529	1,384	1,799	1,588	1,723	1,640	1,879
Depreciation and amortization	28	93	225	309	277	298	293	298
Total Segment Operating Expenses	246	622	1,609	2,108	1,865	2,021	1,933	2,177
Segment Operating Income	(10)	(131)	(83)	(259)	(198)	(193)	(54)	(268)
Equity in Net Income (Loss) of Affiliates	-	-	(4)	(1)	14	9	1	28
Segment Contribution	\$ (10)	\$ (131)	\$ (87)	\$ (260)	\$ (184)	\$ (184)	\$ (53)	\$ (240)

Segment Operating Revenues By Country

International

Dollars in millions

Unaudited	Three Months Ended							12/31/16
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	
Segment Operating Revenues								
Mexico Wireless	\$ 236	\$ 491	\$ 581	\$ 643	\$ 537	\$ 606	\$ 582	\$ 648
Brazil	-	-	493	606	599	664	723	683
Argentina	-	-	267	352	284	301	313	316
Venezuela	-	-	14	21	20	17	12	13
Other Countries	-	-	171	227	227	240	249	249
Total Latin America	-	-	945	1,206	1,130	1,222	1,297	1,261
Total Segment Operating Revenues	\$ 236	\$ 491	\$ 1,526	\$ 1,849	\$ 1,667	\$ 1,828	\$ 1,879	\$ 1,909

Operating Volumes

International

Volumes in thousands

Unaudited

Three Months Ended

3/31/15 6/30/15 9/30/15 12/31/15 3/31/16 6/30/16 9/30/16 12/31/16

Wireless Mexico Operating Statistics

Subscriber Detail

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Total Subscribers ¹	5,728	8,550	8,091	8,684	9,213	9,955	10,698	11,973
Postpaid				4,289	4,404	4,570	4,733	4,965
Prepaid				3,995	4,445	5,059	5,665	6,727
Other				400	364	326	300	281

Net Add Detail

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Net Customer Additions	(288)	(170)	(231)	593	529	742	743	1,275
Postpaid Net Adds				130	116	165	163	233
Prepaid Net Adds				508	450	614	606	1,062
Other Net Adds				(45)	(37)	(37)	(26)	(20)

Churn Detail

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Total Churn ²	8.21%	6.81%	5.58%	5.67%	5.45%	5.83%	6.16%	6.94%

Latin America Operating Statistics

Three Months Ended

3/31/15 6/30/15 9/30/15 12/31/15 3/31/16 6/30/16 9/30/16 12/31/16

Video Connections

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Brazil	-	-	5,538	5,444	5,342	5,348	5,337	5,249
Other Countries	-	-	7,006	7,066	7,094	7,175	7,139	7,206
Total Video Connections	-	-	12,544	12,510	12,436	12,523	12,476	12,455

Video Net Add Detail

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Brazil	-	-	(129)	(94)	(101)	6	(12)	(88)
Other Countries	-	-	16	60	28	81	(36)	67
Total Video	-	-	(113)	(34)	(73)	87	(48)	(21)

¹ 3Q15 subscriber count includes 301k reduction to true-up customer base. Prior periods not restated.

² Churn is calculated by dividing the aggregate number of wireless subscribers who canceled service during a period by the total number of wireless subscribers at the beginning of that period. The churn rate for the period is equal to the average of the churn rate for each month of that period.



Supplemental

Supplemental AT&T Mobility Results

AT&T Mobility

Dollars in millions

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Operating Revenues								
Service	\$ 14,812	\$ 15,115	\$ 15,095	\$ 14,815	\$ 14,798	\$ 14,912	\$ 14,963	\$ 14,713
Equipment	3,374	3,189	3,234	4,071	3,156	3,013	3,229	4,037
Total Operating Revenues	\$ 18,186	\$ 18,304	\$ 18,329	\$ 18,886	\$ 17,954	\$ 17,925	\$ 18,192	\$ 18,750

Operating Expenses

Operations and support	11,472	10,973	10,865	12,479	10,624	10,502	10,696	12,064
Depreciation and amortization	2,005	2,031	2,046	2,031	2,056	2,081	2,107	2,048
Total Operating Expenses	13,477	13,004	12,911	14,510	12,680	12,583	12,803	14,112

