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Contents

AT&T Reports Double-Digit Growth in: Revenue, Adjusted Operating Margin, Adjusted EPS and Free Cash Flow In Third-Quarter Results

3Q

Adjusted EPS Guidance Increased to $2.68 to $2.74 Range[1]; Free Cash Flow Guidance Increased to $15 Billion Range or Better; Strong Mobility Subscriber Gains; Positive DIRECTV U.S. Net Adds

Highlights included:

- Third-quarter consolidated revenues of $39.1 billion, up nearly 19% versus the year-earlier period primarily due to the acquisition of DIRECTV.
- Including merger-related expenses, Leap network decommissioning and other one-time costs, $0.50 diluted earnings per share in the third quarter compared to $0.60 diluted EPS in the year-ago quarter; excluding these items, diluted EPS was $0.74 versus $0.65 a year ago, up nearly 14% year over year.
- Continued adjusted consolidated margin expansion with best-ever service EBITDA margins in wireless operations.
- Strong cash flows including $10.8 billion in cash from operations and $5.5 billion in free cash flow.

[1]Expected range excludes adjustments for non-cash mark-to-market benefit plan adjustments, merger integration costs and other adjustments that are not reasonably estimable at this time.

- Business Solutions revenues up 1.2% year over year.
  - Growth in wireline business data revenues for the fourth consecutive quarter.
  - Strategic business services revenues of $2.8 billion, up 12.6% and up 15.2% when adjusted for foreign exchange.
- 26,000 domestic DIRECTV net adds.
- 192,000 IP broadband net adds.
- 2.5 million AT&T Mobility domestic wireless net adds with gains in every customer category.
  - 755,000 branded net adds including solid phone net adds.
  - 289,000 postpaid and 466,000 prepaid net adds, best prepaid net add quarter in nearly 8 years.
  - Record 1.6 million connected device net adds including 1 million connected cars.
- Nearly 1 million branded (postpaid and prepaid) smartphones added to base.
- Continued growth in phone-only postpaid ARPU plus AT&T Next℠ monthly billings, up nearly 5% year over year.
- Total churn of 1.33%, down year over year; postpaid churn at 1.16%.

CONSOLIDATED FINANCIAL RESULTS

AT&T's consolidated revenues for the third quarter totaled $39.1 billion, up nearly 19% versus the year-earlier period largely due to the acquisition of DIRECTV. Compared with results for the third quarter of 2014, operating expenses were $33.2 billion versus $27.4 billion; operating income was $5.9 billion versus $5.6 billion; and operating income margin was 15.2%, down from 17.0% in the year-ago quarter. When adjusting for amortization, merger and integration-related items, and other expenses, operating income was $7.9 billion versus $5.9 billion; and operating income margin was 20.3%, up 250 basis points from a year ago.

Third-quarter 2015 net income attributable to AT&T totaled $3.0 billion, or $0.50 per diluted share, compared to net income of $3.1 billion, or $0.60 per diluted share in the year-ago quarter. Adjusting for $0.13 of amortization costs, $0.05 of merger and integration-related items, $0.03 of Cricket network decommissioning, and $0.03 of other expenses, earnings per share was $0.74 compared to an adjusted $0.65 in the year-ago quarter, an increase of nearly 14%.

Cash from operating activities totaled $10.8 billion in the third quarter and $26.7 billion year to date; and capital expenditures totaled $5.3 billion and $13.9 billion year to date. Free cash flow – cash from operating activities minus capital expenditures – totaled $5.5 billion for the quarter and $12.8 billion year to date, an increase over the year-ago quarter even as the company continues to invest in its high-quality networks and in its customers.

The free cash flow dividend payout ratio was 57% year to date, improved from 67% in the second quarter.

UPDATED OUTLOOK

The company also is increasing its adjusted EPS and free cash flow outlook for the year. For the full year, AT&T now expects adjusted EPS in the $2.68 to $2.74 range and free cash flow in the $15 billion range or better.

