2nd QUARTER EARNINGS 2022

# Financial and Operational Schedules & Non-GAAP Reconciliations

**JULY 21, 2022**

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 |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Operating Revenues** | | | | | | |
| Service | **$ 24,268** | $ 30,651 | (20.8)% | **$ 48,267** | $ 61,093 | (21.0)% |
| Equipment | **5,375** | 5,089 | 5.6 % | **11,088** | 10,524 | 5.4 % |
| **Total Operating Revenues** | **29,643** | 35,740 | (17.1)% | **59,355** | 71,617 | (17.1)% |
| **Operating Expenses** | | | | | | |
| Cost of revenues | | | | | | |
| Equipment | **5,534** | 5,315 | 4.1 % | **11,570** | 10,841 | 6.7 % |
| Broadcast, programming and operations | **—** | 3,397 | — % | **—** | 6,989 | — % |
| Other cost of revenues (exclusive of depreciation and amortization shown separately below) | **6,807** | 7,446 | (8.6)% | **13,506** | 14,919 | (9.5)% |
| Selling, general and administrative | **7,265** | 7,581 | (4.2)% | **14,243** | 15,207 | (6.3)% |
| Asset impairments and abandonments and restructuring | **631** | — | — % | **631** | — | — % |
| Depreciation and amortization | **4,450** | 4,429 | 0.5 % | **8,912** | 8,895 | 0.2 % |
| **Total Operating Expenses** | **24,687** | 28,168 | (12.4)% | **48,862** | 56,851 | (14.1)% |
| **Operating Income** | **4,956** | 7,572 | (34.5)% | **10,493** | 14,766 | (28.9)% |
| **Interest Expense** | **1,502** | 1,640 | (8.4)% | **3,128** | 3,463 | (9.7)% |
| **Equity in Net Income (Loss) of Affiliates** | **504** | (18) | — % | **1,025** | (24) | — % |
| **Other Income (Expense) — Net** | **2,302** | 1,206 | 90.9 % | **4,459** | 5,436 | (18.0)% |
| **Income from Continuing Operations Before Income Taxes** | **6,260** | 7,120 | (12.1)% | **12,849** | 16,715 | (23.1)% |
| Income tax expense on continuing operations | **1,509** | 1,151 | 31.1 % | **2,949** | 3,160 | (6.7)% |
| **Income From Continuing Operations** | **4,751** | 5,969 | (20.4)% | **9,900** | 13,555 | (27.0)% |
| Income (loss) from discontinued operations, net of tax | **(214)** | (4,095) | 94.8 % | **(199)** | (3,739) | 94.7 % |
| **Net Income** | **4,537** | 1,874 | — % | **9,701** | 9,816 | (1.2)% |
| **Less: Net Income Attributable to Noncontrolling Interest** | **(380)** | (304) | (25.0)% | **(734)** | (696) | (5.5)% |
| **Net Income Attributable to AT&T** | **$ 4,157** | $ 1,570 | — % | **$ 8,967** | $ 9,120 | (1.7)% |
| **Less: Preferred Stock Dividends** | **(52)** | (56) | 7.1 % | **(100)** | (106) | 5.7 % |
| **Net Income Attributable to Common Stock** | **$ 4,105** | $ 1,514 | — % | **$ 8,867** | $ 9,014 | (1.6)% |
| **Basic Earnings Per Share Attributable to Common Stock** | | | | | | |
| From continuing operations | **$ 0.60** | $ 0.77 | (22.1)% | **$ 1.26** | $ 1.76 | (28.4)% |
| From discontinued operations | **$ (0.03)** | $ (0.56) | 94.6 % | **$ (0.03)** | $ (0.51) | 94.1 % |
| | **$ 0.57** | $ 0.21 | — % | **$ 1.23** | $ 1.25 | (1.6)% |
| Weighted Average Common Shares Outstanding (000,000) | **7,169** | 7,168 | — % | **7,176** | 7,165 | 0.2 % |
| **Diluted Earnings Per Share Attributable to Common Stock** [1] | | | | | | |
| From continuing operations | **$ 0.59** | $ 0.76 | (22.4)% | **$ 1.23** | $ 1.73 | (28.9)% |
| From discontinued operations | **$ (0.03)** | $ (0.54) | 94.4 % | **$ (0.02)** | $ (0.49) | 95.9 % |
| | **$ 0.56** | $ 0.22 | — % | **$ 1.21** | $ 1.24 | (2.4)% |
| Weighted Average Common Shares Outstanding with Dilution (000,000) [1] | **7,611** | 7,484 | 1.7 % | **7,584** | 7,483 | 1.3 % |

