1st QUARTER EARNINGS 2022

Financial and Operational Schedules & Non-GAAP Reconciliations

April 21, 2022

AT&T

AT&T Inc.
Financial Data

Consolidated Statements of Income			
Dollars in millions except per share amounts			
Unaudited	First Quarter		Percent
	2022	2021	Change
Operating Revenues			
Service	**$ 32,392**	$ 38,504	(15.9)%
Equipment	**5,713**	5,435	5.1 %
Total Operating Revenues	**38,105**	43,939	(13.3)%
Operating Expenses			
Cost of revenues			
Equipment	**6,038**	5,556	8.7 %
Broadcast, programming and operations	**4,313**	7,538	(42.8)%
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**7,206**	7,993	(9.8)%
Selling, general and administrative	**9,368**	9,382	(0.1)%
Depreciation and amortization	**5,539**	5,809	(4.6)%
Total Operating Expenses	**32,464**	36,278	(10.5)%
Operating Income	**5,641**	7,661	(26.4)%
Interest Expense	**1,722**	1,870	(7.9)%
Equity in Net Income (Loss) of Affiliates	**501**	52	— %
Other Income (Expense) — Net	**2,187**	4,221	(48.2)%
Income Before Income Taxes	**6,607**	10,064	(34.4)%
Income Tax Expense	**1,443**	2,122	(32.0)%
Net Income	**5,164**	7,942	(35.0)%
Less: Net Income Attributable to Noncontrolling Interest	**(354)**	(392)	9.7 %
Net Income Attributable to AT&T	**$ 4,810**	$ 7,550	(36.3)%
Less: Preferred Stock Dividends	**(48)**	(50)	4.0 %
Net Income Attributable to Common Stock	**$ 4,762**	$ 7,500	(36.5)%
Basic Earnings Per Share Attributable to Common Stock	**$ 0.66**	$ 1.04	(36.5)%
Weighted Average Common Shares Outstanding (000,000)	**7,184**	7,161	0.3 %
Diluted Earnings Per Share Attributable to Common Stock[1]	**$ 0.65**	$ 1.02	(36.3)%
Weighted Average Common Shares Outstanding with Dilution (000,000)[1]	**7,556**	7,482	1.0 %

[1] Reflects retrospective adoption of Accounting Standards Update (ASU) No. 2020-06

Consolidated Balance Sheets		
Dollars in millions *Unaudited*	**Mar. 31, 2022**	Dec. 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	**$ 38,565**	$ 21,169
Accounts receivable – net of related allowances for credit loss of $788 and $771	**17,218**	17,571
Inventories	**3,153**	3,464
Prepaid and other current assets	**17,920**	17,793
Total current assets	**76,856**	59,997
Noncurrent Inventories and Theatrical Film and Television Production Costs	**19,803**	18,983
Property, Plant and Equipment – Net	**127,159**	125,904
Goodwill	**133,247**	133,223
Licenses – Net	**114,107**	113,830
Trademarks and Trade Names – Net	**21,781**	21,938
Distribution Networks – Net	**11,486**	11,942
Other Intangible Assets – Net	**11,452**	11,783
Investments in and Advances to Equity Affiliates	**5,943**	7,274
Operating Lease Right-Of-Use Assets	**23,941**	24,180
Deposits on Wireless Licenses	**9,129**	—
Other Assets	**22,291**	22,568
Total Assets	**$ 577,195**	$ 551,622
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	**$ 27,333**	$ 24,630
Note payable to DIRECTV	**1,047**	1,245
Accounts payable and accrued liabilities	**46,845**	50,661
Advanced billings and customer deposits	**5,183**	5,303
Dividends payable	**2,086**	3,749
Total current liabilities	**82,494**	85,588
Long-Term Debt	**180,225**	152,724
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**65,963**	65,226
Postemployment benefit obligation	**11,294**	12,649
Operating lease liabilities	**20,917**	21,261
Other noncurrent liabilities	**29,746**	30,223
Noncurrent portion of note payable to DIRECTV	**—**	96
Total deferred credits and other noncurrent liabilities	**127,920**	129,455
Stockholders' Equity		
Preferred stock	**—**	—
Common stock	**7,621**	7,621
Additional paid-in capital	**129,637**	130,112
Retained earnings	**45,041**	42,350
Treasury stock	**(16,553)**	(17,280)
Accumulated other comprehensive income	**3,290**	3,529
Noncontrolling interest	**17,520**	17,523
Total stockholders' equity	**186,556**	183,855
Total Liabilities and Stockholders' Equity	**$ 577,195**	$ 551,622

