AT&T INC. FINANCIAL REVIEW 2020

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Selected Financial and Operating Data

Dollars in millions except per share amounts

At December 31 and for the year ended:	2020	2019	2018	2017	2016
Financial Data					
Operating revenues	**$171,760**	$181,193	$170,756	$160,546	$163,786
Operating expenses	**$165,355**	$153,238	$144,660	$140,576	$140,243
Operating income	**$ 6,405**	$ 27,955	$ 26,096	$ 19,970	$ 23,543
Interest expense	**$ 7,925**	$ 8,422	$ 7,957	$ 6,300	$ 4,910
Equity in net income (loss) of affiliates	**$ 95**	$ 6	$ (48)	$ (128)	$ 98
Other income (expense) – net	**$ (1,431)**	$ (1,071)	$ 6,782	$ 1,597	$ 1,081
Income tax (benefit) expense	**$ 965**	$ 3,493	$ 4,920	$ (14,708)	$ 6,479
Net Income (Loss)	**$ (3,821)**	$ 14,975	$ 19,953	$ 29,847	$ 13,333
Less: Net Income Attributable to Noncontrolling Interest	**$ (1,355)**	$ (1,072)	$ (583)	$ (397)	$ (357)
Net Income (Loss) Attributable to AT&T	**$ (5,176)**	$ 13,903	$ 19,370	$ 29,450	$ 12,976
Net Income (Loss) Attributable to Common Stock	**$ (5,369)**	$ 13,900	$ 19,370	$ 29,450	$ 12,976
Basic Earnings Per Common Share: Net Income (Loss) Attributable to Common Stock	**$ (0.75)**	$ 1.90	$ 2.85	$ 4.77	$ 2.10
Diluted Earnings Per Common Share: Net Income (Loss) Attributable to Common Stock	**$ (0.75)**	$ 1.89	$ 2.85	$ 4.76	$ 2.10
Weighted-average common shares outstanding (000,000)	**7,157**	7,319	6,778	6,164	6,168
Weighted-average common shares outstanding with dilution (000,000)	**7,183**	7,348	6,806	6,183	6,189
End of period common shares outstanding (000,000)	**7,126**	7,255	7,282	6,139	6,139
Dividends declared per common share	**$ 2.08**	$ 2.05	$ 2.01	$ 1.97	$ 1.93
Cash and cash equivalents	**$ 9,740**	$ 12,130	$ 5,204	$ 50,498	$ 5,788
Total assets	**$525,761**	$551,669	$531,864	$444,097	$403,821
Long-term debt	**$153,775**	$151,309	$166,250	$125,972	$113,681
Total debt	**$157,245**	$163,147	$176,505	$164,346	$123,513
Debt ratio	**46.7%**	44.7%	47.7%	53.6%	49.9%
Net debt ratio	**43.8%**	41.4%	46.2%	37.2%	47.5%
Book value per common share	**$ 25.15**	$ 27.84	$ 26.63	$ 23.13	$ 20.22
Capital expenditures	**$ 15,675**	$ 19,635	$ 21,251	$ 21,550	$ 22,408
Vendor financing payments	**$ 2,966**	$ 3,050	$ 560	$ 572	$ —
Gross capital investment[1]	**$ 19,704**	$ 23,690	$ 23,240	$ 22,401	$ 22,408
Spectrum acquisitions[2]	**$ 1,613**	$ 1,316	$ 447	$ (1,380)	$ 2,477
Number of employees	**230,760**	247,800	268,220	254,000	268,540

[1] Includes capital expenditures and vendor financing payments and excludes FirstNet reimbursements of $1,063 in 2020, $1,005 in 2019, $1,429 in 2018, $279 in 2017 and $0 in 2016 (see Note 20).
[2] Cash paid for FCC license and domestic spectrum acquired in business acquisitions and swaps, net of auction deposit returns.

OVERVIEW

AT&T Inc. is referred to as "we," "AT&T" or the "Company" throughout this document, and the names of the particular subsidiaries and affiliates providing the services generally have been omitted. AT&T is a holding company whose subsidiaries and affiliates operate worldwide in the telecommunications, media and technology industries. You should read this discussion in conjunction with the consolidated financial statements and accompanying notes (Notes). We completed the acquisition of Time Warner Inc. (Time Warner) on June 14, 2018, and have included its results after that date. In accordance with U.S. generally accepted accounting principles (GAAP), operating results from Time Warner prior to the acquisition are excluded.

Our Management's Discussion and Analysis of Financial Condition and Results of Operations included in this document generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this document can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

We have three reportable segments: (1) Communications, (2) WarnerMedia and (3) Latin America. Our segment results presented in Note 4 and discussed below follow our internal management reporting. We analyze our segments based on segment operating contribution, which consists of operating income, excluding acquisition-related costs and other significant items and equity in net income (loss) of affiliates for investments managed within each segment. Each segment's percentage calculation of total segment operating revenue and contribution is derived from our segment results table in Note 4 and may total more than 100% due to losses in one or more segments. Percentage increases and decreases that are not considered meaningful are denoted with a dash.

We have recast our segment results for all prior periods presented to include our prior Xandr segment within our WarnerMedia segment and to remove the Crunchyroll anime business that is classified as held-for-sale and removed from the WarnerMedia segment, instead including it in Corporate and Other.

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating Revenues					
Communications	**$138,850**	$142,359	$143,721	**(2.5)%**	(0.9)%
WarnerMedia	**30,442**	35,259	20,585	**(13.7)**	71.3
Latin America	**5,716**	6,963	7,652	**(17.9)**	(9.0)
Corporate and other	**1,932**	1,865	2,197	**3.6**	(15.1)
Eliminations and consolidation	**(5,180)**	(5,253)	(3,399)	**1.4**	(54.5)
AT&T Operating Revenues	**171,760**	181,193	170,756	**(5.2)**	6.1
Operating Contribution					
Communications	**30,521**	32,230	32,108	**(5.3)**	0.4
WarnerMedia	**8,210**	10,659	7,020	**(23.0)**	51.8
Latin America	**(729)**	(635)	(710)	**(14.8)**	10.6
Segment Operating Contribution	**$ 38,002**	$ 42,254	$ 38,418	**(10.1)%**	10.0%

The ***Communications segment*** accounted for approximately 79% of our 2020 total segment operating revenues compared to 77% in 2019 and 80% of our 2020 total segment operating contribution as compared to 76% in 2019. This segment provides services to businesses and consumers located in the U.S. and businesses globally. Our business strategies reflect bundled product offerings that cut across product lines and utilize shared assets. In December 2020, we changed our management strategy and reevaluated our domestic video business, allowing us to maximize value in our domestic video business and further accelerate our ability to innovate and execute in our fast-growing broadband and fiber business. In conjunction with the strategy change, we separated the former Entertainment Group into two business units, Video and Broadband, which includes legacy telephony operations. We have recast our results for all prior periods to split the Entertainment Group into two separate business units, Video and Broadband, and removed video operations from Business Wireline, combining all video operations in the Video business unit. This segment contains the following business units:

- **Mobility** provides nationwide wireless service and equipment.
- **Video** provides video, including over-the-top (OTT) services and also sells multiplatform advertising services as video revenues.
- **Broadband** provides internet, including broadband fiber, and legacy telephony voice communication services to residential customers.
- **Business Wireline** provides advanced IP-based services, as well as traditional voice and data services to business customers.

The ***WarnerMedia segment*** accounted for approximately 17% of our 2020 total segment operating revenues compared to 19% in 2019 and 22% of our 2020 total segment operating contribution compared to 25% in 2019. This segment develops, produces and distributes feature films, television, gaming and other content over various physical and digital formats globally. Historical financial results of Eliminations & Other included in the WarnerMedia segment have been recast to include Xandr, previously a separate reportable segment, and to remove the Crunchyroll anime business that was classified as held-for-sale. This segment contains the following:

- **Turner** primarily operates multichannel basic television networks and digital properties. Turner also sells advertising on its networks and digital properties.
- **Home Box Office** consists of premium pay television and HBO Max domestically and premium pay, basic tier television internationally and content licensing and home entertainment.
- **Warner Bros.** primarily consists of the production, distribution and licensing of television programming and feature films, the distribution of home entertainment products and the production and distribution of games.
- **Eliminations & Other** includes the Xandr advertising business, and also removes transactions between the Turner, Home Box Office and Warner Bros. business units, including internal sales of content to the HBO Max platform that began in the fourth quarter of 2019 (see Note 5).

The ***Latin America segment*** accounted for approximately 3% of our 2020 total segment operating revenues compared to 4% in 2019. This segment provides entertainment and wireless services outside of the U.S. This segment contains the following business units:

- **Vrio** provides video services primarily to residential customers using satellite technology in Latin America and the Caribbean.
- **Mexico** provides wireless service and equipment to customers in Mexico.

COVID-19 UPDATE

Disruptions caused by the coronavirus (COVID-19) and measures taken to prevent its spread or mitigate its effects both domestically and internationally have impacted our results of operations. We recorded approximately $850, or $0.10 per diluted share, for the year ended December 31, 2020, of incremental costs associated with voluntary corporate actions taken to protect and compensate front-line employees and contractors and additional WarnerMedia production disruption.

In addition to these incremental costs, we estimate that our operations and comparability were impacted by approximately $2,925, or $0.33 per diluted share, for the year ended December 31, 2020, for: (1) reluctance of consumers to travel at previous levels, driving significantly lower international wireless roaming service revenues that do not have a directly correlated expense reduction, (2) the partial closure of movie theaters and postponement of theatrical releases, leading to lower content revenues, and (3) lower television licensing and production revenues due to production hiatus, and associated expenses.

With partial reopening of the economy and improved collections experience, the economic effects of the pandemic and resulting societal changes remain unpredictable. There are a number of uncertainties that could impact our future results of operations, including the effectiveness of COVID-19 mitigation measures, the duration of the pandemic, the efficacy and widespread distribution of a vaccine, global economic conditions, changes to our operations, changes in consumer confidence, behaviors and spending, work and learn from home trends and the sustainability of supply chains. We expect operating results and cash flows to continue to be adversely impacted by COVID-19 for the duration of the pandemic. We expect our 2021 results to be impacted by the following:

- Lower revenues from the continued partial closure of movie theaters and higher costs based on our decision to distribute 2021 films on HBO Max in the U.S. simultaneous with theaters for 31 days and costs associated with the international launch of HBO Max;
- Uncertainty in revenues from international wireless roaming services due to reduced travel, particularly in the first quarter; and
- Continued expenses to protect front-line employees, contractors and customers.

RESULTS OF OPERATIONS

Consolidated Results Our financial results are summarized in the following table. We then discuss factors affecting our overall results. Additional analysis is discussed in our "Segment Results" section. We also discuss our expected revenue and expense trends for 2021 in the "Operating Environment and Trends of the Business" section. Certain prior-period amounts have been reclassified to conform to the current period's presentation.

	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Operating revenues					
Service	**$152,767**	$163,499	$152,345	**(6.6)%**	7.3%
Equipment	**18,993**	17,694	18,411	**7.3**	(3.9)
Total Operating Revenues	**171,760**	181,193	170,756	**(5.2)**	6.1
Operating expenses					
Operations and support	**117,959**	123,563	116,184	**(4.5)**	6.4
Asset impairments and abandonments	**18,880**	1,458	46	**—**	—
Depreciation and amortization	**28,516**	28,217	28,430	**1.1**	(0.7)
Total Operating Expenses	**165,355**	153,238	144,660	**7.9**	5.9
Operating Income	**6,405**	27,955	26,096	**(77.1)**	7.1
Interest expense	**7,925**	8,422	7,957	**(5.9)**	5.8
Equity in net income (loss) of affiliates	**95**	6	(48)	**—**	—
Other income (expense) – net	**(1,431)**	(1,071)	6,782	**(33.6)**	—
Income (Loss) Before Income Taxes	**(2,856)**	18,468	24,873	**—**	(25.8)
Net Income (Loss)	**(3,821)**	14,975	19,953	**—**	(24.9)
Net Income (Loss) Attributable to AT&T	**(5,176)**	13,903	19,370	**—**	(28.2)
Net Income (Loss) Attributable to Common Stock	**$ (5,369)**	$ 13,900	$ 19,370	**—%**	(28.2)%

OVERVIEW

Operating revenues decreased in 2020, with declines in all segments reflecting impacts of the COVID-19 pandemic. Lower WarnerMedia segment revenues reflect limited and postponed theatrical and home entertainment releases as well as lower television licensing, productions and advertising revenues. Communications segment revenue declines were driven by continued declines in video and legacy services, partially offset by higher wireless device sales and increases in strategic and managed business service revenues. Latin America segment revenue declines were primarily due to foreign exchange rates.

Operations and support expenses decreased in 2020, driven by impacts of the pandemic which resulted in lower broadcast and programming costs in our Communications and WarnerMedia segments and lower film-related print and advertising costs at WarnerMedia. Also contributing to declines were a noncash gain of $900 on a spectrum transaction in the first quarter that was recorded as an offset to operating expenses as well as our continued focus on cost management. Offsetting these expense decreases were higher costs associated with our investment in HBO Max, employee separation charges and incremental costs related to COVID-19. As part of our cost and efficiency initiatives, we expect operations and support expense improvements to continue as we size our operations to reflect the current economic activity level.

Asset impairments and abandonments increased in 2020, primarily due to noncash impairment charges of $15,508 in the fourth quarter, resulting from our assessment of the recoverability of the long-lived assets and goodwill associated with our video business (see Notes 7 and 9). The increase also includes a goodwill impairment of $2,212 at our Vrio business unit in the second quarter (see Note 9) and $780 from the impairment of production and other content inventory at WarnerMedia, with approximately $524 resulting from the continued shutdown of theaters during the pandemic and the hybrid distribution model for our 2021 film slate (see Note 11). Charges in 2019 primarily related to the abandonment of certain copper assets that were not necessary to support future network activity (see Note 7).

Depreciation and amortization expense increased in 2020.

Amortization expense increased $307, or 3.9%, in 2020 due to the amortization of orbital slot licenses, which began in the first quarter of 2020 (see Note 1). Amortization expense in 2021 will reflect approximately $1,200 of reductions from the 2020 impairment of orbital slots and customers lists associated with our domestic video business (see Note 9).

Depreciation expense decreased $8 in 2020 primarily due to ongoing capital spend for network upgrades and expansion partially offset by fully depreciated assets in our Communications segment. Depreciation expense in 2021 will reflect approximately $480 of reductions from the 2020 impairment of property, plant and equipment associated with our domestic video business (see Note 7).

Operating income decreased in 2020 and increased in 2019. Our operating margin was 3.7% in 2020, compared to 15.4% in 2019 and 15.3% in 2018.

Interest expense decreased in 2020, primarily due to lower interest rates and debt balances.

Equity in net income (loss) of affiliates increased in 2020, reflecting changes in our investment portfolio, including $130 equity in earnings resulting from an investee transaction.

Other income (expense) – net decreased in 2020 primarily due to the recognition of $1,405 of debt redemption costs and lower income from Rabbi trusts and other investments. Offsetting the decrease were lower actuarial losses in 2020, $4,169 compared to $5,171 in 2019 (see Note 15).

Income tax expense decreased in 2020, primarily driven by decreased income before income taxes offset by impairments of goodwill (see Note 9), which are not deductible for tax purposes.

Our effective tax rate was (33.8)% in 2020, 18.9% in 2019, and 19.8% in 2018. The effective tax rate in 2020 was impacted by the goodwill impairments, which are not deductible for tax purposes.

Segment Results Our segments are strategic business units that offer different products and services over various technology platforms and/or in different geographies that are managed accordingly. Our segment results presented below follow our internal management reporting. In addition to segment operating contribution, we also evaluate segment performance based on EBITDA and/or EBITDA margin. EBITDA is defined as segment operating contribution, excluding equity in net income (loss) of affiliates and depreciation and amortization. We believe EBITDA to be a relevant and useful measurement to our investors as it is part of our internal management reporting and planning processes and it is an important metric that management uses to evaluate operating performance. EBITDA does not give effect to depreciation and amortization expenses incurred in operating contribution nor is it burdened by cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA margin is EBITDA divided by total revenues.

COMMUNICATIONS SEGMENT

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Segment Operating Revenues					
Mobility	**$ 72,564**	$ 71,056	$ 70,521	**2.1%**	0.8%
Video	**28,610**	32,124	33,363	**(10.9)**	(3.7)
Broadband	**12,318**	13,012	13,108	**(5.3)**	(0.7)
Business Wireline	**25,358**	26,167	26,729	**(3.1)**	(2.1)
Total Segment Operating Revenues	**138,850**	142,359	143,721	**(2.5)**	(0.9)
Segment Operating Contribution					
Mobility	**22,372**	22,321	21,568	**0.2**	3.5
Video	**1,729**	2,064	1,331	**(16.2)**	55.1
Broadband	**1,822**	2,681	3,369	**(32.0)**	(20.4)
Business Wireline	**4,598**	5,164	5,840	**(11.0)**	(11.6)
Total Segment Operating Contribution	**$ 30,521**	$ 32,230	$ 32,108	**(5.3)%**	0.4%

Selected Subscribers and Connections

	December 31,		
(000s)	**2020**	2019	2018
Mobility subscribers	**182,558**	165,889	151,921
Total domestic broadband connections	**15,384**	15,389	15,701
Network access lines in service	**7,263**	8,487	10,002
U-verse VoIP connections	**3,816**	4,370	5,114

Operating revenues decreased in 2020 and were impacted by the COVID-19 pandemic. Declines in our Video, Broadband and Business Wireline business units were partially offset by increases in our Mobility business unit. The decrease also reflects the continued shift away from linear video and legacy services, partially offset by higher equipment and service revenues.

Operating contribution decreased in 2020 and increased in 2019. The 2020 operating contribution includes declines in our Video, Broadband and Business Wireline business units, and reflects stable operating contribution from our Mobility business. Our Communications segment operating income margin was 22.0% in 2020, 22.6% in 2019 and 22.3% in 2018.

