1ST QUARTER EARNINGS 2021

Financial and Operational Schedules & Non-GAAP Reconciliations

APRIL 22ND, 2021

AT&T

AT&T Inc.
Financial Data

Consolidated Statements of Income			
Dollars in millions except per share amounts			
Unaudited	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
Service	**$ 38,504**	$ 38,883	(1.0)%
Equipment	**5,435**	3,896	39.5 %
Total Operating Revenues	**43,939**	42,779	2.7 %
Operating Expenses			
Cost of revenues			
Equipment	**5,556**	4,092	35.8 %
Broadcast, programming and operations	**7,538**	6,754	11.6 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**7,993**	8,342	(4.2)%
Selling, general and administrative	**9,382**	8,760	7.1 %
Asset impairments and abandonments	**—**	123	— %
Depreciation and amortization	**5,809**	7,222	(19.6)%
Total Operating Expenses	**36,278**	35,293	2.8 %
Operating Income	**7,661**	7,486	2.3 %
Interest Expense	**1,870**	2,018	(7.3)%
Equity in Net Income (Loss) of Affiliates	**52**	(6)	— %
Other Income (Expense) — Net	**4,221**	803	— %
Income Before Income Taxes	**10,064**	6,265	60.6 %
Income Tax Expense	**2,122**	1,302	63.0 %
Net Income	**7,942**	4,963	60.0 %
Less: Net Income Attributable to Noncontrolling Interest	**(392)**	(353)	(11.0)%
Net Income Attributable to AT&T	**$ 7,550**	$ 4,610	63.8 %
Less: Preferred Stock Dividends	**(50)**	(32)	(56.3)%
Net Income Attributable to Common Stock	**$ 7,500**	$ 4,578	63.8 %
Basic Earnings Per Share Attributable to Common Stock	**$ 1.04**	$ 0.63	65.1 %
Weighted Average Common Shares Outstanding (000,000)	**7,161**	7,187	(0.4)%
Diluted Earnings Per Share Attributable to Common Stock	**$ 1.04**	$ 0.63	65.1 %
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,188**	7,214	(0.4)%

AT&T Inc.
Financial Data

Consolidated Balance Sheets		
Dollars in millions *Unaudited*	**Mar. 31, 2021**	Dec. 31, 2020
Assets		
Current Assets		
Cash and cash equivalents	**$ 11,342**	$ 9,740
Accounts receivable – net of related allowances for credit loss of $954 and $1,221	**16,971**	20,215
Inventories	**3,347**	3,695
Prepaid and other current assets	**31,094**	18,358
Total current assets	**62,754**	52,008
Noncurrent Inventories and Theatrical Film and Television Production Costs	**15,626**	14,752
Property, Plant and Equipment – Net	**124,607**	127,315
Goodwill	**135,168**	135,259
Licenses – Net	**87,947**	93,840
Trademarks and Trade Names – Net	**23,043**	23,297
Distribution Networks – Net	**13,334**	13,793
Other Intangible Assets – Net	**13,384**	15,386
Investments in and Advances to Equity Affiliates	**1,805**	1,780
Operating Lease Right-Of-Use Assets	**24,415**	24,714
Deposits on Wireless Licenses	**23,406**	—
Other Assets	**21,496**	23,617
Total Assets	**$ 546,985**	$ 525,761
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 19,505**	$ 3,470
Accounts payable and accrued liabilities	**48,245**	50,051
Advanced billings and customer deposits	**5,029**	6,176
Dividends payable	**3,829**	3,741
Total current liabilities	**76,608**	63,438
Long-Term Debt	**160,694**	153,775
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**61,886**	60,472
Postemployment benefit obligation	**14,723**	18,276
Operating lease liabilities	**21,766**	22,202
Other noncurrent liabilities	**28,229**	28,358
Total deferred credits and other noncurrent liabilities	**126,604**	129,308
Stockholders' Equity		
Preferred stock	**—**	—
Common stock	**7,621**	7,621
Additional paid-in capital	**129,856**	130,175
Retained earnings	**41,154**	37,457
Treasury stock	**(17,342)**	(17,910)
Accumulated other comprehensive income	**4,199**	4,330
Noncontrolling interest	**17,591**	17,567
Total stockholders' equity	**183,079**	179,240
Total Liabilities and Stockholders' Equity	**$ 546,985**	$ 525,761

