2nd QUARTER EARNINGS 2021

Financial and Operational Schedules & Non-GAAP Reconciliations

July 22ND, 2021

AT&T

AT&T Inc.
Financial Data

Consolidated Statements of Income						
Dollars in millions except per share amounts						
Unaudited	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Operating Revenues						
Service	**$ 38,956**	$ 37,051	5.1 %	**$ 77,460**	$ 75,934	2.0 %
Equipment	**5,089**	3,899	30.5 %	**10,524**	7,795	35.0 %
Total Operating Revenues	**44,045**	40,950	7.6 %	**87,984**	83,729	5.1 %
Operating Expenses						
Cost of revenues						
Equipment	**5,341**	3,978	34.3 %	**10,897**	8,070	35.0 %
Broadcast, programming and operations	**7,603**	5,889	29.1 %	**15,141**	12,643	19.8 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	**8,155**	8,116	0.5 %	**16,148**	16,458	(1.9)%
Selling, general and administrative	**9,361**	9,831	(4.8)%	**18,743**	18,591	0.8 %
Asset impairments and abandonments	**4,555**	2,319	96.4 %	**4,555**	2,442	86.5 %
Depreciation and amortization	**5,761**	7,285	(20.9)%	**11,570**	14,507	(20.2)%
Total Operating Expenses	**40,776**	37,418	9.0 %	**77,054**	72,711	6.0 %
Operating Income	**3,269**	3,532	(7.4)%	**10,930**	11,018	(0.8)%
Interest Expense	**1,684**	2,041	(17.5)%	**3,554**	4,059	(12.4)%
Equity in Net Income (Loss) of Affiliates	**41**	(10)	— %	**93**	(16)	— %
Other Income (Expense) — Net	**999**	1,017	(1.8)%	**5,220**	1,820	— %
Income Before Income Taxes	**2,625**	2,498	5.1 %	**12,689**	8,763	44.8 %
Income Tax Expense	**751**	935	(19.7)%	**2,873**	2,237	28.4 %
Net Income	**1,874**	1,563	19.9 %	**9,816**	6,526	50.4 %
Less: Net Income Attributable to Noncontrolling Interest	**(304)**	(282)	(7.8)%	**(696)**	(635)	(9.6)%
Net Income Attributable to AT&T	**$ 1,570**	$ 1,281	22.6 %	**$ 9,120**	$ 5,891	54.8 %
Less: Preferred Stock Dividends	**(56)**	(52)	(7.7)%	**(106)**	(84)	(26.2)%
Net Income Attributable to Common Stock	**$ 1,514**	$ 1,229	23.2 %	**$ 9,014**	$ 5,807	55.2 %
Basic Earnings Per Share Attributable to Common Stock	**$ 0.21**	$ 0.17	23.5 %	**$ 1.25**	$ 0.81	54.3 %
Weighted Average Common Shares Outstanding (000,000)	**7,168**	7,145	0.3 %	**7,165**	7,166	— %
Diluted Earnings Per Share Attributable to Common Stock	**$ 0.21**	$ 0.17	23.5 %	**$ 1.25**	$ 0.81	54.3 %
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,200**	7,170	0.4 %	**7,194**	7,192	— %

AT&T Inc.
Financial Data

Consolidated Balance Sheets				
Dollars in millions *Unaudited*		**Jun. 30, 2021**		Dec. 31, 2020
Assets				
Current Assets				
Cash and cash equivalents	**$**	**11,869**	$	9,740
Accounts receivable – net of related allowances for credit loss of $843 and $1,221		**15,771**		20,215
Inventories		**2,810**		3,695
Prepaid and other current assets		**32,419**		18,358
Total current assets		**62,869**		52,008
Noncurrent Inventories and Theatrical Film and Television Production Costs		**16,271**		14,752
Property, Plant and Equipment – Net		**123,591**		127,315
Goodwill		**134,626**		135,259
Licenses – Net		**87,962**		93,840
Trademarks and Trade Names – Net		**22,276**		23,297
Distribution Networks – Net		**12,875**		13,793
Other Intangible Assets – Net		**12,736**		15,386
Investments in and Advances to Equity Affiliates		**1,853**		1,780
Operating Lease Right-Of-Use Assets		**24,390**		24,714
Deposits on Wireless Licenses		**23,663**		—
Other Assets		**21,598**		23,617
Total Assets	**$**	**544,710**	$	525,761
Liabilities and Stockholders' Equity				
Current Liabilities				
Debt maturing within one year	**$**	**24,016**	$	3,470
Accounts payable and accrued liabilities		**49,429**		50,051
Advanced billings and customer deposits		**4,932**		6,176
Dividends payable		**3,749**		3,741
Total current liabilities		**82,126**		63,438
Long-Term Debt		**155,767**		153,775
Deferred Credits and Other Noncurrent Liabilities				
Deferred income taxes		**61,732**		60,472
Postemployment benefit obligation		**14,876**		18,276
Operating lease liabilities		**21,637**		22,202
Other noncurrent liabilities		**28,726**		28,358
Total deferred credits and other noncurrent liabilities		**126,971**		129,308
Stockholders' Equity				
Preferred stock		**—**		—
Common stock		**7,621**		7,621
Additional paid-in capital		**129,941**		130,175
Retained earnings		**38,947**		37,457
Treasury stock		**(17,332)**		(17,910)
Accumulated other comprehensive income		**3,119**		4,330
Noncontrolling interest		**17,550**		17,567
Total stockholders' equity		**179,846**		179,240
Total Liabilities and Stockholders' Equity	**$**	**544,710**	$	525,761