Operating Income	4,709	5,300	5,418	4,376	5,274	5,342	5,389	4,638
-------------------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------	--------------

Equity in Net Income (Loss) of Affiliates	-	-	-	-	-	-	-	-
--	----------	----------	----------	----------	----------	----------	----------	----------

AT&T Mobility Income	\$ 4,709	\$ 5,300	\$ 5,418	\$ 4,376	\$ 5,274	\$ 5,342	\$ 5,389	\$ 4,638
---------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

Operating Volumes

Volumes in thousands

AT&T Mobility Subscribers and Connections

Total Subscribers and Connections	121,772	123,902	126,406	128,640	130,445	131,805	133,338	134,859
Postpaid	76,175	76,541	76,671	77,105	77,138	77,295	77,388	77,783
Prepaid	10,037	10,438	10,988	11,548	12,171	12,633	13,035	13,536
Branded Connections	86,212	86,979	87,659	88,653	89,309	89,928	90,423	91,319
Reseller	13,595	13,506	13,729	13,774	13,378	12,920	12,624	11,949
Connected Devices	21,965	23,417	25,018	26,213	27,758	28,957	30,291	31,591

Net Add Detail (Adjusted for M&A)

Net Customer Additions	1,218	2,094	2,513	2,234	1,781	1,361	1,532	1,522
Postpaid Net Adds	441	410	289	526	129	257	212	520
Prepaid Net Adds	98	331	466	469	500	365	304	406
Branded Net Adds	539	741	755	995	629	622	516	926
Reseller Net Adds	(266)	(95)	156	50	(400)	(459)	(315)	(672)
Connected Devices Net Adds	945	1,448	1,602	1,189	1,552	1,198	1,331	1,268
M&A, Partitioned Customers and/or Adjustments	0	36	(9)	-	24	(1)	1	(1)

Phone Detail

Branded Phones	77,953	78,032	77,737	77,955	78,131	78,327	78,375	78,729
Branded Smartphones ¹	64,047	65,243	66,233	67,200	68,271	69,058	69,752	70,817
Postpaid Phones	67,916	67,594	66,749	66,407	65,960	65,694	65,340	65,193
Postpaid Smartphones	57,157	57,536	57,733	58,073	58,258	58,508	58,688	59,096
Postpaid Feature Phones ²	10,011	9,324	8,290	7,615	6,989	6,478	5,951	5,400
Postpaid Other Phones	748	734	726	719	713	708	701	697
Prepaid Phones	10,037	10,438	10,988	11,548	12,171	12,633	13,035	13,536

Phone Detail - Net Adds

Branded Phone Net Adds	(186)	55	83	213	137	185	36	339
Postpaid Phone Net Adds	(284)	(276)	(383)	(256)	(363)	(180)	(268)	(67)
Prepaid Phone Net Adds	98	331	466	469	500	365	304	406

¹ Branded smartphones include postpaid and prepaid smartphones. Smartphones on the Cricket CDMA network are excluded.

² Feature phones are basic phones that are primarily used for voice and text services.

Supplemental AT&T Mobility - Other Operating Statistics

AT&T Mobility

Unaudited	Three Months Ended							
	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Churn Detail								
Total Churn ¹	1.40%	1.31%	1.33%	1.50%	1.42%	1.35%	1.45%	1.71%
Branded Churn ¹	1.59%	1.52%	1.68%	1.72%	1.63%	1.47%	1.63%	1.74%
Postpaid Churn ¹	1.02%	1.01%	1.16%	1.18%	1.10%	0.97%	1.05%	1.16%

Other Operating Statistics

Wireless Service ARPU ²	\$ 40.78	\$ 41.07	\$ 40.19	\$ 38.78	\$ 38.14	\$ 37.88	\$ 37.65	\$ 36.58
Postpaid Phone-Only ARPU ²	59.98	61.26	60.81	59.76	59.53	59.80	59.64	58.84
Postpaid ARPU ²	57.05	57.84	57.05	55.58	55.06	54.97	54.67	53.59
Postpaid Phone-Only ARPU + EIP ³	66.14	68.29	68.82	68.91	69.54	69.97	69.99	69.54

¹ Churn is calculated by dividing the aggregate number of wireless subscribers who canceled service during a period by the total number of wireless subscribers at the beginning of that period. The churn rate for the period is equal to the average of the churn rate for each month of that period.

