

## Consolidated Statements of Income

Dollars in millions except per share amounts

	2016	2015	2014
<b>Operating Revenues</b>			
Service	\$148,884	\$131,677	\$118,437
Equipment	14,902	15,124	14,010
Total operating revenues	163,786	146,801	132,447
<b>Operating Expenses</b>			
Cost of services and sales			
Equipment	18,757	19,268	18,946
Broadcast, programming and operations	19,851	11,996	4,075
Other cost of services (exclusive of depreciation and amortization shown separately below)	38,276	35,782	37,124
Selling, general and administrative	36,347	32,919	39,697
Asset abandonments and impairments	361	35	2,120
Depreciation and amortization	25,847	22,016	18,273
Total operating expenses	139,439	122,016	120,235
<b>Operating Income</b>	24,347	24,785	12,212
<b>Other Income (Expense)</b>			
Interest expense	(4,910)	(4,120)	(3,613)
Equity in net income of affiliates	98	79	175
Other income (expense) – net	277	(52)	1,581
Total other income (expense)	(4,535)	(4,093)	(1,857)
<b>Income Before Income Taxes</b>	19,812	20,692	10,355
Income tax expense	6,479	7,005	3,619
<b>Net Income</b>	13,333	13,687	6,736
Less: Net Income Attributable to Noncontrolling Interest	(357)	(342)	(294)
<b>Net Income Attributable to AT&amp;T</b>	\$ 12,976	\$ 13,345	\$ 6,442
<b>Basic Earnings Per Share Attributable to AT&amp;T</b>	\$ 2.10	\$ 2.37	\$ 1.24
<b>Diluted Earnings Per Share Attributable to AT&amp;T</b>	\$ 2.10	\$ 2.37	\$ 1.24

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

## Consolidated Balance Sheets

Dollars in millions except per share amounts

	December 31,	
	2016	2015
<b>Assets</b>		
<b>Current Assets</b>		
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
<b>Property, Plant and Equipment – Net</b>	124,899	124,450
<b>Goodwill</b>	105,207	104,568
<b>Licenses</b>	94,176	93,093
<b>Customer Lists and Relationships – Net</b>	14,243	18,208
<b>Other Intangible Assets – Net</b>	8,441	9,409
<b>Investments in Equity Affiliates</b>	1,674	1,606
<b>Other Assets</b>	16,812	15,346
<b>Total Assets</b>	<b>\$403,821</b>	<b>\$402,672</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Debt maturing within one year	\$ 9,832	\$ 7,636
Accounts payable and accrued liabilities	31,138	30,372
Advanced billings 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
<b>Long-Term Debt</b>	113,681	118,515
<b>Deferred Credits and Other Noncurrent Liabilities</b>		
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
<b>Stockholders' Equity</b>		
Common stock (\$1 par value, 14,000,000,000 authorized at December 31, 2016 and 2015: issued 6,495,231,088 at December 31, 2016 and 2015)	6,495	6,495
Additional paid-in capital	89,604	89,763
Retained earnings	34,734	33,671
Treasury stock (356,237,141 at December 31, 2016 and 350,291,239 at December 31, 2015, at cost)	(12,659)	(12,592)
Accumulated other comprehensive income	4,961	5,334
Noncontrolling interest	975	969
Total stockholders' equity	124,110	123,640
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$403,821</b>	<b>\$402,672</b>

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

## Consolidated Statements of Cash Flows

Dollars in millions

	2016	2015	2014
<b>Operating Activities</b>			
Net income	\$ 13,333	\$ 13,687	\$ 6,736
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,847	22,016	18,273
Undistributed earnings from investments in equity affiliates	(37)	(49)	(27)
Provision for uncollectible accounts	1,474	1,416	1,032
Deferred income tax expense	2,947	4,117	1,948
Net (gain) loss from sale of investments, net of impairments	(169)	91	(1,461)
Actuarial loss (gain) on pension and postretirement benefits	1,024	(2,152)	7,869
Asset abandonments and impairments	361	35	2,120
Changes in operating assets and liabilities:			
Accounts receivable	(1,003)	30	(693)
Other current assets	1,708	(1,182)	(1,018)
Accounts payable and accrued liabilities	118	1,354	2,310
Equipment installment receivables and related sales	(576)	(3,023)	(5,043)
Deferred fulfillment costs	(2,359)	(1,437)	(347)
Retirement benefit funding	(910)	(735)	(560)
Other – net	(2,414)	1,712	199
Total adjustments	26,011	22,193	24,602
<b>Net Cash Provided by Operating Activities</b>	<b>39,344</b>	<b>35,880</b>	<b>31,338</b>
<b>Investing Activities</b>			
Capital expenditures:			
Purchase of property and equipment	(21,516)	(19,218)	(21,199)
Interest during construction	(892)	(797)	(234)
Acquisitions, net of cash acquired	(2,959)	(30,759)	(3,141)
Dispositions	646	83	8,123
Sales (purchases) of securities, net	506	1,545	(1,890)
Other	—	2	4
<b>Net Cash Used in Investing Activities</b>	<b>(24,215)</b>	<b>(49,144)</b>	<b>(18,337)</b>
<b>Financing Activities</b>			
Net change in short-term borrowings with original maturities of three months or less	—	(1)	(16)
Issuance of long-term debt	10,140	33,969	15,926
Repayment of long-term debt	(10,823)	(10,042)	(10,400)
Issuance of other long-term financing obligations	—	—	107
Purchase of treasury stock	(512)	(269)	(1,617)
Issuance of treasury stock	146	143	39
Dividends paid	(11,797)	(10,200)	(9,552)
Other	(1,616)	(3,818)	(2,224)
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(14,462)</b>	<b>9,782</b>	<b>(7,737)</b>
Net increase (decrease) in cash and cash equivalents	667	(3,482)	5,264
Cash and cash equivalents beginning of year	5,121	8,603	3,339
<b>Cash and Cash Equivalents End of Year</b>	<b>\$ 5,788</b>	<b>\$ 5,121</b>	<b>\$ 8,603</b>

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