AT&T Inc.
Financial Data

Consolidated Statements of Cash Flows		
Dollars in millions		
Unaudited	Six-Month Period	
	2021	2020
Operating Activities		
Net income	**$ 9,816**	$ 6,526
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**11,570**	14,507
Amortization of film and television costs	**6,256**	3,985
Undistributed earnings from investments in equity affiliates	**15**	64
Provision for uncollectible accounts	**596**	1,199
Deferred income tax expense	**1,772**	653
Net (gain) loss on investments, net of impairments	**(237)**	(705)
Pension and postretirement benefit expense (credit)	**(1,899)**	(1,495)
Actuarial (gain) loss on pension and postretirement benefits	**(2,647)**	—
Asset impairments and abandonments	**4,555**	2,442
Changes in operating assets and liabilities:		
Receivables	**1,415**	2,522
Other current assets, inventories and theatrical film and television production costs	**(6,985)**	(5,592)
Accounts payable and other accrued liabilities	**(4,298)**	(3,847)
Equipment installment receivables and related sales	**811**	226
Deferred customer contract acquisition and fulfillment costs	**410**	322
Postretirement claims and contributions	**(207)**	(228)
Other - net	**(106)**	346
Total adjustments	**11,021**	14,399
Net Cash Provided by Operating Activities	**20,837**	20,925
Investing Activities		
Capital expenditures	**(7,992)**	(9,432)
Acquisitions, net of cash acquired	**(23,169)**	(1,174)
Dispositions	**635**	347
Other - net	**(105)**	(19)
Net Cash Used in Investing Activities	**(30,631)**	(10,278)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	**76**	498
Issuance of other short-term borrowings	**16,440**	8,440
Repayment of other short-term borrowings	**(857)**	(5,975)
Issuance of long-term debt	**9,097**	21,060
Repayment of long-term debt	**(1,155)**	(17,284)
Payment of vendor financing	**(2,994)**	(1,354)
Issuance of preferred stock	**—**	3,869
Purchase of treasury stock	**(185)**	(5,480)
Issuance of treasury stock	**85**	84
Dividends paid	**(7,571)**	(7,474)
Other - net	**(1,036)**	(2,295)
Net Cash Provided by (Used in) Financing Activities	**11,900**	(5,911)
Net increase in cash and cash equivalents and restricted cash	**2,106**	4,736
Cash and cash equivalents and restricted cash beginning of year	**9,870**	12,295
Cash and Cash Equivalents and Restricted Cash End of Period	**$ 11,976**	$ 17,031

AT&T Inc.
Consolidated Supplementary Data

Supplementary Financial Data							
Dollars in millions except per share amounts							
Unaudited	Second Quarter		Percent	Six-Month Period		Percent	
	2021	2020	Change	**2021**	2020	Change	
Capital expenditures							
Purchase of property and equipment	**$ 3,926**	$ 4,434	(11.5)%	**$ 7,898**	$ 9,372	(15.7)	%
Interest during construction - capital expenditures	**33**	32	3.1 %	**94**	60	56.7	%
Total Capital Expenditures	**$ 3,959**	$ 4,466	(11.4)%	**$ 7,992**	$ 9,432	(15.3)	%
Acquisition, net of cash acquired							
Business acquisitions	**$ 18**	$ 125	(85.6)%	**$ 26**	$ 128	(79.7)	%
Spectrum acquisitions	**10**	949	(98.9)%	**22,886**	1,046	—	%
Interest during construction - spectrum	**257**	—	— %	**257**	—	—	%
Total Acquisitions	**$ 285**	$ 1,074	(73.5)%	**$23,169**	$ 1,174	—	%
Cash Paid for Programming and Produced Film/TV Content	**$ 5,261**	$ 2,897	81.6 %	**$ 9,769**	$ 7,219	35.3	%
Dividends Declared per Common Share	**$ 0.52**	$ 0.52	— %	**$ 1.04**	$ 1.04	—	%
End of Period Common Shares Outstanding (000,000)				**7,140**	7,125	0.2	%
Debt Ratio				**50.0 %**	46.6 %	340	BP
Total Employees				**226,840**	243,350	(6.8)	%

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 business, instead reporting those results in Corporate and Other.

Segment Results

Dollars in millions
Unaudited

	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Segment Operating Revenues						
Mobility	**$ 18,936**	$ 17,149	10.4 %	**$ 37,970**	$ 34,551	9.9 %
Business Wireline	**6,052**	6,305	(4.0)%	**12,098**	12,571	(3.8)%
Consumer Wireline	**3,140**	3,051	2.9 %	**6,238**	6,162	1.2 %
Total Segment Operating Revenues	**28,128**	26,505	6.1 %	**56,306**	53,284	5.7 %
Segment Operating Contribution						
Mobility	**6,002**	5,805	3.4 %	**12,004**	11,593	3.5 %
Business Wireline	**1,050**	1,290	(18.6)%	**2,108**	2,383	(11.5)%
Consumer Wireline	**288**	393	(26.7)%	**593**	913	(35.0)%
Total Segment Operating Contribution	**$ 7,340**	$ 7,488	(2.0)%	**$ 14,705**	$ 14,889	(1.2)%

Supplementary Operating Data

Subscribers and connections in thousands
Unaudited

	June 30,		Percent
	2021	2020	Change
Broadband Connections			
IP	**14,988**	14,548	3.0 %
DSL	**493**	653	(24.5) %
Total Broadband Connections	**15,481**	15,201	1.8 %
Voice Connections			
Network Access Lines	**6,691**	7,878	(15.1) %
U-verse VoIP Connections	**3,559**	4,058	(12.3) %
Total Retail Voice Connections	**10,250**	11,936	(14.1) %

	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Broadband Net Additions						
IP	**80**	(79)	— %	**170**	(111)	— %
DSL	**(34)**	(35)	2.9 %	**(73)**	(77)	5.2 %
Total Broadband Net Additions	**46**	(114)	— %	**97**	(188)	— %

Mobility

Mobility provides nationwide wireless service and equipment.