Consolidated Statements of Cash Flows		
Dollars in millions		
Unaudited	First Quarter	
	2021	2020
Operating Activities		
Net income	**$ 7,942**	$ 4,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,809**	7,222
Amortization of film and television costs	**2,886**	2,269
Undistributed earnings from investments in equity affiliates	**(47)**	39
Provision for uncollectible accounts	**321**	780
Deferred income tax expense	**1,848**	259
Net (gain) loss on investments, net of impairments	**(119)**	(646)
Pension and postretirement benefit expense (credit)	**(974)**	(748)
Actuarial (gain) loss on pension and postretirement benefits	**(2,844)**	—
Asset impairments and abandonments	**—**	123
Changes in operating assets and liabilities:		
Receivables	**751**	1,695
Other current assets, inventories and theatrical film and television production costs	**(3,518)**	(3,267)
Accounts payable and other accrued liabilities	**(3,060)**	(3,884)
Equipment installment receivables and related sales	**1,190**	535
Deferred customer contract acquisition and fulfillment costs	**244**	105
Postretirement claims and contributions	**(343)**	(111)
Other - net	**(159)**	(468)
Total adjustments	**1,985**	3,903
Net Cash Provided by Operating Activities	**9,927**	8,866
Investing Activities		
Capital expenditures, including $(61) and $(28) of interest during construction	**(4,033)**	(4,966)
Acquisitions, net of cash acquired	**(22,884)**	(100)
Dispositions	**51**	118
(Purchases), sales and settlements of securities and investments, net	**(4)**	(6)
Advances to and investments in equity affiliates, net	**18**	(68)
Net Cash Used in Investing Activities	**(26,852)**	(5,022)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**687**	1,742
Issuance of other short-term borrowings	**15,485**	1,390
Issuance of long-term debt	**9,097**	4,357
Repayment of long-term debt	**(902)**	(4,422)
Payment of vendor financing	**(1,690)**	(791)
Issuance of preferred stock	**—**	3,869
Purchase of treasury stock	**(176)**	(5,463)
Issuance of treasury stock	**63**	58
Dividends paid	**(3,741)**	(3,737)
Other - net	**(340)**	(3,102)
Net Cash Provided by (Used in) Financing Activities	**18,483**	(6,099)
Net increase (decrease) in cash and cash equivalents and restricted cash	**1,558**	(2,255)
Cash and cash equivalents and restricted cash beginning of year	**9,870**	12,295
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 11,428**	$ 10,040

AT&T Inc.
Consolidated Supplementary Data

Supplementary Financial Data			
Dollars in millions except per share amounts			
Unaudited	First Quarter		Percent
	2021	2020	Change
Capital expenditures			
Purchase of property and equipment	**$ 3,972**	$ 4,938	(19.6) %
Interest during construction	**61**	28	— %
Total Capital Expenditures	**$ 4,033**	$ 4,966	(18.8) %
Cash Paid for Programming and Produced Film/TV Content	**$ 4,508**	$ 4,322	4.3 %
Dividends Declared per Common Share	**$ 0.52**	$ 0.52	— %
End of Period Common Shares Outstanding (000,000)	**7,140**	7,125	0.2 %
Debt Ratio	**49.6 %**	45.7 %	390 BP
Total Employees	**228,470**	244,490	(6.6) %

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2021	2020	Change
Broadband Connections			
IP	**14,908**	14,627	1.9 %
DSL	**527**	688	(23.4) %
Total Broadband Connections	**15,435**	15,315	0.8 %
Voice Connections			
Network Access Lines	**6,988**	8,160	(14.4) %
U-verse VoIP Connections	**3,684**	4,213	(12.6) %
Total Retail Voice Connections	**10,672**	12,373	(13.7) %

	First Quarter		Percent
	2021	2020	Change
Broadband Net Additions			
IP	**90**	(32)	— %
DSL	**(39)**	(42)	7.1 %
Total Broadband Net Additions	**51**	(74)	— %

COMMUNICATIONS SEGMENT

The Communications segment provides wireless and wireline telecom and broadband services to consumers located in the U.S. and businesses globally. The Communications segment contains three reporting units: Mobility, Business Wireline, and Consumer Wireline.

Results have been recast to remove the Video and Government Solutions held-for-sale businesses, instead reporting those results in Corporate and Other.

Segment Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2021	2020	Change
Segment Operating Revenues			
Mobility	**$ 19,034**	$ 17,402	9.4 %
Business Wireline	**6,046**	6,266	(3.5)%
Consumer Wireline	**3,098**	3,111	(0.4)%
Total Segment Operating Revenues	**28,178**	26,779	5.2 %
Segment Operating Contribution			
Mobility	**6,002**	5,788	3.7 %
Business Wireline	**1,058**	1,093	(3.2)%
Consumer Wireline	**305**	520	(41.3)%
Total Segment Operating Contribution	**$ 7,365**	$ 7,401	(0.5)%

Mobility

Mobility provides nationwide wireless service and equipment.

Mobility Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
Service	**$ 14,048**	$ 13,968	0.6 %
Equipment	**4,986**	3,434	45.2 %
Total Operating Revenues	**19,034**	17,402	9.4 %
Operating Expenses			
Operations and support	**11,018**	9,569	15.1 %
Depreciation and amortization	**2,014**	2,045	(1.5) %
Total Operating Expenses	**13,032**	11,614	12.2 %
Operating Income	**6,002**	5,788	3.7 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 6,002**	$ 5,788	3.7 %
Operating Income Margin	**31.5 %**	33.3 %	(180) BP