Communications Business Unit Discussion

Mobility Results

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating revenues					
Service	**$55,542**	$55,331	$54,295	**0.4%**	1.9%
Equipment	**17,022**	15,725	16,226	**8.2**	(3.1)
Total Operating Revenues	**72,564**	71,056	70,521	**2.1**	0.8
Operating expenses					
Operations and support	**42,106**	40,681	40,690	**3.5**	—
Depreciation and amortization	**8,086**	8,054	8,263	**0.4**	(2.5)
Total Operating Expenses	**50,192**	48,735	48,953	**3.0**	(0.4)
Operating Income	**22,372**	22,321	21,568	**0.2**	3.5
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—
Operating Contribution	**$22,372**	$22,321	$21,568	**0.2%**	3.5%

The following tables highlight other key measures of performance for Mobility:

Subscribers

				Percent Change	
(in 000s)	**2020**	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Postpaid	**77,154**	75,207	76,068	**2.6%**	(1.1)%
Prepaid	**18,102**	17,803	16,828	**1.7**	5.8
Reseller	**6,535**	6,893	7,693	**(5.2)**	(10.4)
Connected devices[1]	**80,767**	65,986	51,332	**22.4**	28.5
Total Mobility Subscribers	**182,558**	165,889	151,921	**10.0%**	9.2%

Mobility Net Additions

				Percent Change	
(in 000s)	**2020**	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Postpaid Phone Net Additions	**1,457**	483	194	**—%**	—%
Total Phone Net Additions[5]	**1,640**	989	1,248	**65.8**	(20.8)
Postpaid[2,6]	**2,183**	(435)	(90)	**—**	—
Prepaid[5,6]	**379**	677	1,301	**(44.0)**	(48.0)
Reseller[6]	**(449)**	(928)	(1,599)	**51.6**	42.0
Connected devices[3]	**14,785**	14,645	12,324	**1.0**	18.8
Mobility Net Subscriber Additions[1]	**16,898**	13,959	11,936	**21.1%**	16.9%
Postpaid Churn[4]	**0.98%**	1.18%	1.12%	**(20) BP**	6 BP
Postpaid Phone-Only Churn[4]	**0.79%**	0.95%	0.90%	**(16) BP**	5 BP

[1] Excludes acquisition-related additions during the period.
[2] In addition to postpaid phones, includes tablets and wearables and other. Tablet net (losses) were (512), (1,487) and (1,200) for the years ended December 31, 2020, 2019 and 2018, respectively. Wearables and other net adds were 1,223, 569 and 916 for the years ended December 31, 2020, 2019 and 2018, respectively.
[3] Includes data-centric devices such as session-based tablets, monitoring devices and primarily wholesale automobile systems. Excludes postpaid tablets.
[4] Calculated by dividing the aggregate number of wireless subscribers who canceled service during a month by the total number of wireless subscribers at the beginning of that month. The churn rate for the period is equal to the average of the churn rate for each month of that period.
[5] The year ended December 31, 2020, includes 188 subscriber disconnections resulting from updating our prepaid activation policy.
[6] The year ended December 31, 2020, includes subscribers transferred in connection with business dispositions.

Service revenue increased during 2020 largely due to growth in phone subscribers and connected devices, offset by declines in international roaming revenue due to reduced travel during the pandemic. Successful offers aimed at customer retention contributed to subscriber growth and lower churn.

ARPU
Average revenue per subscriber (ARPU) decreased primarily due to the decline in international roaming and waived fees.

Churn
The effective management of subscriber churn is critical to our ability to maximize revenue growth and to maintain and improve margins. Postpaid churn and postpaid phone-only churn were lower in 2020 due to migrations to unlimited plans, continued network improvements, subscriber retention offers in the fourth quarter, and lower overall involuntary disconnects.

Equipment revenue increased in 2020 primarily due to higher equipment revenue from higher postpaid upgrade volumes, the mix of sales of higher-priced smartphones, and higher sales of data devices, including wearables, wireless modems and hotspots.

Operations and support expenses increased in 2020, largely driven by higher equipment costs, increased commission deferral amortization and intercompany content costs associated with plans offering HBO Max, partially offset by lower bad debt expense. The increase in commission deferral amortization is partly offset by the impacts of our second-quarter 2020 updates to extend the expected economic life of our Mobility customers.

Depreciation expense increased in 2020, primarily due to ongoing capital spending for network upgrades and expansion partially offset by fully depreciated assets.

Operating income increased in 2020 and 2019. Our Mobility operating income margin was 30.8% in 2020, 31.4% in 2019 and 30.6% in 2018. Our Mobility EBITDA margin was 42.0% in 2020, 42.7% in 2019 and 42.3% in 2018.

Subscriber Relationships

As the wireless industry has matured, future wireless growth will depend on our ability to offer innovative services, plans and devices that take advantage of our premier 5G wireless network, which went nationwide in July 2020, and to provide these services in bundled product offerings. Subscribers that purchase two or more services from us have significantly lower churn than subscribers that purchase only one service. To support higher mobile data usage, our priority is to best utilize a wireless network that has sufficient spectrum and capacity to support these innovations on as broad a geographic basis as possible.

To attract and retain subscribers in a mature and highly competitive market, we have launched a wide variety of plans, including our FirstNet and prepaid products, and arrangements that bundle our video services. Virtually all of our postpaid smartphone subscribers are on plans that provide for service on multiple devices at reduced rates, and subscribers to such plans tend to have higher retention and lower churn rates. We offer unlimited data plans and such subscribers also tend to have higher retention and lower churn rates. Our offerings are intended to encourage existing subscribers to upgrade their current services and/or add devices, attract subscribers from other providers and/or minimize subscriber churn.

Connected Devices
Connected devices include data-centric devices such as wholesale automobile systems, monitoring devices, fleet management and session-based tablets. Connected device subscribers increased in 2020, and we added approximately 9.9 million wholesale connected cars through agreements with various carmakers, and experienced strong growth in other Internet of Things (IoT) connections. These connected car agreements give us the opportunity to create future retail relationships with the car owners.

Video Results

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating revenues					
Service	**$28,465**	$32,123	$33,363	**(11.4)%**	(3.7)%
Equipment	**145**	1	—	**—**	—
Total Operating Revenues	**28,610**	32,124	33,363	**(10.9)**	(3.7)
Operating expenses					
Operations and support	**24,619**	27,599	29,334	**(10.8)**	(5.9)
Depreciation and amortization	**2,262**	2,461	2,698	**(8.1)**	(8.8)
Total Operating Expenses	**26,881**	30,060	32,032	**(10.6)**	(6.2)
Operating Income	**1,729**	2,064	1,331	**(16.2)**	55.1
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—
Operating Contribution	**$ 1,729**	$ 2,064	$ 1,331	**(16.2)%**	55.1%

The following tables highlight other key measures of performance for Video:

Connections

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Video Connections					
Premium TV	**16,505**	19,496	22,926	**(15.3)%**	(15.0)%
AT&T TV NOW[1]	**656**	926	1,591	**(29.2)**	(41.8)
Total Video Connections[1]	**17,161**	20,422	24,517	**(16.0)%**	(16.7)%

[1] Beginning in January 2021, AT&T TV NOW has been combined with AT&T TV.

Net Additions

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Video Net Additions					
Premium TV	**(2,991)**	(3,430)	(1,189)	**12.8%**	—%
AT&T TV NOW[1]	**(270)**	(665)	436	**59.4**	—
Net Video Additions[1]	**(3,261)**	(4,095)	(753)	**20.4%**	—%

[1] Beginning in January 2021, AT&T TV NOW has been combined with AT&T TV.

Service revenues are comprised of video entertainment subscription and advertising revenues. Revenues decreased in 2020 and 2019, largely driven by a decline in premium TV and OTT subscribers as we continue to focus on retention of existing subscribers with a particular focus on our high-value subscribers. Partially offsetting video revenue declines was higher advertising revenues during a general election year. Consistent with the rest of the industry, our customers continue to shift from a premium linear video service to more economically priced OTT and subscription video on demand offerings, which has impacted our video revenues.

Equipment revenue increased in 2020 primarily due to the nationwide introduction of our IP-based AT&T TV service in early 2020.

Operations and support expenses decreased in 2020 and 2019, largely driven by lower content costs from fewer subscribers, partially offset by annual content rate increases, including those associated with NFL SUNDAY TICKET and pandemic-related compassion payments made in the first half of 2020.

Depreciation expense decreased in 2020 and 2019, due to network assets becoming fully depreciated.

Operating income decreased in 2020 and increased in 2019. Our Video operating income margin was 6.0% in 2020, 6.4% in 2019 and 4.0% in 2018. Our Video EBITDA margin was 13.9% in 2020, 14.1% in 2019 and 12.1% in 2018.

Broadband Results

	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Operating revenues					
High-speed internet	**$ 8,534**	$ 8,403	$ 7,956	**1.6%**	5.6%
Legacy voice and data services	**2,213**	2,573	3,042	**(14.0)**	(15.4)
Other service and equipment	**1,571**	2,036	2,110	**(22.8)**	(3.5)
Total Operating Revenues	**12,318**	13,012	13,108	**(5.3)**	(0.7)
Operating expenses					
Operations and support	**7,582**	7,451	7,116	**1.8**	4.7
Depreciation and amortization	**2,914**	2,880	2,623	**1.2**	9.8
Total Operating Expenses	**10,496**	10,331	9,739	**1.6**	6.1
Operating Income	**1,822**	2,681	3,369	**(32.0)**	(20.4)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—
Operating Contribution	**$ 1,822**	$ 2,681	$ 3,369	**(32.0)%**	(20.4)%

The following tables highlight other key measures of performance for Broadband:

Connections

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Broadband Connections					
Total Broadband Connections	**14,100**	14,119	14,409	**(0.1)%**	(2.0)%
Fiber Broadband Connections	**4,951**	3,887	2,763	**27.4**	40.7
Voice Connections					
Retail Consumer Switched Access Lines	**2,862**	3,329	3,967	**(14.0)**	(16.1)
U-verse Consumer VoIP Connections	**3,231**	3,794	4,582	**(14.8)**	(17.2)
Total Retail Consumer Voice Connections	**6,093**	7,123	8,549	**(14.5)%**	(16.7)%

Net Additions

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Broadband Net Additions					
Total Broadband Net Additions	**(19)**	(290)	59	**93.4%**	—%
Fiber Broadband Net Additions	**1,064**	1,124	1,034	**(5.3)%**	8.7%

High-speed internet revenues increased in 2020 and 2019, reflecting higher ARPU resulting from the continued shift of subscribers to our higher-speed fiber services and pricing actions.

Legacy voice and data service revenues decreased in 2020 and 2019, reflecting the continued decline in the number of customers.

Other service and equipment revenues decreased in 2020 and 2019, reflecting the continued decline in the number of VoIP customers.

Operations and support expenses increased in 2020, largely driven by intercompany content costs associated with plans offering HBO Max. Expense increases in 2020 and 2019 also reflect higher acquisition and fulfillment cost deferral amortization, including the impact of updates to decrease the estimated economic life of our subscribers.

Depreciation expense increased in 2020 and 2019, primarily due to ongoing capital spending for network upgrades and expansion.

Operating income decreased in 2020 and 2019. Our Broadband operating income margin was 14.8% in 2020, 20.6% in 2019 and 25.7% in 2018. Our Broadband EBITDA margin was 38.4% in 2020, 42.7% in 2019 and 45.7% in 2018.

Business Wireline Results

	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Operating revenues					
Strategic and managed services	**$15,788**	$15,430	$14,649	**2.3%**	5.3%
Legacy voice and data services	**8,183**	9,180	10,674	**(10.9)**	(14.0)
Other service and equipment	**1,387**	1,557	1,406	**(10.9)**	10.7
Total Operating Revenues	**25,358**	26,167	26,729	**(3.1)**	(2.1)
Operating expenses					
Operations and support	**15,534**	16,069	16,181	**(3.3)**	(0.7)
Depreciation and amortization	**5,226**	4,934	4,708	**5.9**	4.8
Total Operating Expenses	**20,760**	21,003	20,889	**(1.2)**	0.5
Operating Income	**4,598**	5,164	5,840	**(11.0)**	(11.6)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—
Operating Contribution	**$ 4,598**	$ 5,164	$ 5,840	**(11.0)%**	(11.6)%

Strategic and managed services revenues increased in 2020. Our strategic services are made up of (1) data services, including our VPN, dedicated internet ethernet and broadband, (2) voice service, including VoIP and cloud-based voice solutions, (3) security and cloud solutions, and (4) managed, professional and outsourcing services. Revenue increases were primarily attributable to growth in our security and cloud solutions, dedicated internet and voice services and the impact of higher demand for connectivity due to the pandemic.

Legacy voice and data service revenues decreased in 2020, primarily due to lower demand as customers continue to shift to our more advanced IP-based offerings or our competitors.

Other service and equipment revenues decreased in 2020, reflecting higher prior-year licensing of intellectual property assets. Revenue trends are impacted by the licensing of intellectual property assets, which vary from period-to-period. Other service revenues include project-based revenue, which is nonrecurring in nature, as well as revenues from customer premises equipment.

Operations and support expenses decreased in 2020, primarily due to our continued efforts to drive efficiencies in our network operations through automation and reductions in customer support expenses through digitization.

Depreciation expense increased in 2020, reflecting increases in capital spending for network upgrades and expansion.

Operating income decreased in 2020 and 2019. Our Business Wireline operating income margin was 18.1% in 2020, 19.7% in 2019 and 21.8% in 2018. Our Business Wireline EBITDA margin was 38.7% in 2020, 38.6% in 2019 and 39.5% in 2018.

WARNERMEDIA SEGMENT

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Segment Operating Revenues					
Turner	**$12,568**	$13,122	$ 6,979	**(4.2)%**	—%
Home Box Office	**6,808**	6,749	3,598	**0.9**	—
Warner Bros.	**12,154**	14,358	8,703	**(15.4)**	—
Eliminations & Other	**(1,088)**	1,030	1,305	**—**	—
Total Segment Operating Revenues	**30,442**	35,259	20,585	**(13.7)**	—
Cost of revenues					
Turner	**5,330**	5,970	2,815	**(10.7)**	—
Home Box Office	**4,356**	3,248	1,669	**34.1**	—
Warner Bros.	**8,236**	10,006	6,130	**(17.7)**	—
Selling, general and administrative	**5,803**	5,368	2,895	**8.1**	—
Eliminations & Other	**(2,146)**	(420)	(230)	**—**	—
Depreciation and amortization	**671**	589	311	**13.9**	—
Total Operating Expenses	**22,250**	24,761	13,590	**(10.1)**	—
Operating Income	**8,192**	10,498	6,995	**(22.0)**	—
Equity in Net Income (Loss) of Affiliates	**18**	161	25	**(88.8)**	—
Total Segment Operating Contribution	**$ 8,210**	$10,659	$ 7,020	**(23.0)%**	—%

Our WarnerMedia segment includes our Turner, Home Box Office (HBO) and Warner Bros. business units. The order of presentation reflects the consistency of revenue streams, rather than overall magnitude as that is subject to timing and frequency of studio releases. Historical financial results of the WarnerMedia segment, (Eliminations & Other) have been recast to include Xandr, previously a separate reportable segment, and to remove the Crunchyroll anime business that is classified as held-for-sale.

The WarnerMedia segment does not include results from Time Warner operations prior to our June 14, 2018 acquisition. For this reason, 2018 results are not comparable to the other two years presented for this segment and therefore percent changes comparing 2018 and 2019 are not shown in the tables. Otter Media and HBO Latin America Group (HBO LAG) are included as equity method investments prior to our acquiring the remaining interests in each, which occurred in August 2018 and May 2020,

respectively. Both are included in the segment operating results following the dates of acquisition. Consistent with our past practice, many of the impacts of the fair value adjustments from the application of purchase accounting required under GAAP have not been allocated to the segment, instead they are reported as acquisition-related items in the reconciliation to consolidated results.

Operating revenues decreased in 2020, primarily due to lower theatrical and television product revenues, reflecting the pandemic-related postponement of theatrical releases and theatrical and television production delays at Warner Bros. Turner revenues also decreased due to lower advertising revenues resulting from cancellation and shifting of sporting events, and/or compressed seasons. HBO revenues partially offset these decreases, driven by growth in international revenues and domestic HBO Max retail subscribers, partially offset by lower licensing revenues.

Operating contribution decreased in 2020 and increased in 2019. The WarnerMedia segment operating income margin was 26.9% in 2020, 29.8% in 2019 and 34.0% in 2018.

WarnerMedia Business Unit Discussion
Turner Results

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating revenues					
Subscription	**$ 7,613**	$ 7,736	$ 4,207	**(1.6)%**	—%
Advertising	**3,941**	4,566	2,330	**(13.7)**	—
Content and other	**1,014**	820	442	**23.7**	—
Total Operating Revenues	**12,568**	13,122	6,979	**(4.2)**	—
Operating expenses					
Cost of revenues	**5,330**	5,970	2,815	**(10.7)**	—
Selling, general and administrative	**1,624**	1,770	979	**(8.2)**	—
Depreciation and amortization	**277**	235	131	**17.9**	—
Total Operating Expenses	**7,231**	7,975	3,925	**(9.3)**	—
Operating Income	**5,337**	5,147	3,054	**3.7**	—
Equity in Net Income (Loss) of Affiliates	**(2)**	52	54	**—**	—
Operating Contribution	**$ 5,335**	$ 5,199	$ 3,108	**2.6%**	—%

Operating revenues decreased in 2020 primarily due to lower advertising revenues resulting from the cancellation of the NCAA Division I Men's Basketball Tournament in the first quarter of 2020 and the impacts from shifting sporting event schedules and/or compressed seasons, such as the delay of the NBA season that historically has started earlier in the fourth quarter. These revenue declines were partially offset by increased advertising due to news coverage of general elections and COVID-19 developments. Operating revenue declines were also caused by lower subscription revenues at regional sports networks and unfavorable exchange rates, partially offset by higher content and other revenue, including internal sales to HBO Max, which are eliminated in consolidation within the WarnerMedia segment.

Cost of revenues decreased in 2020 primarily due to lower sports programming costs as a result of the previously mentioned cancellations and modifications to the timing and/or duration of various sporting events.

Selling, general and administrative decreased in 2020 driven by cost-saving initiatives.

Operating income increased in 2020 and 2019. Our Turner operating income margin was 42.5% in 2020, 39.2% in 2019 and 43.8% in 2018.

Home Box Office Results

	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Operating revenues					
Subscription	**$ 6,090**	$ 5,814	$ 3,201	**4.7%**	—%
Content and other	**718**	935	397	**(23.2)**	—
Total Operating Revenues	**6,808**	6,749	3,598	**0.9**	—
Operating expenses					
Cost of revenues	**4,356**	3,248	1,669	**34.1**	—
Selling, general and administrative	**1,672**	1,064	518	**57.1**	—
Depreciation and amortization	**98**	102	56	**(3.9)**	—
Total Operating Expenses	**6,126**	4,414	2,243	**38.8**	—
Operating Income	**682**	2,335	1,355	**(70.8)**	—
Equity in Net Income (Loss) of Affiliates	**16**	30	29	**(46.7)**	—
Operating Contribution	**$ 698**	$ 2,365	$ 1,384	**(70.5)%**	—%

Operating revenues increased in 2020, primarily due to the May 2020 acquisition of HBO LAG and higher domestic HBO Max retail subscribers, partially offset by decreases in content and other revenue from lower content licensing. At December 31, 2020, we had 41.5 million U.S. subscribers from HBO and HBO Max, up from 34.6 million at December 31, 2019, including growth from intercompany relationships with the Communications segment.

Cost of revenues increased in 2020, primarily due to approximately $1,800 of programming investment related to HBO Max.

Selling, general and administrative increased in 2020, primarily due to higher marketing costs associated with HBO Max.

Operating income decreased in 2020 and increased in 2019. Our HBO operating income margin was 10.0% in 2020, 34.6% in 2019 and 37.7% in 2018.

Warner Bros. Results

	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Operating revenues					
Theatrical product	**$ 4,389**	$ 5,978	$ 4,002	**(26.6)%**	—%
Television product	**6,171**	6,367	3,621	**(3.1)**	—
Games and other	**1,594**	2,013	1,080	**(20.8)**	—
Total Operating Revenues	**12,154**	14,358	8,703	**(15.4)**	—
Operating expenses					
Cost of revenues	**8,236**	10,006	6,130	**(17.7)**	—
Selling, general and administrative	**1,681**	1,810	1,000	**(7.1)**	—
Depreciation and amortization	**169**	162	96	**4.3**	—
Total Operating Expenses	**10,086**	11,978	7,226	**(15.8)**	—
Operating Income	**2,068**	2,380	1,477	**(13.1)**	—
Equity in Net Income (Loss) of Affiliates	**(70)**	(30)	(28)	**—**	—
Operating Contribution	**$ 1,998**	$ 2,350	$ 1,449	**(15.0)%**	—%

Operating revenues decreased in 2020, primarily due to pandemic-related movie theater closures and television and theatrical production delays.