Mobility Results						
Dollars in millions *Unaudited*	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Operating Revenues						
Service	**$ 14,346**	$ 13,669	5.0 %	**$ 28,394**	$ 27,637	2.7 %
Equipment	**4,590**	3,480	31.9 %	**9,576**	6,914	38.5 %
Total Operating Revenues	**18,936**	17,149	10.4 %	**37,970**	34,551	9.9 %
Operating Expenses						
Operations and support	**10,911**	9,332	16.9 %	**21,929**	18,901	16.0 %
Depreciation and amortization	**2,023**	2,012	0.5 %	**4,037**	4,057	(0.5) %
Total Operating Expenses	**12,934**	11,344	14.0 %	**25,966**	22,958	13.1 %
Operating Income	**6,002**	5,805	3.4 %	**12,004**	11,593	3.5 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %	**—**	—	— %
Operating Contribution	**$ 6,002**	$ 5,805	3.4 %	**$ 12,004**	$ 11,593	3.5 %
Operating Income Margin	**31.7 %**	33.9 %	(220) BP	**31.6 %**	33.6 %	(200) BP

Supplementary Operating Data			
Subscribers and connections in thousands *Unaudited*	June 30,		Percent
	2021	2020	Change
Mobility Subscribers			
Postpaid	**79,059**	74,919	5.5 %
Postpaid phone	**65,503**	62,882	4.2 %
Prepaid	**18,681**	18,008	3.7 %
Reseller	**6,406**	6,718	(4.6) %
Connected Devices	**87,500**	71,762	21.9 %
Total Mobility Subscribers	**191,646**	171,407	11.8 %

	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Mobility Net Additions						
Postpaid Phone Net Additions	**789**	(151)	— %	**1,384**	12	— %
Total Phone Net Additions	**963**	(16)	— %	**1,765**	104	— %
Postpaid	**1,156**	(154)	— %	**1,979**	(127)	— %
Prepaid	**297**	165	80.0 %	**576**	120	— %
Reseller	**(125)**	(58)	— %	**(193)**	(248)	22.2 %
Connected Devices	**4,209**	2,255	86.7 %	**6,726**	5,773	16.5 %
Total Mobility Net Additions	**5,537**	2,208	— %	**9,088**	5,518	64.7 %
Postpaid Churn	**0.87 %**	1.05 %	(18) BP	**0.90 %**	1.06 %	(16) BP
Postpaid Phone-Only Churn	**0.69 %**	0.84 %	(15) BP	**0.73 %**	0.85 %	(12) 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	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Operating Revenues						
Service	**$ 5,860**	$ 6,101	(4.0) %	**$ 11,732**	$ 12,192	(3.8) %
Equipment	**192**	204	(5.9) %	**366**	379	(3.4) %
Total Operating Revenues	**6,052**	6,305	(4.0) %	**12,098**	12,571	(3.8) %
Operating Expenses						
Operations and support	**3,709**	3,714	(0.1) %	**7,419**	7,601	(2.4) %
Depreciation and amortization	**1,293**	1,301	(0.6) %	**2,571**	2,587	(0.6) %
Total Operating Expenses	**5,002**	5,015	(0.3) %	**9,990**	10,188	(1.9) %
Operating Income	**1,050**	1,290	(18.6) %	**2,108**	2,383	(11.5) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %	**—**	—	— %
Operating Contribution	**$ 1,050**	$ 1,290	(18.6) %	**$ 2,108**	$ 2,383	(11.5) %
Operating Income Margin	**17.3 %**	20.5 %	(320) BP	**17.4 %**	19.0 %	(160) 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*	Second Quarter		Percent Change	Six-Month Period		Percent Change
	2021	2020		**2021**	2020	
Operating Revenues						
Broadband	**$ 2,266**	$ 2,092	8.3 %	**$ 4,471**	$ 4,201	6.4 %
Legacy voice and data services	**504**	560	(10.0) %	**1,023**	1,141	(10.3) %
Other service and equipment	**370**	399	(7.3) %	**744**	820	(9.3) %
Total Operating Revenues	**3,140**	3,051	2.9 %	**6,238**	6,162	1.2 %
Operating Expenses						
Operations and support	**2,083**	1,928	8.0 %	**4,114**	3,807	8.1 %
Depreciation and amortization	**769**	730	5.3 %	**1,531**	1,442	6.2 %
Total Operating Expenses	**2,852**	2,658	7.3 %	**5,645**	5,249	7.5 %
Operating Income	**288**	393	(26.7) %	**593**	913	(35.0) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %	**—**	—	— %
Operating Contribution	**$ 288**	$ 393	(26.7) %	**$ 593**	$ 913	(35.0) %
Operating Income Margin	**9.2 %**	12.9 %	(370) BP	**9.5 %**	14.8 %	(530) BP

Supplementary Operating Data						
Subscribers and connections in thousands *Unaudited*				June 30,		Percent Change
				2021	2020	
Broadband Connections						
Total Broadband and DSL Connections				**14,174**	13,944	1.6 %
Fiber Broadband Connections				**5,432**	4,321	25.7 %
Voice Connections						
Retail Consumer Switched Access Lines				**2,631**	3,096	(15.0) %
U-verse Consumer VoIP Connections				**2,965**	3,480	(14.8) %
Total Retail Consumer Voice Connections				**5,596**	6,576	(14.9) %
	Second Quarter		Percent Change	Six-Month Period		Percent Change
	2021	2020		**2021**	2020	
Broadband Net Additions						
Total Broadband and DSL Net Additions	**28**	(102)	— %	**74**	(175)	— %
Fiber Broadband Net Additions	**246**	225	9.3 %	**481**	434	10.8 %

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	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Operating Revenues						
Wireless service	**$ 2,025**	$ 1,885	7.4 %	**$ 3,994**	$ 3,834	4.2 %
Wireline service	**5,860**	6,101	(4.0) %	**11,732**	12,192	(3.8) %
Wireless equipment	**781**	585	33.5 %	**1,571**	1,295	21.3 %
Wireline equipment	**192**	204	(5.9) %	**366**	379	(3.4) %
Total Operating Revenues	**8,858**	8,775	0.9 %	**17,663**	17,700	(0.2) %
Operating Expenses						
Operations and support	**5,663**	5,360	5.7 %	**11,212**	11,006	1.9 %
Depreciation and amortization	**1,638**	1,621	1.0 %	**3,252**	3,230	0.7 %
Total Operating Expenses	**7,301**	6,981	4.6 %	**14,464**	14,236	1.6 %
Operating Income	**1,557**	1,794	(13.2) %	**3,199**	3,464	(7.7) %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %	**—**	—	— %
Operating Contribution	**$ 1,557**	$ 1,794	(13.2) %	**$ 3,199**	$ 3,464	(7.7) %
Operating Income Margin	**17.6 %**	20.4 %	(280) BP	**18.1 %**	19.6 %	(150) 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. Additional information is provided as part of the earnings material on the company's Investor Relations website.