Consolidated Statements of Cash Flows		
Dollars in millions		
Unaudited	First Quarter	
	2022	2021
Operating Activities		
Net income	**$ 5,164**	$ 7,942
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**5,539**	5,809
Amortization of film and television costs	**3,009**	2,886
Distributed (undistributed) earnings from investments in equity affiliates	**26**	(47)
Provision for uncollectible accounts	**460**	321
Deferred income tax expense	**932**	1,848
Net (gain) loss on investments, net of impairments	**93**	(119)
Pension and postretirement benefit expense (credit)	**(937)**	(974)
Actuarial (gain) loss on pension and postretirement benefits	**(1,053)**	(2,844)
Changes in operating assets and liabilities:		
Receivables	**(228)**	751
Other current assets, inventories and theatrical film and television production costs	**(3,261)**	(3,518)
Accounts payable and other accrued liabilities	**(4,031)**	(3,060)
Equipment installment receivables and related sales	**541**	1,190
Deferred customer contract acquisition and fulfillment costs	**(259)**	244
Postretirement claims and contributions	**(97)**	(343)
Other - net	**(166)**	(159)
Total adjustments	**568**	1,985
Net Cash Provided by Operating Activities	**5,732**	9,927
Investing Activities		
Capital expenditures	**(4,748)**	(4,033)
Acquisitions, net of cash acquired	**(9,244)**	(22,884)
Dispositions	**11**	51
Distributions from DIRECTV in excess of cumulative equity in earnings	**1,315**	—
Other - net	**15**	14
Net Cash Used in Investing Activities	**(12,651)**	(26,852)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**2,285**	687
Issuance of other short-term borrowings	**2,593**	15,485
Repayment of other short-term borrowings	**(3,407)**	—
Issuance of long-term debt	**30,296**	9,097
Repayment of long-term debt	**(802)**	(902)
Repayment of note payable to DIRECTV	**(294)**	—
Payment of vendor financing	**(1,566)**	(1,690)
Purchase of treasury stock	**(197)**	(176)
Issuance of treasury stock	**26**	63
Dividends paid	**(3,749)**	(3,741)
Other - net	**(934)**	(340)
Net Cash Provided by Financing Activities	**24,251**	18,483
Net increase in cash and cash equivalents and restricted cash	**17,332**	1,558
Cash and cash equivalents and restricted cash beginning of year	**21,316**	9,870
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 38,648**	$ 11,428

AT&T Inc.
Consolidated Supplementary Data

Supplementary Financial Data			
Dollars in millions except per share amounts			
Unaudited	First Quarter		Percent
	2022	2021	Change
Capital expenditures			
Purchase of property and equipment	**$ 4,712**	$ 3,972	18.6 %
Interest during construction - capital expenditures	**36**	61	(41.0) %
Total Capital Expenditures	**$ 4,748**	$ 4,033	17.7 %
Acquisition, net of cash acquired			
Business acquisitions	**$ —**	$ 8	— %
Spectrum acquisitions	**8,956**	22,876	(60.8) %
Interest during construction - spectrum	**288**	—	— %
Total Acquisitions	**$ 9,244**	$ 22,884	(59.6) %
Cash Paid for Programming and Produced Film/TV Content	**$ 5,149**	$ 4,535	13.5 %
Dividends Declared per Common Share	**$ 0.28**	$ 0.52	(46.2) %
End of Period Common Shares Outstanding (000,000)	**7,159**	7,140	0.3 %
Debt Ratio	**52.7 %**	49.6 %	310 BP
Total Employees	**203,160**	228,470	(11.1) %

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 refine the allocation of shared infrastructure costs between the Communications segment and Corporate and Other.