Supplementary Operating Data			
Subscribers and connections in thousands *Unaudited*	March 31,		Percent
	2021	2020	Change
Mobility Subscribers			
Postpaid	**77,934**	75,148	3.7 %
Postpaid phone	**64,752**	63,105	2.6 %
Prepaid	**18,387**	17,808	3.3 %
Reseller	**6,501**	6,736	(3.5) %
Connected Devices	**83,286**	69,506	19.8 %
Total Mobility Subscribers	**186,108**	169,198	10.0 %
	First Quarter		Percent
	2021	2020	Change
Mobility Net Additions			
Postpaid Phone Net Additions	**595**	163	— %
Total Phone Net Additions	**802**	120	— %
Postpaid	**823**	27	— %
Prepaid	**279**	(45)	— %
Reseller	**(68)**	(190)	64.2 %
Connected Devices	**2,517**	3,518	(28.5) %
Total Mobility Net Additions	**3,551**	3,310	7.3 %
Postpaid Churn	**0.93 %**	1.08 %	(15) BP
Postpaid Phone-Only Churn	**0.76 %**	0.86 %	(10) BP

Business Wireline

Business Wireline provides advanced IP-based services, as well as traditional data services to business customers.

Results have been recast to characterize revenues as either service or equipment, consistent with the way we are managing the business unit.

Business Wireline Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
Service	**$ 5,872**	$ 6,091	(3.6) %
Equipment	**174**	175	(0.6) %
Total Operating Revenues	**6,046**	6,266	(3.5) %
Operating Expenses			
Operations and support	**3,710**	3,887	(4.6) %
Depreciation and amortization	**1,278**	1,286	(0.6) %
Total Operating Expenses	**4,988**	5,173	(3.6) %
Operating Income	**1,058**	1,093	(3.2) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 1,058**	$ 1,093	(3.2) %
Operating Income Margin	**17.5 %**	17.4 %	10 BP

Consumer Wireline

Consumer Wireline provides broadband, including fiber, and voice communication services primarily to residential customers.

Results have been recast to refine the allocation of shared infrastructure and deferred customer acquisition costs between Consumer Wireline and Video.

Consumer Wireline Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
IP Broadband	**$ 2,205**	$ 2,109	4.6 %
Legacy voice and data services	**519**	581	(10.7) %
Other service and equipment	**374**	421	(11.2) %
Total Operating Revenues	**3,098**	3,111	(0.4) %
Operating Expenses			
Operations and support	**2,031**	1,879	8.1 %
Depreciation and amortization	**762**	712	7.0 %
Total Operating Expenses	**2,793**	2,591	7.8 %
Operating Income	**305**	520	(41.3) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 305**	$ 520	(41.3) %
Operating Income Margin	**9.8 %**	16.7 %	(690) BP

Supplementary Operating Data			
Subscribers and connections in thousands *Unaudited*	March 31,		Percent
	2021	2020	Change
Broadband Connections			
Total Broadband Connections	**14,146**	14,046	0.7 %
Fiber Broadband Connections	**5,186**	4,096	26.6 %
Voice Connections			
Retail Consumer Switched Access Lines	**2,740**	3,196	(14.3) %
U-verse Consumer VoIP Connections	**3,096**	3,630	(14.7) %
Total Retail Consumer Voice Connections	**5,836**	6,826	(14.5) %
	First Quarter		Percent
	2021	2020	Change
Broadband Net Additions			
Total Broadband Net Additions	**46**	(73)	— %
Fiber Broadband Net Additions	**235**	209	12.4 %

Business Solutions

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 fixed operations. This combined view presents a complete profile of the entire business customer relationship and underscores the importance of mobile solutions to serving our business customers.

Results have been recast to conform to the current period's classification of revenues.

Business Solutions Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
Wireless service	**$ 1,969**	$ 1,949	1.0 %
Wireline service	**5,872**	6,091	(3.6) %
Wireless equipment	**790**	710	11.3 %
Wireline equipment	**174**	175	(0.6) %
Total Operating Revenues	**8,805**	8,925	(1.3) %
Operating Expenses			
Operations and support	**5,549**	5,646	(1.7) %
Depreciation and amortization	**1,614**	1,609	0.3 %
Total Operating Expenses	**7,163**	7,255	(1.3) %
Operating Income	**1,642**	1,670	(1.7) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 1,642**	$ 1,670	(1.7) %
Operating Income Margin	**18.6 %**	18.7 %	(10) BP

WARNERMEDIA SEGMENT

The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. WarnerMedia content is distributed through Basic Networks, Direct-to-Consumer (DTC) or Theatrical, TV Content and Games Licensing. Segment results also include Xandr advertising, Otter Media Holdings and eliminate intercompany transactions between WarnerMedia businesses. Additional information is provided as part of the earnings material on the company's Investor Relations website.