² ARPU is defined as Wireless service revenues during the period divided by average wireless subscribers during the period.

³ ARPU + EIP is defined as Wireless service revenues and billings from equipment installment plans during the period divided by average wireless subscribers during the period.

Supplemental Results - Corporate & Other

Corporate & Other¹

Dollars in millions

Unaudited

Three Months Ended

	3/31/15	6/30/15	9/30/15	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Operating Revenues								
Global Hubbing and Other Wholesale ²	\$ 133	\$ 117	\$ 112	\$ 100	\$ 93	\$ 40	\$ 94	\$ 78
National Mass Markets	107	101	97	92	87	84	81	78
Customer Information Services	47	44	42	37	35	31	30	29
Other	58	61	65	84	58	61	65	99
Total Operating Revenues	\$ 345	\$ 323	\$ 316	\$ 313	\$ 273	\$ 216	\$ 270	\$ 284
Operating Expenses								
Operations and support	234	236	315	272	377	293	270	233
Depreciation and amortization	20	24	3	17	17	20	17	11
Total Operating Expenses	254	260	318	289	394	313	287	244
Operating Income (Loss)	\$ 91	\$ 63	\$ (2)	\$ 24	\$ (121)	\$ (97)	\$ (17)	\$ 40

¹ Corporate and Other includes: (1) operations that are not considered reportable segments and that are no longer integral to our operations or which we no longer actively market, and (2) impacts of corporate-wide decisions for which the individual operating segments are not being evaluated, including interest costs and expected return on plan assets for our pension and postretirement benefit plans.

² 2Q16 includes \$54 million prior-period revenue adjustments.



Non-GAAP Consolidated Reconciliations

Non-GAAP Consolidated Reconciliation

Capital Investment

AT&T Inc.

Dollars in millions

Unaudited

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2016	2015	2016
Capital expenditures	\$ 6,093	\$ 6,456	\$ 20,015	\$ 22,408
Add: Vendor financing	684	267	684	492
Capital Investment	\$ 6,777	\$ 6,723	\$ 20,699	\$ 22,900

Free Cash Flow

AT&T Inc.

Dollars in millions

Unaudited

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2016	2015	2016
Net cash provided by operating activities	\$ 9,185	\$ 10,142	\$ 35,880	\$ 39,344
Less: Capital expenditures	(6,093)	(6,456)	(20,015)	(22,408)
Free Cash Flow	3,092	3,686	15,865	16,936
Less: Dividends paid	(2,889)	(2,947)	(10,200)	(11,797)
Free Cash Flow after Dividends	\$ 203	\$ 739	\$ 5,665	\$ 5,139

Free Cash Flow Dividend Payout Ratio

80%

70%

Capital Investment is a non-GAAP financial measure that adds to Capital expenditures the amount of vendor financing arrangements for capital improvements. These favorable payment terms are considered vendor financing arrangements and are reported as financing activities instead of Capital expenditures. Management believes that Capital Investment provides relevant and useful information to investors and other users of our financial data in evaluating long-term investment in our business.

Free cash flow includes reimbursements of certain postretirement benefits paid.

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.

Non-GAAP Consolidated Reconciliation

Adjusted Diluted EPS

AT&T Inc.

Unaudited

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2016	2015	2016
Diluted Earnings Per Share (EPS)	\$ 0.65	\$ 0.39	\$ 2.37	\$ 2.10
Adjustments:				
Amortization of intangible assets	0.14	0.13	0.30	0.55
Merger integration and other items ¹	0.06	0.04	0.28	0.13
Employee separation costs	-	-	0.04	0.04
Asset abandonments and impairments	-	0.05	-	0.04
Actuarial (gain) loss	(0.22)	0.10	(0.24)	0.10
Storm related and other items	-	0.01	-	0.01
(Gain) loss on transfer of wireless spectrum	-	-	-	(0.07)
Tax-related benefits	-	(0.06)	(0.04)	(0.06)
Adjusted EPS	\$ 0.63	\$ 0.66	\$ 2.71	\$ 2.84
<i>Year-over-year growth - Adjusted</i>		4.8%		4.8%
Weighted Average Common Shares Outstanding with Dilution (000,000)	6,187	6,181	5,646	6,189

¹ Adjustments include combined merger integration items, Leap network decommissioning, and DIRECTV-related interest expense and exchange fees.