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

| Consolidated Balance Sheets | | |
|---|---|---|
| *Dollars in millions*<br>*Unaudited* | **Jun. 30, 2022** | Dec. 31, 2021 |
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 4,018** | $ 19,223 |
| Accounts receivable – net of related allowances for credit loss of $655 and $658 | **11,377** | 12,313 |
| Inventories | **3,241** | 3,325 |
| Prepaid and other current assets | **15,764** | 16,131 |
| Assets from discontinued operations | **85** | 119,776 |
| Total current assets | **34,485** | 170,768 |
| **Property, Plant and Equipment – Net** | **125,135** | 121,649 |
| **Goodwill** | **92,746** | 92,740 |
| **Licenses – Net** | **123,557** | 113,830 |
| **Other Intangible Assets – Net** | **5,371** | 5,391 |
| **Investments in and Advances to Equity Affiliates** | **4,523** | 6,168 |
| **Operating Lease Right-Of-Use Assets** | **21,808** | 21,824 |
| **Other Assets** | **18,808** | 19,252 |
| **Total Assets** | **$ 426,433** | $ 551,622 |
| **Liabilities and Stockholders' Equity** | | |
| **Current Liabilities** | | |
| Debt maturing within one year | **$ 6,210** | $ 24,620 |
| Note payable to DIRECTV | **619** | 1,245 |
| Accounts payable and accrued liabilities | **36,659** | 39,095 |
| Advanced billings and customer deposits | **3,603** | 3,966 |
| Dividends payable | **2,013** | 3,749 |
| Liabilities from discontinued operations | **85** | 33,555 |
| Total current liabilities | **49,189** | 106,230 |
| **Long-Term Debt** | **129,747** | 151,011 |
| **Deferred Credits and Other Noncurrent Liabilities** | | |
| Deferred income taxes | **55,301** | 53,767 |
| Postemployment benefit obligation | **9,775** | 12,560 |
| Operating lease liabilities | **18,749** | 18,956 |
| Other noncurrent liabilities | **28,365** | 25,243 |
| Total deferred credits and other noncurrent liabilities | **112,190** | 110,526 |
| **Stockholders' Equity** | | |
| Preferred stock | **—** | — |
| Common stock | **7,621** | 7,621 |
| Additional paid-in capital | **122,850** | 130,112 |
| Retained earnings | **2,128** | 42,350 |
| Treasury stock | **(17,160)** | (17,280) |
| Accumulated other comprehensive income | **2,307** | 3,529 |
| Noncontrolling interest | **17,561** | 17,523 |
| Total stockholders' equity | **135,307** | 183,855 |
| **Total Liabilities and Stockholders' Equity** | **$ 426,433** | $ 551,622 |

Note: 2022 updated per Form 10-Q Filed August 4, 2022

| Consolidated Statements of Cash Flows | | |
|---|---|---|
| *Dollars in millions* | | |
| *Unaudited* | Six-Month Period | |
| | **2022** | 2021 |
| **Operating Activities** | | |
| Income from continuing operations | **$ 9,900** | $ 13,555 |
| Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations: | | |
| Depreciation and amortization | **8,912** | 8,895 |
| Provision for uncollectible accounts | **870** | 606 |
| Deferred income tax expense | **2,324** | 3,525 |
| Net (gain) loss on investments, net of impairments | **333** | (310) |
| Pension and postretirement benefit expense (credit) | **(1,735)** | (1,903) |
| Actuarial (gain) loss on pension and postretirement benefits | **(2,398)** | (2,647) |
| Asset impairments and abandonments and restructuring | **631** | — |
| Changes in operating assets and liabilities: | | |
| Receivables | **1,292** | 796 |
| Other current assets | **11** | 751 |
| Accounts payable and other accrued liabilities | **(3,905)** | (4,108) |
| Equipment installment receivables and related sales | **342** | 811 |
| Deferred customer contract acquisition and fulfillment costs | **(506)** | 394 |
| Postretirement claims and contributions | **(186)** | (207) |
| Other - net | **(515)** | (375) |
| Total adjustments | **5,470** | 6,228 |
| Net Cash Provided by Operating Activities from Continuing Operations | **15,370** | 19,783 |
| **Investing Activities** | | |
| Capital expenditures | **(9,476)** | (7,581) |
| Acquisitions, net of cash acquired | **(9,570)** | (23,143) |
| Dispositions | **22** | 375 |
| Distributions from DIRECTV in excess of cumulative equity in earnings | **1,638** | — |
| Other - net | **75** | 20 |
| Net Cash Used in Investing Activities from Continuing Operations | **(17,311)** | (30,329) |
| **Financing Activities** | | |
| Net change in short-term borrowings with original maturities of three months or less | **172** | 76 |
| Issuance of other short-term borrowings | **2,593** | 16,440 |
| Repayment of other short-term borrowings | **(15,613)** | (857) |
| Issuance of long-term debt | **479** | 9,097 |
| Repayment of long-term debt | **(24,213)** | (1,096) |
| Repayment of note payable to DIRECTV | **(722)** | — |
| Payment of vendor financing | **(3,337)** | (2,994) |
| Purchase of treasury stock | **(872)** | (185) |
| Issuance of treasury stock | **28** | 85 |
| Dividends paid | **(5,835)** | (7,571) |
| Other - net | **(2,144)** | (892) |
| Net Cash (Used in) Provided by Financing Activities from Continuing Operations | **(49,464)** | 12,103 |
| Net (decrease) increase in cash and cash equivalents and restricted cash from continuing operations | **(51,405)** | 1,557 |
| **Cash flows from Discontinued Operations:** | | |
| Cash (used in) provided by operating activities | **(3,731)** | 1,054 |
| Cash provided by (used in) investing activities | **872** | (302) |
| Cash provided by (used in) financing activities | **37,065** | (203) |
| Net increase in cash and cash equivalents and restricted cash from discontinued operations | **34,206** | 549 |
| **Net (decrease) increase in cash and cash equivalents and restricted cash** | **$ (17,199)** | $ 2,106 |
| Cash and cash equivalents and restricted cash beginning of year | **21,316** | 9,870 |
| **Cash and Cash Equivalents and Restricted Cash End of Period** | **$ 4,117** | $ 11,976 |