Segment Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2021	2020	Change
Segment Operating Revenues			
Subscription	**$ 3,830**	$ 3,401	12.6 %
Content	**3,420**	3,303	3.5 %
Advertising	**1,750**	1,477	18.5 %
Other	**169**	254	(33.5)%
Eliminations	**(643)**	(670)	4.0 %
Total Segment Operating Revenues	**8,526**	7,765	9.8 %
Direct Costs			
Programming	**4,383**	3,513	24.8 %
Marketing	**849**	526	61.4 %
Other	**722**	669	7.9 %
General and administrative	**967**	1,222	(20.9)%
Eliminations and other	**(518)**	(325)	(59.4)%
Depreciation and amortization	**163**	161	1.2 %
Total Operating Expenses	**6,566**	5,766	13.9 %
Operating Income	**1,960**	1,999	(2.0)%
Equity in Net Income (Loss) of Affiliates	**70**	15	— %
Total Segment Operating Contribution	**$ 2,030**	$ 2,014	0.8 %

LATIN AMERICA SEGMENT

The Latin America segment provides entertainment and wireless service outside of the U.S. Our international subsidiaries conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates. The Latin America segment contains two business units: Vrio and Mexico.

Segment Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2021	2020	Change
Segment Operating Revenues			
Vrio	**$ 743**	$ 887	(16.2)%
Mexico	**631**	703	(10.2)%
Total Segment Operating Revenues	**1,374**	1,590	(13.6)%
Segment Operating Contribution			
Vrio	**(39)**	(39)	— %
Mexico	**(134)**	(145)	7.6 %
Total Segment Operating Contribution	**$ (173)**	$ (184)	6.0 %

Vrio

Vrio provides entertainment services to customers utilizing satellite technology in Latin America and the Caribbean.

Vrio Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2021	2020	Change
Operating Revenues	**$ 743**	$ 887	(16.2) %
Operating Expenses			
Operations and support	**661**	783	(15.6) %
Depreciation and amortization	**117**	147	(20.4) %
Total Operating Expenses	**778**	930	(16.3) %
Operating Income (Loss)	**(35)**	(43)	18.6 %
Equity in Net Income (Loss) of Affiliates	**(4)**	4	— %
Operating Contribution	**$ (39)**	$ (39)	— %
Operating Income Margin	**(4.7)%**	(4.8)%	10 BP

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2021	2020	Change
Vrio Video Subscribers	**10,559**	13,217	(20.1) %
	First Quarter		Percent
	2021	2020	Change
Vrio Video Net Additions	**(383)**	(114)	— %

Mexico

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
Wireless service	**$ 439**	$ 467	(6.0) %
Wireless equipment	**192**	236	(18.6) %
Total Operating Revenues	**631**	703	(10.2) %
Operating Expenses			
Operations and support	**620**	714	(13.2) %
Depreciation and amortization	**145**	134	8.2 %
Total Operating Expenses	**765**	848	(9.8) %
Operating Income (Loss)	**(134)**	(145)	7.6 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ (134)**	$ (145)	7.6 %
Operating Income Margin	**(21.2)%**	(20.6)%	(60) BP

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2021	2020	Change
Mexico Wireless Subscribers			
Postpaid	**4,725**	4,962	(4.8) %
Prepaid	**13,756**	13,692	0.5 %
Reseller	**500**	504	(0.8) %
Total Mexico Wireless Subscribers	**18,981**	19,158	(0.9) %

	First Quarter		Percent
	2021	2020	Change
Mexico Wireless Net Additions			
Postpaid	**29**	(141)	— %
Prepaid	**(2)**	108	— %
Reseller	**11**	32	(65.6) %
Total Mexico Wireless Net Additions	**38**	(1)	— %

Supplemental AT&T Advertising Revenues

As a supplemental presentation, we are providing a view of total advertising revenues generated by AT&T, which combines the advertising revenues recorded across all operating segments. This combined view presents the entire portfolio of revenues generated from AT&T assets.

Advertising Revenues			
Dollars in millions			
Unaudited	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
WarnerMedia[1]	**$ 1,750**	$ 1,477	18.5 %
Video	**388**	413	(6.1)%
Other	**83**	76	9.2 %
Eliminations	**(388)**	(413)	6.1 %
Total Advertising Revenues	**$ 1,833**	$ 1,553	18.0 %

[1] Primarily Basic Networks and Xandr of $466 and $489 for the three months ended March 31, 2021 and 2020. Excludes intrasegment eliminations.

Video

As a supplemental presentation, we are providing a view of our Video business that is accounted for as held-for-sale and included in Corporate and Other. Video provides video, including over-the-top (OTT) services and also sells advertising on video distribution platforms.

Results have been recast to refine the allocation of shared infrastructure and deferred customer acquisition costs between Video and Consumer Wireline.

Video Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2021	2020	Change
Operating Revenues			
Service	**$ 6,684**	$ 7,397	(9.6) %
Equipment	**41**	10	— %
Total Operating Revenues	**6,725**	7,407	(9.2) %
Operating Expenses			
Operations and support	**5,660**	6,020	(6.0) %
Depreciation and amortization[1]	**164**	591	(72.3) %
Total Operating Expenses	**5,824**	6,611	(11.9) %
Operating Income	**901**	796	13.2 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 901**	$ 796	13.2 %
Operating Income Margin	**13.4 %**	10.7 %	270 BP

[1] Includes depreciation on assets that support AT&T U-verse products that provide both video and broadband services to customers over a shared network infrastructure.