Adjusted diluted EPS is a non-GAAP financial measure 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 this measure provides 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 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 diluted EPS, as presented, may differ from similarly titled measures reported by other companies.

Non-GAAP Consolidated Reconciliation

Adjusting Items¹

AT&T Inc.

Dollars in millions

Unaudited

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2016	2015	2016
Operating Revenues				
Merger related deferred revenue ²	\$ -	\$ -	\$ 85	\$ -
Storm revenue credits	-	10	-	23
Adjustments to Operating Revenues				
	-	10	85	23
Operating Expenses				
DIRECTV and other video merger integration costs ³	165	259	502	754
Mexico merger integration costs ⁴	84	78	167	309
Time Warner merger costs	-	47	-	47
Wireless merger integration costs ⁵	79	1	649	93
Leap network decommissioning	55	-	669	-
Asset abandonments and impairments	-	361	35	361
Storm costs	-	27	-	44
Employee separation costs	36	30	375	344
Actuarial (gain) loss ⁶	(2,152)	1,024	(2,152)	1,024
(Gain) loss on transfer of wireless spectrum	-	-	-	(714)
Adjustments to Operations and Support Expenses				
	(1,733)	1,827	245	2,262
Amortization of intangible assets	1,272	1,228	2,556	5,177
Impairments	-	29	-	29
Adjustments to Operating Expenses				
	(461)	3,084	2,801	7,468
Other				
DIRECTV-related interest expense and exchange fees ⁷	-	-	142	16
(Gain) loss on sale of investments and impairments	132	28	132	32
Adjustments to Income Before Income Taxes				
	(329)	3,122	3,160	7,539
Tax impact of adjustments ¹	(206)	1,097	996	2,618
Tax-related benefits ⁸	-	359	228	359
Adjustments to Net Income				
	\$ (123)	\$ 1,666	\$ 1,936	\$ 4,562

¹ 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 (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 (1) adjustments related to Mexico operations, which are taxed at the 30% marginal rate for Mexico and (2) 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%.

² Adjustments includes DIRECTV deferred revenue not recognized due to purchase accounting fair value adjustment.

³ Adjustments include Operations and Support expenses for DIRECTV and other video merger integration costs.

⁴ Adjustments include Operations and Support expenses for Mexico wireless integration costs.

⁵ Adjustments include Operations and Support expenses for domestic wireless integration costs.

⁶ Adjustments include all actuarial gains or losses (\$1.0 billion loss in 2016) associated with our pension and postemployment benefit plans, which we immediately recognize in the income statement, pursuant to our accounting policy for the recognition of actuarial gains/losses. As a result, Adjusted Operating Income, Adjusted EBITDA and associated margins reflect an expected return on plan assets of \$3.5 billion (based on an average expected return on plan assets of 7.75% for our pension trust and 5.75% for our VEBA trusts), rather than the actual return on plan assets of \$3.5 billion (actual pension return of 7.8% and VEBA return of 6.7%), as included in the GAAP measure of income.

⁷ Adjustments include interest expense incurred on the debt issued prior to close of the DIRECTV transaction and fees associated with the exchange of DIRECTV notes for AT&T notes.

⁸ 2016 includes merger-related restructuring of investment in Mexico.

Non-GAAP Consolidated Reconciliation

Adjusted Operating Income, EBITDA and Margins

AT&T Inc.

Dollars in millions

Unaudited

	Three Months Ended December 31,	
	2015	2016
Net Income	\$ 4,086	\$ 2,515
Additions:		
Income Tax Expense	2,221	676
Interest Expense	1,143	1,221
Equity in Net Income of Affiliates	(31)	(41)
Other (Income) Expense - Net	113	(123)
Operating Income	7,532	4,248
Depreciation and amortization	6,477	6,129
EBITDA²	14,009	10,377
Operating Income	7,532	4,248
Adjustments to Operating Revenues ¹	-	10
Adjustments to Operating Expenses ¹	(461)	3,084
Adjusted Operating Income	7,071	7,342
EBITDA²	14,009	10,377
Adjustments to Operating Revenues ¹	-	10
Adjustments to Operations and Support Expenses ¹	(1,733)	1,827
Adjusted EBITDA	12,276	12,214
Operating Revenues	42,119	41,841
Adjustments to Operating Revenues ¹	-	10
Adjusted Operating Revenues	42,119	41,851
Service Revenues	37,635	37,369
Adjustments to Operating Revenues ¹	-	10
Adjusted Service Revenues	37,635	37,379
Operating Income Margin	17.9%	10.2%
Adjusted Operating Income Margin³	16.8%	17.5%
EBITDA Margin	33.3%	24.8%
Adjusted EBITDA Margin⁴	29.1%	29.2%
EBITDA Service Margin⁵	37.2%	27.8%
Adjusted EBITDA Service Margin⁵	32.6%	32.7%