## AT&T Inc.
## Consolidated Supplementary Data

| Supplementary Financial Data | | | | | | |
|---|---|---|---|---|---|---|
| *Dollars in millions except per share amounts* | | | | | | |
| *Unaudited* | Second Quarter | | Percent | Six-Month Period | | Percent |
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| Capital expenditures | | | | | | |
| Purchase of property and equipment | **$ 4,867** | $ 3,677 | 32.4 % | **$ 9,399** | $ 7,487 | 25.5 % |
| Interest during construction - capital expenditures | **41** | 33 | 24.2 % | **77** | 94 | (18.1) % |
| Total Capital Expenditures | **$ 4,908** | $ 3,710 | 32.3 % | **$ 9,476** | $ 7,581 | 25.0 % |
| | | | | | | |
| Acquisition, net of cash acquired | | | | | | |
| Spectrum acquisitions | **$ 9** | $ 10 | (20.0)% | **$ 8,965** | $ 22,886 | (60.8) % |
| Interest during construction - spectrum | **317** | 257 | 23.7 % | **605** | 257 | — % |
| Total Acquisitions | **$ 326** | $ 267 | 22.1 % | **$ 9,570** | $ 23,143 | (58.6) % |
| | | | | | | |
| Dividends Declared per Common Share | **$ 0.2775** | $ 0.52 | (46.6)% | **$ 0.5550** | $ 1.04 | (46.6) % |
| | | | | | | |
| End of Period Common Shares Outstanding (000,000) | | | | **7,126** | 7,140 | (0.2) % |
| Debt Ratio | | | | **50.1 %** | 49.7 % | 20 BP |
| Total Employees | | | | **172,400** | 188,710 | (8.6) % |

Note: 2022 updated per Form 10-Q Filed August 4, 2022

## 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*

| | Second Quarter | | Percent | Six-Month Period | | Percent |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Segment Operating Revenues** | | | | | | |
| Mobility | **$ 19,926** | $ 18,936 | 5.2 % | **$ 40,001** | $ 37,970 | 5.3 % |
| Business Wireline | **5,595** | 6,052 | (7.6)% | **11,235** | 12,098 | (7.1)% |
| Consumer Wireline | **3,174** | 3,140 | 1.1 % | **6,335** | 6,238 | 1.6 % |
| Total Segment Operating Revenues | **28,695** | 28,128 | 2.0 % | **57,571** | 56,306 | 2.2 % |
| **Operating Income** | | | | | | |
| Mobility | **6,212** | 6,007 | 3.4 % | **12,065** | 12,051 | 0.1 % |
| Business Wireline | **710** | 1,069 | (33.6)% | **1,569** | 2,149 | (27.0)% |
| Consumer Wireline | **304** | 308 | (1.3)% | **621** | 615 | 1.0 % |
| Total Operating Income | **$ 7,226** | $ 7,384 | (2.1)% | **$ 14,255** | $ 14,815 | (3.8)% |

**Supplementary Operating Data**

*Subscribers and connections in thousands*
*Unaudited*

| | June 30, | | Percent |
|---|---|---|---|
| | **2022** | 2021 | Change |
| **Broadband Connections** | | | |
| Broadband | **15,136** | 14,988 | 1.0 % |
| DSL | **373** | 493 | (24.3)% |
| Total Broadband Connections | **15,509** | 15,481 | 0.2 % |
| **Voice Connections** | | | |
| Retail Consumer Switched Access Lines | **5,725** | 6,691 | (14.4)% |
| U-verse Consumer VoIP Connections | **3,124** | 3,559 | (12.2)% |
| Total Retail Voice Connections | **8,849** | 10,250 | (13.7)% |

| | Second Quarter | | Percent | Six-Month Period | | Percent |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Broadband Net Additions** | | | | | | |
| Broadband | **6** | 80 | (92.5)% | **62** | 170 | (63.5)% |
| DSL | **(30)** | (34) | 11.8 % | **(57)** | (73) | 21.9 % |
| Total Broadband Net Additions | **(24)** | 46 | — % | **5** | 97 | (94.8)% |

## Mobility

Mobility provides nationwide wireless service and equipment.

| Mobility Results | | | | | | |
|---|---|---|---|---|---|---|
| *Dollars in millions* *Unaudited* | Second Quarter | | Percent | Six-Month Period | | Percent |
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Operating Revenues** | | | | | | |
| Service | **$ 15,004** | $ 14,346 | 4.6 % | **$ 29,728** | $ 28,394 | 4.7 % |
| Equipment | **4,922** | 4,590 | 7.2 % | **10,273** | 9,576 | 7.3 % |
| **Total Operating Revenues** | **19,926** | 18,936 | 5.2 % | **40,001** | 37,970 | 5.3 % |
| **Operating Expenses** | | | | | | |
| Operations and support | **11,697** | 10,906 | 7.3 % | **23,860** | 21,882 | 9.0 % |
| Depreciation and amortization | **2,017** | 2,023 | (0.3) % | **4,076** | 4,037 | 1.0 % |
| **Total Operating Expenses** | **13,714** | 12,929 | 6.1 % | **27,936** | 25,919 | 7.8 % |
| **Operating Income** | **$ 6,212** | $ 6,007 | 3.4 % | **$ 12,065** | $ 12,051 | 0.1 % |
| **Operating Income Margin** | **31.2 %** | 31.7 % | (50) BP | **30.2 %** | 31.7 % | (150) BP |

| Supplementary Operating Data | | | |
|---|---|---|---|
| *Subscribers and connections in thousands* *Unaudited* | June 30, | | Percent |
| | **2022** | 2021 | Change |
| **Mobility Subscribers** | | | |
| Postpaid | **82,694** | 79,059 | 4.6 % |
| Postpaid phone | **68,311** | 65,503 | 4.3 % |
| Prepaid | **19,095** | 18,681 | 2.2 % |
| Reseller | **5,480** | 6,406 | (14.5) % |
| Connected Devices | **96,104** | 87,500 | 9.8 % |
| Total Mobility Subscribers[1] | **203,373** | 191,646 | 6.1 % |