Segment Results						
Dollars in millions						
Unaudited	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Segment Operating Revenues						
Subscription	**$ 3,961**	$ 3,265	21.3 %	**$ 7,791**	$ 6,665	16.9 %
Content and other	**3,091**	2,292	34.9 %	**6,050**	5,192	16.5 %
Advertising	**1,739**	1,171	48.5 %	**3,476**	2,636	31.9 %
Total Segment Operating Revenues	**8,791**	6,728	30.7 %	**17,317**	14,493	19.5 %
Direct Costs						
Programming	**4,154**	2,375	74.9 %	**7,928**	5,457	45.3 %
Marketing	**983**	545	80.4 %	**1,833**	1,095	67.4 %
Other	**854**	820	4.1 %	**1,667**	1,595	4.5 %
General and administrative	**943**	916	2.9 %	**1,909**	2,114	(9.7)%
Depreciation and amortization	**165**	164	0.6 %	**328**	325	0.9 %
Total Operating Expenses	**7,099**	4,820	47.3 %	**13,665**	10,586	29.1 %
Operating Income	**1,692**	1,908	(11.3)%	**3,652**	3,907	(6.5)%
Equity in Net Income (Loss) of Affiliates	**47**	4	— %	**117**	19	— %
Total Segment Operating Contribution	**$ 1,739**	$ 1,912	(9.0)%	**$ 3,769**	$ 3,926	(4.0)%

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	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Segment Operating Revenues						
Vrio	**$ 749**	$ 752	(0.4)%	**$ 1,492**	$ 1,639	(9.0)%
Mexico	**688**	480	43.3 %	**1,319**	1,183	11.5 %
Total Segment Operating Revenues	**1,437**	1,232	16.6 %	**2,811**	2,822	(0.4)%
Segment Operating Contribution						
Vrio	**(23)**	(28)	17.9 %	**(62)**	(67)	7.5 %
Mexico	**(129)**	(173)	25.4 %	**(263)**	(318)	17.3 %
Total Segment Operating Contribution	**$ (152)**	$ (201)	24.4 %	**$ (325)**	$ (385)	15.6 %

Vrio

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

Vrio Results						
Dollars in millions						
Unaudited	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Operating Revenues	**$ 749**	$ 752	(0.4) %	**$ 1,492**	$ 1,639	(9.0) %
Operating Expenses						
Operations and support	**660**	661	(0.2) %	**1,321**	1,444	(8.5) %
Depreciation and amortization	**114**	127	(10.2) %	**231**	274	(15.7) %
Total Operating Expenses	**774**	788	(1.8) %	**1,552**	1,718	(9.7) %
Operating Income (Loss)	**(25)**	(36)	30.6 %	**(60)**	(79)	24.1 %
Equity in Net Income (Loss) of Affiliates	**2**	8	(75.0) %	**(2)**	12	— %
Operating Contribution	**$ (23)**	$ (28)	17.9 %	**$ (62)**	$ (67)	7.5 %
Operating Income Margin	**(3.3)%**	(4.8)%	150 BP	**(4.0)%**	(4.8)%	80 BP

Supplementary Operating Data			
Subscribers and connections in thousands			
Unaudited	June 30,		Percent
	2021	2020	Change
Vrio Video Subscribers	**10,320**	10,664	(3.2) %

	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Vrio Video Net Additions	**(239)**	(312)	23.4 %	**(622)**	(426)	(46.0) %

Mexico

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results								
Dollars in millions								
Unaudited	Second Quarter		Percent		Six-Month Period		Percent	
	2021	2020	Change		**2021**	2020	Change	
Operating Revenues								
Wireless service	**$ 447**	$ 345	29.6	%	**$ 886**	$ 812	9.1	%
Wireless equipment	**241**	135	78.5	%	**433**	371	16.7	%
Total Operating Revenues	**688**	480	43.3	%	**1,319**	1,183	11.5	%
Operating Expenses								
Operations and support	**667**	538	24.0	%	**1,287**	1,252	2.8	%
Depreciation and amortization	**150**	115	30.4	%	**295**	249	18.5	%
Total Operating Expenses	**817**	653	25.1	%	**1,582**	1,501	5.4	%
Operating Income (Loss)	**(129)**	(173)	25.4	%	**(263)**	(318)	17.3	%
Equity in Net Income (Loss) of Affiliates	**—**	—	—	%	**—**	—	—	%
Operating Contribution	**$ (129)**	$ (173)	25.4	%	**$ (263)**	$ (318)	17.3	%
Operating Income Margin	**(18.8)%**	(36.0)%	1,720	BP	**(19.9)%**	(26.9)%	700	BP

Supplementary Operating Data				
Subscribers and connections in thousands				
Unaudited	June 30,		Percent	
	2021	2020	Change	
Mexico Wireless Subscribers				
Postpaid	**4,745**	4,771	(0.5)	%
Prepaid	**13,810**	12,777	8.1	%
Reseller	**491**	425	15.5	%
Total Mexico Wireless Subscribers	**19,046**	17,973	6.0	%