Theatrical product revenues were lower due to theaters closing for a significant portion of the year and postponement of theatrical releases, which also reduced licensing revenues, such as home entertainment licensing. Additionally, unfavorable comparisons to the prior-year releases, which included, in 2019, *Joker* and carryover revenues from the theatrical release of *Aquaman*, compared to the limited-capacity theater and hybrid HBO Max distribution release of *Wonder Woman 1984*, in late 2020.

Television product revenues decreased primarily due to lower initial telecast revenues resulting from television production delays, including delays in the start of the 2020-2021 broadcast season, partially offset by increased licensing, including internal sales to HBO Max, which are eliminated in consolidation within the WarnerMedia segment.

Games and other revenue declines were primarily due to reduced studio operations and unfavorable games comparison to the prior year, which included, in 2019, the release of *Mortal Kombat 11*.

Cost of revenues decreased in 2020, primarily due to the production hiatus and lower marketing of theatrical product, partially offset by incremental production shutdown costs.

Selling, general and administrative decreased in 2020, primarily due to lower print and advertising expenses from limited theatrical releases and lower distribution fees.

Operating income decreased in 2020 and increased in 2019. Our Warner Bros. operating income margin was 17.0% in 2020, 16.6% in 2019 and 17.0% in 2018.

LATIN AMERICA SEGMENT

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Segment Operating Revenues					
Vrio	**$ 3,154**	$ 4,094	$ 4,784	**(23.0)%**	(14.4)%
Mexico	**2,562**	2,869	2,868	**(10.7)**	—
Total Segment Operating Revenues	**5,716**	6,963	7,652	**(17.9)**	(9.0)
Segment Operating Contribution					
Vrio	**(142)**	83	347	**—**	(76.1)
Mexico	**(587)**	(718)	(1,057)	**18.2**	32.1
Total Segment Operating Contribution	**$ (729)**	$ (635)	$ (710)	**(14.8)%**	10.6%

Our Latin America operations conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates, subjecting results to foreign currency fluctuations. In May 2020, we found it necessary to close our DIRECTV operations in Venezuela due to political instability in the country and to comply with sanctions of the U.S. government.

Operating revenues decreased in 2020, primarily driven by foreign exchange rates and overall economic impacts.

Operating contribution decreased in 2020, reflecting foreign exchange rates and overall economic impacts, and increased in 2019, due to improvement in Mexico. Our Latin America segment operating income margin was (13.2)% in 2020, (9.5)% in 2019 and (9.7)% in 2018.

Latin America Business Unit Discussion
Vrio Results

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating revenues	**$ 3,154**	$ 4,094	$ 4,784	**(23.0)%**	(14.4)%
Operating expenses					
Operations and support	**2,800**	3,378	3,743	**(17.1)**	(9.8)
Depreciation and amortization	**520**	660	728	**(21.2)**	(9.3)
Total Operating Expenses	**3,320**	4,038	4,471	**(17.8)**	(9.7)
Operating Income (Loss)	**(166)**	56	313	**—**	(82.1)
Equity in Net Income of Affiliates	**24**	27	34	**(11.1)**	(20.6)
Operating Contribution	**$ (142)**	$ 83	$ 347	**—%**	(76.1)%

The following tables highlight other key measures of performance for Vrio:

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Vrio Video Subscribers	**10,942**	13,331	13,838	**(17.9)%**	(3.7)%

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Vrio Video Net Subscriber Additions[1]	**(148)**	(285)	250	**48.1%**	—%

[1] 2020 excludes the impact of 2.2 million subscriber disconnections resulting from the closure of our DIRECTV operations in Venezuela.

Operating revenues decreased in 2020, primarily driven by foreign exchange and overall economic impacts.

Operations and support expenses decreased in 2020, primarily driven by foreign exchange and overall economic impacts. Approximately 21% of Vrio expenses are U.S. dollar-based, with the remainder in the local currency.

Depreciation expense decreased in 2020, primarily due to changes in foreign exchange rates.

Operating income decreased in 2020 and 2019. Our Vrio operating income margin was (5.3)% in 2020, 1.4% in 2019 and 6.5% in 2018. Our Vrio EBITDA margin was 11.2% in 2020, 17.5% in 2019 and 21.8% in 2018.

Mexico Results

	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Operating revenues					
Service	**$ 1,656**	$ 1,863	$ 1,701	**(11.1)%**	9.5%
Equipment	**906**	1,006	1,167	**(9.9)**	(13.8)
Total Operating Revenues	**2,562**	2,869	2,868	**(10.7)**	—
Operating expenses					
Operations and support	**2,636**	3,085	3,415	**(14.6)**	(9.7)
Depreciation and amortization	**513**	502	510	**2.2**	(1.6)
Total Operating Expenses	**3,149**	3,587	3,925	**(12.2)**	(8.6)
Operating Income (Loss)	**(587)**	(718)	(1,057)	**18.2**	32.1
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—
Operating Contribution	**$ (587)**	$ (718)	$ (1,057)	**18.2%**	32.1%

The following tables highlight other key measures of performance for Mexico:

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Mexico Wireless Subscribers[1]					
Postpaid	**4,696**	5,103	5,805	**(8.0)%**	(12.1)%
Prepaid	**13,758**	13,584	12,264	**1.3**	10.8
Reseller	**489**	472	252	**3.6**	87.3
Mexico Wireless Subscribers	**18,943**	19,159	18,321	**(1.1)%**	4.6%

(in 000s)	2020	2019	2018	Percent Change 2020 vs. 2019	Percent Change 2019 vs. 2018
Mexico Wireless Net Additions[1]					
Postpaid	**(407)**	(608)	307	**33.1%**	—%
Prepaid	**174**	1,919	2,867	**(90.9)**	(33.1)
Reseller	**118**	219	48	**(46.1)**	—
Mexico Wireless Net Additions	**(115)**	1,530	3,222	**—%**	(52.5)%

[1] 2020 excludes the impact of 101 subscriber disconnections resulting from conforming our policy on reporting of fixed wireless resellers.

Service revenues decreased in 2020, primarily due to foreign exchange rates, as well as lower volumes and store traffic related to COVID-19.

Equipment revenues decreased in 2020, primarily due to lower equipment sales volumes related to COVID-19 and changes in foreign exchange rates.

Operations and support expenses decreased in 2020, primarily due to lower equipment sales and changes in foreign exchange rates. Approximately 7% of Mexico expenses are U.S. dollar-based, with the remainder in the local currency.

Depreciation expense increased in 2020, primarily due to amortization of spectrum licenses and higher in-service assets. These increases were partially offset by changes in foreign exchange rates.

Operating income increased in 2020 and 2019. Our Mexico operating income margin was (22.9)% in 2020, (25.0)% in 2019 and (36.9)% in 2018. Our Mexico EBITDA margin was (2.9)% in 2020, (7.5)% in 2019 and (19.1)% in 2018.

SUPPLEMENTAL TOTAL ADVERTISING REVENUE INFORMATION

As a supplemental presentation, we are providing a view of total advertising revenues generated by AT&T. See revenue categories tables in Note 5 for a reconciliation.

Total Advertising Revenues

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating Revenues					
Turner	**$ 3,941**	$ 4,566	$ 2,330	**(13.7)%**	96.0%
Video	**1,718**	1,672	1,595	**2.8**	4.8
Xandr	**2,089**	2,022	1,740	**3.3**	16.2
Other	**386**	382	352	**1.0**	8.5
Eliminations	**(1,718)**	(1,672)	(1,595)	**(2.8)**	(4.8)
Total Advertising Revenues	**$ 6,416**	$ 6,970	$ 4,422	**(7.9)%**	57.6%

SUPPLEMENTAL COMMUNICATIONS OPERATING INFORMATION

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and wireline operations. This combined view presents a complete profile of the entire business customer relationship and underscores the importance of mobile solutions for our business customers. Results have been recast to conform to the current period's classification of consumer and business wireless subscribers. See "Discussion and Reconciliation of Non-GAAP Measure" for a reconciliation of these supplemental measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Business Solutions Results

				Percent Change	
	2020	2019	2018	**2020 vs. 2019**	2019 vs. 2018
Operating revenues					
Wireless service	**$ 7,732**	$ 7,444	$ 6,893	**3.9%**	8.0%
Strategic and managed services	**15,788**	15,430	14,649	**2.3**	5.3
Legacy voice and data services	**8,183**	9,180	10,674	**(10.9)**	(14.0)
Other service and equipment	**1,387**	1,557	1,406	**(10.9)**	10.7
Wireless equipment	**2,882**	2,754	2,508	**4.6**	9.8
Total Operating Revenues	**35,972**	36,365	36,130	**(1.1)**	0.7
Operating expenses					
Operations and support	**22,713**	22,714	22,586	**—**	0.6
Depreciation and amortization	**6,509**	6,148	5,894	**5.9**	4.3
Total Operating Expenses	**29,222**	28,862	28,480	**1.2**	1.3
Operating Income	**6,750**	7,503	7,650	**(10.0)**	(1.9)
Equity in Net Income (Loss) of Affiliates	**—**	—	—	**—**	—
Operating Contribution	**$ 6,750**	$ 7,503	$ 7,650	**(10.0)%**	(1.9)%

OPERATING ENVIRONMENT AND TRENDS OF THE BUSINESS

2021 Revenue Trends We expect revenue growth in our wireless and broadband businesses as customers demand premium content, instant connectivity and higher speeds made possible by our fiber network expansion and wireless network enhancements through 5G deployment.

In our Communications segment, we expect that our network quality and First Responder Network Authority (FirstNet) deployment will continue to contribute to wireless subscriber and service revenue growth, that 5G handsets will continue to drive wireless equipment revenue growth, and that applications like video streaming will also continue to drive greater demand for broadband services. The reluctance of consumers to travel at levels prior to the pandemic is expected to continue to contribute to uncertainty in international roaming wireless service revenues.

In our WarnerMedia segment, we expect our video streaming platform, HBO Max, and premium content will continue to drive revenue growth. The pandemic-related partial closure of movie theaters is expected to continue to pressure revenues and higher costs are anticipated based on our decision to distribute our 2021 films on HBO Max in the U.S. simultaneous with theaters for 31 days.

Across AT&T, we expect to provide consumers with a broad variety of video entertainment services, from mobile-centric and OTT streaming packages, to traditional full-size linear video. Revenue from business customers is expected to continue to grow for mobile and IP-based services but decline for legacy wireline services. Overall, we believe growth in wireless, broadband and WarnerMedia's premium content should offset pressure from our linear video and legacy voice and data services.

2021 Expense Trends We expect the spending required to support growth initiatives, primarily our continued deployment of fiber, 5G, and FirstNet build, as well as continued investment into the HBO Max platform, to pressure expense trends in 2021. To the extent 5G handset introductions continue in 2021, and as anticipated, the expenses associated with those device sales are expected to contribute to higher costs. During 2021, we will also continue to transition our hardware-based network technology to more efficient and less expensive software-based technology. These investments will help prepare us to meet increased customer demand for enhanced wireless and broadband services, including video streaming, augmented reality and "smart" technologies. The software benefits of our 5G wireless technology and new video delivery platforms should result in a more efficient use of capital and lower network-related expenses in the coming years.

We continue to transform our operations to be more efficient and effective, reinvesting savings into growth areas of the business. We are restructuring businesses, sunsetting legacy networks, improving customer service and ordering functions through digital transformation, sizing our support costs and staffing with current activity levels, and reassessing overall benefit costs. We expect continued savings from these initiatives and through our WarnerMedia merger synergy program. Cost savings and non-strategic asset sales aligns with our focus on debt reduction.

Market Conditions The U.S. stock market experienced significant volatility in 2020 due to several factors, including the global pandemic, and thus general business investment remained modest, which had impact on our business services. The global pandemic has caused, and could again cause, delays in the development, manufacturing (including the sourcing of key components) and shipment of products. As the labor market has not returned to pre-pandemic levels of unemployment, our residential customers continue to be price sensitive in selecting offerings, especially in the video area, and continue to focus on products that give them efficient access to video and broadcast services. Most of our products and services are not directly affected by the imposition of tariffs on Chinese goods. However, we expect ongoing pressure on pricing during 2021 as we respond to the competitive marketplace, especially in wireless and video services.

Included on our consolidated balance sheets are assets held by benefit plans for the payment of future benefits. Our pension plans are subject to funding requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). We expect only minimal ERISA contribution requirements to our pension plans for 2021. Investment returns on these assets depend largely on trends in the economy, and a weakness in the equity, fixed income and real asset markets could require us to make future contributions to the pension plans. In addition, our policy of recognizing actuarial gains and losses related to our pension and other postretirement plans in the period in which they arise subjects us to earnings volatility caused by changes in market conditions; however, these actuarial gains and losses do not impact segment performance as they are required to be recorded in "Other income (expense) – net." Changes in our discount rate, which are tied to changes in the bond market, and changes in the performance of equity markets, may have significant impacts on the valuation of our pension and other postretirement obligations at the end of 2021 (see "Critical Accounting Policies and Estimates").

OPERATING ENVIRONMENT OVERVIEW

AT&T subsidiaries operating within the United States are subject to federal and state regulatory authorities. AT&T subsidiaries operating outside the United States are subject to the jurisdiction of national and supranational regulatory authorities in the markets where service is provided.

In the Telecommunications Act of 1996 (Telecom Act), Congress established a national policy framework intended to bring the benefits of competition and investment in advanced telecommunications facilities and services to all Americans by opening all telecommunications markets to competition and reducing or eliminating regulatory burdens that harm consumer welfare. Nonetheless, over the ensuing two decades, the Federal Communications Commission (FCC) and some state regulatory commissions have maintained or expanded certain regulatory requirements that were imposed decades ago on our traditional wireline subsidiaries when they operated as legal monopolies. More recently, the FCC has pursued a more deregulatory agenda, eliminating a variety of antiquated and unnecessary regulations and streamlining its processes in a number of areas. We continue to support regulatory and legislative measures and efforts, at both the state and federal levels, to reduce inappropriate regulatory burdens that inhibit our ability to compete effectively and offer needed services to our customers, including initiatives to transition services from traditional networks to all IP-based networks. At the same time, we also seek to ensure that legacy regulations are not further extended to broadband or wireless services, which are subject to vigorous competition.

Communications Segment

Internet The FCC currently classifies fixed and mobile consumer broadband services as information services, subject to light-touch regulation. The D.C. Circuit upheld the FCC's current classification, although it remanded three discrete issues to the FCC for further consideration. These issues related to the effect of the FCC's decision to classify broadband services as information services on public safety, the regulation of pole attachments, and universal service support for low-income consumers through the Lifeline program. Because no party sought Supreme Court review of the D.C. Circuit's decision to uphold the FCC's classification of broadband as an information service, that decision is final.

In October 2020, the FCC adopted an order addressing the three issues remanded by the D.C. Circuit for further consideration. After considering those issues, the FCC concluded they provided no grounds to depart from its determination that fixed and mobile consumer broadband services should be classified as information services. An appeal of the FCC's remand order is pending.

Some states have adopted legislation or issued executive orders that would reimpose net neutrality rules repealed by the FCC. Suits have been filed concerning such laws in two states.

Privacy-related legislation continues to be adopted or considered in a number of jurisdictions. Legislative, regulatory and litigation actions could result in increased costs of compliance, further regulation or claims against broadband internet access service providers and others, and increased uncertainty in the value and availability of data.

Wireless The industry-wide deployment of 5G technology, which is needed to satisfy extensive demand for video and internet access, will involve significant deployment of "small cell" equipment and therefore increase the need for local permitting processes that allow for the placement of small cell equipment on reasonable timelines and terms. Between 2018 and 2019, the FCC streamlined multiple federal wireless structure review processes with the potential to delay and impede deployment of infrastructure used to provide telecommunications and broadband services, including small cell equipment. Recognizing that state and local regulations have the same potential, in November 2020 the FCC adopted an order tightening the limits on state and local authority to deny requests to use existing structures for wireless facilities. These orders were appealed to the 9th Circuit Court of Appeals, where the appeals remain pending.

In December 2018, we introduced the nation's first commercial mobile 5G service, and in July 2020, we announced nationwide 5G coverage. We anticipate the introduction of 5G handsets and devices will contribute to a renewed interest in equipment upgrades.

As the U.S. wireless industry has matured, we believe future wireless growth will depend on our ability to offer innovative services, plans and devices. We will need a network with sufficient spectrum and capacity and sufficiently broad coverage to support the growth of these services. We continue to invest significant capital in expanding our network capacity, as well as to secure and utilize spectrum that meets our long-term needs.

Video We provide domestic satellite video service through our subsidiary DIRECTV, whose satellites are licensed by the FCC. The Communications Act of 1934 and other related acts give the FCC broad authority to regulate the U.S. operations of DIRECTV, and some of WarnerMedia's businesses are also subject to obligations under the Communications Act and related FCC regulations.

WarnerMedia Segment

We create, own and distribute intellectual property, including copyrights, trademarks and licenses of intellectual property. To protect our intellectual property, we rely on a combination of laws and license agreements. Outside of the U.S., laws and regulations relating to intellectual property protection and the effective enforcement of these laws and regulations vary greatly from country to country. The European Union Commission is pursuing legislative and regulatory initiatives which could impact WarnerMedia's activities in the EU. Piracy, particularly of digital content, continues to threaten WarnerMedia's revenues from products and services, and we work to limit that threat through a combination of approaches, including technological and legislative solutions. Outside the U.S., various laws and regulations, as well as trade agreements with the U.S., also apply to the distribution or licensing of feature films for exhibition in movie theaters and on broadcast and cable

networks. For example, in certain countries, including China, laws and regulations limit the number of foreign films exhibited in such countries in a calendar year.

EXPECTED GROWTH AREAS

Over the next few years, we expect our growth to come from wireless, software-based video offerings like HBO Max, and IP-based fiber broadband services. We provide integrated services to diverse groups of customers in the U.S. on an integrated telecommunications network utilizing different technological platforms. In 2021, our key initiatives include:

- Continuing expansion of 5G service on our premier wireless network.
- Generating mobile subscriber growth from FirstNet and our premier network quality.
- Increasing subscriber base for HBO Max, our platform for premium content and video offered directly to consumers, as well as through other distributors.
- Improving fiber penetration and growing broadband revenues.
- Continuing to develop a competitive advantage through our corporate cost structure.
- Improving profitability in our Mexico business unit.

Wireless We expect to continue to deliver revenue growth in the coming years. We are in a period of rapid growth in wireless video usage and believe that there are substantial opportunities available for next-generation converged services that combine technologies and services.

As of December 31, 2020, we served 202 million wireless subscribers in North America, with more than 182 million in the United States. Our LTE technology covers over 440 million people in North America, and in the United States, we cover all major metropolitan areas and over 330 million people. We also provide 4G coverage using another technology (HSPA+), and when combined with our upgraded backhaul network, we provide enhanced network capabilities and superior mobile broadband speeds for data and video services. In December 2018, we introduced the nation's first commercial mobile 5G service and expanded that deployment nationwide in July 2020.

Our networks covering both the U.S. and Mexico have enabled our customers to use wireless services without roaming on other companies' networks. We believe this seamless access will prove attractive to customers and provide a significant growth opportunity. As of the end of 2020, we provided LTE coverage to over 110 million people in Mexico.