Segment Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2022	2021	Change
Segment Operating Revenues			
Mobility	**$ 20,075**	$ 19,034	5.5 %
Business Wireline	**5,640**	6,046	(6.7)%
Consumer Wireline	**3,161**	3,098	2.0 %
Total Segment Operating Revenues	**28,876**	28,178	2.5 %
Segment Operating Contribution			
Mobility	**5,853**	6,044	(3.2)%
Business Wireline	**859**	1,080	(20.5)%
Consumer Wireline	**317**	307	3.3 %
Total Segment Operating Contribution	**$ 7,029**	$ 7,431	(5.4)%

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2022	2021	Change
Broadband Connections			
Broadband	**15,130**	14,908	1.5 %
DSL	**403**	527	(23.5)%
Total Broadband Connections	**15,533**	15,435	0.6 %
Voice Connections			
Retail Consumer Switched Access Lines	**5,956**	6,988	(14.8)%
U-verse Consumer VoIP Connections	**3,227**	3,684	(12.4)%
Total Retail Voice Connections	**9,183**	10,672	(14.0)%
	First Quarter		Percent
	2022	2021	Change
Broadband Net Additions			
Broadband	**56**	90	(37.8)%
DSL	**(27)**	(39)	30.8 %
Total Broadband Net Additions	**29**	51	(43.1)%

Mobility

Mobility provides nationwide wireless service and equipment.

Mobility Results			
Dollars in millions *Unaudited*	First Quarter		Percent
	2022	2021	Change
Operating Revenues			
Service	**$ 14,724**	$ 14,048	4.8 %
Equipment	**5,351**	4,986	7.3 %
Total Operating Revenues	**20,075**	19,034	5.5 %
Operating Expenses			
Operations and support	**12,163**	10,976	10.8 %
Depreciation and amortization	**2,059**	2,014	2.2 %
Total Operating Expenses	**14,222**	12,990	9.5 %
Operating Income	**5,853**	6,044	(3.2) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 5,853**	$ 6,044	(3.2) %
Operating Income Margin	**29.2 %**	31.8 %	(260) BP

Supplementary Operating Data			
Subscribers and connections in thousands *Unaudited*	March 31,		Percent
	2022	2021	Change
Mobility Subscribers			
Postpaid	**81,639**	77,934	4.8 %
Postpaid phone	**67,518**	64,752	4.3 %
Prepaid	**18,859**	18,387	2.6 %
Reseller	**5,383**	6,501	(17.2) %
Connected Devices	**90,735**	83,286	8.9 %
Total Mobility Subscribers[1]	**196,616**	186,108	5.6 %

[1] Wireless subscribers at March 31, 2022 includes a reduction of 10.7 million subscribers and connections (899 postpaid, including 438 phone, 234 prepaid, 749 reseller subscribers, and 8.8 million connected devices) resulting from our 3G network shutdown in February 2022.

	First Quarter		Percent
	2022	2021	Change
Mobility Net Additions			
Postpaid Phone Net Additions	**691**	595	16.1 %
Total Phone Net Additions	**804**	802	0.2 %
Postpaid	**965**	823	17.3 %
Prepaid	**116**	279	(58.4) %
Reseller	**(17)**	(68)	75.0 %
Connected Devices	**4,468**	2,517	77.5 %
Total Mobility Net Additions	**5,532**	3,551	55.8 %
Postpaid Churn	**0.94 %**	0.93 %	1 BP
Postpaid Phone-Only Churn	**0.79 %**	0.76 %	3 BP

Business Wireline

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

Business Wireline Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2022	2021	Change
Operating Revenues			
Service	**$ 5,478**	$ 5,872	(6.7) %
Equipment	**162**	174	(6.9) %
Total Operating Revenues	**5,640**	6,046	(6.7) %
Operating Expenses			
Operations and support	**3,482**	3,688	(5.6) %
Depreciation and amortization	**1,299**	1,278	1.6 %
Total Operating Expenses	**4,781**	4,966	(3.7) %
Operating Income	**859**	1,080	(20.5) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 859**	$ 1,080	(20.5) %
Operating Income Margin	**15.2 %**	17.9 %	(270) BP