	Second Quarter		Percent		Six-Month Period		Percent	
	2021	2020	Change		**2021**	2020	Change	
Mexico Wireless Net Additions								
Postpaid	**20**	(191)	—	%	**49**	(332)	—	%
Prepaid	**54**	(915)	—	%	**52**	(807)	—	%
Reseller	**(9)**	21	—	%	**2**	53	(96.2)	%
Total Mexico Wireless Net Additions	**65**	(1,085)	—	%	**103**	(1,086)	—	%

Video

As a supplemental presentation, we are providing a view of our Video business that is 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	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Operating Revenues						
Service	**$ 6,607**	$ 6,979	(5.3) %	**$ 13,291**	$ 14,376	(7.5) %
Equipment	**32**	42	(23.8) %	**73**	52	40.4 %
Total Operating Revenues	**6,639**	7,021	(5.4) %	**13,364**	14,428	(7.4) %
Operating Expenses						
Operations and support	**5,275**	5,809	(9.2) %	**10,935**	11,829	(7.6) %
Depreciation and amortization[1]	**148**	593	(75.0) %	**312**	1,184	(73.6) %
Total Operating Expenses	**5,423**	6,402	(15.3) %	**11,247**	13,013	(13.6) %
Operating Income	**1,216**	619	96.4 %	**2,117**	1,415	49.6 %
Equity in Net Income (Loss) of Affiliates	**—**	—	— %	**—**	—	— %
Operating Contribution	**$ 1,216**	$ 619	96.4 %	**$ 2,117**	$ 1,415	49.6 %
Operating Income Margin	**18.3 %**	8.8 %	950 BP	**15.8 %**	9.8 %	600 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				June 30,		Percent
				2021	2020	Change
Premium TV Connections				**15,412**	17,712	(13.0) %
	Second Quarter		Percent	Six-Month Period		Percent
	2021	2020	Change	**2021**	2020	Change
Premium TV Net Additions	**(473)**	(887)	46.7 %	**(1,093)**	(1,784)	38.7 %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended							
Dollars in millions *Unaudited* ***June 30, 2021***	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 18,936**	**$ 10,911**	**$ 8,025**	**$ 2,023**	**$ 6,002**	**$ —**	**$ 6,002**
Business Wireline	**6,052**	**3,709**	**2,343**	**1,293**	**1,050**	**—**	**1,050**
Consumer Wireline	**3,140**	**2,083**	**1,057**	**769**	**288**	**—**	**288**
Total Communications	**28,128**	**16,703**	**11,425**	**4,085**	**7,340**	**—**	**7,340**
WarnerMedia	**8,791**	**6,934**	**1,857**	**165**	**1,692**	**47**	**1,739**
Latin America							
Vrio	**749**	**660**	**89**	**114**	**(25)**	**2**	**(23)**
Mexico	**688**	**667**	**21**	**150**	**(129)**	**—**	**(129)**
Total Latin America	**1,437**	**1,327**	**110**	**264**	**(154)**	**2**	**(152)**
Segment Total	**38,356**	**24,964**	**13,392**	**4,514**	**8,878**	**$ 49**	**$ 8,927**
Corporate and Other							
Corporate	**361**	**1,160**	**(799)**	**30**	**(829)**		
Video	**6,639**	**5,275**	**1,364**	**148**	**1,216**		
Acquisition-related items	**—**	**—**	**—**	**1,069**	**(1,069)**		
Certain significant items	**—**	**4,555**	**(4,555)**	**—**	**(4,555)**		
Eliminations and consolidations	**(1,311)**	**(939)**	**(372)**	**—**	**(372)**		
AT&T Inc.	**$ 44,045**	**$ 35,015**	**$ 9,030**	**$ 5,761**	**$ 3,269**		

Three Months Ended							
Dollars in millions							
Unaudited							
June 30, 2020							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 17,149	$ 9,332	$ 7,817	$ 2,012	$ 5,805	$ —	$ 5,805
Business Wireline	6,305	3,714	2,591	1,301	1,290	—	1,290
Consumer Wireline	3,051	1,928	1,123	730	393	—	393
Total Communications	26,505	14,974	11,531	4,043	7,488	—	7,488
WarnerMedia	6,728	4,656	2,072	164	1,908	4	1,912
Latin America							
Vrio	752	661	91	127	(36)	8	(28)
Mexico	480	538	(58)	115	(173)	—	(173)
Total Latin America	1,232	1,199	33	242	(209)	8	(201)
Segment Total	34,465	20,829	13,636	4,449	9,187	$ 12	$ 9,199
Corporate and Other							
Corporate	589	1,069	(480)	99	(579)		
Video	7,021	5,809	1,212	593	619		
Acquisition-related items	—	211	(211)	2,145	(2,356)		
Certain significant items	—	3,084	(3,084)	—	(3,084)		
Eliminations and consolidations	(1,125)	(869)	(256)	(1)	(255)		
AT&T Inc.	$ 40,950	$ 30,133	$ 10,817	$ 7,285	$ 3,532		

SUPPLEMENTAL SEGMENT RECONCILIATION

Six Months Ended							
Dollars in millions							
Unaudited							
June 30, 2021							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	**$ 37,970**	**$ 21,929**	**$ 16,041**	**$ 4,037**	**$ 12,004**	**$ —**	**$ 12,004**
Business Wireline	**12,098**	**7,419**	**4,679**	**2,571**	**2,108**	**—**	**2,108**
Consumer Wireline	**6,238**	**4,114**	**2,124**	**1,531**	**593**	**—**	**593**
Total Communications	**56,306**	**33,462**	**22,844**	**8,139**	**14,705**	**—**	**14,705**
WarnerMedia	**17,317**	**13,337**	**3,980**	**328**	**3,652**	**117**	**3,769**
Latin America							
Vrio	**1,492**	**1,321**	**171**	**231**	**(60)**	**(2)**	**(62)**
Mexico	**1,319**	**1,287**	**32**	**295**	**(263)**	**—**	**(263)**
Total Latin America	**2,811**	**2,608**	**203**	**526**	**(323)**	**(2)**	**(325)**
Segment Total	**76,434**	**49,407**	**27,027**	**8,993**	**18,034**	**$ 115**	**$ 18,149**
Corporate and Other							
Corporate	**787**	**2,373**	**(1,586)**	**65**	**(1,651)**		
Video	**13,364**	**10,935**	**2,429**	**312**	**2,117**		
Acquisition-related items	**—**	**37**	**(37)**	**2,200**	**(2,237)**		
Certain significant items	**—**	**4,612**	**(4,612)**	**—**	**(4,612)**		
Eliminations and consolidations	**(2,601)**	**(1,880)**	**(721)**	**—**	**(721)**		
AT&T Inc.	**$ 87,984**	**$ 65,484**	**$ 22,500**	**$ 11,570**	**$ 10,930**		