Business Solutions

The Business Solutions *segment provides both wireless and wireline services to business customers and individual subscribers who purchase wireless services through employer-sponsored plans. Services use our wireless and wired network to provide a complete communications solution to our business customers. AT&T's business customer revenues include results from enterprise, public sector, wholesale and small/midsize customers.*

Total revenues from business customers were $17.7 billion, up 1.2% versus the year-earlier quarter. Revenue growth was driven by gains in mobility and wireline strategic business services. When adjusting for the impact of foreign exchange pressures, total revenues would have increased 1.7%.

Third-quarter operating expenses were $13.4 billion, down 1.7% versus the third quarter of 2014. Operating income totaled $4.3 billion, up 11.3% versus the third quarter of 2014. Third-quarter operating income margin was 24.3%, up from 22.1% in the year-earlier quarter with wireless and IP revenue growth and cost efficiencies offsetting declines in legacy services.

Business wireless revenues were up 4.6% year over year to $9.5 billion. Wireless equipment revenues increased 14.3%, as more business customers chose equipment installment versus subsidized devices. Business wireless service revenues were up 2.5% year over year, reflecting smartphone and tablet gains as well as continued customer adoption of Mobile Share Value℠ plans.

At the end of the third quarter, there were 71.6 million business wireless subscribers. The company added 265,000 postpaid subscribers and 1,602,000 connected devices in the third quarter. Postpaid business wireless subscriber churn was 1.05 percent, compared to 0.84 percent in the year-ago quarter.

In business wireline, declines in legacy products were somewhat offset by continued growth in strategic business services. Total business wireline revenues were $8.1 billion, down 2.5% year over year. Total data revenues, which include strategic business services, increased by 1.2%, the fourth consecutive quarter of revenue growth. Data revenues now make up nearly 59% of Business Solutions wireline revenues.

Revenues from strategic business services, the next generation wireline capabilities that lead AT&T's most advanced business solutions – including VPNs, Ethernet, cloud, hosting, IP conferencing, voice over IP, MIS over Ethernet, U-verse and security services – grew 12.6% versus the year-earlier quarter and 15.2% when adjusting for the impact of foreign exchange. These services represent an annualized revenue stream of $11 billion. During the quarter, the company also added 20,000 high-speed IP broadband business subscribers. Total business broadband had a loss of 23,000 subscribers in the quarter.

BUSINESS INNOVATION

Through its powerful global networks, AT&T provides integrated solutions to business customers and offers a wide variety of wired and wireless products and services to increase businesses' productivity. AT&T serves millions of business customers, from the largest multinational corporations to small businesses, in all major industries. In addition, AT&T delivers wholesale services. AT&T continually develops products and services to ensure that its business customers have access to the latest technology solutions. In recent business news, AT&T:

- Continued momentum for AT&T Switched Ethernet Service℠ via Network on Demand, which is available in more than 170 cities. AT&T has signed more than 275 customers to date. The company also announced a new on-demand enabled service – Managed Internet Service on Demand – that virtualizes routing functions for business customers so they have even more ability to adjust and add capabilities in near-real time.
- Added Data Rate Plans to the AT&T Work Platform™, enabling BYOD employees to separate personal and work activities, including billing.
- Announced that Maersk Line is teaming with AT&T to track and monitor cold shipping containers. The global shipping company is using AT&T Internet of Things technology to connect its refrigerated containers, one of the largest industrial IoT deployments of its kind.
- Launched the first AT&T Cybersecurity Insights report to help executives understand the adversaries in the cybersecurity landscape and identify the appropriate steps to prepare for cyber attacks. AT&T also introduced a new version of the AT&T Security Resource Center along with plans to offer virtualized security functions for customers, with dynamic updates, quick deployments and additional security protections, and in many environments, clients will be able to deploy the solution in the cloud.
- More than doubled its Ethernet reach, using a new switched Ethernet feature that uses its U-verse® broadband network infrastructure to reach more customers. The feature enables quick turn-up time (generally 10 days or less) and adds new speed tiers.
- Announced a multi-year agreement with Jaguar Land Rover North America to bring high-speed Internet to their vehicles in the U.S. and Canada, AT&T's 9th connected car agreement with a top automaker.