Consumer Wireline

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

Consumer Wireline Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2022	2021	Change
Operating Revenues			
Broadband	**$ 2,355**	$ 2,205	6.8 %
Legacy voice and data services	**460**	519	(11.4) %
Other service and equipment	**346**	374	(7.5) %
Total Operating Revenues	**3,161**	3,098	2.0 %
Operating Expenses			
Operations and support	**2,078**	2,029	2.4 %
Depreciation and amortization	**766**	762	0.5 %
Total Operating Expenses	**2,844**	2,791	1.9 %
Operating Income	**317**	307	3.3 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 317**	$ 307	3.3 %
Operating Income Margin	**10.0 %**	9.9 %	10 BP

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2022	2021	Change
Broadband Connections			
Total Broadband and DSL Connections	**14,148**	14,146	— %
Broadband	**13,850**	13,767	0.6 %
Fiber Broadband Connections	**6,281**	5,186	21.1 %
Voice Connections			
Retail Consumer Switched Access Lines	**2,324**	2,740	(15.2) %
U-verse Consumer VoIP Connections	**2,628**	3,096	(15.1) %
Total Retail Consumer Voice Connections	**4,952**	5,836	(15.1) %
	First Quarter		Percent
	2022	2021	Change
Broadband Net Additions			
Total Broadband and DSL Net Additions	**(12)**	46	— %
Broadband	**5**	74	(93.2) %
Fiber Broadband Net Additions	**289**	235	23.0 %

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.

Business Solutions Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2022	2021	Change
Operating Revenues			
Wireless service	**$ 2,134**	$ 1,969	8.4 %
Wireline service	**5,478**	5,872	(6.7) %
Wireless equipment	**899**	790	13.8 %
Wireline equipment	**162**	174	(6.9) %
Total Operating Revenues	**8,673**	8,805	(1.5) %
Operating Expenses			
Operations and support	**5,608**	5,519	1.6 %
Depreciation and amortization	**1,660**	1,614	2.9 %
Total Operating Expenses	**7,268**	7,133	1.9 %
Operating Income	**1,405**	1,672	(16.0) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ 1,405**	$ 1,672	(16.0) %
Operating Income Margin	**16.2 %**	19.0 %	(280) 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 and Otter Media Holdings, prior to our substantial disposal of the latter in the third quarter of 2021. Additional information is provided as part of the earnings material on the company's Investor Relations website.

On April 8, 2022, we completed the WarnerMedia/Discovery transaction. With the separation and distribution of WarnerMedia, the WarnerMedia business will meet the criteria for discontinued operations for our second-quarter 2022 reporting.

Segment Results

Dollars in millions *Unaudited*	First Quarter		Percent
	2022	2021	Change
Segment Operating Revenues			
Subscription	**$ 3,997**	$ 3,830	4.4 %
Content and other	**3,059**	2,959	3.4 %
Advertising	**1,685**	1,737	(3.0)%
Total Segment Operating Revenues	**8,741**	8,526	2.5 %
Direct Costs			
Programming	**3,976**	3,774	5.4 %
Marketing	**1,096**	850	28.9 %
Other	**869**	813	6.9 %
Selling, general and administrative	**1,354**	966	40.2 %
Depreciation and amortization	**127**	163	(22.1)%
Total Operating Expenses	**7,422**	6,566	13.0 %
Operating Income	**1,319**	1,960	(32.7)%
Equity in Net Income (Loss) of Affiliates	**(13)**	70	— %
Total Segment Operating Contribution	**$ 1,306**	$ 2,030	(35.7)%

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: Mexico and Vrio, which was sold in November 2021.