Integration of Data/Broadband and Entertainment Services As the communications industry has evolved into internet-based technologies capable of blending wireline and wireless services, we plan to focus on expanding our wireless network capabilities and provide high-speed internet and video offerings that allow customers to integrate their home or business fixed services with their mobile service. During 2021, we will continue to develop and provide unique integrated video, mobile and broadband solutions. The launch of the HBO Max platform has facilitated our customers' desire to view video anywhere on demand and has encouraged customer retention.

REGULATORY DEVELOPMENTS

Set forth below is a summary of the most significant regulatory proceedings that directly affected our operations during 2020. Industry-wide regulatory developments are discussed above in Operating Environment Overview. While these issues may apply only to certain subsidiaries, the words "we," "AT&T" and "our" are used to simplify the discussion. The following discussions are intended as a condensed summary of the issues rather than as a comprehensive legal analysis and description of all of these specific issues.

International Regulation Our subsidiaries operating outside the United States are subject to the jurisdiction of regulatory authorities in the territories in which the subsidiaries operate. Our licensing, compliance and advocacy initiatives in foreign countries primarily enable the provision of enterprise (i.e., large business), wireless and satellite television services. AT&T is engaged in multiple efforts with foreign regulators to open markets to competition, foster conditions favorable to investment and increase our scope of services and products.

The General Data Protection Regulation went into effect in Europe in May of 2018. AT&T processes and handles personal data of its customers and subscribers, employees of its enterprise customers and its employees. This regulation created a range of new compliance obligations and significantly increased financial penalties for noncompliance.

Federal Regulation We have organized our following discussion by service impacted.

Internet In February 2015, the FCC released an order classifying both fixed and mobile consumer broadband internet access services as telecommunications services, subject to Title II of the Communications Act. The Order, which represented a departure from longstanding bipartisan precedent, significantly expanded the FCC's authority to regulate broadband internet access services, as well as internet interconnection arrangements. In December 2017, the FCC reversed its 2015 decision by reclassifying fixed and mobile consumer broadband services as information services and repealing most of the rules that were adopted in 2015. In lieu of broad conduct prohibitions, the order requires internet service providers to disclose information about their network practices and terms of service, including whether they block or throttle internet traffic or offer paid prioritization. On October 1, 2019, the D.C. Circuit issued a unanimous opinion upholding the FCC's reclassification of broadband as an information service, and its reliance on transparency requirements and competitive marketplace

dynamics to safeguard net neutrality. While the court vacated the FCC's express preemption of any state regulation of net neutrality, it stressed that its ruling did not prevent the FCC or ISPs from relying on conflict preemption to invalidate particular state laws that are inconsistent with the FCC's regulatory objectives and framework. The court also remanded the matter to the FCC for further consideration of the impact of reclassifying broadband services as information services on public safety, the Lifeline program, and pole attachment regulation. In October 2020, the FCC adopted an order concluding that those issues did not justify reversing its decision to reclassify broadband services as information services. An appeal of the FCC's remand decision is pending.

Following the FCC's 2017 decision to reclassify broadband as information services, a number of states adopted legislation to reimpose the very rules the FCC repealed. In some cases, state legislation imposes requirements that go beyond the FCC's February 2015 order. Additionally, some state governors have issued executive orders that effectively reimpose the repealed requirements. Suits have been filed concerning laws in California and Vermont. Both lawsuits were stayed pursuant to agreements by those states not to enforce their laws pending final resolution of all appeals of the FCC's December 2017 order. Because that order is now final, the California suit has returned to active status. Nonetheless, enforcement of both the California and Vermont laws remains stayed pending a ruling by a U.S. District Court in California on motions for a preliminary injunction against enforcement of the California law. Argument on those motions is now scheduled for February 2021. We expect that going forward additional states may seek to impose net neutrality requirements. We will continue to support congressional action to codify a set of standard consumer rules for the internet.

Wireless and Broadband In June and November 2020, the FCC issued a Declaratory Ruling clarifying the limits on state and local authority to deny applications to modify existing structures to accommodate wireless facilities. Appeals of the November 2020 order remain pending in the 9th Circuit Court of Appeals. If sustained on appeal, these FCC decisions will remove state and local regulatory barriers and reduce the costs of the infrastructure needed for 5G and FirstNet deployments, which will enhance our ability to place small cell facilities on utility poles, expand existing facilities to accommodate public safety services, and replace legacy facilities and services with advanced broadband infrastructure and services.

In 2020, the FCC took several actions to make spectrum available for 5G services. First, the FCC completed the auction of the 39 GHz band in large, contiguous blocks of spectrum that will support 5G. AT&T obtained spectrum in this auction, which also included spectrum in the 37 GHz and 47 GHz bands (see "Other Business Matters"). The FCC also made 150 MHz of mid-band CBRS spectrum available, to be shared with Federal incumbents, who enjoy priority. Furthermore, the FCC began the auction of 280 MHz of mid-band spectrum presently used for satellite service (the "C Band" auction). This auction is expected to conclude by June of 2021. Other mid-band spectrum auctions are planned for later in 2021.

Following enactment in December 2019 of the Pallone-Thune Telephone Robocall Abuse Criminal Enforcement and Deterrence Act (TRACED Act) by Congress, the FCC adopted new rules requiring voice service providers to implement caller ID authentication protocols (known as STIR/SHAKEN) and adopt robocall mitigation measures. These measures apply to portions of their networks where STIR/SHAKEN is not enabled, in addition to other anti-robocall measures. The new rules contemplate ongoing FCC oversight and review of efforts related to STIR/SHAKEN implementation. Among other goals, the FCC has stated its intention to promote the IP transition through its rules.

In September 2019, the FCC released reformed aspects of its intercarrier compensation regime related to tandem switching and transport charges, with the goal of reducing the prevalence of telephone access arbitrage schemes. In October 2020, the FCC further reformed aspects of its intercarrier compensation regime by greatly reducing, and in some cases eliminating, the charges long distance carriers must pay to originating carriers for toll-free calls. Appeals of both orders are pending at the D.C. Circuit Court of Appeals.

COMPETITION

Competition continues to increase for communications, media entertainment and digital services from traditional and nontraditional competitors. Technological advances have expanded the types and uses of services and products available. In addition, lack of or a reduced level of regulation of comparable legacy services has lowered costs for alternative communications service providers. As a result, we face continuing competition as well as some new opportunities in significant portions of our business.

Wireless We face substantial competition in our wireless businesses. Under current FCC rules, multiple licensees, who provide wireless services on the cellular, PCS, Advanced Wireless Services, 700 MHz and other spectrum bands, may operate in each of our U.S. service areas. Our competitors include two national wireless providers; a larger number of regional providers and resellers of those services; and certain cable companies. In addition, we face competition from providers who offer voice, text messaging and other services as applications on data networks. We are one of four facilities-based providers in Mexico (retail and wholesale), with the most significant market share controlled by América Móvil. We may experience significant competition from companies that provide similar services using other communications technologies and services. While some of these technologies and services are now operational, others are being developed or may be developed. We compete for customers based principally on service/device offerings, price, network quality, coverage area and customer service.

Video/Broadband Our businesses providing communications and digital entertainment services will face continued competitive pressure in 2021 from multiple providers, including wireless, satellite, cable, online video providers, and resellers. In addition, the desire for high-speed data on demand, including video, is continuing to lead customers to terminate their traditional wired or linear services and use our or competitors' wireless, satellite and internet-based services. We have launched our own video OTT and/or streaming options to attract or retain customers that do not want a full-scale traditional video package. In most U.S. markets, we compete for customers with large cable companies for high-speed internet, video and voice services and other smaller telecommunications companies for both long-distance and local services. In addition, in Latin American countries served by our Vrio subsidiary, we also face competition from other video providers, including América Móvil and Telefónica.

Legacy Voice and Data We continue to lose legacy voice and data subscribers due to competitors (e.g., wireless, cable and VoIP providers) who can provide comparable services at lower prices because they are not subject to traditional telephone industry regulation (or the extent of regulation they are subject to is in dispute), utilize different technologies or promote a different business model (such as advertising-based). In response to these competitive pressures, for a number of years we have used a bundling strategy that rewards customers who consolidate their services with us. We continue to focus on bundling services, including combined packages of wireless and video service through our IP-based services. We will continue to develop innovative and integrated services that capitalize on our wireless and IP-based network.

Additionally, we provide local and interstate telephone and switched services to other service providers, primarily large internet service providers using the largest class of nationwide internet networks (internet backbone), wireless carriers, other telephone companies, cable companies and systems integrators. These services are subject to additional competitive pressures from the development of new technologies, the introduction of innovative offerings and increasing satellite, wireless, fiber-optic and cable transmission capacity for services. We face a number of international competitors, including Orange Business Services, BT, Singapore Telecommunications Limited and Verizon Communications Inc., as well as competition from a number of large systems integrators.

Media Our WarnerMedia businesses face shifts in consumer viewing patterns, increased competition from streaming services and the expansion by other companies, in particular, technology companies. In May 2020, we launched HBO Max, our platform for premium content and video offered directly to consumers, as well as through our traditional distributors.

WarnerMedia competes with other studios and television production groups and independents to produce and sell programming. Many television networks and online platforms have affiliated production companies from which they are increasingly obtaining their programming, which has reduced their demand for programming from non-affiliated production companies. WarnerMedia also faces competition from other television networks, online platforms, and premium pay television services for distribution and marketing of its television networks and premium pay and basic tier television services by affiliates.

Our WarnerMedia businesses compete with other production companies and studios for the services of producers, directors, writers, actors and others and for the acquisition of literary properties. In recent years, technology companies also have begun to produce programming and compete with WarnerMedia for talent and property rights.

Advertising The increased amount of consumer time spent online and on mobile activities has resulted in the shift of advertising budgets away from traditional television to digital advertising. WarnerMedia's advertising-supported television networks and digital properties compete with streaming services, other networks and digital properties, print, radio and other media. Our programmatic advertising business faces competition from a variety of technology companies. Similar to all participants in the advertising technology sector, we contend with the dominance of Google, as well as the influence of Facebook, whose practices may result in the decreased ability and willingness of advertisers and programmers to adopt programmatic solutions offered by alternative suppliers.

ACCOUNTING POLICIES AND STANDARDS

Critical Accounting Policies and Estimates Because of the size of the financial statement line items they relate to or the extent of judgment required by our management, some of our accounting policies and estimates have a more significant impact on our consolidated financial statements than others. The following policies are presented in the order in which the topics appear in our consolidated statements of income.

Pension and Postretirement Benefits Our actuarial estimates of retiree benefit expense and the associated significant weighted-average assumptions are discussed in Note 15. Our assumed weighted-average discount rates for pension and postretirement benefits of 2.70% and 2.40%, respectively, at December 31, 2020, reflect the hypothetical rate at which the projected benefit obligations could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and corresponding to the related expected durations of future cash outflows for the obligations. These bonds were all rated at least Aa3 or AA- by one of the nationally recognized statistical rating

organizations, denominated in U.S. dollars, and neither callable, convertible nor index linked. For the year ended December 31, 2020, when compared to the year ended December 31, 2019, we decreased our pension discount rate by 0.70%, resulting in an increase in our pension plan benefit obligation of $5,594 and decreased our postretirement discount rate by 0.80%, resulting in an increase in our postretirement benefit obligation of $1,311.

Our expected long-term rate of return on pension plan assets is 6.75% for 2021 and 7.00% for 2020. Our expected long-term rate of return on postretirement plan assets is 4.50% for 2021 and 4.75% for 2020. Our expected return on plan assets is calculated using the actual fair value of plan assets. If all other factors were to remain unchanged, we expect that a 0.50% decrease in the expected long-term rate of return would cause 2021 combined pension and postretirement cost to increase $277, which under our accounting policy would be adjusted to actual returns in the current year as part of our fourth-quarter remeasurement of our retiree benefit plans.

We recognize gains and losses on pension and postretirement plan assets and obligations immediately in "Other income (expense) – net" in our consolidated statements of income. These gains and losses are generally measured annually as of December 31, and accordingly, will normally be recorded during the fourth quarter, unless an earlier remeasurement is required. Should actual experience differ from actuarial assumptions, the projected pension benefit obligation and net pension cost and accumulated postretirement benefit obligation and postretirement benefit cost would be affected in future years. See Note 15 for additional discussions regarding our assumptions.

Depreciation Our depreciation of assets, including use of composite group depreciation for certain subsidiaries and estimates of useful lives, is described in Notes 1 and 7.

If all other factors were to remain unchanged, we expect that a one-year increase in the useful lives of our plant in service would have resulted in a decrease of approximately $3,128 in our 2020 depreciation expense and that a one-year decrease would have resulted in an increase of approximately $4,353 in our 2020 depreciation expense. See Notes 7 and 8 for depreciation and amortization expense applicable to property, plant and equipment, including our finance lease right-of-use assets.

Asset Valuations and Impairments Goodwill and other indefinite-lived intangible assets are not amortized but tested at least annually on October 1 for impairment. For impairment testing, we estimate fair values using models that predominantly rely on the expected cash flows to be derived from the reporting unit or use of the asset. Long-lived assets are reviewed for impairment whenever events or circumstances indicated that the book value may not be recoverable over the remaining life. Inputs underlying the expected cash flows include, but are not limited to, subscriber counts, revenues from subscriptions, advertising and content, revenue per user, capital investment and acquisition costs per subscriber, production and content costs, and ongoing operating costs. We based our assumptions on a combination of our historical results, trends, business plans and marketplace participant data.

Annual Goodwill Testing
Goodwill is tested on a reporting unit basis by comparing the estimated fair value of each reporting unit to its book value. If the fair value exceeds the book value, then no impairment is measured. We estimate fair values using an income approach (also known as a discounted cash flow model) and a market multiple approach. The income approach utilizes our future cash flow projections with a perpetuity value discounted at an appropriate weighted average cost of capital. The market multiple approach uses the multiples of publicly traded companies whose services are comparable to those offered by the reporting units. As of October 1, 2020, the calculated fair values of the reporting units exceeded their book values in all circumstances; however, the Turner, HBO and Entertainment Group (prior to our December reporting unit change discussed below) fair values exceed their book values by less than 10% with COVID-19 impacts, industry trends and our content distribution strategy affecting fair value. For the reporting units with fair value in excess of 10% of book value, if either the projected rate of long-term growth of cash flows or revenues declined by 0.5%, or if the weighted average cost of capital increased by 0.5%, the fair values would still be higher than the book value of the goodwill. In the event of a 10% drop in the fair values of the reporting units, the fair values still would have exceeded the book values of the reporting units. For the Turner and HBO reporting units as of October 1, 2020, if the projected rate of longer-term growth of cash flows or revenues declined by 1% and more than 2%, respectively, or if the weighted average cost of capital increased by 0.5%, it would result in impairment of the goodwill. Carrying values of the reporting units in the WarnerMedia segment (Turner, HBO and Warner Bros.) decrease as intangibles identified in the acquisition are amortized.

Domestic Video Business
In December 2020, we changed our management strategy and reevaluated our domestic video business, allowing us to maximize value in our domestic video business and further accelerate our ability to innovate and execute in our fast-growing broadband and fiber business. The strategy change required us to reassess the grouping and recoverability of the video business long-lived assets. In conjunction with the strategy change, we separated the former Entertainment Group into two business units, Video and Broadband, which includes legacy telephony operations. These changes required us to identify a separate Video reporting unit, which required evaluating assigned goodwill for impairment, while first assessing any impairment of goodwill at the historical Entertainment Group level.

The fair value of long-lived assets was determined primarily using the present value approach of probability-weighted expected cash flow. We determined that these assets were no longer recoverable and recognized an impairment to their estimated fair value. A pre-tax impairment of $7,255 ($4,373 orbital slots, $1,201 customer lists and $1,681 in property, plant and equipment) was assigned to the long-lived assets of the video business (see Notes 7 and 9). Upon updating the carrying value of the video business, we were then required to reperform our goodwill impairment testing of the historical Entertainment Group reporting unit, as of December 31, 2020, and before separation into the two reporting units, where we again concluded that no impairment was required, consistent with the testing as of October 1, 2020. GAAP requires ongoing fair value assessments for recoverability upon defined triggering events.

We further concluded that our video business should be identified as a separate reporting unit within the Communications segment. The change in reporting unit required the historical Entertainment Group goodwill to be assigned to the separate Video and Broadband reporting units, for which we used the relative fair value allocation methodology. The affected reporting units were then tested for goodwill impairment. We recorded an impairment of the entire $8,253 of goodwill allocated to the Video reporting unit. No goodwill impairment was required in the Broadband reporting unit. (See Note 9).

In total, we recorded an impairment charge of $15,508 ($7,255 for long-lived assets and $8,253 of assigned goodwill) in December 2020 results.

U.S. Wireless Licenses
The fair value of U.S. wireless licenses is assessed using a discounted cash flow model (the Greenfield Approach) and a corroborative market approach based on auction prices, depending upon auction activity. The Greenfield Approach assumes a company initially owns only the wireless licenses and makes investments required to build an operation comparable to current use. These licenses are tested annually for impairment on an aggregated basis, consistent with their use on a national scope for the United States. For impairment testing, we assume subscriber and revenue growth will trend up to projected levels, with a long-term growth rate reflecting expected long-term inflation trends. We assume churn rates will initially exceed our current experience but decline to rates that are in line with industry-leading churn. We used a discount rate of 9.25%, based on the optimal long-term capital structure of a market participant and its associated cost of debt and equity for the licenses, to calculate the present value of the projected cash flows. If either the projected rate of long-term growth of cash flows or revenues declined by 0.5%, or if the discount rate increased by 0.5%, the fair values of these wireless licenses would still be higher than the book value of the licenses. The fair value of these wireless licenses exceeded their book values by more than 10%.

Other Finite-Lived Intangibles
Customer relationships, licenses in Mexico, certain trade names in our Latin America business and other finite-lived intangible assets are reviewed for impairment whenever events or circumstances indicate that the book value may not be recoverable over their remaining life. For this analysis, we compare the expected undiscounted future cash flows attributable to the asset to its book value. When the asset's book value exceeds undiscounted future cash flows, an impairment is recorded to reduce the book value of the asset to its estimated fair value (see Notes 7 and 9).

Vrio Goodwill
In the second quarter of 2020, driven by significant and adverse economic and political environments in Latin America, including the impact of the COVID-19 pandemic, we experienced accelerated subscriber losses and revenue decline in the region, as well as closure of our operations in Venezuela. When combining these business trends and higher weighted-average cost of capital resulting from the increase in country-risk premiums in the region, we concluded that it was more likely than not that the fair value of the Vrio reporting unit, estimated using discounted cash flow and market multiple approaches, is less than its carrying amount. We recorded a $2,212 goodwill impairment, the entire amount of goodwill allocated to the Vrio reporting unit, with $105 attributable to noncontrolling interest (see Note 9).

Orbital Slots
During the first quarter of 2020, in conjunction with the nationwide launch of AT&T TV and our customers' continued shift from linear to streaming video services, we reassessed the estimated economic lives and renewal assumptions for our orbital slot licenses. As a result, we changed the estimated lives of these licenses from indefinite to finite-lived, effective January 1, 2020, and amortized $1,504 of the orbital slots in 2020. (See Note 1)

Income Taxes Our estimates of income taxes and the significant items giving rise to the deferred assets and liabilities are shown in Note 14 and reflect our assessment of actual future taxes to be paid on items reflected in the financial statements, giving consideration to both timing and probability of these estimates. Actual income taxes could vary from these estimates due to future changes in income tax law or the final review of our tax returns by federal, state or foreign tax authorities.