¹ See Adjusting Items schedule on page 26 for detailed adjustments.

² 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. EBITDA also excludes interest expense and provision for income taxes. Excluding these items eliminates the expenses associated with our capital and tax structures. EBITDA also excludes depreciation and amortization to eliminate the impact of capital investments.

³ Adjusted Operating Income Margin is calculated by dividing Adjusted Operating Income by Adjusted Operating Revenues.

⁴ Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA by Adjusted Operating Revenues.

⁵ EBITDA Service Margin is calculated as EBITDA divided by Service Revenues. Adjusted EBITDA Service Margin is calculated by dividing Adjusted EBITDA by Adjusted Service Revenues.

Adjusted Operating Income and Margin, Adjusted EBITDA and Margin, and Adjusted EBITDA Service Margin are non-GAAP financial measures calculated by excluding from operating revenues and operating expenses 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 Income and Margin, Adjusted EBITDA and Margin, and Adjusted 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. These non-GAAP financial measures, as we have defined them, may not be comparable to similarly titled measures reported by other companies.

Non-GAAP Consolidated Reconciliation

Annualized Net Debt to Adjusted EBITDA Ratio

AT&T Inc.

Dollars in millions

Unaudited

	Three Months Ended					
	3/31/16	6/30/16	9/30/16	12/31/16	YTD 2016	
Adjusted EBITDA ¹	\$ 13,279	\$ 13,397	\$ 13,589	\$ 12,214	\$ 52,479	
Add back severance	(25)	(29)	(260)	(30)	(344)	
Net Debt Adjusted EBITDA	13,254	13,368	13,329	12,184	52,135	
Annualized Net Debt Adjusted EBITDA					52,135	
End-of-period current debt					9,832	
End-of-period long-term debt					113,681	
Total End-of-Period Debt					123,513	
Less: Cash and Cash Equivalents					5,788	
Net Debt Balance					117,725	
Annualized Net Debt to Adjusted EBITDA Ratio					2.26	

¹ See Non-GAAP Consolidated Reconciliation of Adjusted EBITDA on page 27 and Adjusting Items schedule on page 26 for detailed adjustments.

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. The Net Debt to EBITDA ratio is calculated by dividing the Net Debt by annualized Net Debt Adjusted EBITDA. Annualized Net Debt Adjusted EBITDA excludes severance-related adjustments as described in our credit agreements. 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 Adjusted EBITDA is calculated by annualizing the year-to-date Net Debt Adjusted EBITDA.

Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies.



Non-GAAP Reconciliations- Segments and Supplemental

Non-GAAP Segment Reconciliation

AT&T Inc.

Dollars in millions

Unaudited

Business Solutions Segment EBITDA

	Three Months Ended				
	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Contribution	\$ 3,721	\$ 4,299	\$ 4,201	\$ 4,303	\$ 4,023
Additions:					
Equity in Net (Income) Loss of Affiliates	-	-	-	-	-
Depreciation and amortization	2,513	2,508	2,521	2,539	2,264
EBITDA¹	6,234	6,807	6,722	6,842	6,287
Total Segment Operating Revenues	18,214	17,609	17,579	17,767	18,033
Segment Operating Income Margin	20.4%	24.4%	23.9%	24.2%	22.3%
EBITDA Margin	34.2%	38.7%	38.2%	38.5%	34.9%

Entertainment Group Segment EBITDA

	Three Months Ended				
	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Segment Contribution	\$ 1,457	\$ 1,595	\$ 1,651	\$ 1,488	\$ 1,370
Additions:					
Equity in Net (Income) Loss of Affiliates	(12)	(3)	2	-	(8)
Depreciation and amortization	1,426	1,488	1,489	1,504	1,381
EBITDA¹	2,871	3,080	3,142	2,992	2,743
Total Segment Operating Revenues	12,994	12,658	12,711	12,720	13,206
Segment Operating Income Margin	11.1%	12.6%	13.0%	11.7%	10.3%
EBITDA Margin	22.1%	24.3%	24.7%	23.5%	20.8%

¹ For AT&T, EBITDA excludes 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. EBITDA also 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 GAAP. Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies.