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2021	2020	Change
Premium TV Connections	**15,885**	18,599	(14.6) %
	First Quarter		Percent
	2021	2020	Change
Premium TV Net Additions	**(620)**	(897)	30.9 %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended							
Dollars in millions							
Unaudited							
March 31, 2021							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 19,034**	**$ 11,018**	**$ 8,016**	**$ 2,014**	**$ 6,002**	**$ —**	**$ 6,002**
Business Wireline	**6,046**	**3,710**	**2,336**	**1,278**	**1,058**	**—**	**1,058**
Consumer Wireline	**3,098**	**2,031**	**1,067**	**762**	**305**	**—**	**305**
Total Communications	**28,178**	**16,759**	**11,419**	**4,054**	**7,365**	**—**	**7,365**
WarnerMedia	**8,526**	**6,403**	**2,123**	**163**	**1,960**	**70**	**2,030**
Latin America							
Vrio	**743**	**661**	**82**	**117**	**(35)**	**(4)**	**(39)**
Mexico	**631**	**620**	**11**	**145**	**(134)**	**—**	**(134)**
Total Latin America	**1,374**	**1,281**	**93**	**262**	**(169)**	**(4)**	**(173)**
Segment Total	**38,078**	**24,443**	**13,635**	**4,479**	**9,156**	**$ 66**	**$ 9,222**
Corporate and Other							
Corporate	**426**	**1,213**	**(787)**	**35**	**(822)**		
Video	**6,725**	**5,660**	**1,065**	**164**	**901**		
Acquisition-related items	**—**	**37**	**(37)**	**1,131**	**(1,168)**		
Certain significant items	**—**	**57**	**(57)**	**—**	**(57)**		
Eliminations and consolidations	**(1,290)**	**(941)**	**(349)**	**—**	**(349)**		
AT&T Inc.	**$ 43,939**	**$ 30,469**	**$ 13,470**	**$ 5,809**	**$ 7,661**		

Three Months Ended							
Dollars in millions							
Unaudited							
March 31, 2020							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 17,402	$ 9,569	$ 7,833	$ 2,045	$ 5,788	$ —	$ 5,788
Business Wireline	6,266	3,887	2,379	1,286	1,093	—	1,093
Consumer Wireline	3,111	1,879	1,232	712	520	—	520
Total Communications	26,779	15,335	11,444	4,043	7,401	—	7,401
WarnerMedia	7,765	5,605	2,160	161	1,999	15	2,014
Latin America							
Vrio	887	783	104	147	(43)	4	(39)
Mexico	703	714	(11)	134	(145)	—	(145)
Total Latin America	1,590	1,497	93	281	(188)	4	(184)
Segment Total	36,134	22,437	13,697	4,485	9,212	$ 19	$ 9,231
Corporate and Other							
Corporate	534	1,012	(478)	90	(568)		
Video	7,407	6,020	1,387	591	796		
Acquisition-related items	—	182	(182)	2,056	(2,238)		
Certain significant items	—	(658)	658	—	658		
Eliminations and consolidations	(1,296)	(922)	(374)	—	(374)		
AT&T Inc.	$ 42,779	$ 28,071	$ 14,708	$ 7,222	$ 7,486		

Discussion and Reconciliation of Non-GAAP Measures

We believe the following measures are relevant and useful information to investors as they are part of AT&T's internal management reporting and planning processes and are important metrics that management uses to evaluate the operating performance of AT&T and its segments. Management also uses these measures as a method of comparing performance with that of many of our competitors. These measures should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with U.S. generally accepted accounting principles (GAAP).

Free Cash Flow

Free cash flow is defined as cash from operations minus capital expenditures. Free cash flow after dividends is defined as cash from operations minus capital expenditures and dividends on common and preferred shares. Free cash flow dividend payout ratio is defined as the percentage of dividends paid on common and preferred shares to free cash flow. We believe these metrics provide useful information to our investors because management views free cash flow as an important indicator of how much cash is generated by routine business operations, including capital expenditures, and makes decisions based on it. Management also views free cash flow as a measure of cash available to pay debt and return cash to shareowners.

Free Cash Flow and Free Cash Flow Dividend Payout Ratio

Dollars in millions

	First Quarter	
	2021	2020
Net cash provided by operating activities	**$ 9,927**	$ 8,866
Less: Capital expenditures	**(4,033)**	(4,966)
Free Cash Flow	**5,894**	3,900
Less: Dividends paid	**(3,741)**	(3,737)
Free Cash Flow after Dividends	**$ 2,153**	$ 163
Free Cash Flow Dividend Payout Ratio	**63.5 %**	95.8 %

Cash Paid for Capital Investment

In connection with capital improvements, we negotiate with some of our vendors to obtain favorable payment terms of 120 days or more, referred to as vendor financing, which are excluded from capital expenditures and reported in accordance with GAAP as financing activities. We present an additional view of cash paid for capital investment to provide investors with a comprehensive view of cash used to invest in our networks, product developments and support systems.