We use our judgment to determine whether it is more likely than not that we will sustain positions that we have taken on tax returns and, if so, the amount of benefit to initially recognize within our financial statements. We regularly review our uncertain tax positions and adjust our unrecognized tax benefits (UTBs) in light of changes in facts and circumstances, such as changes in tax law, interactions with taxing authorities and developments in case law. These adjustments to our UTBs may affect our income tax expense. Settlement of uncertain tax positions may require use of our cash.

New Accounting Standards

Beginning with 2020 interim and annual reporting periods, we adopted the FASB's new accounting guidance related to the measurement of credit losses on trade receivables, loans, contract assets and certain other assets not subject fair value measurement existing at January 1, 2020. We adopted the standard using a modified retrospective approach as of the beginning of the period of adoption, which did not require us to adjust the balance for prior periods, therefore affecting the comparability of our financial statements. Upon adoption, we recorded an increase to our allowances for credit losses, primarily for trade and loan receivables. See Note 1 for discussion of the impact of the standard.

See Note 1 for discussion of the expected impact of new standards.

OTHER BUSINESS MATTERS

Video Business On February 25, 2021, we signed an agreement to form a new company named DIRECTV (New DTV) with TPG Capital, which will be jointly governed by a board with representation from both AT&T and TPG. Under the agreement, we will contribute our Video business unit to New DTV for $4,250 of junior preferred units, an additional distribution preference of $4,200 and a 70% economic interest in common units. We expect to receive $7,600 in cash from New DTV at closing. TPG will contribute approximately $1,800 in cash to New DTV for $1,800 of senior preferred units and a 30% economic interest in common units. The remaining $5,800 will be funded by debt taken on by New DTV. As part of this transaction, we agreed to pay net losses under the NFL SUNDAY TICKET contract up to a cap of $2,500 over the remaining period of the contract.

The transaction is expected to close in the second half of 2021, pending customary closing conditions. The total of $7,600 of proceeds from the transaction are expected to reduce our total and net debt positions.

In the first quarter of 2021, we expect to apply held-for-sale accounting treatment to the assets and liabilities of the U.S. video business, and accordingly will include the assets in "Other current assets," and the related liabilities in "Accounts payable and accrued liabilities," on our consolidated balance sheet at March 31, 2021. The carrying amounts at December 31, 2020 of these assets and liabilities were approximately $16,150 and $4,900, respectively.

Spectrum Auction In March 2020, we were the winning bidder of high-frequency 37/39 GHz licenses in FCC Auction 103 covering an average of 786 MHz nationwide for approximately $2,400. Prior to the auction, we exchanged the 39 GHz licenses with a book value of approximately $300 that were previously acquired through FiberTower Corporation for vouchers to be applied against the winning bids and recorded a $900 gain in the first quarter of 2020. These vouchers yielded a value of approximately $1,200 which was applied toward our $2,400 gross bids. We made our final payment of approximately $950 for the Auction 103 payment in April 2020. The FCC granted the licenses in June 2020.

On February 24, 2021, the FCC announced that AT&T was the winning bidder for 1,621 C-Band licenses, comprised of a total of 80 MHz nationwide, including 40 MHz in Phase I. We must provide to the FCC an initial down payment of $4,681 on March 10, 2021, of which $550 was paid as an upfront payment prior to the start of the auction, and to pay a remaining $18,725 on or before March 24, 2021. We estimate that AT&T will be responsible for $955 of Incentive Payments upon clearing of Phase I spectrum and $2,112 upon clearing of Phase II spectrum. Additionally, we will be responsible for a portion of compensable relocation costs over the next several years as the spectrum is being cleared. Satellite operators have provided the FCC with relocation cost estimates totaling $3,400. AT&T intends to fund the purchase price using a combination of cash and short-term investments, funds from operations and either short-term or long-term debt, depending upon market conditions.

Labor Contracts As of December 31, 2020, we employed approximately 231,000 persons. Approximately 37% of our employees are represented by the Communications Workers of America (CWA), the International Brotherhood of Electrical Workers (IBEW) or other unions. After expiration of the collective bargaining agreements, work stoppages or labor disruptions may occur in the absence of new contracts or other agreements being reached. There are no significant contracts expiring in 2021. A contract covering approximately 14,000 Mobility employees in 36 states and the District of Columbia that was set to expire in February 2021 was extended until February 2022. A contract covering approximately 10,000 Mobility employees in nine Southeast states that was set to expire in February 2022 was extended until February 2023.

Pension Diversification In 2013, we made a voluntary contribution of 320 million Series A Cumulative Perpetual Preferred Membership Interests in AT&T Mobility II LLC (Mobility preferred interests), the primary holding company for our wireless business, to the trust used to pay pension benefits under certain of our qualified pension plans (see Note 17). Since their contribution, the Mobility preferred interests are plan assets under ERISA, and have been recognized as such in the plan's separate financial statements. On September 28, 2020, the trust, through the independent investment manager/fiduciary, sold 106.7 million of the Mobility preferred interests to unrelated third parties. The aggregate purchase price was $2,885, which includes accrued distributions through the date of sale (see Note 15).

Environmental We are subject from time to time to judicial and administrative proceedings brought by various governmental authorities under federal, state or local environmental laws. We reference in our Forms 10-Q and

10-K certain environmental proceedings that could result in monetary sanctions (exclusive of interest and costs) of three hundred thousand dollars or more. However, we do not believe that any of those currently pending will have a material adverse effect on our results of operations.

LIQUIDITY AND CAPITAL RESOURCES

We had $9,740 in cash and cash equivalents available at December 31, 2020. Cash and cash equivalents included cash of $2,842 and money market funds and other cash equivalents of $6,898. Approximately $2,205 of our cash and cash equivalents were held by our foreign entities in accounts predominantly outside of the U.S. and may be subject to restrictions on repatriation.

The Company's liquidity and capital resources were not materially impacted by COVID-19 and related economic conditions during 2020. We will continue to monitor impacts of the COVID-19 pandemic on our liquidity and capital resources.

Cash and cash equivalents decreased $2,390 since December 31, 2019. In 2020, cash inflows were primarily provided by cash receipts from operations, including cash from our sale and transfer of our receivables to third parties and the issuances of long-term debt, cumulative preferred stock and cumulative preferred interests in a subsidiary. These inflows were offset by cash used to meet the needs of the business, including, but not limited to, payment of operating expenses, debt repayments, funding capital expenditures and vendor financing payments, dividends to stockholders, share repurchases and spectrum acquisitions.

Cash Provided by or Used in Operating Activities

During 2020, cash provided by operating activities was $43,130 compared to $48,668 in 2019, impacted by the timing of working capital payments.

We actively manage the timing of our supplier payments for operating items to optimize the use of our cash. Among other things, we seek to make payments on 90-day or greater terms, while providing the suppliers with access to bank facilities that permit earlier payments at their cost. In addition, for payments to a key supplier, as part of our working capital initiatives, we have arrangements that allow us to extend payment terms up to 90 days at an additional cost to us (referred to as supplier financing). The net impact of supplier financing was to improve cash from operating activities $432 in 2020 and $909 in 2019. All supplier financing payments are due within one year.

Cash Used in or Provided by Investing Activities

During 2020, cash used in investing activities totaled $13,548, and consisted primarily of $15,675 (including interest during construction) for capital expenditures, final payment of approximately $950 for wireless spectrum licenses won in Auction 103 and $141 of net cash paid to acquire the remaining interest in HBO LAG. Investing activities also included cash receipts of $1,928 from the sale of our operations in Puerto Rico, which were used to redeem the preferred interests secured by the sales proceeds (see Notes 6 and 17), $1,100 from the sale of our investment in Central European Media Enterprises, Ltd. (see Note 6) and $400 from corporate owned life insurance investments.

For capital improvements, we have negotiated favorable vendor payment terms of 120 days or more (referred to as vendor financing) with some of our vendors, which are excluded from capital expenditures and reported as financing activities. Vendor financing payments were $2,966 in 2020, compared to $3,050 in 2019. Capital expenditures in 2020 were $15,675, and when including $2,966 cash paid for vendor financing and excluding $1,063 of FirstNet reimbursements, gross capital investment was $19,704 ($3,986 lower than the prior year).

The vast majority of our capital expenditures are spent on our networks, including product development and related support systems. In 2020, we placed $4,664 of equipment in service under vendor financing arrangements (compared to $2,632 in 2019) and approximately $1,230 of assets related to the FirstNet build (compared to $1,116 in 2019). Total reimbursements from the government for FirstNet were $1,626 for 2020 and $1,374 for 2019, predominately for capital expenditures.

The amount of capital expenditures is influenced by demand for services and products, capacity needs and network enhancements. In 2021, we expect that our gross capital investment, which includes capital expenditures and cash paid for vendor financing and excludes expected FirstNet reimbursement of approximately $1,000, will be in the $21,000 range (including capital expenditures in the $18,000 range).

Cash Used in or Provided by Financing Activities

For the year, cash used in financing activities totaled $32,007 and was comprised of issuances and repayments of debt, issuances of preferred stock, issuances and redemptions of preferred interests in subsidiaries, payments of dividends and share repurchases.

During 2020, debt issuances included proceeds of $9,440 in short-term borrowings (including approximately $3,950 of commercial paper) and $31,988 of net proceeds from long-term debt. Borrowing activity included the following issuances:

Issued and redeemed in 2020:

- March draw of $750 on a private financing agreement (repaid in the second quarter).
- April draw of $5,500 on a term loan credit agreement with certain commercial banks and Bank of America, N.A., as lead agent (repaid in the second quarter).

Issued and outstanding in 2020:

- February issuance of $2,995 of 4.000% global notes due 2049.
- March borrowings of $665 from loan programs with export agencies of foreign governments to support network equipment purchases in those countries.
- May issuances totaling $12,500 in global notes, comprised of $2,500 of 2.300% global notes due 2027, $3,000 of 2.750% global notes due 2031, $2,500 of 3.500% global notes due 2041, $3,000 of 3.650% global notes due 2051 and $1,500 of 3.850% global notes due 2060.
- May issuances totaling €3,000 million in global notes (approximately $3,281 at issuance), comprised of €1,750 million of 1.600% global notes due 2028, €750 million of 2.050% global notes due 2032 and €500 million of 2.600% global notes due 2038.
- June issuance of $1,050 of 3.750% global notes due 2050.
- August issuances totaling $11,000 in global notes, comprised of $2,250 of 1.650% global notes due 2028, $2,500 of 2.250% global notes due 2032, $2,500 of 3.100% global notes due 2043, $2,250 of 3.300% global notes due 2052 and $1,500 of 3.500% global notes due 2061.

During 2020, repayments of debt included $9,467 of short-term borrowings (including $3,967 of commercial paper) and $39,964 of long-term debt. Repayments included:

Notes redeemed at maturity:

- $800 of AT&T floating-rate notes in the first quarter.
- $687 of AT&T floating-rate notes in the second quarter.
- €2,250 million of AT&T floating-rate notes in the third quarter (approximately $2,637 at maturity).
- €1,000 million of 1.875% AT&T global notes in the fourth quarter ($1,290 at maturity).
- CAD$1,000 million of 3.825% AT&T global notes in the fourth quarter (approximately $954 at maturity).

Notes redeemed or repurchased prior to maturity:

- $2,619 of 4.600% AT&T global notes with original maturity in 2045, in the first quarter.
- $2,750 of 2.450% AT&T global notes with original maturity in 2020, in the second quarter.
- $1,000 of annual put reset securities issued by BellSouth, in the second quarter.
- $683 of 4.600% AT&T global notes with original maturity in 2021, in the second quarter.
- $1,695 of 2.800% AT&T global notes with original maturity in 2021, in the second quarter.
- $853 of 4.450% AT&T global notes with original maturity in 2021, in the second quarter.
- $1,172 of 3.875% AT&T global notes with original maturity in 2021, in the second quarter.
- $1,430 of 5.500% AT&T global notes with original maturity in 2047, in the second quarter.
- $1,457 of 3.000% AT&T global notes with original maturity in 2022, in the third quarter.
- $1,250 of 3.200% AT&T global notes with original maturity in 2022, in the third quarter.
- $1,012 of 3.800% AT&T global notes with original maturity in 2022, in the third quarter.
- $422 of 4.000% AT&T global notes with original maturity in 2022, in the third quarter.
- $60 of 3.800% DIRECTV senior notes with original maturity in 2022, in the third quarter.
- $63 of 4.000% Warner Media, LLC notes with original maturity in 2022, in the third quarter.
- $11,384 of AT&T global notes and subsidiary notes that were tendered for cash in the third quarter. The notes had floating and fixed interest rates. The fixed rates ranged from 3.400% to 7.850% and original maturities ranging from 2021 to 2025.
- $53 of 3.400% Warner Media, LLC notes with original maturity in 2022, in the third quarter.
- $177 of 3.400% AT&T global notes with original maturity in 2022, in the third quarter.
- $928 of 3.600% AT&T global notes with original maturity in 2023, in the third quarter.

Credit facilities repaid and other redemptions:

- $750 of borrowings under a private financing agreement, in the first quarter.
- $750 of borrowings under a private financing agreement, in the second quarter.
- $5,500 under our April 2020 term loan credit agreement with certain commercial banks and Bank of America, in the second quarter.
- $1,300 under our term loan credit agreement with Bank of America, in the second quarter.
- $500 under our term loan credit agreement with Bank of Communications Co., in the second quarter.
- R$3,381 million of Sky Serviços de Banda Larga Ltda. floating-rate loan in the third quarter (approximately $1,000 when issued in April 2018 and $638 at redemption due to strengthening of the U.S. dollar against Brazilian real).

Debt Exchanges:

- During the third quarter of 2020, we exchanged $17,677 of AT&T and subsidiary notes, with interest rates ranging from 4.350% to 8.750% and original maturities ranging from 2031 to 2058 for $1,459 of cash and $21,500 of three new series of AT&T global notes, with interest rates ranging from 3.500% to 3.650% and maturities ranging from 2053 to 2059.

- During the fourth quarter of 2020, we exchanged $8,280 of AT&T and subsidiary notes, with interest rates ranging from 2.950% to 7.125% and original maturities ranging from 2026 to 2048 for $8 of cash and $9,678 of two new series of AT&T global notes, with interest rates of 2.550% and 3.800% and maturities of 2033 and 2057, respectively.

Our weighted average interest rate of our entire long-term debt portfolio, including the impact of derivatives, was approximately 4.1% as of December 31, 2020 and 4.4% as of December 31, 2019. We had $155,209 of total notes and debentures outstanding at December 31, 2020, which included Euro, British pound sterling, Canadian dollar, Mexican peso, Australian dollar, Swiss franc and Brazilian real denominated debt that totaled approximately $43,399.

At December 31, 2020, we had $3,470 of debt maturing within one year, consisting entirely of long-term debt issuances. Debt maturing within one year includes an accreting zero-coupon note that may be redeemed each May until maturity in 2022. If the remainder of the zero-coupon note (issued for principal of $500 in 2007 and partially exchanged in the 2017 debt exchange offers) is held to maturity, the redemption amount will be $592.

During 2020, we paid $2,966 of cash under our vendor financing program, compared to $3,050 in 2019. Total vendor financing payables included in our December 31, 2020 consolidated balance sheet were approximately $3,761, with $3,563 due within one year (in "Accounts payable and accrued liabilities") and the remainder predominantly due within two to three years (in "Other noncurrent liabilities").

Financing activities in 2020 also included $1,979 from the September issuance of preferred interests in a subsidiary and $3,869 for the February issuance of Series B and Series C preferred stock (see Note 17).

We repurchased approximately 142 million shares of common stock at a cost of $5,278, predominantly in the first quarter, and completed the share repurchase authorization approved by the Board of Directors in 2013. In March 2020, we cancelled an accelerated share repurchase agreement that was planned for the second quarter and other repurchases to maintain flexibility and focus on continued investment in serving our customers, taking care of our employees and enhancing our network, including 5G. At December 31, 2020, we had approximately 178 million shares remaining from our share repurchase authorizations approved by the Board of Directors in 2014.

We paid dividends on common shares and preferred shares of $14,956 in 2020, compared with $14,888 in 2019. Dividends were higher in 2020, primarily due to dividend payments to preferred stockholders and the increase in our quarterly dividend on common stock approved by our Board of Directors in December 2019, partially offset by fewer shares outstanding.

Dividends on common stock declared by our Board of Directors totaled $2.08 per share in 2020 and $2.05 per share in 2019. Our dividend policy considers the expectations and requirements of stockholders, capital funding requirements of AT&T and long-term growth opportunities.

Our 2021 financing activities will focus on managing our debt level and paying dividends, subject to approval by our Board of Directors. We plan to fund our financing uses of cash through a combination of cash from operations, issuance of debt, and asset sales. The timing and mix of any debt issuance and/or refinancing will be guided by credit market conditions and interest rate trends.

Credit Facilities

The following summary of our various credit and loan agreements does not purport to be complete and is qualified in its entirety by reference to each agreement filed as exhibits to our Annual Report on Form 10-K.

We use credit facilities as a tool in managing our liquidity status. In November 2020, we amended one of our $7,500 revolving credit agreements by extending the termination date. In total, we have two $7,500 revolving credit agreements, totaling $15,000, with one terminating on December 11, 2023 and the other terminating on November 17, 2025. No amounts were outstanding under either agreement as of December 31, 2020.

In September 2019, we entered into and drew on a $1,300 term loan credit agreement containing (i) a 1.25 year $400 facility due in 2020, (ii) a 2.25 year $400 facility due in 2021, and (iii) a 3.25 year $500 facility due in 2022, with Bank of America, N.A., as agent. These facilities were repaid and terminated in the second quarter of 2020.

On April 6, 2020, we entered into and drew on a $5,500 Term Loan Credit Agreement (Term Loan) with 11 commercial banks and Bank of America, N.A. as lead agent. We repaid and terminated the Term Loan in May 2020.

On January 29, 2021, we entered into a $14,700 Term Loan Credit Agreement (Term Loan), with Bank of America, N.A., as agent. The Term Loan is available for a single draw at any time before May 29, 2021. The proceeds will be used for general corporate purposes, which may include among other things, financing acquisitions of additional spectrum. The entire principal amount of the Term Loan will be due and payable 364 days after the date on which the borrowing is made. At January 31, 2021, we had approximately $6,100 of commercial paper outstanding.

We also utilize other external financing sources, which include various credit arrangements supported by government agencies to support network equipment purchases, as well as a commercial paper program.

Each of our credit and loan agreements contains covenants that are customary for an issuer with an investment grade

senior debt credit rating as well as a net debt-to-EBITDA financial ratio covenant requiring us to maintain, as of the last day of each fiscal quarter, a ratio of not more than 3.5-to-1. As of December 31, 2020, we were in compliance with the covenants for our credit facilities.