Entertainment and Internet Services

Entertainment and Internet Services (EIS) *provides entertainment, Internet and communications services predominantly to residential customers in the U.S. Services include video entertainment, high-speed Internet and voice services.*

Total revenues from EIS customers totaled $10.9 billion, up 96% versus the year-earlier quarter due to the acquisition of DIRECTV. Also contributing to that gain was continued strong growth in consumer IP broadband and video which more than offset lower revenues from legacy voice and data products.

Third-quarter EIS operating expenses were $9.8 billion, up 67% versus the third quarter of 2014 due to the acquisition of DIRECTV. Operating income totaled $1.0 billion, an increase from a year-ago loss of $337 million. Third-quarter operating income margin was 9.4%, up from (6.1)% in the year-earlier quarter with satellite and IP revenue growth and cost efficiencies offsetting TV content cost pressure and declines in legacy services.

The company added 26,000 DIRECTV U.S. satellite subscribers after AT&T acquired DIRECTV. U-verse TV subscribers declined 91,000 as the company focused on profitability and increasingly emphasized satellite sales. The company ended the quarter with 25.4 million video subscribers.

EIS U-verse IP broadband had a third-quarter net gain of 172,000 subscribers, for a total of 12.2 million. Total IP broadband subscribers are 13.1 million. More than 90% of the company's broadband subscribers who are IP-eligible have U-verse IP broadband. Total EIS broadband was down 106,000 in the quarter due in part to fewer U-verse promotions. Total company broadband subscribers declined by 129,000.

As noted in a Form 8-K filed on Sept. 29, 2015, to conform with AT&T practices the company changed the methodology DIRECTV used to count commercial subscribers. Previously, DIRECTV used a method of counting commercial customers that converted commercial accounts to an equivalent number of residential subscribers based on relative revenues per account. Under the new methodology, the Company will simply count each commercial account as one subscriber. This reduced DIRECTV's total subscriber count by 918,600 at acquisition close on July 24, 2015. This change has no impact on historical or future revenues, EBITDA or cash flows.

ENTERTAINMENT AND INTERNET INNOVATION

In recent EIS news, the company:

- Introduced the first-ever nationwide TV and wireless combined offer. The "All in One Plan" includes HD and DVR services for up to four TVs, unlimited talk and text services for four wireless phone lines and 15GB of shareable wireless data.
- Brought lightning-fast Internet speeds up to 1 gigabit per second in parts of three new major metro areas: Greensboro, Orlando and San Antonio. The company also expanded service in nearly two dozen cities. U-verse with AT&T GigaPower is now available in 17 metro areas, and AT&T has announced plans to offer service in parts of the Jacksonville and St. Louis metro areas.
- Announced AT&T will continue to roll out its fastest Internet services over its all-fiber network to reach more than 14 million residential and commercial locations and expects to reach more than 1 million of these locations by the end of 2015.
- Introduced High Speed Internet 75, a new speed tier, to 4 additional markets including Austin, Corpus Christi, Midland/Odessa and San Antonio.
- Introduced the new Walk-Out-Watching feature of the DIRECTV app for new DIRECTV customers. The feature lets them start enjoying video content on their wireless devices before DIRECTV is installed at their homes. DIRECTV also added 11 live streaming channels to the app, including the entire ESPN linear channel lineup, bringing the total number of live streaming channels to 140 in the home and 109 out of the home.
- Launched an expanded NFL SUNDAY TICKET.TV streaming service for consumers who cannot receive DIRECTV satellite service. These consumers can access an Internet-delivered (OTT) version of DIRECTV's exclusive NFL SUNDAY TICKET content.

Consumer Mobility

The Consumer Mobility *segment provides nationwide wireless service to consumer, wholesale and resale subscribers located in the U.S. or in U.S. territories. Services use our U.S. wireless network to provide voice and data connectivity, including high speed Internet, video entertainment and home monitoring.*

Total revenues from Consumer Mobility customers totaled $8.8 billion, down 4.6% versus the year-earlier quarter, reflecting declines in postpaid service revenues due to the success of Mobile Share Value plans. Third-quarter operating expenses were $6.0 billion, down 9.6% versus the third quarter of 2014 due to focus on cost controls. AT&T's Consumer Mobility operating income totaled $2.7 billion, up 8.5% versus the third quarter of 2014. Third-quarter operating income margin was 31.2%, up from 27.4% in the year-earlier quarter with lower volumes and cost efficiencies more than offsetting the Mobile Share Value pressure. Consumer Mobility EBITDA margin was 42.3%, compared to 37.8% in the third quarter of 2014. *(EBITDA margin is operating income before depreciation and amortization, divided by total wireless revenues.)* EBITDA service margin was 50.5%, up from 44.1% in the year-ago quarter. *(EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues.)*