[1] Wireless subscribers at June 30, 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.

| | Second Quarter | | Percent | Six-Month Period | | Percent |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Mobility Net Additions** | | | | | | |
| Postpaid Phone Net Additions | **813** | 789 | 3.0 % | **1,504** | 1,384 | 8.7 % |
| Total Phone Net Additions | **1,009** | 963 | 4.8 % | **1,813** | 1,765 | 2.7 % |
| Postpaid | **1,058** | 1,156 | (8.5) % | **2,023** | 1,979 | 2.2 % |
| Prepaid | **231** | 297 | (22.2) % | **347** | 576 | (39.8) % |
| Reseller | **21** | (125) | — % | **4** | (193) | — % |
| Connected Devices | **5,292** | 4,209 | 25.7 % | **9,760** | 6,726 | 45.1 % |
| Total Mobility Net Additions | **6,602** | 5,537 | 19.2 % | **12,134** | 9,088 | 33.5 % |
| Postpaid Churn | **0.93 %** | 0.87 % | 6 BP | **0.93 %** | 0.90 % | 3 BP |
| Postpaid Phone-Only Churn | **0.75 %** | 0.69 % | 6 BP | **0.77 %** | 0.73 % | 4 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* | Second Quarter | | Percent | Six-Month Period | | Percent |
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Operating Revenues** | | | | | | |
| Service | **$ 5,416** | $ 5,860 | (7.6) % | **$ 10,894** | $ 11,732 | (7.1) % |
| Equipment | **179** | 192 | (6.8) % | **341** | 366 | (6.8) % |
| **Total Operating Revenues** | **5,595** | 6,052 | (7.6) % | **11,235** | 12,098 | (7.1) % |
| **Operating Expenses** | | | | | | |
| Operations and support | **3,572** | 3,690 | (3.2) % | **7,054** | 7,378 | (4.4) % |
| Depreciation and amortization | **1,313** | 1,293 | 1.5 % | **2,612** | 2,571 | 1.6 % |
| **Total Operating Expenses** | **4,885** | 4,983 | (2.0) % | **9,666** | 9,949 | (2.8) % |
| **Operating Income** | **$ 710** | $ 1,069 | (33.6) % | **$ 1,569** | $ 2,149 | (27.0) % |
| **Operating Income Margin** | **12.7 %** | 17.7 % | (500) BP | **14.0 %** | 17.8 % | (380) 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* | Second Quarter | | Percent | Six-Month Period | | Percent |
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Operating Revenues** | | | | | | |
| Broadband | **$ 2,393** | $ 2,266 | 5.6 % | **$ 4,748** | $ 4,471 | 6.2 % |
| Legacy voice and data services | **445** | 504 | (11.7) % | **905** | 1,023 | (11.5) % |
| Other service and equipment | **336** | 370 | (9.2) % | **682** | 744 | (8.3) % |
| **Total Operating Revenues** | **3,174** | 3,140 | 1.1 % | **6,335** | 6,238 | 1.6 % |
| **Operating Expenses** | | | | | | |
| Operations and support | **2,085** | 2,063 | 1.1 % | **4,163** | 4,092 | 1.7 % |
| Depreciation and amortization | **785** | 769 | 2.1 % | **1,551** | 1,531 | 1.3 % |
| **Total Operating Expenses** | **2,870** | 2,832 | 1.3 % | **5,714** | 5,623 | 1.6 % |
| **Operating Income** | **$ 304** | $ 308 | (1.3) % | **$ 621** | $ 615 | 1.0 % |
| **Operating Income Margin** | **9.6 %** | 9.8 % | (20) BP | **9.8 %** | 9.9 % | (10) BP |

| Supplementary Operating Data | | | |
|---|---|---|---|
| *Subscribers and connections in thousands* | | | |
| *Unaudited* | June 30, | | Percent |
| | **2022** | 2021 | Change |
| **Broadband Connections** | | | |
| Total Broadband and DSL Connections | **14,105** | 14,174 | (0.5) % |
| Broadband | **13,825** | 13,818 | 0.1 % |
| Fiber Broadband Connections | **6,597** | 5,432 | 21.4 % |
| **Voice Connections** | | | |
| Retail Consumer Switched Access Lines | **2,228** | 2,631 | (15.3) % |
| U-verse Consumer VoIP Connections | **2,521** | 2,965 | (15.0) % |
| Total Retail Consumer Voice Connections | **4,749** | 5,596 | (15.1) % |

| | Second Quarter | | Percent | Six-Month Period | | Percent |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Broadband Net Additions** | | | | | | |
| Total Broadband and DSL Net Additions | **(43)** | 28 | — % | **(55)** | 74 | — % |
| Broadband | **(25)** | 51 | — % | **(20)** | 125 | — % |
| Fiber Broadband Net Additions | **316** | 246 | 28.5 % | **605** | 481 | 25.8 % |