Collateral Arrangements

During 2019 and 2020, we amended collateral arrangements with counterparties to require cash collateral posting by AT&T only when derivative market values exceed certain thresholds. Under these arrangements, which cover over 90% of our approximate $41,000 derivative portfolio, counterparties are still required to post collateral. During 2020, we received approximately $800 of cash collateral, on a net basis. Cash postings under these arrangements vary with changes in credit ratings and netting agreements. (See Note 13)

Other

Our total capital consists of debt (long-term debt and debt maturing within one year) and stockholders' equity. Our capital structure does not include debt issued by our equity method investment. At December 31, 2020, our debt ratio was 46.7%, compared to 44.7% at December 31, 2019 and 47.7% at December 31, 2018. Our net debt ratio was 43.8% at December 31, 2020, compared to 41.4% at December 31, 2019 and 46.2% at December 31, 2018. The debt ratio is affected by the same factors that affect total capital, and reflects our recent debt issuances and repayments and debt acquired in business combinations.

A significant amount of our cash outflows is related to tax items, acquisition of spectrum through FCC auctions and benefits paid for current and former employees:

- Total taxes incurred, collected and remitted by AT&T during 2020 and 2019, were $21,967 and $24,170. These taxes include income, franchise, property, sales, excise, payroll, gross receipts and various other taxes and fees.
- Total domestic spectrum acquired primarily through FCC auctions, including cash, exchanged spectrum and auction deposits was approximately $2,800 in 2020, $1,300 in 2019 and $450 in 2018.
- Total health and welfare benefits provided to certain active and retired employees and their dependents totaled $3,656 in 2020, with $1,029 paid from plan assets. Of those benefits, $3,293 related to medical and prescription drug benefits. In addition, in 2020 we prefunded $745 for future benefit payments. During 2020, we paid $5,124 of pension benefits out of plan assets.

During 2020, we have received $3,641 from the disposition of assets, and when combined with working capital monetization initiatives, which include the sale of receivables, total cash received from monetization efforts, net of $1,613 of spectrum acquisitions, was approximately $1,100. We plan to continue to explore similar opportunities.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

Our contractual obligations as of December 31, 2020 are in the following table:

Contractual Obligations

	Payments Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt obligations[1]	$165,654	$ 3,418	$13,730	$14,238	$134,268
Interest payments on long-term debt	123,582	6,627	12,851	11,817	92,287
Purchase obligations[2]	70,610	20,274	21,275	11,142	17,919
Operating lease obligations[3]	31,123	4,808	8,621	6,464	11,230
FirstNet sustainability payments[4]	17,520	120	390	390	16,620
Unrecognized tax benefits[5]	10,560	463	—	—	10,097
Other finance obligations[6]	12,437	4,236	2,232	1,602	4,367
Total Contractual Obligations	$431,486	$39,946	$59,099	$45,653	$286,788

[1] Represents principal or payoff amounts of notes and debentures at maturity or, for putable debt, the next put opportunity (see Note 12). Foreign debt includes the impact from hedges, when applicable.
[2] We expect to fund the purchase obligations with cash provided by operations or through incremental borrowings. The minimum commitment for certain obligations is based on termination penalties that could be paid to exit the contracts. If we elect to exit these contracts, termination fees for all such contracts in the year of termination could be approximately $259 in 2021, $257 in the aggregate for 2022 and 2023 and $64 in the aggregate for 2024 and 2025 and $1,987 in the aggregate thereafter. Certain termination fees are excluded from the above table, as the fees would not be paid every year and the timing of such payments, if any, is uncertain. (See Note 21)
[3] Represents operating lease payments (see Note 8).
[4] Represents contractual commitment to make sustainability payments over the 25-year contract. These sustainability payments represent our commitment to fund FirstNet's operating expenses and future reinvestment in the network, which we own and operate. FirstNet has a statutory requirement to reinvest funds that exceed the agency's operating expenses, which we anticipate to be $15,000. (See Note 20)
[5] The noncurrent portion of the UTBs is included in the "More than 5 Years" column, as we cannot reasonably estimate the timing or amounts of additional cash payments, if any, at this time (see Note 14).
[6] Represents future minimum payments under the Crown Castle and other arrangements (see Note 19), payables subject to extended payment terms (see Note 22) and finance lease payments (see Note 8).

Certain items were excluded from this table, as the year of payment is unknown and could not be reliably estimated since past trends were not deemed to be an indicator of future payment, we believe the obligations are immaterial or because the settlement of the obligation will not require the use of cash. These items include: deferred income tax liability of $60,472 (see Note 14); net postemployment benefit obligations of $19,690; expected pension and postretirement payments (see Note 15); and other noncurrent liabilities of $11,829.

MARKET RISK

We are exposed to market risks primarily from changes in interest rates and foreign currency exchange rates. These risks, along with other business risks, impact our cost of capital. It is our policy to manage our debt structure and foreign exchange exposure in order to manage capital costs, control financial risks and maintain financial flexibility over the long term. In managing market risks, we employ derivatives according to documented policies and procedures, including interest rate swaps, interest rate locks, foreign currency exchange contracts and combined interest rate foreign currency contracts (cross-currency swaps). We do not use derivatives for trading or speculative purposes. We do not foresee significant changes in the strategies we use to manage market risk in the near future.

One of the most significant assumptions used in estimating our postretirement benefit obligations is the assumed weighted-average discount rate, which is the hypothetical rate at which the projected benefit obligations could be effectively settled or paid out to participants. We determined our discount rate based on a range of factors, including a yield curve composed of the rates of return on several hundred high-quality, fixed income corporate bonds available at the measurement date and corresponding to the related expected durations of future cash outflows for the obligations. In recent years, the discount rates have been increasingly volatile, and on average have been lower than in historical periods. Lower discount rates used to measure our pension and postretirement plans result in higher obligations. Future increases in these rates could result in lower obligations, improved funded status and actuarial gains.

Interest Rate Risk

The majority of our financial instruments are medium- and long-term fixed-rate notes and debentures. Changes in interest rates can lead to significant fluctuations in the fair value of these instruments. The principal amounts by expected maturity, average interest rate and fair value of our liabilities that are exposed to interest rate risk are described in Notes 12 and 13. In managing interest expense, we control our mix of fixed and floating rate debt through term loans, floating rate notes, and interest rate swaps. We have established interest rate risk limits that we closely monitor by measuring interest rate sensitivities in our debt and interest rate derivatives portfolios.

Most of our foreign-denominated long-term debt has been swapped from fixed-rate or floating-rate foreign currencies to fixed-rate U.S. dollars at issuance through cross-currency swaps, removing interest rate risk and foreign currency exchange risk associated with the underlying interest and principal payments. Likewise, periodically we enter into interest rate locks to partially hedge the risk of increases in the benchmark interest rate during the period leading up to the probable issuance of fixed-rate debt. We expect gains or losses in our cross-currency swaps and interest rate locks to offset the losses and gains in the financial instruments they hedge.

We had no interest rate swaps and no interest rate locks at December 31, 2020.

Foreign Exchange Risk

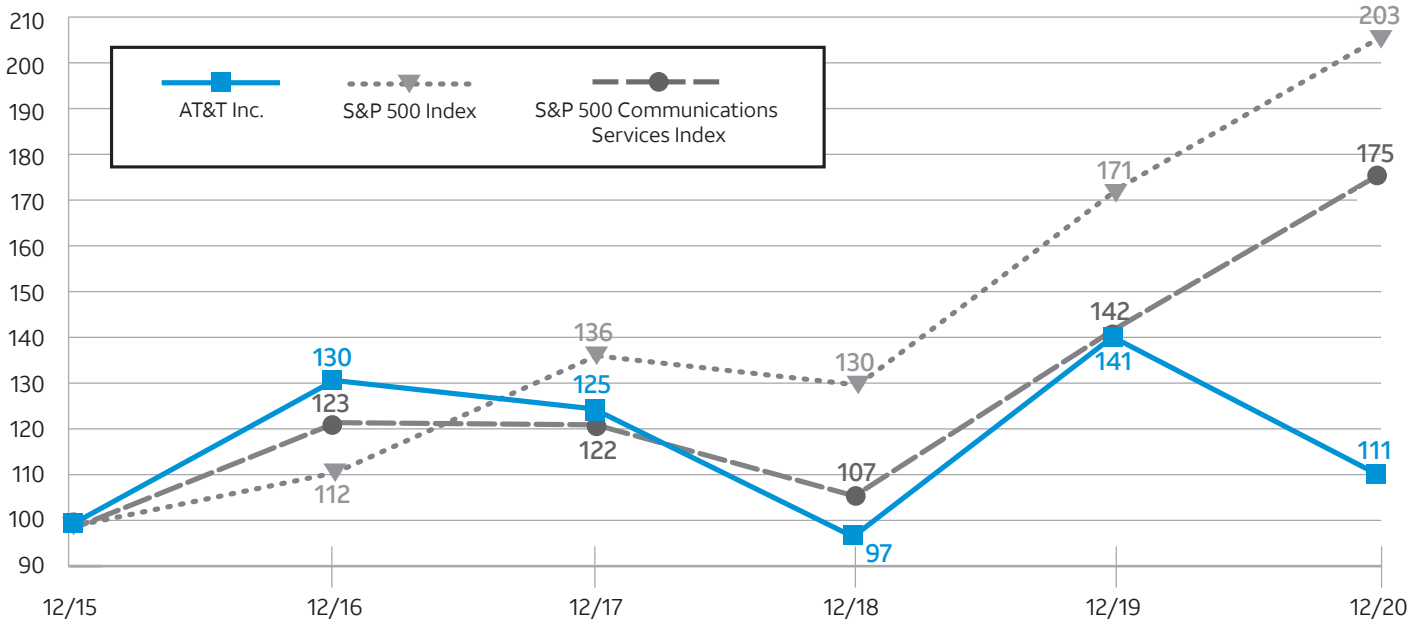
We principally use foreign exchange contracts to hedge certain film production costs denominated in foreign currencies. We are also exposed to foreign currency exchange risk through our foreign affiliates and equity investments in foreign companies. We have designated €1,450 million aggregate principal amount of debt as a hedge of the variability of certain Euro-denominated net investments of our subsidiaries. The gain or loss on the debt that is designated as, and is effective as, an economic hedge of the net investment in a foreign operation is recorded as a currency translation adjustment within accumulated other comprehensive income, net on the consolidated balance sheet.

Through cross-currency swaps, most of our foreign-denominated debt has been swapped from fixed-rate or floating-rate foreign currencies to fixed-rate U.S. dollars at issuance, removing interest rate and foreign currency exchange risk associated with the underlying interest and principal payments. We expect gains or losses in our cross-currency swaps to offset the gains and losses in the financial instruments they hedge. We had cross-currency swaps with a notional value of $40,745 and a fair value of $(93) outstanding at December 31, 2020.

For the purpose of assessing specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments and results of operations. We had foreign exchange forward contracts with a notional value of $90 and a fair value of $(3) outstanding at December 31, 2020.

STOCK PERFORMANCE GRAPH

Comparison of Five Year Cumulative Return
AT&T Inc., S&P 500 Index and S&P 500 Communications Services Index



The comparison above assumes $100 invested on December 31, 2015, in AT&T common stock and the following Standard & Poor's (S&P) Indices: S&P 500 Index and S&P 500 Communications Services Index. We have adopted the S&P 500 Communications Services Index, which permits us to use a more diversified set of companies in the communications and media sectors that are relevant to our businesses. Total return equals stock price appreciation plus reinvestment of dividends.

DISCUSSION AND RECONCILIATION OF NON-GAAP MEASURE

We believe the following measure is relevant and useful information to investors as it is used by management as a method of comparing performance with that of many of our competitors. This supplemental measure should be considered in addition to, but not as a substitute of, our consolidated and segment financial information.

Business Solutions Reconciliation

We provide a supplemental discussion of our Business Solutions operations that is calculated by combining our Mobility and Business Wireline business units, and then adjusting to remove non-business operations. The following table presents a reconciliation of our supplemental Business Solutions results. Results have been recast to conform to the current period's classification.

	Year Ended December 31, 2020			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**
Operating revenues				
Wireless service	**$55,542**	**$ —**	**$(47,810)**	**$ 7,732**
Strategic and managed services	**—**	**15,788**	**—**	**15,788**
Legacy voice and data services	**—**	**8,183**	**—**	**8,183**
Other service and equipment	**—**	**1,387**	**—**	**1,387**
Wireless equipment	**17,022**	**—**	**(14,140)**	**2,882**
Total Operating Revenues	**72,564**	**25,358**	**(61,950)**	**35,972**
Operating expenses				
Operations and support	**42,106**	**15,534**	**(34,927)**	**22,713**
EBITDA	**30,458**	**9,824**	**(27,023)**	**13,259**
Depreciation and amortization	**8,086**	**5,226**	**(6,803)**	**6,509**
Total Operating Expenses	**50,192**	**20,760**	**(41,730)**	**29,222**
Operating Income	**$22,372**	**$ 4,598**	**$(20,220)**	**$ 6,750**

[1] Non-business wireless reported in the Communications segment under the Mobility business unit.

	Year Ended December 31, 2019			
	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating revenues				
Wireless service	$55,331	$ —	$(47,887)	$ 7,444
Strategic and managed services	—	15,430	—	15,430
Legacy voice and data services	—	9,180	—	9,180
Other service and equipment	—	1,557	—	1,557
Wireless equipment	15,725	—	(12,971)	2,754
Total Operating Revenues	71,056	26,167	(60,858)	36,365
Operating expenses				
Operations and support	40,681	16,069	(34,036)	22,714
EBITDA	30,375	10,098	(26,822)	13,651
Depreciation and amortization	8,054	4,934	(6,840)	6,148
Total Operating Expenses	48,735	21,003	(40,876)	28,862
Operating Income	$22,321	$ 5,164	$(19,982)	$ 7,503

[1] Non-business wireless reported in the Communications segment under the Mobility business unit.

	Year Ended December 31, 2018			
	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating revenues				
Wireless service	$54,295	$ —	$(47,402)	$ 6,893
Strategic and managed services	—	14,649	—	14,649
Legacy voice and data services	—	10,674	—	10,674
Other service and equipment	—	1,406	—	1,406
Wireless equipment	16,226	—	(13,718)	2,508
Total Operating Revenues	70,521	26,729	(61,120)	36,130
Operating expenses				
Operations and support	40,690	16,181	(34,285)	22,586
EBITDA	29,831	10,548	(26,835)	13,544
Depreciation and amortization	8,263	4,708	(7,077)	5,894
Total Operating Expenses	48,953	20,889	(41,362)	28,480
Operating Income	$21,568	$ 5,840	$(19,758)	$ 7,650

[1] Non-business wireless reported in the Communications segment under the Mobility business unit.

RISK FACTORS

In addition to the other information set forth in this document, including the matters contained under the caption "Cautionary Language Concerning Forward-Looking Statements," you should carefully read the matters described below. We believe that each of these matters could materially affect our business. We recognize that most of these factors are beyond our ability to control and therefore we cannot predict an outcome.

Macro-economic Factors:

Adverse changes in the U.S. securities markets, interest rates and medical costs could materially increase our benefit plan costs and future funding requirements.

Our costs to provide current benefits and funding for future benefits are subject to increases, primarily due to continuing increases in medical and prescription drug costs, and can be affected by lower returns on assets held by our pension and other benefit plans, which are reflected in our financial statements for that year. In calculating the costs included on our financial statements of providing benefits under our plans, we have made certain assumptions regarding future investment returns, interest rates and medical costs. These assumptions could change significantly over time and could be materially different than originally projected. Lower than assumed investment returns, a decline in interest rates with a corresponding increase in our benefit obligations, and higher than assumed medical and prescription drug costs will increase expenses.

The Financial Accounting Standards Board requires companies to recognize the funded status of defined benefit pension and postretirement plans as an asset or liability in their statement of financial position and to recognize changes in that funded status in the year in which the changes occur. We have elected to reflect the annual adjustments to the funded status in our consolidated statement of income. Therefore, an increase in our costs or adverse market conditions will have a negative effect on our operating results.

Significant adverse changes in capital markets could result in the deterioration of our defined benefit plans' funded status and result in increased contribution requirements for such plans, which could be material.

Adverse changes in global financial markets could limit our ability and our larger customers' ability to access capital or increase the cost of capital needed to fund business operations.

During 2020, uncertainty surrounding global growth rates and the impact of the COVID-19 pandemic helped create volatility in the credit, currency, equity and fixed income markets. Volatility may affect companies' access to the credit markets, leading to higher borrowing costs, or, in some cases, the inability to fund ongoing operations. In addition, we contract with large financial institutions to support our own treasury operations, including contracts to hedge our exposure on interest rates and foreign exchange and the funding of credit lines and other short-term debt obligations, including commercial paper. These financial institutions face stricter capital-related and other regulations in the United States and Europe, as well as ongoing legal and financial issues concerning their loan portfolios, which may hamper their ability to provide credit or raise the cost of providing such credit.

The U.K. Financial Conduct Authority, which regulates LIBOR, has announced that it intends to phase out LIBOR by the end of 2021. Although our securities may provide for alternative methods of calculating the interest rate payable on such indebtedness, uncertainty as to the extent and manner of future changes may adversely affect the current trading market for LIBOR-based securities, and the value of variable rate indebtedness in general. A company's cost of borrowing is also affected by evaluations given by various credit rating agencies and these agencies have been applying tighter credit standards when evaluating debt levels and future growth prospects. While we have been successful in continuing to access the credit and fixed income markets when needed, adverse changes in the financial markets could render us either unable to access these markets or able to access these markets only at higher interest costs and with restrictive financial or other conditions, severely affecting our business operations. Additionally, downgrades of our credit rating by the major credit rating agencies could increase our cost of borrowing and also impact the collateral we would be required to post under certain agreements we have entered into with our derivative counterparties, which could negatively impact our liquidity. Further, valuation changes in our derivative portfolio due to interest rates and foreign exchange rates could require us to post collateral and thus may negatively impact our liquidity.

Our international operations have increased our exposure to political instability, to changes in the international economy and to the level of regulation on our business and these risks could offset our expected growth opportunities.

We have international operations, particularly in Latin America, including Mexico, and worldwide through WarnerMedia's content distribution. We need to comply with a wide variety of complex local laws, regulations and treaties. We are exposed to restrictions on cash repatriation, foreign exchange controls, fluctuations in currency values, changes in relationships between U.S. and foreign governments, trade restrictions including potential tariffs, differences in intellectual property protection laws, and other regulations that may affect

materially our earnings. Our Mexico operations, in particular, rely on a continuation of a regulatory regime that fosters competition. While our foreign operations represent significant opportunities to sell our services, a number of foreign countries where we operate have experienced unstable growth patterns, increased inflation, currency devaluation, foreign exchange controls, instability in the banking sector and high unemployment. In addition, significant political turmoil has continued in several Latin American countries. Should these conditions persist, our ability to offer service in one or more countries could be adversely affected and customers in these countries may be unable to purchase the services we offer or pay for services already provided. For example, we found it necessary in May 2020 to close our DIRECTV operations in Venezuela due to political instability in the country and in order to comply with sanctions of the U.S. government.

In addition, operating in foreign countries also typically involves participating with local businesses, either to comply with local laws or, for example, to enhance product marketing, deploy networks or execute on other capital projects. Involvement with foreign firms exposes us to the risk of being unable to control the actions of those firms and therefore exposes us to risks associated with our obligation to comply with the Foreign Corrupt Practices Act (FCPA). Violations of the FCPA could have a material adverse effect on our operating results.

Industry-wide Factors:

Our business is subject to risks arising from the outbreak of the COVID-19 virus.