Six Months Ended							
Dollars in millions							
Unaudited							
June 30, 2020							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	$ 34,551	$ 18,901	$ 15,650	$ 4,057	$ 11,593	$ —	$ 11,593
Business Wireline	12,571	7,601	4,970	2,587	2,383	—	2,383
Consumer Wireline	6,162	3,807	2,355	1,442	913	—	913
Total Communications	53,284	30,309	22,975	8,086	14,889	—	14,889
WarnerMedia	14,493	10,261	4,232	325	3,907	19	3,926
Latin America							
Vrio	1,639	1,444	195	274	(79)	12	(67)
Mexico	1,183	1,252	(69)	249	(318)	—	(318)
Total Latin America	2,822	2,696	126	523	(397)	12	(385)
Segment Total	70,599	43,266	27,333	8,934	18,399	$ 31	$ 18,430
Corporate and Other							
Corporate	1,123	2,081	(958)	189	(1,147)		
Video	14,428	11,829	2,599	1,184	1,415		
Acquisition-related items	—	393	(393)	4,201	(4,594)		
Certain significant items	—	2,426	(2,426)	—	(2,426)		
Eliminations and consolidations	(2,421)	(1,791)	(630)	(1)	(629)		
AT&T Inc.	$ 83,729	$ 58,204	$ 25,525	$ 14,507	$ 11,018		

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

	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Net cash provided by operating activities	**$ 10,910**	$ 12,059	**$ 20,837**	$ 20,925
Less: Capital expenditures	**(3,959)**	(4,466)	**(7,992)**	(9,432)
Free Cash Flow	**6,951**	7,593	**12,845**	11,493
Less: Dividends paid	**(3,830)**	(3,737)	**(7,571)**	(7,474)
Free Cash Flow after Dividends	**$ 3,121**	$ 3,856	**$ 5,274**	$ 4,019
Free Cash Flow Dividend Payout Ratio	**55.1 %**	49.2 %	**58.9 %**	65.0 %

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

	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Capital Expenditures	**$ (3,959)**	$ (4,466)	**$ (7,992)**	$ (9,432)
Cash paid for vendor financing	**(1,304)**	(563)	**(2,994)**	(1,354)
Cash paid for Capital Investment	**$ (5,263)**	$ (5,029)	**$ (10,986)**	$ (10,786)
FirstNet reimbursement	**—**	(72)	**—**	(79)
Gross Capital Investment	**$ (5,263)**	$ (5,101)	**$ (10,986)**	$ (10,865)

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

	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Net Income	**$ 1,874**	$ 1,563	**$ 9,816**	$ 6,526
Additions:				
Income Tax Expense	**751**	935	**2,873**	2,237
Interest Expense	**1,684**	2,041	**3,554**	4,059
Equity in Net (Income) Loss of Affiliates	**(41)**	10	**(93)**	16
Other (Income) Expense - Net	**(999)**	(1,017)	**(5,220)**	(1,820)
Depreciation and amortization	**5,761**	7,285	**11,570**	14,507
EBITDA	**9,030**	10,817	**22,500**	25,525
Merger costs	**—**	211	**37**	393
Employee separation costs and benefit-related (gain) loss	**—**	765	**57**	884
Impairments	**4,555**	2,319	**4,555**	2,442
Gain on spectrum transaction	**—**	—	**—**	(900)
Adjusted EBITDA [1]	**$ 13,585**	$ 14,112	**$ 27,149**	$ 28,344

[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				
	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Communications Segment				
Operating Contribution	**$ 7,340**	$ 7,488	**$ 14,705**	$ 14,889
Additions:				
Depreciation and amortization	**4,085**	4,043	**8,139**	8,086
EBITDA	**11,425**	11,531	**22,844**	22,975
Total Operating Revenues	**28,128**	26,505	**56,306**	53,284
Operating Income Margin	**26.1 %**	28.3 %	**26.1 %**	27.9 %
EBITDA Margin	**40.6 %**	43.5 %	**40.6 %**	43.1 %
Mobility				
Operating Contribution	**$ 6,002**	$ 5,805	**$ 12,004**	$ 11,593
Additions:				
Depreciation and amortization	**2,023**	2,012	**4,037**	4,057
EBITDA	**8,025**	7,817	**16,041**	15,650
Total Operating Revenues	**18,936**	17,149	**37,970**	34,551
Service Revenues	**14,346**	13,669	**28,394**	27,637
Operating Income Margin	**31.7 %**	33.9 %	**31.6 %**	33.6 %
EBITDA Margin	**42.4 %**	45.6 %	**42.2 %**	45.3 %
EBITDA Service Margin	**55.9 %**	57.2 %	**56.5 %**	56.6 %
Business Wireline				
Operating Contribution	**$ 1,050**	$ 1,290	**$ 2,108**	$ 2,383
Additions:				
Depreciation and amortization	**1,293**	1,301	**2,571**	2,587
EBITDA	**2,343**	2,591	**4,679**	4,970
Total Operating Revenues	**6,052**	6,305	**12,098**	12,571
Operating Income Margin	**17.3 %**	20.5 %	**17.4 %**	19.0 %
EBITDA Margin	**38.7 %**	41.1 %	**38.7 %**	39.5 %
Consumer Wireline				
Operating Contribution	**$ 288**	$ 393	**$ 593**	$ 913
Additions:				
Depreciation and amortization	**769**	730	**1,531**	1,442
EBITDA	**1,057**	1,123	**2,124**	2,355
Total Operating Revenues	**3,140**	3,051	**6,238**	6,162
Operating Income Margin	**9.2 %**	12.9 %	**9.5 %**	14.8 %
EBITDA Margin	**33.7 %**	36.8 %	**34.0 %**	38.2 %