Segment Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2022	2021	Change
Segment Operating Revenues			
Mexico	**$ 690**	$ 631	9.4 %
Vrio	**—**	743	— %
Total Segment Operating Revenues	**690**	1,374	(49.8)%
Segment Operating Contribution			
Mexico	**(102)**	(134)	23.9 %
Vrio	**—**	(39)	— %
Total Segment Operating Contribution	**$ (102)**	$ (173)	41.0 %

Mexico

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results			
Dollars in millions			
Unaudited	First Quarter		Percent
	2022	2021	Change
Operating Revenues			
Wireless service	**$ 490**	$ 439	11.6 %
Wireless equipment	**200**	192	4.2 %
Total Operating Revenues	**690**	631	9.4 %
Operating Expenses			
Operations and support	**631**	620	1.8 %
Depreciation and amortization	**161**	145	11.0 %
Total Operating Expenses	**792**	765	3.5 %
Operating Income (Loss)	**(102)**	(134)	23.9 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %
Operating Contribution	**$ (102)**	$ (134)	23.9 %
Operating Income Margin	**(14.8)%**	(21.2)%	640 BP

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	March 31,		Percent
	2022	2021	Change
Mexico Wireless Subscribers			
Postpaid	**4,810**	4,725	1.8 %
Prepaid	**15,235**	13,756	10.8 %
Reseller	**458**	500	(8.4) %
Total Mexico Wireless Subscribers	**20,503**	18,981	8.0 %
	First Quarter		Percent
	2022	2021	Change
Mexico Wireless Net Additions			
Postpaid	**3**	29	(89.7) %
Prepaid	**178**	(2)	— %
Reseller	**(40)**	11	— %
Total Mexico Wireless Net Additions	**141**	38	— %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended							
Dollars in millions *Unaudited* ***March 31, 2022***	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Operating Contribution
Communications							
Mobility	**$ 20,075**	**$ 12,163**	**$ 7,912**	**$ 2,059**	**$ 5,853**	**$ —**	**$ 5,853**
Business Wireline	**5,640**	**3,482**	**2,158**	**1,299**	**859**	**—**	**859**
Consumer Wireline	**3,161**	**2,078**	**1,083**	**766**	**317**	**—**	**317**
Total Communications	**28,876**	**17,723**	**11,153**	**4,124**	**7,029**	**—**	**7,029**
WarnerMedia	**8,741**	**7,295**	**1,446**	**127**	**1,319**	**(13)**	**1,306**
Latin America - Mexico	**690**	**631**	**59**	**161**	**(102)**	**—**	**(102)**
Segment Total	**38,307**	**25,649**	**12,658**	**4,412**	**8,246**	**(13)**	**8,233**
Corporate and Other							
Corporate:							
DTV stranded costs	**8**	**128**	**(120)**	**134**	**(254)**	**—**	**(254)**
Parent administration support	**(12)**	**312**	**(324)**	**4**	**(328)**	**(8)**	**(336)**
Securitization fees	**16**	**82**	**(66)**	**—**	**(66)**	**—**	**(66)**
Value portfolio	**118**	**24**	**94**	**9**	**85**	**—**	**85**
Total Corporate	**130**	**546**	**(416)**	**147**	**(563)**	**(8)**	**(571)**
Video	**—**	**—**	**—**	**—**	**—**	**522**	**522**
Held-for-sale and other reclassifications	**29**	**16**	**13**	**9**	**4**	**—**	**4**
Reclassification of prior service credits	**—**	**617**	**(617)**	**—**	**(617)**	**—**	**(617)**
Merger & Significant Items	**—**	**458**	**(458)**	**971**	**(1,429)**	**—**	**(1,429)**
Eliminations and consolidations	**(361)**	**(361)**	**—**	**—**	**—**	**—**	**—**
Total Corporate and Other	**(202)**	**1,276**	**(1,478)**	**1,127**	**(2,605)**	**514**	**(2,091)**
AT&T Inc.	**$ 38,105**	**$ 26,925**	**$ 11,180**	**$ 5,539**	**$ 5,641**	**$ 501**	**$ 6,142**