The COVID-19 pandemic and resulting mitigation measures have caused, and may continue to cause, a negative effect on our operating results. To date, mitigation measures have caused sports leagues to modify their seasons and suspend certain operations as the cancellation of many sporting events, including the 2020 NCAA tournament, which has adversely affected our advertising revenues, may result in contract disputes concerning carriage rights and has caused us to incur expenses relating to certain of these sporting events notwithstanding their cancellation. The closure or avoidance of theaters, and the interruptions in movie production and other programming caused by COVID-19 are expected to continue to impact the timing of revenues and may cause a loss of revenue to our WarnerMedia business over the long term. The COVID-19 pandemic could also drive higher costs for our WarnerMedia business in 2021 based on the hybrid distribution model for releasing films in 2021 and costs associated with safety measures put in place to help provide a safe environment for content production. If the mitigation measures or the associated effects are prolonged, we expect business customers in industries most significantly impacted will continue to reduce or terminate services, having a negative effect on the performance of our Business Wireline business unit. Further, concerns over the COVID-19 pandemic could again result in the prolonged closure of many of our retail stores and deter customers from accessing our stores even as the pandemic subsides. These pandemic concerns may also result in continued impact to our customers' ability to pay for our products and services. We may also continue to see significant impact on roaming revenues due to a downturn in international travel. The COVID-19 pandemic has caused and could further cause reduced staffing levels at our call centers and field operations, resulting in delays in service. Further reductions in staffing levels could additionally limit our ability to provide services, adversely impacting our competitive position. We may also incur significantly higher expenses attributable to infrastructure investments required to meet higher network utilization from more customers consuming bandwidth from changes in work from home trends; extended cancellation periods; and increased labor costs if the COVID-19 pandemic continues for an extended period.

The COVID-19 pandemic and mitigation measures have caused, and may continue to cause, adverse impacts on global economic conditions and consumer confidence, spending and consumer behavior, which could affect demand for our products and services. The extent to which the COVID-19 pandemic impacts our business results of operations, cash flows and financial condition will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning other strains of the virus and the actions to contain its impact. Due to the speed with which the situation continues to develop and change, we are not able at this time to estimate the additional impact of COVID-19 on our financial or operational results, but the impact could be material.

Changes to federal, state and foreign government regulations and decisions in regulatory proceedings, as well as private litigation, could further increase our operating costs and/or alter customer perceptions of our operations, which could materially adversely affect us.

Our subsidiaries providing wired services are subject to significant federal and state regulation while many of our competitors are not. In addition, our subsidiaries and affiliates operating outside the United States are also subject to the jurisdiction of national and supranational regulatory authorities in the market where service is provided. Our wireless and various video subsidiaries are regulated to varying degrees by the FCC and in some instances, by state and local agencies. Adverse regulations and rulings by the FCC relating to broadband, wireless deployment and satellite video issues could impede our ability to manage our networks and recover costs and

lessen incentives to invest in our networks. The continuing growth of IP-based services, especially when accessed by wireless devices, has created or potentially could create conflicting regulation between the FCC and various state and local authorities, which may involve lengthy litigation to resolve and may result in outcomes unfavorable to us. In addition, increased public focus on a variety of issues related to our operations, such as privacy issues, government requests or orders for customer data, and concerns about global climate changes, have led to proposals or new legislation at state, federal and foreign government levels to change or increase regulation on our operations. Enactment of new privacy laws and regulations could, among other things, adversely affect our ability to collect and offer targeted advertisements or result in additional costs of compliance or litigation. Should customers decide that our competitors offer a more customer-friendly environment, our competitive position, results of operations or financial condition could be materially adversely affected.

Continuing growth in and the converging nature of wireless, video and broadband services will require us to deploy significant amounts of capital and require ongoing access to spectrum in order to provide attractive services to customers.

Wireless, video and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage, in particular, the demand for faster and seamless usage of video and data across mobile and fixed devices. The COVID-19 pandemic has accelerated these changes and also resulted in higher network utilization, as more customers consume bandwidth from changes in work from home trends. We must continually invest in our networks in order to improve our wireless, video and broadband services to meet this increasing demand and changes in customer expectations, while remaining competitive. Improvements in these services depend on many factors, including continued access to and deployment of adequate spectrum and the capital needed to expand our wireline network to support transport of these services. In order to stem broadband subscriber losses to cable competitors in our non-fiber wireline areas, we have been expanding our all-fiber wireline network. We must maintain and expand our network capacity and coverage for transport of video, data and voice between cell and fixed landline sites. To this end, we participate in spectrum auctions and continue to deploy software and other technology advancements in order to efficiently invest in our network.

Network service enhancements and product launches may not occur as scheduled or at the cost expected due to many factors, including delays in determining equipment and wireless handset operating standards, supplier delays, software issues, increases in network and handset component costs, regulatory permitting delays for tower sites or enhancements, or labor-related delays. Deployment of new technology also may adversely affect the performance of the network for existing services. If we cannot acquire needed spectrum or deploy the services customers desire on a timely basis with acceptable quality and at reasonable costs, then our ability to attract and retain customers, and, therefore, maintain and improve our operating margins, could be materially adversely affected.

Increasing competition for wireless customers could materially adversely affect our operating results.

We have multiple wireless competitors in each of our service areas and compete for customers based principally on service/device offerings, price, network quality, coverage area and customer service. In addition, we are facing growing competition from providers offering services using advanced wireless technologies and IP-based networks. We expect market saturation to continue to cause the wireless industry's customer growth rate to moderate in comparison with historical growth rates, leading to increased competition for customers. Our share of industry sales could be reduced due to aggressive pricing strategies pursued by competitors. We also expect that our customers' growing demand for high-speed video and data services will place constraints on our network capacity. These competition and capacity constraints will continue to put pressure on pricing and margins as companies compete for potential customers. Our ability to respond will depend, among other things, on continued improvement in network quality and customer service and our ability to price our products and services competitively as well as effective marketing of attractive products and services. These efforts will involve significant expenses and require strategic management decisions on, and timely implementation of, equipment choices, network deployment and service offerings.

Ongoing changes in the television industry and consumer viewing patterns could materially adversely affect our operating results.

Our video subsidiaries derive substantial revenues and profits from cable networks and premium pay television services and the production and licensing of television programming to broadcast and cable networks and premium pay television services. The U.S. television industry is continuing to evolve rapidly, with developments in technology leading to new methods

for the distribution of video content and changes in when, where and how audiences consume video content. These changes have led to (1) internet-based streaming competitors, which are increasing in number and some of which have significant and growing subscriber/user bases, and (2) reduced viewers of traditional advertising-supported television resulting from increased video consumption through SVOD services (including our own), time-shifted viewing of television programming and the use of DVRs to skip advertisements. The number of subscribers to traditional linear programming in the U.S. has been declining in recent years and the U.S. television industry has generally experienced declines in ratings for programming, which have negatively affected subscription and advertising revenues, and these trends are expected to continue. The popularity of content, whether on television, on the internet, or through movies, is difficult to predict and can change rapidly, and low public acceptance of our television, OTT and movie content, including WarnerMedia's content, could adversely affect our results of operations. We are taking steps to mitigate the risks from these changes, such as the launch of our HBO Max direct-to-consumer streaming platform and new, enhanced advertising opportunities, but there can be no assurance that these and other efforts will be successful in responding to these changes.

Intellectual property rights may be adversely affected by piracy or be inadequate to take advantage of business opportunities, such as new distribution platforms, which may materially adversely affect our operations.

Increased piracy of video content, products and other intellectual property, particularly in our foreign WarnerMedia and Latin American operations, will decrease revenues. Mobile and broadband technological developments have made it easier to reproduce and distribute high-quality unauthorized copies of content. Piracy is particularly prevalent in countries that lack effective copyright and other legal protections or enforcement measures and thieves can attract users throughout the world. Effective intellectual property protection may not be available in every country where we operate. We may need to spend significant amounts of money to protect our rights. We are also increasingly negotiating broader licensing agreements to expand our ability to use new methods to distribute content to customers. Any impairment of our intellectual property rights, including due to changes in U.S. or foreign intellectual property laws or the absence of effective legal protections or enforcement measures, or our inability to negotiate broader distribution rights, could materially adversely impact our operations.

Incidents leading to damage to our reputation, and any resulting lawsuits, claims or other legal proceedings, could have a material adverse effect on our business.

We believe that our brand image, awareness and reputation strengthen our relationship with consumers and contribute significantly to the success of our business. We strive to create a culture in which our colleagues act with integrity and respect and feel comfortable speaking up to report instances of misconduct or other concerns. Our ability to attract and retain employees is highly dependent upon our commitment to a diverse and inclusive workplace, ethical business practices and other qualities. Acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage our reputation. Negative public opinion could result from actual or alleged conduct by us or those currently or formerly associated with us, and from any number of activities or circumstances, including operations, employment-related offenses (such as sexual harassment and discrimination), regulatory compliance and actions taken by regulators or others in response to such conduct. We have in the past been, and may in the future be, named as a defendant in lawsuits, claims and other legal proceedings that arise in the ordinary course of our business based on alleged acts of misconduct by employees. These actions seek, among other things, compensation for alleged personal injury (including claims for loss of life), workers' compensation, employment discrimination, sexual harassment, workplace misconduct, wage and hour claims and other employment-related damages, compensation for breach of contract, statutory or regulatory claims, negligence or gross negligence, punitive damages, consequential damages, and civil penalties or other losses or injunctive or declaratory relief. The outcome of any allegations, lawsuits, claims or legal proceedings is inherently uncertain and could result in significant costs, damage to our brands or reputation and diversion of management's attention from our business. Additionally, our news organization makes editorial judgments around what is covered and how it is covered in the normal course of business. Although we have disciplined practices that are used to make such editorial judgments, it is possible that our news coverage alienates some consumers, adversely impacts our reputation and therefore impacts demand for our other products and services. Any damage to our reputation or payments of significant amounts, even if reserved, could materially and adversely affect our business, reputation, financial condition, results of operations and cash flows.

Company-Specific Financial Factors:

Adoption of new software-based technologies may involve quality and supply chain issues and could increase capital costs.

The communications and digital entertainment industry has experienced rapid changes in the past several years. An increasing number of our customers are using mobile devices as the primary means of viewing video and an increasing number of nontraditional video providers are developing content and technologies to satisfy the desire for video entertainment demand. In addition, businesses and government bodies are broadly shifting to wireless-based services for homes and infrastructure to improve services to their respective customers and constituencies. We are spending significant capital to shift our wired network to software-based technology to manage this demand and are expanding 5G wireless technology to address these consumer demands. We are entering into a significant number of software licensing agreements and working with software developers to provide network functions in lieu of installing switches or other physical network equipment in order to respond to rapid developments in video and wireless demand. While software-based functionality can be changed much more quickly than, for example, physical switches, the rapid pace of development means that we may increasingly need to rely on single-source and software solutions that have not previously been deployed in production environments. Should this software not function as intended or our license agreements provide inadequate protection from intellectual property infringement claims, we could be forced to either substitute (if available) or else spend time to develop alternative technologies at a much higher cost and incur harm to our reputation for reliability, and, as a result, our ability to remain competitive could be materially adversely affected.

We depend on various suppliers to provide equipment to operate our business and satisfy customer demand and interruption or delay in supply can adversely impact our operating results.

We depend on suppliers to provide us, directly or through other suppliers, with items such as network equipment, customer premises equipment, video equipment and wireless-related equipment such as mobile hotspots, handsets, wirelessly enabled computers, wireless data cards and other connected devices for our customers. These suppliers could fail to provide equipment on a timely basis, or fail to meet our performance expectations, for a number of reasons, including difficulties in obtaining export licenses for certain technologies, inability to secure component parts, general business disruption, natural disasters, safety issues, economic and political instability and public health emergencies such as the COVID-19 pandemic. The COVID-19 pandemic has caused, and may again cause, delays in the development, manufacturing (including the sourcing of key components) and shipment of products. In certain limited circumstances, suppliers have been unable to supply products in a timely fashion. In such limited circumstances, we have been unable to provide products and services precisely as and when requested by our customers. It is possible that, in some circumstances, we could be forced to switch to a different key supplier. Because of the cost and time lag that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to, or chose to, replace the products of one or more key suppliers with products from another source, especially if the replacement became necessary on short notice. Any such disruption could increase our costs, decrease our operating efficiencies and have a negative effect on our operating results.

Increasing costs to provide video and other services could adversely affect operating margins.

Our operating costs, including customer acquisition and retention costs, could continue to put pressure on margins and customer retention levels. In addition, most of our video programming that we distribute via our linear services is provided by other companies and historically the rates they charge us for programming have often increased more than the rate of inflation. In addition, as customer viewing habits shift to mobile, on-demand and streaming from linear programming, negotiating licensing rights is increasingly complicated. We are attempting to use our scale and access to wireless customers to change this trend but such negotiations are difficult and also may result in programming disruption. Our HBO Max streaming platform is another component of our strategy to reach nontraditional video customers and we are investing heavily to provide a competitive and attractive offering. If we are unable to restrain these costs or provide programming desired by our customers, it could impact margins and our ability to attract and retain customers. Our WarnerMedia operations, which create and license content to other providers, also may experience increasing difficulties securing favorable terms, including those related to pricing, positioning and packaging, during contract negotiations, which may lead to blackouts of WarnerMedia programming, and WarnerMedia may face greater difficulty in achieving placement of its networks and premium pay television services in offerings by third parties.

A number of our competitors offering comparable legacy services that rely on alternative technologies and business models are typically subject to less (or no) regulation, and therefore are able to operate with lower costs. These competitors generally can focus on discrete customer segments since they do not have regulatory obligations to provide universal service. Also, these

competitors have cost advantages compared to us, due in part to operating on newer, more technically advanced and lower-cost networks and a nonunionized workforce, lower employee benefits and fewer retirees. We are transitioning services from our old copper-based network and seeking regulatory approvals, where needed, at both the state and federal levels. If we do not obtain regulatory approvals for our network transition or obtain approvals with onerous conditions, we could experience significant cost and competitive disadvantages.

We may not realize or sustain the expected benefits from our business transformation initiatives, and these efforts could have a materially adverse effect on our business, operations, financial condition, results of operations and competitive position.

We have been and will be undertaking certain transformation initiatives, which are designed to reduce costs, streamline distribution, remove redundancies and simplify and improve processes and support functions. Our focus is on supporting added customer value with an improved customer experience. We intend for these efficiencies to enable increased investments in our strategic areas of focus which consist of improving broadband connectivity (for example, fiber and 5G), developing software-based entertainment (such as HBO Max and AT&T TV) and utilizing WarnerMedia's storytelling legacy to engage consumers and gain insights across multiple distribution points. If we do not successfully manage and execute these initiatives, or if they are inadequate or ineffective, we may fail to meet our financial goals and achieve anticipated benefits, improvements may be delayed, not sustained or not realized and our business, operations and competitive position could be adversely affected.

If our efforts to attract and retain subscribers to our new HBO Max platform are not successful, our business will be adversely affected.

HBO Max's future success is subject to inherent uncertainty. Our ability to continue to attract subscribers to the HBO Max platform will depend in part on our ability to consistently provide subscribers with compelling content choices, as well as a quality experience for selecting and viewing those content choices. Furthermore, the relative service levels, content offerings, promotions, and pricing and related features of competitors to HBO Max may adversely impact our ability to attract and retain subscribers. If consumers do not perceive our offerings to be of value, including if we introduce new or adjust existing features, adjust pricing or offerings, terminate or modify promotional or trial period offerings, experience technical issues, or change the mix of content in a manner that is not favorably received by them, we may not be able to attract and retain subscribers. In addition, many subscribers to these types of offerings originate from word-of-mouth advertising from then existing subscribers. If our efforts to satisfy subscribers are not successful, including because we terminate or modify promotional or trial-period offerings or because of technical issues with the platform, we may not be able to attract or retain subscribers, and as a result, our ability to maintain and/or grow our business will be adversely affected.

If subscribers cancel or decide to not continue subscriptions for any reason, including a perception that they do not use it sufficiently, the need to cut household expenses, unsatisfactory availability of content, promotions or trial-period offers expire or are modified, competitive services or promotions provide a better value or experience, and customer service or technical issues are not satisfactorily resolved, our business will be adversely affected. We must continually add new subscribers both to replace canceled subscribers and to grow our business. If we do not grow as expected, given, in particular, that a significant portion of our content costs are committed and contracted over several years based on minimum subscriber delivery levels, we may not be able to adjust our expenditures or increase our (per subscriber) revenues commensurate with the lowered growth rate such that our margins, liquidity and results of operations may be adversely impacted. If we are unable to successfully compete with competitors in retaining and attracting new subscribers, our business will be adversely affected. Further, if excessive numbers of subscribers do cancel, we may be required to incur significantly higher marketing expenditures or offer significantly more generous promotions to replace these subscribers with new subscribers.

Unfavorable litigation or governmental investigation results could require us to pay significant amounts or lead to onerous operating procedures.

We are subject to a number of lawsuits both in the United States and in foreign countries, including, at any particular time, claims relating to antitrust; patent infringement; wage and hour; personal injury; customer privacy violations; regulatory proceedings; and selling and collection practices. We also spend substantial resources complying with various government standards, which may entail related investigations and litigation. In the wireless area, we also face current and potential litigation relating to alleged adverse health effects on customers or employees who use such technologies including, for example, wireless devices. We may incur significant expenses defending such suits or government charges and may be required to pay amounts or otherwise change our operations in ways that could materially adversely affect our operations or financial results.

Cyberattacks, equipment failures, natural disasters and terrorist acts may materially adversely affect our operations.

Cyberattacks, major equipment failures or natural disasters, such as flooding, hurricanes and forest fires, whether caused by discrete severe weather events and/or precipitated by long-term climate change and earthquakes, software problems, terrorist acts or other breaches of network or IT security that affect our networks, including software and switches, microwave links, third-party-owned local and long-distance networks on which we rely, our cell sites or other equipment, our satellites, our customer account support and information systems, or employee and business records could have a material adverse effect on our operations. Our wired network in particular is becoming increasingly reliant on software as it evolves to handle increasing demands for video transmission. While we have been subject to security incidents or cyberattacks, these did not result in a material adverse effect on our operations. However, as such attacks continue to increase in scope and frequency, we may be unable to prevent a significant attack in the future. Our ability to maintain and upgrade our video programming also depends on our ability to successfully deploy and operate video satellites. Our inability to deploy or operate our networks or customer support systems or protect sensitive personal information of customers or employees or valuable technical and marketing information could result in significant expenses, potential legal liability, a loss of current or future customers and reputation damage, any of which could have a material adverse effect on our operations and financial condition.

Increases in our debt levels to fund acquisitions, additional spectrum purchases, or other strategic decisions could adversely affect our ability to finance future debt at attractive rates and reduce our ability to respond to competition and adverse economic trends.

We have incurred debt to fund significant acquisitions, as well as spectrum purchases needed to compete in our industry. While we believe such decisions were prudent and necessary to take advantage of both growth opportunities and respond to industry developments, we did experience credit-rating downgrades from historical levels. Banks and potential purchasers of our publicly traded debt may decide that these strategic decisions and similar actions we may take in the future, as well as expected trends in the industry, will continue to increase the risk of investing in our debt and may demand a higher rate of interest, impose restrictive covenants or otherwise limit the amount of potential borrowing. Additionally, our capital allocation plan is focused on, among other things, managing our debt level going forward. Any failure to successfully execute this plan could adversely affect our cost of funds, liquidity, competitive position and access to capital markets.