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions				
	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
WarnerMedia Segment				
Operating Contribution	**$ 1,739**	$ 1,912	**$ 3,769**	$ 3,926
Additions:				
Equity in Net (Income) of Affiliates	**(47)**	(4)	**(117)**	(19)
Depreciation and amortization	**165**	164	**328**	325
EBITDA	**1,857**	2,072	**3,980**	4,232
Total Operating Revenues	**8,791**	6,728	**17,317**	14,493
Operating Income Margin	**19.2%**	28.4%	**21.1%**	27.0%
EBITDA Margin	**21.1%**	30.8%	**23.0%**	29.2%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
Dollars in millions				
	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Latin America Segment				
Operating Contribution	**$ (152)**	$ (201)	**$ (325)**	$ (385)
Additions:				
Equity in Net (Income) of Affiliates	**(2)**	(8)	**2**	(12)
Depreciation and amortization	**264**	242	**526**	523
EBITDA	**110**	33	**203**	126
Total Operating Revenues	**1,437**	1,232	**2,811**	2,822
Operating Income Margin	**-10.7%**	-17.0%	**-11.5%**	-14.1%
EBITDA Margin	**7.7%**	2.7%	**7.2%**	4.5%
Vrio				
Operating Contribution	**$ (23)**	$ (28)	**$ (62)**	$ (67)
Additions:				
Equity in Net (Income) of Affiliates	**(2)**	(8)	**2**	(12)
Depreciation and amortization	**114**	127	**231**	274
EBITDA	**89**	91	**171**	195
Total Operating Revenues	**749**	752	**1,492**	1,639
Operating Income Margin	**-3.3%**	-4.8%	**-4.0%**	-4.8%
EBITDA Margin	**11.9%**	12.1%	**11.5%**	11.9%
Mexico				
Operating Contribution	**$ (129)**	$ (173)	**$ (263)**	$ (318)
Additions:				
Equity in Net (Income) Loss of Affiliates	**—**	—	**—**	—
Depreciation and amortization	**150**	115	**295**	249
EBITDA	**21**	(58)	**32**	(69)
Total Operating Revenues	**688**	480	**1,319**	1,183
Operating Income Margin	**-18.8%**	-36.0%	**-19.9%**	-26.9%
EBITDA Margin	**3.1%**	-12.1%	**2.4%**	-5.8%

Supplemental EBITDA and EBITDA Margin				
Dollars in millions				
	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Video				
Operating Contribution	**$ 1,216**	$ 619	**$ 2,117**	$ 1,415
Additions:				
Equity in Net (Income) of Affiliates	**—**	—	**—**	—
Depreciation and amortization	**148**	593	**312**	1,184
EBITDA	**1,364**	1,212	**2,429**	2,599
Total Operating Revenues	**6,639**	7,021	**13,364**	14,428
Operating Income Margin	**18.3%**	8.8%	**15.8%**	9.8%
EBITDA Margin	**20.5%**	17.3%	**18.2%**	18.0%

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				
	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Operating Expenses				
Merger costs	**$ —**	$ 211	**$ 37**	$ 393
Employee separation costs and benefit-related (gain) loss[1]	**—**	765	**57**	884
Assets impairments and abandonment	**4,555**	2,319	**4,555**	2,442
Gain on spectrum transaction	**—**	—	**—**	(900)
Adjustments to Operations and Support Expenses	**4,555**	3,295	**4,649**	2,819
Amortization of intangible assets	**1,069**	2,145	**2,200**	4,201
Adjustments to Operating Expenses	**5,624**	5,440	**6,849**	7,020
Other				
Debt redemption, (gain) loss on sale of assets, impairments and other	**140**	293	**81**	407
Actuarial (gain) loss	**197**	—	**(2,647)**	—
Employee benefit-related (gain) loss[1]	**—**	(161)	**—**	42
Adjustments to Income Before Income Taxes	**5,961**	5,572	**4,283**	7,469
Tax impact of adjustments	**1,018**	749	**548**	1,143
Tax-related items	**—**	—	**118**	—
Impairment attributable to noncontrolling interest	**81**	105	**81**	105
Adjustments to Net Income	**$ 4,862**	$ 4,718	**$ 3,536**	$ 6,221

[1] Mark-to-market gains and losses on benefit-related investments were adjusted in 2020 reflecting more significant market volatility and uncertainty experienced as a result of the onset of the COVID-19 pandemic. Benefit-related investment gains were $170 and $259 in the second quarter and for the first six months of 2021 and $286 and $2 in the second quarter and for the first six months of 2020.

