

## Consolidated Statements of Income

Dollars in millions except per share amounts

	2018	2017	2016
<b>Operating Revenues</b>			
Service	\$152,345	\$145,597	\$148,884
Equipment	18,411	14,949	14,902
Total operating revenues	170,756	160,546	163,786
<b>Operating Expenses</b>			
Cost of revenues			
Equipment	19,786	18,709	18,757
Broadcast, programming and operations	26,727	21,159	19,851
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	32,906	37,942	38,582
Selling, general and administrative	36,765	35,465	36,845
Asset abandonments and impairments	46	2,914	361
Depreciation and amortization	28,430	24,387	25,847
Total operating expenses	144,660	140,576	140,243
<b>Operating Income</b>	26,096	19,970	23,543
<b>Other Income (Expense)</b>			
Interest expense	(7,957)	(6,300)	(4,910)
Equity in net income (loss) of affiliates	(48)	(128)	98
Other income (expense) – net	6,782	1,597	1,081
Total other income (expense)	(1,223)	(4,831)	(3,731)
<b>Income Before Income Taxes</b>	24,873	15,139	19,812
Income tax (benefit) expense	4,920	(14,708)	6,479
<b>Net Income</b>	19,953	29,847	13,333
<b>Less: Net Income Attributable to Noncontrolling Interest</b>	(583)	(397)	(357)
<b>Net Income Attributable to AT&amp;T</b>	\$ 19,370	\$ 29,450	\$ 12,976
<b>Basic Earnings Per Share Attributable to AT&amp;T</b>	\$ 2.85	\$ 4.77	\$ 2.10
<b>Diluted Earnings Per Share Attributable to AT&amp;T</b>	\$ 2.85	\$ 4.76	\$ 2.10

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Balance Sheets

Dollars in millions except per share amounts

	December 31,	
	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,204	\$ 50,498
Accounts receivable – net of allowances for doubtful accounts of \$907 and \$663	26,472	16,522
Prepaid expenses	2,047	1,369
Other current assets	17,704	10,757
Total current assets	51,427	79,146
<b>Noncurrent inventories and theatrical film and television production costs</b>	7,713	—
<b>Property, Plant and Equipment – Net</b>	131,473	125,222
<b>Goodwill</b>	146,370	105,449
<b>Licenses</b>	96,144	96,136
<b>Trademarks and Trade Names – Net</b>	24,345	7,021
<b>Distribution Networks – Net</b>	17,069	—
<b>Other Intangible Assets – Net</b>	26,269	11,119
<b>Investments in and Advances to Equity Affiliates</b>	6,245	1,560
<b>Other Assets</b>	24,809	18,444
<b>Total Assets</b>	<b>\$531,864</b>	<b>\$444,097</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Debt maturing within one year	\$ 10,255	\$ 38,374
Accounts payable and accrued liabilities	43,184	34,470
Advanced billings and customer deposits	5,948	4,213
Accrued taxes	1,179	1,262
Dividends payable	3,854	3,070
Total current liabilities	64,420	81,389
<b>Long-Term Debt</b>	166,250	125,972
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
Deferred income taxes	57,859	43,207
Postemployment benefit obligation	19,218	31,775
Other noncurrent liabilities	30,233	19,747
Total deferred credits and other noncurrent liabilities	107,310	94,729
<b>Stockholders' Equity</b>		
Common stock (\$1 par value, 14,000,000,000 authorized at December 31, 2018 and December 31, 2017; issued 7,620,748,598 at December 31, 2018 and 6,495,231,088 at December 31, 2017)	7,621	6,495
Additional paid-in capital	125,525	89,563
Retained earnings	58,753	50,500
Treasury stock (339,120,073 at December 31, 2018 and 355,806,544 at December 31, 2017, at cost)	(12,059)	(12,714)
Accumulated other comprehensive income	4,249	7,017
Noncontrolling interest	9,795	1,146
Total stockholders' equity	193,884	142,007
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$531,864</b>	<b>\$444,097</b>

The accompanying notes are an integral part of the consolidated financial statements.

## Consolidated Statements of Cash Flows

Dollars in millions

	2018	2017	2016
<b>Operating Activities</b>			
Net income	\$19,953	\$29,847	\$13,333
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,430	24,387	25,847
Amortization of film and television costs	3,772	—	—
Undistributed earnings from investments in equity affiliates	292	174	(37)
Provision for uncollectible accounts	1,791	1,642	1,474
Deferred income tax expense (benefit)	610	(15,940)	2,947
Net (gain) loss from sale of investments, net of impairments	(739)	(282)	(169)
Actuarial (gain) loss on pension and postretirement benefits	(3,412)	1,258	1,024
Asset abandonments and impairments	46	2,914	361
Changes in operating assets and liabilities:			
Accounts receivable	(1,244)	(986)	(1,003)
Other current assets and theatrical film and television production costs	(6,442)	(778)	1,709
Accounts payable and other accrued liabilities	1,602	816	118
Equipment installment receivables and related sales	(490)	(1,239)	(1,307)
Deferred customer contract acquisition and fulfillment costs	(3,458)	(1,422)	(2,359)
Retirement benefit funding	(500)	(1,066)	(910)
Other – net	3,391	(1,315)	(2,586)
Total adjustments	23,649	8,163	25,109
<b>Net Cash Provided by Operating Activities</b>	<b>43,602</b>	<b>38,010</b>	<b>38,442</b>
<b>Investing Activities</b>			
Capital expenditures:			
Purchase of property and equipment	(20,758)	(20,647)	(21,516)
Interest during construction	(493)	(903)	(892)
Acquisitions, net of cash acquired	(43,309)	1,123	(2,959)
Dispositions	2,148	59	646
(Purchases) sales of securities, net	(185)	449	672
Advances to and investments in equity affiliates	(1,050)	—	1
Cash collections of deferred purchase price	500	976	731
Other	2	—	(1)
<b>Net Cash Used in Investing Activities</b>	<b>(63,145)</b>	<b>(18,943)</b>	<b>(23,318)</b>
<b>Financing Activities</b>			
Net change in short-term borrowings with original maturities of three months or less	(821)	(2)	—
Issuance of other short-term borrowings	4,898	—	—
Repayment of other short-term borrowings	(2,098)	—	—
Issuance of long-term debt	41,875	48,793	10,140
Repayment of long-term debt	(52,643)	(12,339)	(10,823)
Purchase of treasury stock	(609)	(463)	(512)
Issuance of treasury stock	745	33	146
Dividends paid	(13,410)	(12,038)	(11,797)
Other	(3,926)	1,946	(1,616)
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(25,989)</b>	<b>25,930</b>	<b>(14,462)</b>
Net (decrease) increase in cash and cash equivalents and restricted cash	(45,532)	44,997	662
Cash and cash equivalents and restricted cash beginning of year	50,932	5,935	5,273
<b>Cash and Cash Equivalents and Restricted Cash End of Year</b>	<b>\$ 5,400</b>	<b>\$50,932</b>	<b>\$ 5,935</b>

The accompanying notes are an integral part of the consolidated financial statements.