Cash Paid for Capital Investment

Dollars in millions

	First Quarter	
	2021	2020
Capital Expenditures	**$ (4,033)**	$ (4,966)
Cash paid for vendor financing	**(1,690)**	(791)
Cash paid for Capital Investment	**$ (5,723)**	$ (5,757)
FirstNet reimbursement	**—**	(7)
Gross Capital Investment	**$ (5,723)**	$ (5,764)

EBITDA

Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies. For AT&T, EBITDA excludes other income (expense) – net, and equity in net income (loss) of affiliates, as these do not reflect the operating results of our subscriber base or operations that are not under our control. Equity in net income (loss) of affiliates represents the proportionate share of the net income (loss) of affiliates in which we exercise significant influence, but do not control. Because we do not control these entities, management excludes these results when evaluating the performance of our primary operations. EBITDA also excludes interest expense and the provision for income taxes. Excluding these items eliminates the expenses associated with our capital and tax structures. Finally, EBITDA excludes depreciation and amortization in order to eliminate the impact of capital investments. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA is not presented as an alternative measure of operating results or cash flows from operations, as determined in accordance with GAAP.

EBITDA service margin is calculated as EBITDA divided by service revenues.

When discussing our segment, business unit and supplemental results, EBITDA excludes equity in net income (loss) of affiliates, and depreciation and amortization from operating contribution.

These measures are used by management as a gauge of our success in acquiring, retaining and servicing subscribers because we believe these measures reflect AT&T's ability to generate and grow subscriber revenues while providing a high level of customer service in a cost-effective manner. Management also uses these measures as a method of comparing operating performance with that of many of its competitors. The financial and operating metrics which affect EBITDA include the key revenue and expense drivers for which management is responsible and upon which we evaluate performance.

We believe EBITDA Service Margin (EBITDA as a percentage of service revenues) to be a more relevant measure than EBITDA Margin (EBITDA as a percentage of total revenue) for our Mobility business unit operating margin. We also use wireless service revenues to calculate margin to facilitate comparison, both internally and externally with our wireless competitors, as they calculate their margins using wireless service revenues as well.

There are material limitations to using these non-GAAP financial measures. EBITDA, EBITDA margin and EBITDA service margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies. Furthermore, these performance measures do not take into account certain significant items, including depreciation and amortization, interest expense, tax expense and equity in net income (loss) of affiliates. For market comparability, management analyzes performance measures that are similar in nature to EBITDA as we present it, and considering the economic effect of the excluded expense items independently as well as in connection with its analysis of net income as calculated in accordance with GAAP. EBITDA, EBITDA margin and EBITDA service margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.

EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	First Quarter	
	2021	2020
Net Income	**$ 7,942**	$ 4,963
Additions:		
Income Tax Expense	**2,122**	1,302
Interest Expense	**1,870**	2,018
Equity in Net (Income) Loss of Affiliates	**(52)**	6
Other (Income) Expense - Net	**(4,221)**	(803)
Depreciation and amortization	**5,809**	7,222
EBITDA	**13,470**	14,708
Merger costs	**37**	182
Employee separation costs and benefit-related (gain) loss	**57**	119
Impairments	**—**	123
Gain on spectrum transaction	**—**	(900)
Adjusted EBITDA [1]	**$ 13,564**	$ 14,232

[1] See page 5 for additional discussion and reconciliation of adjusted items.

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin		
Dollars in millions		
	First Quarter	
	2021	2020
Communications Segment		
Operating Contribution	**$ 7,365**	$ 7,401
Additions:		
Depreciation and amortization	**4,054**	4,043
EBITDA	**11,419**	11,444
Total Operating Revenues	**28,178**	26,779
Operating Income Margin	**26.1 %**	27.6 %
EBITDA Margin	**40.5 %**	42.7 %
Mobility		
Operating Contribution	**$ 6,002**	$ 5,788
Additions:		
Depreciation and amortization	**2,014**	2,045
EBITDA	**8,016**	7,833
Total Operating Revenues	**19,034**	17,402
Service Revenues	**14,048**	13,968
Operating Income Margin	**31.5 %**	33.3 %
EBITDA Margin	**42.1 %**	45.0 %
EBITDA Service Margin	**57.1 %**	56.1 %
Business Wireline		
Operating Contribution	**$ 1,058**	$ 1,093
Additions:		
Depreciation and amortization	**1,278**	1,286
EBITDA	**2,336**	2,379
Total Operating Revenues	**6,046**	6,266
Operating Income Margin	**17.5 %**	17.4 %
EBITDA Margin	**38.6 %**	38.0 %
Consumer Wireline		
Operating Contribution	**$ 305**	$ 520
Additions:		
Depreciation and amortization	**762**	712
EBITDA	**1,067**	1,232
Total Operating Revenues	**3,098**	3,111
Operating Income Margin	**9.8 %**	16.7 %
EBITDA Margin	**34.4 %**	39.6 %