## 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.

| Business Solutions Results | | | | | | |
|---|---|---|---|---|---|---|
| *Dollars in millions* | | | | | | |
| *Unaudited* | Second Quarter | | Percent | Six-Month Period | | Percent |
| | **2022** | 2021 | Change | **2022** | 2021 | Change |
| **Operating Revenues** | | | | | | |
| Wireless service | **$ 2,175** | $ 2,025 | 7.4 % | **$ 4,309** | $ 3,994 | 7.9 % |
| Wireline service | **5,416** | 5,860 | (7.6) % | **10,894** | 11,732 | (7.1) % |
| Wireless equipment | **874** | 781 | 11.9 % | **1,773** | 1,571 | 12.9 % |
| Wireline equipment | **179** | 192 | (6.8) % | **341** | 366 | (6.8) % |
| **Total Operating Revenues** | **8,644** | 8,858 | (2.4) % | **17,317** | 17,663 | (2.0) % |
| **Operating Expenses** | | | | | | |
| Operations and support | **5,684** | 5,643 | 0.7 % | **11,292** | 11,162 | 1.2 % |
| Depreciation and amortization | **1,666** | 1,638 | 1.7 % | **3,326** | 3,252 | 2.3 % |
| **Total Operating Expenses** | **7,350** | 7,281 | 0.9 % | **14,618** | 14,414 | 1.4 % |
| **Operating Income** | **$ 1,294** | $ 1,577 | (17.9) % | **$ 2,699** | $ 3,249 | (16.9) % |
| **Operating Income Margin** | **15.0 %** | 17.8 % | (280) BP | **15.6 %** | 18.4 % | (280) BP |

## LATIN AMERICA SEGMENT

The segment provides wireless services and equipment to customers in Mexico.

| Segment Results | | | | | | | |
|---|---|---|---|---|---|---|---|
| *Dollars in millions* | | | | | | | |
| *Unaudited* | Second Quarter | | Percent | Six-Month Period | | Percent | |
| | **2022** | 2021 | Change | **2022** | 2021 | Change | |
| **Operating Revenues** | | | | | | | |
| Wireless service | **$ 534** | $ 447 | 19.5 % | **$ 1,024** | $ 886 | 15.6 % | |
| Wireless equipment | **274** | 241 | 13.7 % | **474** | 433 | 9.5 % | |
| **Total Segment Operating Revenues** | **808** | 688 | 17.4 % | **1,498** | 1,319 | 13.6 % | |
| **Operating Expenses** | | | | | | | |
| Operations and support | **721** | 667 | 8.1 % | **1,352** | 1,287 | 5.1 % | |
| Depreciation and amortization | **169** | 150 | 12.7 % | **330** | 295 | 11.9 % | |
| **Total Segment Operating Expenses** | **890** | 817 | 8.9 % | **1,682** | 1,582 | 6.3 % | |
| **Operating Income (Loss)** | **$ (82)** | $ (129) | 36.4 % | **$ (184)** | $ (263) | 30.0 % | |
| **Operating Income Margin** | **(10.1)%** | (18.8)% | 870 BP | **(12.3)%** | (19.9)% | 760 BP | |

| Supplementary Operating Data | | | |
|---|---|---|---|
| *Subscribers and connections in thousands* | | | |
| *Unaudited* | June 30, | | Percent |
| | **2022** | 2021 | Change |
| **Mexico Wireless Subscribers** | | | |
| Postpaid | **4,835** | 4,745 | 1.9 % |
| Prepaid | **15,422** | 13,810 | 11.7 % |
| Reseller | **443** | 491 | (9.8) % |
| Total Mexico Wireless Subscribers | **20,700** | 19,046 | 8.7 % |

| | Second Quarter | | Percent | Six-Month Period | | Percent | |
|---|---|---|---|---|---|---|---|
| | **2022** | 2021 | Change | **2022** | 2021 | Change | |
| **Mexico Wireless Net Additions** | | | | | | | |
| Postpaid | **25** | 20 | 25.0 % | **28** | 49 | (42.9) % | |
| Prepaid | **187** | 54 | — % | **365** | 52 | — % | |
| Reseller | **(15)** | (9) | (66.7) % | **(55)** | 2 | — % | |
| Total Mexico Wireless Net Additions | **197** | 65 | — % | **338** | 103 | — % | |

## SUPPLEMENTAL SEGMENT RECONCILIATION

| Three Months Ended | | | | | |
|---|---|---|---|---|---|
| *Dollars in millions*<br>*Unaudited*<br>***June 30, 2022*** | Revenues | Operations and Support Expenses | EBITDA | Depreciation and Amortization | Operating Income (Loss) |
| **Communications** | | | | | |
| Mobility | **$ 19,926** | **$ 11,697** | **$ 8,229** | **$ 2,017** | **$ 6,212** |
| Business Wireline | **5,595** | **3,572** | **2,023** | **1,313** | **710** |
| Consumer Wireline | **3,174** | **2,085** | **1,089** | **785** | **304** |
| Total Communications | **28,695** | **17,354** | **11,341** | **4,115** | **7,226** |
| **Latin America - Mexico** | **808** | **721** | **87** | **169** | **(82)** |
| Segment Total | **29,503** | **18,075** | **11,428** | **4,284** | **7,144** |
| Corporate and Other | | | | | |
| Corporate: | | | | | |
| DTV-related retained costs | **—** | **207** | **(207)** | **135** | **(342)** |
| Parent administration support | **(6)** | **303** | **(309)** | **4** | **(313)** |
| Securitization fees | **17** | **78** | **(61)** | **—** | **(61)** |
| Value portfolio | **129** | **37** | **92** | **10** | **82** |
| Total Corporate | **140** | **625** | **(485)** | **149** | **(634)** |
| Reclassification of prior service credits | **—** | **613** | **(613)** | **—** | **(613)** |
| Merger & Significant Items | **—** | **924** | **(924)** | **17** | **(941)** |
| Total Corporate and Other | **140** | **2,162** | **(2,022)** | **166** | **(2,188)** |
| AT&T Inc. | **$ 29,643** | **$ 20,237** | **$ 9,406** | **$ 4,450** | **$ 4,956** |