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	Operating Contribution
Communications							
Mobility	$ 19,034	$ 10,976	$ 8,058	$ 2,014	$ 6,044	$ —	$ 6,044
Business Wireline	6,046	3,688	2,358	1,278	1,080	—	1,080
Consumer Wireline	3,098	2,029	1,069	762	307	—	307
Total Communications	28,178	16,693	11,485	4,054	7,431	—	7,431
WarnerMedia	8,526	6,403	2,123	163	1,960	70	2,030
Latin America							
Mexico	631	620	11	145	(134)	—	(134)
Vrio	743	661	82	117	(35)	(4)	(39)
Total Latin America	1,374	1,281	93	262	(169)	(4)	(173)
Segment Total	38,078	24,377	13,701	4,479	9,222	66	9,288
Corporate and Other							
Corporate:							
DTV stranded costs	—	—	—	—	—	—	—
Parent administration support	(12)	334	(346)	6	(352)	(9)	(361)
Securitization fees	13	40	(27)	—	(27)	—	(27)
Value portfolio	163	41	122	9	113	—	113
Total Corporate	164	415	(251)	15	(266)	(9)	(275)
Video	6,725	5,660	1,065	164	901	—	901
Held-for-sale and other reclassifications	262	228	34	20	14	(5)	9
Reclassification of prior service credits	—	669	(669)	—	(669)	—	(669)
Merger & Significant Items	—	61	(61)	1,131	(1,192)	—	(1,192)
Eliminations and consolidations	(1,290)	(941)	(349)	—	(349)	—	(349)
Total Corporate and Other	5,861	6,092	(231)	1,330	(1,561)	(14)	(1,575)
AT&T Inc.	$ 43,939	$ 30,469	$ 13,470	$ 5,809	$ 7,661	$ 52	$ 7,713

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 and cash distributions from DIRECTV classified as investing activities minus capital expenditures and cash paid for vendor financing (classified as financing activities). Free cash flow after dividends is defined as cash from operations and cash distributions from DIRECTV, minus capital expenditures, cash paid for vendor financing 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 vendor financing, and from our continued economic interest in the U.S. video operations as part of our DIRECTV equity method investment, 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	
	2022	2021
Net cash provided by operating activities[1]	**$ 5,732**	$ 9,927
Add: Distributions from DIRECTV classified as investing activities	**1,315**	—
Less: Capital expenditures	**(4,748)**	(4,033)
Less: Cash paid for vendor financing	**(1,566)**	(1,690)
Free Cash Flow	**733**	4,204
Less: Dividends paid	**(3,749)**	(3,741)
Free Cash Flow after Dividends	**$ (3,016)**	$ 463
Free Cash Flow Dividend Payout Ratio	**511.5 %**	89.0 %

[1] Includes distributions from DIRECTV of $522 in the first quarter of 2022.

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	
	2022	2021
Capital Expenditures	**$ (4,748)**	$ (4,033)
Cash paid for vendor financing	**(1,566)**	(1,690)
Cash paid for Capital Investment	**$ (6,314)**	$ (5,723)

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	
	2022	2021
Net Income	**$ 5,164**	$ 7,942
Additions:		
Income Tax Expense	**1,443**	2,122
Interest Expense	**1,722**	1,870
Equity in Net (Income) Loss of Affiliates	**(501)**	(52)
Other (Income) Expense - Net	**(2,187)**	(4,221)
Depreciation and amortization	**5,539**	5,809
EBITDA	**11,180**	13,470
Merger and other costs	**364**	37
Employee separation costs and benefit-related (gain) loss	**94**	24
Adjusted EBITDA [1]	**$ 11,638**	$ 13,531