Our business may be impacted by changes in tax laws and regulations, judicial interpretations of same or administrative actions by federal, state, local and foreign taxing authorities.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. In many cases, the application of existing, newly enacted or amended tax laws (such as the U.S. Tax Cuts and Jobs Act of 2017) may be uncertain and subject to differing interpretations, especially when evaluated against ever changing products and services provided by our global telecommunications, media, and technology businesses. In addition, tax legislation has been introduced or is being considered in various jurisdictions that could significantly impact our tax rate, tax liabilities, carrying value of deferred tax assets or deferred tax liabilities. Any of these changes could materially impact our financial performance and our tax provision, net income and cash flows.

We are also subject to ongoing examinations by taxing authorities in various jurisdictions. Although we regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of provisions for taxes, there can be no assurance as to the outcome of these examinations. In the event that we have not accurately or fully described, disclosed or determined, calculated or remitted amounts that were due to taxing authorities or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, we could be subject to additional taxes, penalties and interest, which could materially impact our business, financial condition and operating results.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this report contains forward-looking statements that are subject to risks and uncertainties, and actual results could differ materially. Many of these factors are discussed in more detail in the "Risk Factors" section. We claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

The following factors could cause our future results to differ materially from those expressed in the forward-looking statements:

- The severity, magnitude and duration of the COVID-19 pandemic and containment, mitigation and other measures taken in response, including the potential impacts of these matters on our business and operations.
- Our inability to predict the extent to which the COVID-19 pandemic and related impacts will continue to impact our business operations, financial performance and results of operations.
- Adverse economic, political and/or capital access changes in the markets served by us or in countries in which we have significant investments and/or operations, including the impact on customer demand and our ability and our suppliers' ability to access financial markets at favorable rates and terms.
- Increases in our benefit plans' costs, including increases due to adverse changes in the United States and foreign securities markets, resulting in worse-than-assumed investment returns and discount rates; adverse changes in mortality assumptions; adverse medical cost trends; and unfavorable or delayed implementation or repeal of healthcare legislation, regulations or related court decisions.
- The final outcome of FCC and other federal, state or foreign government agency proceedings (including judicial review, if any, of such proceedings) and legislative efforts involving issues that are important to our business, including, without limitation, pending Notices of Apparent Liability; the transition from legacy technologies to IP-based infrastructure, including the withdrawal of legacy TDM-based services; universal service; broadband deployment; wireless equipment siting regulations and, in particular, siting for 5G service; E911 services; competition policy; privacy; net neutrality; multichannel video programming distributor services and equipment; content licensing and copyright protection; availability of new spectrum on fair and balanced terms; and wireless and satellite license awards and renewals.
- Enactment of additional state, local, federal and/or foreign regulatory and tax laws and regulations, or changes to existing standards and actions by tax agencies and judicial authorities including the resolution of disputes with any taxing jurisdictions, pertaining to our subsidiaries and foreign investments, including laws and regulations that reduce our incentive to invest in our networks, resulting in lower revenue growth and/or higher operating costs.
- Potential changes to the electromagnetic spectrum currently used for broadcast television and satellite distribution being considered by the FCC could negatively impact WarnerMedia's ability to deliver linear network feeds of its domestic cable networks to its affiliates, and in some cases, WarnerMedia's ability to produce high-value news and entertainment programming on location.
- U.S. and foreign laws and regulations, as well as possible private rights of action, regarding intellectual property rights protection and privacy, personal data protection and user consent are complex and rapidly evolving and could result in adverse impacts to our business plans, increased costs, or claims against us that may harm our reputation.
- The ability of our competitors to offer product/service offerings at lower prices due to lower cost structures and regulatory and legislative actions adverse to us, including non-regulation of comparable alternative technologies and/or government-owned or subsidized networks.
- Disruption in our supply chain for a number of reasons, including, difficulties in obtaining export licenses for certain technology, inability to secure component parts, general business disruption, natural disasters, safety issues, economic and political instability and public health emergencies.
- The continued development and delivery of attractive and profitable wireless, video and broadband offerings and devices, and, in particular, the success of our HBO Max platform; the extent to which regulatory and build-out requirements apply to our offerings; our ability to match speeds offered by our competitors and the availability, cost and/or reliability of the various technologies and/or content required to provide such offerings.
- Our ability to generate advertising revenue from attractive video content, especially from WarnerMedia, in the face of unpredictable and rapidly evolving public viewing habits and legal restrictions on the use of personal data.
- The availability and cost and our ability to adequately fund additional wireless spectrum and network upgrades; and regulations and conditions relating to spectrum use, licensing, obtaining additional spectrum, technical standards and deployment and usage, including network management rules.
- Our ability to manage growth in wireless data services, including network quality and acquisition of adequate spectrum at reasonable costs and terms.
- The outcome of pending, threatened or potential litigation (which includes arbitrations), including, without limitation, patent and product safety claims by or against third parties.
- The impact from major equipment or software failures on our networks, including satellites operated by DIRECTV; the effect of security breaches related to the network or customer information; our inability to obtain handsets, equipment/software or have handsets, equipment/software serviced in a timely and cost-effective manner from suppliers; and in the case of satellites launched, timely provisioning of services from vendors; or severe weather conditions including flooding and hurricanes, natural disasters including earthquakes and forest fires, pandemics, energy shortages, wars or terrorist attacks.
- The issuance by the Financial Accounting Standards Board or other accounting oversight bodies of new accounting standards or changes to existing standards.
- Our ability to successfully integrate our WarnerMedia operations, including the ability to manage various businesses in widely dispersed business locations and with decentralized management.
- Changes in our corporate strategies, such as changing network-related requirements or acquisitions and dispositions, which may require significant amounts of cash or stock, to respond to competition and regulatory, legislative and technological developments.
- The uncertainty surrounding further congressional action to address spending reductions, which may result in a significant decrease in government spending and reluctance of businesses and consumers to spend in general.

Readers are cautioned that other factors discussed in this report, although not enumerated here, also could materially affect our future earnings.

Consolidated Statements of Income

Dollars in millions except per share amounts

	2020	2019	2018
Operating Revenues			
Service	**$152,767**	$163,499	$152,345
Equipment	**18,993**	17,694	18,411
Total operating revenues	**171,760**	181,193	170,756
Operating Expenses			
Cost of revenues			
Equipment	**19,706**	18,653	19,786
Broadcast, programming and operations	**27,305**	31,132	26,727
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**32,909**	34,356	32,906
Selling, general and administrative	**38,039**	39,422	36,765
Asset impairments and abandonments	**18,880**	1,458	46
Depreciation and amortization	**28,516**	28,217	28,430
Total operating expenses	**165,355**	153,238	144,660
Operating Income	**6,405**	27,955	26,096
Other Income (Expense)			
Interest expense	**(7,925)**	(8,422)	(7,957)
Equity in net income (loss) of affiliates	**95**	6	(48)
Other income (expense) – net	**(1,431)**	(1,071)	6,782
Total other income (expense)	**(9,261)**	(9,487)	(1,223)
Income (Loss) Before Income Taxes	**(2,856)**	18,468	24,873
Income tax expense	**965**	3,493	4,920
Net Income (Loss)	**(3,821)**	14,975	19,953
Less: Net Income Attributable to Noncontrolling Interest	**(1,355)**	(1,072)	(583)
Net Income (Loss) Attributable to AT&T	**$ (5,176)**	$ 13,903	$ 19,370
Less: Preferred Stock Dividends	**(193)**	(3)	—
Net Income (Loss) Attributable to Common Stock	**$ (5,369)**	$ 13,900	$ 19,370
Basic Earnings Per Share Attributable to Common Stock	**$ (0.75)**	$ 1.90	$ 2.85
Diluted Earnings Per Share Attributable to Common Stock	**$ (0.75)**	$ 1.89	$ 2.85

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

Consolidated Statements of Comprehensive Income

Dollars in millions except per share amounts

	2020	2019	2018
Net income (loss)	**$(3,821)**	$14,975	$19,953
Other comprehensive income (loss), net of tax:			
Foreign Currency:			
Translation adjustment (includes $(59), $(9) and $(32) attributable to noncontrolling interest), net of taxes of $(42), $18 and $(45)	**(929)**	19	(1,062)
Securities:			
Net unrealized gains (losses), net of taxes of $27, $17 and $(1)	**78**	50	(4)
Reclassification adjustment included in net income, net of taxes of $(5), $0 and $0	**(15)**	—	—
Derivative Instruments:			
Net unrealized gains (losses), net of taxes of $(212), $(240) and $(156)	**(811)**	(900)	(597)
Reclassification adjustment included in net income, net of taxes of $18, $12 and $6	**69**	45	13
Defined benefit postretirement plans:			
Net prior service credit arising during period, net of taxes of $735, $1,134 and $271	**2,250**	3,457	830
Amortization of net prior service credit included in net income, net of taxes of $(601), $(475) and $(431)	**(1,841)**	(1,459)	(1,322)
Other comprehensive income (loss)	**(1,199)**	1,212	(2,142)
Total comprehensive income (loss)	**(5,020)**	16,187	17,811
Less: Total comprehensive income attributable to noncontrolling interest	**(1,296)**	(1,063)	(551)
Total Comprehensive Income (Loss) Attributable to AT&T	**$(6,316)**	$15,124	$17,260

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

Consolidated Balance Sheets

Dollars in millions except per share amounts

	December 31, 2020	December 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	**$ 9,740**	$ 12,130
Accounts receivable – net of related allowance for credit loss of $1,221 and $1,235	**20,215**	22,636
Prepaid expenses	**1,822**	1,631
Other current assets	**20,231**	18,364
Total current assets	**52,008**	54,761
Noncurrent Inventories and Theatrical Film and Television Production Costs	**14,752**	12,434
Property, Plant and Equipment – Net	**127,315**	130,128
Goodwill	**135,259**	146,241
Licenses – Net	**93,840**	97,907
Trademarks and Trade Names – Net	**23,297**	23,567
Distribution Networks – Net	**13,793**	15,345
Other Intangible Assets – Net	**15,386**	20,798
Investments in and Advances to Equity Affiliates	**1,780**	3,695
Operating Lease Right-Of-Use Assets	**24,714**	24,039
Other Assets	**23,617**	22,754
Total Assets	**$525,761**	$551,669
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 3,470**	$ 11,838
Accounts payable and accrued liabilities	**49,032**	45,956
Advanced billings and customer deposits	**6,176**	6,124
Accrued taxes	**1,019**	1,212
Dividends payable	**3,741**	3,781
Total current liabilities	**63,438**	68,911
Long-Term Debt	**153,775**	151,309
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**60,472**	59,502
Postemployment benefit obligation	**18,276**	18,788
Operating lease liabilities	**22,202**	21,804
Other noncurrent liabilities	**28,358**	29,421
Total deferred credits and other noncurrent liabilities	**129,308**	129,515
Stockholders' Equity		
Preferred stock ($1 par value, 10,000,000 authorized):		
Series A (48,000 issued and outstanding at December 31, 2020 and December 31, 2019)	**—**	—
Series B (20,000 issued and outstanding at December 31, 2020 and 0 issued and outstanding at December 31, 2019)	**—**	—
Series C (70,000 issued and outstanding at December 31, 2020 and 0 issued and outstanding at December 31, 2019)	**—**	—
Common stock ($1 par value, 14,000,000,000 authorized at December 31, 2020 and December 31, 2019: issued 7,620,748,598 at December 31, 2020 and December 31, 2019)	**7,621**	7,621
Additional paid-in capital	**130,175**	126,279
Retained earnings	**37,457**	57,936
Treasury stock (494,826,583 at December 31, 2020 and 366,193,458 at December 31, 2019, at cost)	**(17,910)**	(13,085)
Accumulated other comprehensive income	**4,330**	5,470
Noncontrolling interest	**17,567**	17,713
Total stockholders' equity	**179,240**	201,934
Total Liabilities and Stockholders' Equity	**$525,761**	$551,669

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

Consolidated Statements of Cash Flows

Dollars in millions except per share amounts

	2020	2019	2018
Operating Activities			
Net income (loss)	**$ (3,821)**	$ 14,975	$ 19,953
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	**28,516**	28,217	28,430
Amortization of film and television costs	**8,603**	9,587	3,772
Undistributed earnings from investments in equity affiliates	**38**	295	292
Provision for uncollectible accounts	**1,972**	2,575	1,791
Deferred income tax expense	**1,675**	1,806	4,931
Net (gain) loss on investments, net of impairments	**(742)**	(1,218)	(739)
Pension and postretirement benefit expense (credit)	**(2,992)**	(2,002)	(1,148)
Actuarial (gain) loss on pension and postretirement benefits	**4,169**	5,171	(3,412)
Asset impairments and abandonments	**18,880**	1,458	46
Changes in operating assets and liabilities:			
Receivables	**2,216**	2,812	(1,580)
Other current assets, inventories and theatrical film and television production costs	**(13,070)**	(12,852)	(6,442)
Accounts payable and other accrued liabilities	**(1,410)**	(1,524)	1,602
Equipment installment receivables and related sales	**(1,429)**	548	(490)
Deferred customer contract acquisition and fulfillment costs	**376**	(910)	(3,458)
Postretirement claims and contributions	**(985)**	(1,008)	(936)
Other – net	**1,134**	738	990
Total adjustments	**46,951**	33,693	23,649
Net Cash Provided by Operating Activities	**43,130**	48,668	43,602
Investing Activities			
Capital expenditures, including $(123), $(200) and $(493) of interest during construction	**(15,675)**	(19,635)	(21,251)
Acquisitions, net of cash acquired	**(1,851)**	(1,809)	(43,309)
Dispositions	**3,641**	4,684	2,148
(Purchases), sales and settlement of securities and investments, net	**497**	435	(183)
Advances to and investments in equity affiliates, net	**(160)**	(365)	(1,050)
Cash collections of deferred purchase price	**—**	—	500
Net Cash Used in Investing Activities	**(13,548)**	(16,690)	(63,145)
Financing Activities			
Net change in short-term borrowings with original maturities of three months or less	**(17)**	(276)	(821)
Issuance of other short-term borrowings	**9,440**	4,012	4,898
Repayment of other short-term borrowings	**(9,467)**	(6,904)	(2,098)
Issuance of long-term debt	**31,988**	17,039	41,875
Repayment of long-term debt	**(39,964)**	(27,592)	(52,643)
Payment of vendor financing	**(2,966)**	(3,050)	(560)
Issuance of preferred stock	**3,869**	1,164	—
Purchase of treasury stock	**(5,498)**	(2,417)	(609)
Issuance of treasury stock	**105**	631	745
Issuance of preferred interests in subsidiaries	**1,979**	7,876	—
Redemption of preferred interest in subsidiary	**(1,950)**	—	—
Dividends paid	**(14,956)**	(14,888)	(13,410)
Other – net	**(4,570)**	(678)	(3,366)
Net Cash Used in Financing Activities	**(32,007)**	(25,083)	(25,989)
Net (decrease) increase in cash and cash equivalents and restricted cash	**(2,425)**	6,895	(45,532)
Cash and cash equivalents and restricted cash beginning of year	**12,295**	5,400	50,932
Cash and Cash Equivalents and Restricted Cash End of Year	**$ 9,870**	$ 12,295	$ 5,400

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

Consolidated Statements of Changes in Stockholders' Equity

Dollars and shares in millions except per share amounts

	2020		2019		2018	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Preferred Stock – Series A						
Balance at beginning of year	**—**	**$ —**	—	$ —	—	$ —
Issuance of stock	**—**	**—**	—	—	—	—
Balance at end of year	**—**	**$ —**	—	$ —	—	$ —
Preferred Stock – Series B						
Balance at beginning of year	**—**	**$ —**	—	$ —	—	$ —
Issuance of stock	**—**	**—**	—	—	—	—
Balance at end of year	**—**	**$ —**	—	$ —	—	$ —
Preferred Stock – Series C						
Balance at beginning of year	**—**	**$ —**	—	$ —	—	$ —
Issuance of stock	**—**	**—**	—	—	—	—
Balance at end of year	**—**	**$ —**	—	$ —	—	$ —
Common Stock						
Balance at beginning of year	**7,621**	**$ 7,621**	7,621	$ 7,621	6,495	$ 6,495
Issuance of stock	**—**	**—**	—	—	1,126	1,126
Balance at end of year	**7,621**	**$ 7,621**	7,621	$ 7,621	7,621	$ 7,621
Additional Paid-In Capital						
Balance at beginning of year		**$126,279**		$125,525		$ 89,563
Repurchase and acquisition of common stock		**67**		—		—
Issuance of preferred stock		**3,869**		1,164		—
Issuance of common stock		**—**		—		35,473
Issuance of treasury stock		**(62)**		(125)		(115)
Share-based payments		**18**		(271)		604
Changes related to acquisition of interests held by noncontrolling owners		**4**		(14)		—
Balance at end of year		**$130,175**		$126,279		$125,525
Retained Earnings						
Balance at beginning of year		**$ 57,936**		$ 58,753		$ 50,500
Cumulative effect of accounting changes and other adjustments		**(293)**		316		3,000
Adjusted beginning balance		**57,643**		59,069		53,500
Net income (loss) attributable to AT&T		**(5,176)**		13,903		19,370
Preferred stock dividends		**(139)**		(8)		—
Common stock dividends ($2.08, $2.05, and $2.01 per share)		**(14,871)**		(15,028)		(14,117)
Balance at end of year		**$ 37,457**		$ 57,936		$ 58,753

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

Consolidated Statements of Changes in Stockholders' Equity – continued

Dollars and shares in millions except per share amounts

	2020		2019		2018	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Treasury Stock						
Balance at beginning of year	**(366)**	**$ (13,085)**	(339)	$ (12,059)	(356)	$ (12,714)
Repurchase and acquisition of common stock	**(150)**	**(5,631)**	(67)	(2,492)	(20)	(692)
Issuance of treasury stock	**21**	**806**	40	1,466	37	1,347
Balance at end of year	**(495)**	**$ (17,910)**	(366)	$ (13,085)	(339)	$ (12,059)
Accumulated Other Comprehensive Income Attributable to AT&T, net of tax:						
Balance at beginning of year		**$ 5,470**		$ 4,249		$ 7,017
Cumulative effect of accounting changes and other adjustments		**—**		—		(658)
Adjusted beginning balance		**5,470**		4,249		6,359
Other comprehensive income (loss) attributable to AT&T		**(1,140)**		1,221		(2,110)
Balance at end of year		**$ 4,330**		$ 5,470		$ 4,249
Noncontrolling Interest:						
Balance at beginning of year		**$ 17,713**		$ 9,795		$ 1,146
Cumulative effect of accounting changes and other adjustments		**(7)**		29		35
Adjusted beginning balance		**17,706**		9,824		1,181
Net income attributable to noncontrolling interest		**1,355**		1,072		583
Issuance and acquisition of noncontrolling owners		**1,979**		7,881		8,804
Redemption of noncontrolling interest		**(1,950)**		—		—
Distributions		**(1,464)**		(1,055)		(732)
Acquisition of interests held by noncontrolling owners		**—**		—		(9)
Translation adjustments attributable to noncontrolling interest, net of taxes		**(59)**		(9)		(32)
Balance at end of year		**$ 17,567**		$ 17,713		$ 9,795
Total Stockholders' Equity at beginning of year		**$201,934**		$193,884		$142,007
Total Stockholders' Equity at end of year		**$179,240**		$201,934		$193,884

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