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions				
	First Quarter			
	2021		2020	
WarnerMedia Segment				
Operating Contribution	**$**	**2,030**	$	2,014
Additions:				
Equity in Net (Income) of Affiliates		**(70)**		(15)
Depreciation and amortization		**163**		161
EBITDA		**2,123**		2,160
Total Operating Revenues		**8,526**		7,765
Operating Income Margin		**23.0%**		25.7%
EBITDA Margin		**24.9%**		27.8%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions				
	First Quarter			
	2021		2020	
Latin America Segment				
Operating Contribution	**$**	**(173)**	$	(184)
Additions:				
Equity in Net (Income) of Affiliates		**4**		(4)
Depreciation and amortization		**262**		281
EBITDA		**93**		93
Total Operating Revenues		**1,374**		1,590
Operating Income Margin		**-12.3%**		-11.8%
EBITDA Margin		**6.8%**		5.8%
Vrio				
Operating Contribution	**$**	**(39)**	$	(39)
Additions:				
Equity in Net (Income) of Affiliates		**4**		(4)
Depreciation and amortization		**117**		147
EBITDA		**82**		104
Total Operating Revenues		**743**		887
Operating Income Margin		**-4.7%**		-4.8%
EBITDA Margin		**11.0%**		11.7%
Mexico				
Operating Contribution	**$**	**(134)**	$	(145)
Additions:				
Equity in Net (Income) Loss of Affiliates		**—**		—
Depreciation and amortization		**145**		134
EBITDA		**11**		(11)
Total Operating Revenues		**631**		703
Operating Income Margin		**-21.2%**		-20.6%
EBITDA Margin		**1.7%**		-1.6%

Supplemental EBITDA and EBITDA Margin		
Dollars in millions		
	First Quarter	
	2021	2020
Video		
Operating Contribution	**$ 901**	$ 796
Additions:		
Equity in Net (Income) of Affiliates	**—**	—
Depreciation and amortization	**164**	591
EBITDA	**1,065**	1,387
Total Operating Revenues	**6,725**	7,407
Operating Income Margin	**13.4%**	10.7%
EBITDA Margin	**15.8%**	18.7%

Adjusting Items

Adjusting items include revenues and costs we consider non-operational in nature, such as items arising from asset acquisitions or dispositions. We also adjust for net actuarial gains or losses associated with our pension and postemployment benefit plans due to the often-significant impact on our results (we immediately recognize this gain or loss in the income statement, pursuant to our accounting policy for the recognition of actuarial gains and losses). Consequently, our adjusted results reflect an expected return on plan assets rather than the actual return on plan assets, as included in the GAAP measure of income.

The tax impact of adjusting items is calculated using the effective tax rate during the quarter except for adjustments that, given their magnitude, can drive a change in the effective tax rate, in these cases we use the actual tax expense or combined marginal rate of approximately 25%.

Adjusting Items		
Dollars in millions		
	First Quarter	
	2021	2020
Operating Expenses		
Merger costs	**$ 37**	$ 182
Employee separation costs and benefit-related (gain) loss	**57**	119
Assets impairments and abandonment	**—**	123
Gain on spectrum transaction	**—**	(900)
Adjustments to Operations and Support Expenses	**94**	(476)
Amortization of intangible assets	**1,131**	2,056
Adjustments to Operating Expenses	**1,225**	1,580
Other		
Debt redemption, (gain) loss on sale of assets, impairments and other	**(59)**	114
Actuarial (gain) loss	**(2,844)**	—
Employee benefit-related (gain) loss	**—**	203
Adjustments to Income Before Income Taxes	**(1,678)**	1,897
Tax impact of adjustments	**(470)**	394
Tax-related items	**118**	—
Adjustments to Net Income	**$ (1,326)**	$ 1,503

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA service margin and Adjusted diluted EPS are non-GAAP financial measures calculated by excluding from operating revenues, operating expenses and income tax expense, certain significant items that are non-operational or non-recurring in nature, including dispositions and merger integration and transaction costs, actuarial gains and losses, significant abandonments and impairment, severance and other material gains and losses. Management believes that these measures provide relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends.

Adjusted Operating Revenues, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA service margin and Adjusted diluted EPS should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. AT&T's calculation of Adjusted items, as presented, may differ from similarly titled measures reported by other companies.

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, and Adjusted EBITDA Margin		
Dollars in millions		
	First Quarter	
	2021	2020
Operating Income	**$ 7,661**	$ 7,486
Adjustments to Operating Expenses	**1,225**	1,580
Adjusted Operating Income	**8,886**	9,066
EBITDA	**13,470**	14,708
Adjustments to Operations and Support Expenses	**94**	(476)
Adjusted EBITDA	**13,564**	14,232
Total Operating Revenues	**43,939**	42,779
Operating Income Margin	**17.4 %**	17.5 %
Adjusted Operating Income Margin	**20.2 %**	21.2 %
Adjusted EBITDA Margin	**30.9 %**	33.3 %