| Three Months Ended | | | | | |
|---|---|---|---|---|---|
| *Dollars in millions*<br>*Unaudited*<br>*June 30, 2021* | Revenues | Operations and Support Expenses | EBITDA | Depreciation and Amortization | Operating Income (Loss) |
| **Communications** | | | | | |
| Mobility | $ 18,936 | $ 10,906 | $ 8,030 | $ 2,023 | $ 6,007 |
| Business Wireline | 6,052 | 3,690 | 2,362 | 1,293 | 1,069 |
| Consumer Wireline | 3,140 | 2,063 | 1,077 | 769 | 308 |
| Total Communications | 28,128 | 16,659 | 11,469 | 4,085 | 7,384 |
| **Latin America - Mexico** | 688 | 667 | 21 | 150 | (129) |
| Segment Total | 28,816 | 17,326 | 11,490 | 4,235 | 7,255 |
| Corporate and Other | | | | | |
| Corporate: | | | | | |
| DTV-related retained costs | — | — | — | — | — |
| Parent administration support | 3 | 414 | (411) | 8 | (419) |
| Securitization fees | 15 | 12 | 3 | — | 3 |
| Value portfolio | 166 | 71 | 95 | 10 | 85 |
| Total Corporate | 184 | 497 | (313) | 18 | (331) |
| Video | 6,639 | 5,275 | 1,364 | 148 | 1,216 |
| Held-for-sale and other reclassifications | 158 | 96 | 62 | — | 62 |
| Reclassification of prior service credits | — | 672 | (672) | — | (672) |
| Merger & Significant Items | — | (70) | 70 | 28 | 42 |
| Eliminations and consolidations | (57) | (57) | — | — | — |
| Total Corporate and Other | 6,924 | 6,413 | 511 | 194 | 317 |
| AT&T Inc. | $ 35,740 | $ 23,739 | $ 12,001 | $ 4,429 | $ 7,572 |

## SUPPLEMENTAL SEGMENT RECONCILIATION

| Six Months Ended | | | | | |
|---|---|---|---|---|---|
| *Dollars in millions* | | | | | |
| *Unaudited* | | | | | |
| ***June 30, 2022*** | | | | | |
| | Revenues | Operations and Support Expenses | EBITDA | Depreciation and Amortization | Operating Income (Loss) |
| **Communications** | | | | | |
| Mobility | **$ 40,001** | **$ 23,860** | **$ 16,141** | **$ 4,076** | **$ 12,065** |
| Business Wireline | **11,235** | **7,054** | **4,181** | **2,612** | **1,569** |
| Consumer Wireline | **6,335** | **4,163** | **2,172** | **1,551** | **621** |
| Total Communications | **57,571** | **35,077** | **22,494** | **8,239** | **14,255** |
| **Latin America - Mexico** | **1,498** | **1,352** | **146** | **330** | **(184)** |
| Segment Total | **59,069** | **36,429** | **22,640** | **8,569** | **14,071** |
| Corporate and Other | | | | | |
| Corporate: | | | | | |
| DTV-related retained costs | **8** | **335** | **(327)** | **269** | **(596)** |
| Parent administration support | **(18)** | **607** | **(625)** | **10** | **(635)** |
| Securitization fees | **33** | **160** | **(127)** | **—** | **(127)** |
| Value portfolio | **263** | **74** | **189** | **20** | **169** |
| Total Corporate | **286** | **1,176** | **(890)** | **299** | **(1,189)** |
| Reclassification of prior service credits | **—** | **1,230** | **(1,230)** | **—** | **(1,230)** |
| Merger & Significant Items | **—** | **1,115** | **(1,115)** | **44** | **(1,159)** |
| Total Corporate and Other | **286** | **3,521** | **(3,235)** | **343** | **(3,578)** |
| AT&T Inc. | **$ 59,355** | **$ 39,950** | **$ 19,405** | **$ 8,912** | **$ 10,493** |