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

	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Operating Income	**$ 3,269**	$ 3,532	**$ 10,930**	$ 11,018
Adjustments to Operating Expenses	**5,624**	5,440	**6,849**	7,020
Adjusted Operating Income	**8,893**	8,972	**17,779**	18,038
EBITDA	**9,030**	10,817	**22,500**	25,525
Adjustments to Operations and Support Expenses	**4,555**	3,295	**4,649**	2,819
Adjusted EBITDA	**13,585**	14,112	**27,149**	28,344
Total Operating Revenues	**44,045**	40,950	**87,984**	83,729
Operating Income Margin	**7.4 %**	8.6 %	**12.4 %**	13.2 %
Adjusted Operating Income Margin	**20.2 %**	21.9 %	**20.2 %**	21.5 %
Adjusted EBITDA Margin	**30.8 %**	34.5 %	**30.9 %**	33.9 %

Adjusted Diluted EPS

	Second Quarter		Six-Month Period	
	2021	2020	**2021**	2020
Diluted Earnings Per Share (EPS)	**$ 0.21**	$ 0.17	**$ 1.25**	$ 0.81
Amortization of intangible assets	**0.12**	0.24	**0.24**	0.46
Merger integration items	**—**	0.02	**—**	0.04
Employee separation, (gain) loss on sale of assets and other	**0.02**	0.08	**0.04**	0.02
Actuarial (gain) loss [1]	**0.02**	—	**(0.28)**	—
Impairments	**0.52**	0.32	**0.52**	0.34
Tax-related items	**—**	—	**(0.02)**	—
Adjusted EPS	**$ 0.89**	$ 0.83	**$ 1.75**	$ 1.67
Year-over-year growth - Adjusted	**7.2%**		**4.8%**	
Weighted Average Common Shares Outstanding with Dilution (000,000)	**7,200**	7,170	**7,194**	7,192

[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 loss of $0.2 billion in the second 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 $2.1 billion (actual pension return of 4.3%), 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				
	Sept. 30, 2020 [1]	Dec. 31, 2020 [1]	March. 31 2021 [1]	June 30, 2021	**Four Quarters**
Adjusted EBITDA	$ 13,313	$ 12,889	$ 13,564	$ 13,585	**$ 53,351**
End-of-period current debt					**24,016**
End-of-period long-term debt					**155,767**
Total End-of-Period Debt					**179,783**
Less: Cash and Cash Equivalents					**11,869**
Net Debt Balance					**167,914**
Annualized Net Debt to Adjusted EBITDA Ratio					**3.15**

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

Net Debt to Adjusted EBITDA - 2020

Dollars in millions

	Three Months Ended				
	Sept. 30, 2019 [1]	Dec. 31, 2019 [1]	March. 31 2020 [1]	June 30, 2020 [1]	Four Quarters
Adjusted EBITDA	$ 15,079	$ 14,365	$ 14,232	$ 14,112	$ 57,788
End-of-period current debt					15,576
End-of-period long-term debt					153,388
Total End-of-Period Debt					168,964
Less: Cash and Cash Equivalents					16,941
Net Debt Balance					152,023
Annualized Net Debt to Adjusted EBITDA Ratio					2.63

[1] As reported in AT&T's Form 8-K filed October 28, 2019, January 29, 2020, April 22, 2020, and July 23, 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								
	Second Quarter							
	June 30, 2021				June 30, 2020			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	**$ 14,346**	**$ —**	**$ (12,321)**	**$ 2,025**	$ 13,669	$ —	$ (11,784)	$ 1,885
Wireline service	**—**	**5,860**	**—**	**5,860**	—	6,101	—	6,101
Wireless equipment	**4,590**	**—**	**(3,809)**	**781**	3,480	—	(2,895)	585
Wireline equipment	**—**	**192**	**—**	**192**	—	204	—	204
Total Operating Revenues	**18,936**	**6,052**	**(16,130)**	**8,858**	17,149	6,305	(14,679)	8,775
Operating Expenses								
Operations and support	**10,911**	**3,709**	**(8,957)**	**5,663**	9,332	3,714	(7,686)	5,360
EBITDA	**8,025**	**2,343**	**(7,173)**	**3,195**	7,817	2,591	(6,993)	3,415
Depreciation and amortization	**2,023**	**1,293**	**(1,678)**	**1,638**	2,012	1,301	(1,692)	1,621
Total Operating Expenses	**12,934**	**5,002**	**(10,635)**	**7,301**	11,344	5,015	(9,378)	6,981
Operating Income	**6,002**	**1,050**	**(5,495)**	**1,557**	5,805	1,290	(5,301)	1,794
Equity in Net Income (Loss) of Affiliates	**—**	**—**	**—**	**—**	—	—	—	—
Operating Contribution	**$ 6,002**	**$ 1,050**	**$ (5,495)**	**$ 1,557**	$ 5,805	$ 1,290	$ (5,301)	$ 1,794

[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.

Supplemental Operational Measure								
	Six-Month Period							
	June 30, 2021				June 30, 2020			
	Mobility	**Business Wireline**	**Adjustments[1]**	**Business Solutions**	Mobility	Business Wireline	Adjustments[1]	Business Solutions
Operating Revenues								
Wireless service	**$ 28,394**	**$ —**	**$ (24,400)**	**$ 3,994**	$ 27,637	$ —	$ (23,803)	$ 3,834
Wireline service	**—**	**11,732**	**—**	**11,732**	—	12,192	—	12,192
Wireless equipment	**9,576**	**—**	**(8,005)**	**1,571**	6,914	—	(5,619)	1,295
Wireline equipment	**—**	**366**	**—**	**366**	—	379	—	379
Total Operating Revenues	**37,970**	**12,098**	**(32,405)**	**17,663**	34,551	12,571	(29,422)	17,700
Operating Expenses								
Operations and support	**21,929**	**7,419**	**(18,136)**	**11,212**	18,901	7,601	(15,496)	11,006
EBITDA	**16,041**	**4,679**	**(14,269)**	**6,451**	15,650	4,970	(13,926)	6,694
Depreciation and amortization	**4,037**	**2,571**	**(3,356)**	**3,252**	4,057	2,587	(3,414)	3,230
Total Operating Expenses	**25,966**	**9,990**	**(21,492)**	**14,464**	22,958	10,188	(18,910)	14,236
Operating Income	**12,004**	**2,108**	**(10,913)**	**3,199**	11,593	2,383	(10,512)	3,464
Equity in Net Income (Loss) of Affiliates	**—**	**—**	**—**	**—**	—	—	—	—
Operating Contribution	**$ 12,004**	**$ 2,108**	**$ (10,913)**	**$ 3,199**	$ 11,593	$ 2,383	$ (10,512)	$ 3,464

[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