Adjusted Diluted EPS		
	First Quarter	
	2021	2020
Diluted Earnings Per Share (EPS)	**$ 1.04**	$ 0.63
Amortization of intangible assets	**0.12**	0.23
Merger integration items	**—**	0.02
Employee separation, (gain) loss on sale of assets and other	**0.02**	(0.04)
Actuarial (gain) loss [1]	**(0.30)**	—
Tax-related items	**(0.02)**	—
Adjusted EPS	**$ 0.86**	$ 0.84
Year-over-year growth - Adjusted	**2.4%**	
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,188**	7,214

[1] Includes adjustments for actuarial gains or losses associated with our pension benefit plan, which we immediately recognize in the income statement, pursuant to our accounting policy for the recognition of actuarial gains/losses. We recorded total net actuarial gain of $2.8 billion in the first quarter of 2021. As a result, adjusted EPS reflects an expected return on plan assets of $0.9 billion (based on an average expected return on plan assets of 6.75% for our pension trust), rather than the actual return on plan assets of $1.6 billion loss (actual pension return of -1.3%), included in the GAAP measure of income.

Net Debt to Adjusted EBITDA

Net Debt to EBITDA ratios are non-GAAP financial measures frequently used by investors and credit rating agencies and management believes these measures provide relevant and useful information to investors and other users of our financial data. Our Net Debt to Adjusted EBITDA ratio is calculated by dividing the Net Debt by the sum of the most recent four quarters Adjusted EBITDA. Net Debt is calculated by subtracting cash and cash equivalents and certificates of deposit and time deposits that are greater than 90 days, from the sum of debt maturing within one year and long-term debt.

Net Debt to Adjusted EBITDA - 2021

Dollars in millions

	Three Months Ended				
	June 30, 2020 [1]	Sept. 30, 2020 [1]	Dec. 31 2020 [1]	March 31, 2021	**Four Quarters**
Adjusted EBITDA	$ 14,112	$ 13,313	$ 12,889	$ 13,564	**$ 53,878**
End-of-period current debt					**19,505**
End-of-period long-term debt					**160,694**
Total End-of-Period Debt					**180,199**
Less: Cash and Cash Equivalents					**11,342**
Net Debt Balance					**168,857**
Annualized Net Debt to Adjusted EBITDA Ratio					**3.13**

[1] As reported in AT&T's Form 8-K filed July 23, 2020, October 22, 2020 and January 27, 2021.

Net Debt to Adjusted EBITDA - 2020

Dollars in millions

	Three Months Ended				
	June 30, 2019 [1]	Sept. 30, 2019 [1]	Dec. 31 2019 [1]	March 31, 2020	Four Quarters
Adjusted EBITDA	$ 15,041	$ 15,079	$ 14,365	$ 14,232	$ 58,717
End-of-period current debt					17,067
End-of-period long-term debt					147,202
Total End-of-Period Debt					164,269
Less: Cash and Cash Equivalents					9,955
Net Debt Balance					154,314
Annualized Net Debt to Adjusted EBITDA Ratio					2.63

[1] As reported in AT&T's Form 8-K filed July 24, 2019, October 28, 2019, January 29, 2020 and April 22, 2020.

Supplemental Operational Measures

We provide a supplemental discussion of our business solutions operations that is calculated by combining our Mobility and Business Wireline operating units, and then adjusting to remove non-business operations. The following table presents a reconciliation of our supplemental Business Solutions results.

Supplemental Operational Measure								
	First Quarter							
	March 31, 2021				March 31, 2020			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	**$ 14,048**	**$ —**	**$ (12,079)**	**$ 1,969**	$ 13,968	$ —	$ (12,019)	$ 1,949
Wireline service	**—**	**5,872**	**—**	**5,872**	—	6,091	—	6,091
Wireless equipment	**4,986**	**—**	**(4,196)**	**790**	3,434	—	(2,724)	710
Wireline equipment	**—**	**174**	**—**	**174**	—	175	—	175
Total Operating Revenues	**19,034**	**6,046**	**(16,275)**	**8,805**	17,402	6,266	(14,743)	8,925
Operating Expenses								
Operations and support	**11,018**	**3,710**	**(9,179)**	**5,549**	9,569	3,887	(7,810)	5,646
EBITDA	**8,016**	**2,336**	**(7,096)**	**3,256**	7,833	2,379	(6,933)	3,279
Depreciation and amortization	**2,014**	**1,278**	**(1,678)**	**1,614**	2,045	1,286	(1,722)	1,609
Total Operating Expenses	**13,032**	**4,988**	**(10,857)**	**7,163**	11,614	5,173	(9,532)	7,255
Operating Income	**6,002**	**1,058**	**(5,418)**	**1,642**	5,788	1,093	(5,211)	1,670
Equity in Net Income (Loss) of Affiliates	**—**	**—**	**—**	**—**	—	—	—	—
Operating Contribution	**$ 6,002**	**$ 1,058**	**$ (5,418)**	**$ 1,642**	$ 5,788	$ 1,093	$ (5,211)	$ 1,670

[1] Non-business wireless reported in the Communication segment under the Mobility business unit.
Results have been recast to conform to the current period's classification.


AT&T