[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	
	2022	2021
Communications Segment		
Operating Contribution	**$ 7,029**	$ 7,431
Additions:		
Depreciation and amortization	**4,124**	4,054
EBITDA	**11,153**	11,485
Total Operating Revenues	**28,876**	28,178
Operating Income Margin	**24.3 %**	26.4 %
EBITDA Margin	**38.6 %**	40.8 %
Mobility		
Operating Contribution	**$ 5,853**	$ 6,044
Additions:		
Depreciation and amortization	**2,059**	2,014
EBITDA	**7,912**	8,058
Total Operating Revenues	**20,075**	19,034
Service Revenues	**14,724**	14,048
Operating Income Margin	**29.2 %**	31.8 %
EBITDA Margin	**39.4 %**	42.3 %
EBITDA Service Margin	**53.7 %**	57.4 %
Business Wireline		
Operating Contribution	**$ 859**	$ 1,080
Additions:		
Depreciation and amortization	**1,299**	1,278
EBITDA	**2,158**	2,358
Total Operating Revenues	**5,640**	6,046
Operating Income Margin	**15.2 %**	17.9 %
EBITDA Margin	**38.3 %**	39.0 %
Consumer Wireline		
Operating Contribution	**$ 317**	$ 307
Additions:		
Depreciation and amortization	**766**	762
EBITDA	**1,083**	1,069
Total Operating Revenues	**3,161**	3,098
Operating Income Margin	**10.0 %**	9.9 %
EBITDA Margin	**34.3 %**	34.5 %

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin		
Dollars in millions		
	First Quarter	
	2022	2021
WarnerMedia Segment		
Operating Contribution	**$ 1,306**	$ 2,030
Additions:		
Equity in Net (Income) of Affiliates	**13**	(70)
Depreciation and amortization	**127**	163
EBITDA	**1,446**	2,123
Total Operating Revenues	**8,741**	8,526
Operating Income Margin	**15.1%**	23.0%
EBITDA Margin	**16.5%**	24.9%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin		
Dollars in millions		
	First Quarter	
	2022	2021
Latin America Segment		
Operating Contribution	**$ (102)**	$ (173)
Additions:		
Equity in Net (Income) of Affiliates	**—**	4
Depreciation and amortization	**161**	262
EBITDA	**59**	93
Total Operating Revenues	**690**	1,374
Operating Income Margin	**-14.8%**	-12.3%
EBITDA Margin	**8.6%**	6.8%
Mexico		
Operating Contribution	**$ (102)**	$ (134)
Additions:		
Equity in Net (Income) Loss of Affiliates	**—**	—
Depreciation and amortization	**161**	145
EBITDA	**59**	11
Total Operating Revenues	**690**	631
Operating Income Margin	**-14.8%**	-21.2%
EBITDA Margin	**8.6%**	1.7%

Adjusting Items

Adjusting items include revenues and costs we consider non-operational in nature, including 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. Prior periods have been recast for consistency to include gains on benefit-related and other cost investments.

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	
	2022	2021
Operating Expenses		
Transaction and other costs	**$ 364**	$ 37
Employee separation costs and benefit-related (gain) loss	**94**	24
Adjustments to Operations and Support Expenses	**458**	61
Amortization of intangible assets	**971**	1,131
Adjustments to Operating Expenses	**1,429**	1,192
Other		
DIRECTV intangible amortization (proportionate share)	**416**	—
Benefit-related (gain) loss, transaction financing costs and other	**169**	(119)
Actuarial (gain) loss	**(1,053)**	(2,844)
Adjustments to Income Before Income Taxes	**961**	(1,771)
Tax impact of adjustments	**171**	(490)
Tax-related items	**—**	118
Adjustments to Net Income	**$ 790**	$ (1,399)

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	
	2022	2021
Operating Income	**$ 5,641**	$ 7,661
Adjustments to Operating Expenses	**1,429**	1,192
Adjusted Operating Income	**7,070**	8,853
EBITDA	**11,180**	13,470
Adjustments to Operations and Support Expenses	**458**	61
Adjusted EBITDA	**11,638**	13,531
Total Operating Revenues	**38,105**	43,939
Operating Income Margin	**14.8 %**	17.4 %
Adjusted Operating Income Margin	**18.6 %**	20.1 %
Adjusted EBITDA Margin	**30.5 %**	30.8 %

Adjusted Diluted EPS

	First Quarter	
	2022	2021
Diluted Earnings Per Share (EPS)	**$ 0.65**	$ 1.02
Amortization of intangible assets	**0.10**	0.12
Transaction costs	**0.04**	0.01
DIRECTV intangible amortization (proportionate share)	**0.04**	—
Actuarial (gain) loss [1]	**(0.11)**	(0.29)
Benefit-related (gain) loss, employee separation costs and other [2]	**0.05**	0.01
Tax-related items	**—**	(0.02)
Adjusted EPS	**$ 0.77**	$ 0.85
Year-over-year growth - Adjusted	**-9.4%**	
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,556**	7,482

[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 $1.1 billion in the first quarter of 2022. 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 $(3.6) billion (actual pension return of -5.2%), included in the GAAP measure of income.