At the end of the third quarter, there were 54.8 million Consumer Mobility subscribers. The company added 23,000 postpaid subscribers, 466,000 prepaid subscribers and 149,000 reseller net adds in the third quarter. Total customer churn of Consumer Mobility subscribers was 1.90 percent versus 2.03 percent in the third quarter of 2014, reflecting improvements in prepaid churn. Consumer Mobility postpaid churn was 1.33 percent, compared to 1.20 percent in the year-ago quarter.

AT&T is a leader in mobile Internet, delivering expanded choice in devices, services and applications. In recent weeks, AT&T:

- Introduced the Personal Security app, an extension of AT&T's Digital Life home automation and security platform outside the home.
- Announced a new promotional Mobile Share Value offer giving customers 50% more data: 15GB of data for the price of 10GB.
- Announced Cricket Wireless' national retail expansion into 1,600 Target stores and on Target's website.

International

The International *segment provides wireless services in Mexico and satellite entertainment services in Latin America. The International segment is subject to foreign currency fluctuations.*

Total revenues from International totaled $1.5 billion reflecting the acquisition of DIRECTV Latin America. Third-quarter operating expenses were $1.6 billion. AT&T's International operating loss totaled $83 million, down sequentially due to improvements in the quarter from the acquisition of DIRECTV Latin America. Third-quarter operating income margin was (5.4)%.

AT&T MEXICO

AT&T owns and operates a wireless network in Mexico. Formed by the combination of Iusacell and Nextel Mexico, AT&T Mexico now has a leading spectrum position in the country. AT&T is now investing to deploy a 4G LTE network in Mexico and expects to cover 100 million POPs by the end of 2018, with expectations to cover 40 million POPs by the end of this year. At the end of the third quarter, AT&T covered about 29 million people in Mexico with 4G LTE.

Total revenues from AT&T Mexico totaled $581 million, up 18.3% sequentially, reflecting the full-quarter ownership of Nextel Mexico. AT&T Mexico added 15,000 postpaid subscribers in the quarter and lost 210,000 prepaid subscribers. AT&T Mexico had more than 8 million total subscribers at the end of the quarter.

DIRECTV LATIN AMERICA

AT&T is a leading provider of pay television services in Latin America and owns 100% of its satellite operations serving Argentina, Chile, Colombia, Ecuador, Peru, Uruguay, Venezuela and parts of the Caribbean. It also owns approximately 93% of Sky Brasil and 41% of Sky Mexico. Sky Mexico financial results are accounted for as an equity method investment and therefore are not part of consolidated results.

DIRECTV Latin America revenues reflect foreign currency exchange rates, including AT&T's move to the SIMADI rate in Venezuela. Total revenues from Latin America were $945 million. On a full-quarter basis, when compared to DIRECTV's third-quarter 2014 results for Latin America, revenues in this region were down 25% year over year due to foreign exchange pressures. Excluding changes in foreign exchange rates, third-quarter revenues in DIRECTV Latin America grew 18% year over year.

Third-quarter subscriber net losses after the DIRECTV acquisition were 113,000, driven by subscriber declines in Brazil. Total subscribers at the end of the quarter were 12.5 million. Sky Mexico had approximately 7.0 million subscribers as of September 30, 2015, bringing the total subscribers in the region to 19.5 million.

AT&T Mobility

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

The company continues to reposition its postpaid smartphone base to non-subsidy plans and focus on the most profitable, high-value customers. In the third quarter, AT&T reported strong subscriber gains and best-ever EBITDA service margins. Highlights included:

Total wireless revenues were flat year over year at $18.3 billion. Wireless equipment revenues increased 11.0% to $3.2 billion, as more customers chose equipment installment plans versus subsidized devices. Wireless service revenues of $15.1 billion were down 2.1% year over year, reflecting continued customer adoption of Mobile Share Value plans. Third-quarter wireless operating expenses totaled $12.9 billion, down 5.0%. Wireless operating income was $5.4 billion, up 14.2% year over year largely due to stabilizing service revenues, lower smartphone upgrade volumes and lower expenses driven by efficiencies.