Non-GAAP Segment Reconciliation

AT&T Inc.

Dollars in millions

Unaudited

Consumer Mobility Segment EBITDA

	Three Months Ended				12/31/16
	12/31/15	3/31/16	6/30/16	9/30/16	
Segment Contribution	\$ 2,141	\$ 2,494	\$ 2,574	\$ 2,572	\$ 2,185
Additions:					
Equity in Net (Income) Loss of Affiliates	-	-	-	-	-
Depreciation and amortization	939	922	932	944	918
EBITDA¹	3,080	3,416	3,506	3,516	3,103
Total Segment Operating Revenues	8,749	8,328	8,186	8,267	8,419
Service Revenues	7,131	6,943	6,948	6,914	6,731
Segment Operating Income Margin	24.5%	29.9%	31.4%	31.1%	26.0%
EBITDA Margin	35.2%	41.0%	42.8%	42.5%	36.9%
EBITDA Service Margin²	43.2%	49.2%	50.5%	50.9%	46.1%

International Segment EBITDA

	Three Months Ended				12/31/16
	12/31/15	3/31/16	6/30/16	9/30/16	
Segment Contribution	\$ (260)	\$ (184)	\$ (184)	\$ (53)	\$ (240)
Additions:					
Equity in Net (Income) Loss of Affiliates	1	(14)	(9)	(1)	(28)
Depreciation and amortization	309	277	298	293	298
EBITDA¹	50	79	105	239	30
Total Segment Operating Revenues	1,849	1,667	1,828	1,879	1,909
Segment Operating Income Margin	-14.0%	-11.9%	-10.6%	-2.9%	-14.0%
EBITDA Margin	2.7%	4.7%	5.7%	12.7%	1.6%

¹ For AT&T, EBITDA excludes 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. EBITDA also 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 GAAP. Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies.

² EBITDA Service Margin is calculated as EBITDA divided by Service Revenues.

Non-GAAP Reconciliation - Supplemental

AT&T Inc.

Dollars in millions

Unaudited

AT&T Mobility EBITDA

	Three Months Ended				
	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Operating Income	\$ 4,376	\$ 5,274	\$ 5,342	\$ 5,389	\$ 4,638
Add: Depreciation and amortization	2,031	2,056	2,081	2,107	2,048
EBITDA¹	6,407	7,330	7,423	7,496	6,686
Total Operating Revenues	18,886	17,954	17,925	18,192	18,750
Service Revenues	14,815	14,798	14,912	14,963	14,713
Operating Income Margin	23.2%	29.4%	29.8%	29.6%	24.7%
EBITDA Margin	33.9%	40.8%	41.4%	41.2%	35.7%
EBITDA Service Margin²	43.2%	49.5%	49.8%	50.1%	45.4%

Mexico EBITDA

	Three Months Ended				
	12/31/15	3/31/16	6/30/16	9/30/16	12/31/16
Operating Income (Loss)	\$ (258)	\$ (251)	\$ (225)	\$ (148)	\$ (317)
Add: Depreciation and amortization	89	81	86	81	83
EBITDA¹	(169)	(170)	(139)	(67)	(234)
Total Operating Revenues	643	537	606	582	648
Operating Income Margin	-40.1%	-46.7%	-37.1%	-25.4%	-48.9%
EBITDA Margin	-26.3%	-31.7%	-22.9%	-11.5%	-36.1%

¹ For our supplemental presentation of our Mexico wireless operations and our combined domestic wireless operations (AT&T Mobility), EBITDA excludes depreciation and amortization from Operating Income (Loss). EBITDA differs from Operating Income (Loss), as calculated in accordance with GAAP, in that it excludes depreciation and amortization. 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 GAAP. Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies.

² EBITDA Service Margin is calculated as EBITDA divided by Service Revenues.