[2] As of January 1, 2022, we adopted, through retrospective application, Accounting Standards Update (ASU) No. 2020-06, which requires that instruments which may be settled in cash or stock to be presumed settled in stock in calculating diluted EPS. While our intent is to settle the Mobility II preferred interests in cash, the ability to settle this instrument in AT&T shares will result in additional dilutive impact, the magnitude of which is influenced by the fair value of the Mobility II preferred interests and the average AT&T common stock price during the reporting period, which could vary from period-to-period. For these reasons, we have excluded the impact of ASU 2020-06 from our adjusted EPS calculation. The per share impact of ASU 2020-06 was to decrease reported diluted EPS $0.02 and $0.01 for the quarters ended March 31, 2022 and 2021, respectively.

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 - 2022

Dollars in millions

	Three Months Ended				
	June 30, 2021 [1]	Sept. 30 2021 [1]	Dec. 31, 2021 [1]	March 31, 2022	**Four Quarters**
Adjusted EBITDA	$ 13,514	$ 13,016	$ 11,281	$ 11,638	**$ 49,449**
End-of-period current debt					**27,333**
End-of-period long-term debt					**180,225**
Total End-of-Period Debt					**207,558**
Less: Cash and Cash Equivalents					**38,565**
Net Debt Balance					**168,993**
Annualized Net Debt to Adjusted EBITDA Ratio [2]					**3.42**

[1] As reported in AT&T's Form 8-K furnished April 15, 2022.

[2] Annualized Net Debt to Adjusted EBITDA Ratio of 3.59 when adjusted to remove the impacts for Video and Vrio EBITDA of $1,735, $624 and $47 in the second, third and fourth quarters of 2021, respectively. Additional information on Video and Vrio can be found in exhibit 99.4.

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 [1]	Four Quarters
Adjusted EBITDA	$ 14,112	$ 13,313	$ 12,888	$ 13,531	$ 53,844
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					3.14

[1] As reported in AT&T's Form 8-K furnished April 15, 2022.

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 Measures								
	First Quarter							
	March 31, 2022				March 31, 2021			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	**$ 14,724**	**$ —**	**$ (12,590)**	**$ 2,134**	$ 14,048	$ —	$ (12,079)	$ 1,969
Wireline service	**—**	**5,478**	**—**	**5,478**	—	5,872	—	5,872
Wireless equipment	**5,351**	**—**	**(4,452)**	**899**	4,986	—	(4,196)	790
Wireline equipment	**—**	**162**	**—**	**162**	—	174	—	174
Total Operating Revenues	**20,075**	**5,640**	**(17,042)**	**8,673**	19,034	6,046	(16,275)	8,805
Operating Expenses								
Operations and support	**12,163**	**3,482**	**(10,037)**	**5,608**	10,976	3,688	(9,145)	5,519
EBITDA	**7,912**	**2,158**	**(7,005)**	**3,065**	8,058	2,358	(7,130)	3,286
Depreciation and amortization	**2,059**	**1,299**	**(1,698)**	**1,660**	2,014	1,278	(1,678)	1,614
Total Operating Expenses	**14,222**	**4,781**	**(11,735)**	**7,268**	12,990	4,966	(10,823)	7,133
Operating Income	**5,853**	**859**	**(5,307)**	**1,405**	6,044	1,080	(5,452)	1,672
Equity in Net Income (Loss) of Affiliates	**—**	**—**	**—**	**—**	—	—	—	—
Operating Contribution	**$ 5,853**	**$ 859**	**$ (5,307)**	**$ 1,405**	$ 6,044	$ 1,080	$ (5,452)	$ 1,672

[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