The continued adoption of AT&T Next on no-subsidy offerings and of Mobile Share Value plans is reflected in postpaid service ARPUs (average revenues per user); however, as expected, phone-only ARPU with AT&T Next monthly billings increased. Phone-only postpaid ARPU decreased 2.6% versus the year-earlier quarter; but phone-only postpaid ARPU with AT&T Next monthly billings increased 4.9% year over year and 0.8% sequentially.

As expected, wireless margins improvement reflects strong adoption of AT&T Next, BYOD customers, lower smartphone upgrade volumes and continued focus on driving operating costs out of the business. AT&T's reported third-quarter wireless operating income margin was 29.6%, versus 25.9% in the year-earlier quarter. Wireless EBITDA margin was 40.7%, compared to 36.3% in the third quarter of 2014. *(EBITDA margin is operating income before depreciation and amortization, divided by total wireless revenues.)* Wireless EBITDA service margin was a best-ever 49.4%, up from 43.1% in the year-ago quarter. *(EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues.)*

In the third quarter, AT&T posted a net increase in total wireless subscribers of 2.5 million, with gains in every customer category. The company added 289,000 postpaid subscribers and 466,000 prepaid subscribers with gains in both Cricket and GoPhone. AT&T also added a record 1.6 million connected devices, including 1 million connected cars. The company now has 5.8 million connected car subscribers. The company also added 156,000 reseller subscribers in the quarter. Nearly 1 million total branded smartphones (both postpaid and prepaid) were added to the base. Total branded phone net adds were positive in the quarter, reflecting gains in prepaid smartphones. The company had 622,000 postpaid tablet and computing device net adds in the quarter.

Postpaid churn was 1.16% as the company continued its focus on profitability. This compares to 0.99% in the year-ago quarter; however, total churn was 1.33%, down from 1.36% year over year as improvements in prepaid churn offset higher postpaid churn. About 96% of AT&T's total postpaid base is on Mobile Share, AT&T Family Talk® or business plans.

The company had 7.5 million branded smartphone gross adds and upgrades in the quarter, including 1.7 million prepaid smartphones. The postpaid upgrade rate in the quarter was 5.7%. Sales on AT&T Next also increased during the quarter as 71% of all postpaid smartphone gross adds and upgrades chose AT&T Next. The company also had 510,000 BYOD gross adds. That means 80% of smartphone transactions in the quarter were non-subsidy. More than 40% of the postpaid smartphone base is on AT&T Next, with about 66%, or 38.2 million, of postpaid smartphone subscribers on no-device-subsidy Mobile Share Value plans. At the end of the quarter, 87%, or 57.7 million, of AT&T's postpaid phone subscribers had smartphones. Smartphones accounted for about 94% of phone sales during the quarter. AT&T's ARPU for smartphones is about twice that of non-smartphone subscribers. At the end of the third quarter, 86% of AT&T's postpaid smartphone customers had an LTE-capable device.

AT&T continues to reposition the customer experience with attractive Mobile Share Value pricing for customers who choose to transition from the traditional device subsidy model. The total number of Mobile Share accounts was up 25% year over year to reach 20.8 million with an average of about three devices per account. About 80% of postpaid smartphone subscribers are on Mobile Share Value plans. Almost 30% of Mobile Share accounts are on 15 gigabyte or larger data plans, three times the number from a year ago. In total, nearly 90% of postpaid smartphone subscribers are on usage-based data plans (tiered data, Mobile Share and other plans).

Fourth-Quarter 2015 Earnings Date: January 26, 2016

AT&T will release fourth-quarter 2015 earnings on January 26, 2016, after the market closes.

The company's Investor*Briefing* and related earnings materials will be available on the AT&T website at *www.att.com/investor.relations* 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 eight weeks before the call, which will also be broadcast live and will be available for replay over the Internet at *www.att.com/investor.relations*.

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.

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AT&T Investor*Briefing*

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