| Six Months Ended | | | | | |
|---|---|---|---|---|---|
| *Dollars in millions* | | | | | |
| *Unaudited* | | | | | |
| *June 30, 2021* | | | | | |
| | Revenues | Operations and Support Expenses | EBITDA | Depreciation and Amortization | Operating Income (Loss) |
| **Communications** | | | | | |
| Mobility | $ 37,970 | $ 21,882 | $ 16,088 | $ 4,037 | $ 12,051 |
| Business Wireline | 12,098 | 7,378 | 4,720 | 2,571 | 2,149 |
| Consumer Wireline | 6,238 | 4,092 | 2,146 | 1,531 | 615 |
| Total Communications | 56,306 | 33,352 | 22,954 | 8,139 | 14,815 |
| **Latin America - Mexico** | 1,319 | 1,287 | 32 | 295 | (263) |
| Segment Total | 57,625 | 34,639 | 22,986 | 8,434 | 14,552 |
| Corporate and Other | | | | | |
| Corporate: | | | | | |
| DTV-related retained costs | — | — | — | — | — |
| Parent administration support | (12) | 787 | (799) | 15 | (814) |
| Securitization fees | 28 | 52 | (24) | — | (24) |
| Value portfolio | 342 | 115 | 227 | 20 | 207 |
| Total Corporate | 358 | 954 | (596) | 35 | (631) |
| Video | 13,364 | 10,935 | 2,429 | 312 | 2,117 |
| Held-for-sale and other reclassifications | 389 | 275 | 114 | — | 114 |
| Reclassification of prior service credits | — | 1,341 | (1,341) | — | (1,341) |
| Merger & Significant Items | — | (69) | 69 | 114 | (45) |
| Eliminations and consolidations | (119) | (119) | — | — | — |
| Total Corporate and Other | 13,992 | 13,317 | 675 | 461 | 214 |
| AT&T Inc. | $ 71,617 | $ 47,956 | $ 23,661 | $ 8,895 | $ 14,766 |

**Discussion and Reconciliation of Non-GAAP Measures for Continuing Operations**

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).

On April 8, 2022, we completed the previously announced separation of our WarnerMedia business. With the separation and distribution, the WarnerMedia business met the criteria for discontinued operations in the second quarter of 2022. For discontinued operations, we evaluated transactions completed during 2021 that were components of AT&T's single plan of a strategic shift, including dispositions that may not have individually met the criteria due to materiality, and have determined discontinued operations to be comprised of WarnerMedia, Vrio, Xandr and Playdemic Ltd. (Playdemic). These businesses are reflected in our historical financial statements as discontinued operations, including for periods prior to the consummation of the WarnerMedia/Discovery transaction. The information below refers only to our continuing operations and does not include discussion of balances or activity of WarnerMedia, Vrio, Xandr and Playdemic.

**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*

| | Second Quarter | | Six-Month Period | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| Net cash provided by operating activities[1] | **$ 7,740** | $ 10,181 | **$ 15,370** | $ 19,783 |
| Add: Distributions from DIRECTV classified as investing activities | **323** | — | **1,638** | — |
| Less: Capital expenditures | **(4,908)** | (3,710) | **(9,476)** | (7,581) |
| Less: Cash paid for vendor financing | **(1,771)** | (1,304) | **(3,337)** | (2,994) |
| **Free Cash Flow** | **1,384** | 5,167 | **4,195** | 9,208 |
| | | | | |
| Less: Dividends paid | **(2,086)** | (3,830) | **(5,835)** | (7,571) |
| Free Cash Flow after Dividends | **$ (702)** | $ 1,337 | **$ (1,640)** | $ 1,637 |
| **Free Cash Flow Dividend Payout Ratio** | **150.7 %** | 74.1 % | **139.1 %** | 82.2 % |

[1] Includes distributions from DIRECTV of $515 in the second quarter and $1,037 in the first six months 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* | | | | |
| | Second Quarter | | Six-Month Period | |
| | **2022** | 2021 | **2022** | 2021 |
| Capital Expenditures | **$ (4,908)** | $ (3,710) | **$ (9,476)** | $ (7,581) |
| Cash paid for vendor financing | **(1,771)** | (1,304) | **(3,337)** | (2,994) |
| **Cash paid for Capital Investment** | **$ (6,679)** | $ (5,014) | **$ (12,813)** | $ (10,575) |

## 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.

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 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Income from Continuing Operations** | **$ 4,751** | $ 5,969 | **$ 9,900** | $ 13,555 |
| Additions: | | | | |
| Income Tax Expense | **1,509** | 1,151 | **2,949** | 3,160 |
| Interest Expense | **1,502** | 1,640 | **3,128** | 3,463 |
| Equity in Net (Income) Loss of Affiliates | **(504)** | 18 | **(1,025)** | 24 |
| Other (Income) Expense - Net | **(2,302)** | (1,206) | **(4,459)** | (5,436) |
| Depreciation and amortization | **4,450** | 4,429 | **8,912** | 8,895 |
| **EBITDA** | **9,406** | 12,001 | **19,405** | 23,661 |
| Transaction and other costs | **185** | — | **283** | 35 |
| Employee separation costs and benefit-related (gain) loss | **108** | (70) | **201** | (104) |
| Assets impairments and abandonment and restructuring | **631** | — | **631** | — |
| **Adjusted EBITDA** [1] | **$ 10,330** | $ 11,931 | **$ 20,520** | $ 23,592 |
| Less: Video and Other dispositions | **—** | (1,776) | **—** | (3,243) |
| **Standalone AT&T Adjusted EBITDA** [2] | **$ 10,330** | $ 10,155 | **$ 20,520** | $ 20,349 |

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

[2] See Exhibit 99.4 for reconciliation of Standalone AT&T Adjusted EBITDA.

| Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin | | | | |
|---|---|---|---|---|
| *Dollars in millions* | | | | |
| | Second Quarter | | Six-Month Period | |
| | **2022** | 2021 | **2022** | 2021 |
| **Communications Segment** | | | | |
| **Operating Income** | **$ 7,226** | $ 7,384 | **$ 14,255** | $ 14,815 |
| Additions: | | | | |
| Depreciation and amortization | **4,115** | 4,085 | **8,239** | 8,139 |
| **EBITDA** | **11,341** | 11,469 | **22,494** | 22,954 |
| Total Operating Revenues | **28,695** | 28,128 | **57,571** | 56,306 |
| **Operating Income Margin** | **25.2 %** | 26.3 % | **24.8 %** | 26.3 % |
| **EBITDA Margin** | **39.5 %** | 40.8 % | **39.1 %** | 40.8 % |
| ***Mobility*** | | | | |
| **Operating Income** | **$ 6,212** | $ 6,007 | **$ 12,065** | $ 12,051 |
| Additions: | | | | |
| Depreciation and amortization | **2,017** | 2,023 | **4,076** | 4,037 |
| **EBITDA** | **8,229** | 8,030 | **16,141** | 16,088 |
| Total Operating Revenues | **19,926** | 18,936 | **40,001** | 37,970 |
| Service Revenues | **15,004** | 14,346 | **29,728** | 28,394 |
| **Operating Income Margin** | **31.2 %** | 31.7 % | **30.2 %** | 31.7 % |
| **EBITDA Margin** | **41.3 %** | 42.4 % | **40.4 %** | 42.4 % |
| **EBITDA Service Margin** | **54.8 %** | 56.0 % | **54.3 %** | 56.7 % |
| ***Business Wireline*** | | | | |
| **Operating Income** | **$ 710** | $ 1,069 | **$ 1,569** | $ 2,149 |
| Additions: | | | | |
| Depreciation and amortization | **1,313** | 1,293 | **2,612** | 2,571 |
| **EBITDA** | **2,023** | 2,362 | **4,181** | 4,720 |
| Total Operating Revenues | **5,595** | 6,052 | **11,235** | 12,098 |
| **Operating Income Margin** | **12.7 %** | 17.7 % | **14.0 %** | 17.8 % |
| **EBITDA Margin** | **36.2 %** | 39.0 % | **37.2 %** | 39.0 % |
| ***Consumer Wireline*** | | | | |
| **Operating Income** | **$ 304** | $ 308 | **$ 621** | $ 615 |
| Additions: | | | | |
| Depreciation and amortization | **785** | 769 | **1,551** | 1,531 |
| **EBITDA** | **1,089** | 1,077 | **2,172** | 2,146 |
| Total Operating Revenues | **3,174** | 3,140 | **6,335** | 6,238 |
| **Operating Income Margin** | **9.6 %** | 9.8 % | **9.8 %** | 9.9 % |
| **EBITDA Margin** | **34.3 %** | 34.3 % | **34.3 %** | 34.4 % |
| **Latin America Segment - *Mexico*** | | | | |
| **Operating Income** | **$ (82)** | $ (129) | **$ (184)** | $ (263) |
| Additions: | | | | |
| Depreciation and amortization | **169** | 150 | **330** | 295 |
| **EBITDA** | **87** | 21 | **146** | 32 |
| Total Operating Revenues | **808** | 688 | **1,498** | 1,319 |
| **Operating Income Margin** | **-10.1 %** | -18.8 % | **-12.3 %** | -19.9 % |
| **EBITDA Margin** | **10.8 %** | 3.1 % | **9.7 %** | 2.4 % |

## 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*

| | Second Quarter | | Six-Month Period | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Operating Expenses** | | | | |
| Transaction and other costs | **$ 185** | $ — | **$ 283** | $ 35 |
| Benefit-related (gain) loss and other employee-related costs | **108** | (70) | **201** | (104) |
| Assets impairments and abandonment and restructuring | **631** | — | **631** | — |
| **Adjustments to Operations and Support Expenses** | **924** | (70) | **1,115** | (69) |
| Amortization of intangible assets | **17** | 28 | **44** | 114 |
| **Adjustments to Operating Expenses** | **941** | (42) | **1,159** | 45 |
| **Other** | | | | |
| DIRECTV intangible amortization (proportionate share) | **396** | — | **812** | — |
| Benefit-related (gain) loss, transaction financing costs and other | **314** | (213) | **406** | (337) |
| Actuarial (gain) loss | **(1,345)** | 197 | **(2,398)** | (2,647) |
| **Adjustments to Income Before Income Taxes** | **306** | (58) | **(21)** | (2,939) |
| Tax impact of adjustments | **38** | (1) | **(65)** | (725) |
| Tax-related items | **(79)** | 250 | **(79)** | 368 |
| **Adjustments to Net Income** | **$ 347** | $ (307) | **$ 123** | $ (2,582) |

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, benefit-related gains and losses, employee separation 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 | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Operating Income** | **$ 4,956** | $ 7,572 | **$ 10,493** | $ 14,766 |
| Adjustments to Operating Expenses | **941** | (42) | **1,159** | 45 |
| **Adjusted Operating Income** | **5,897** | 7,530 | **11,652** | 14,811 |
| | | | | |
| **EBITDA** | **9,406** | 12,001 | **19,405** | 23,661 |
| Adjustments to Operations and Support Expenses | **924** | (70) | **1,115** | (69) |
| **Adjusted EBITDA** | **10,330** | 11,931 | **20,520** | 23,592 |
| | | | | |
| Total Operating Revenues | **29,643** | 35,740 | **59,355** | 71,617 |
| | | | | |
| Operating Income Margin | **16.7 %** | 21.2 % | **17.7 %** | 20.6 % |
| Adjusted Operating Income Margin | **19.9 %** | 21.1 % | **19.6 %** | 20.7 % |
| **Adjusted EBITDA Margin** | **34.8 %** | 33.4 % | **34.6 %** | 32.9 % |

**Adjusted Diluted EPS**

| | Second Quarter | | Six-Month Period | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| **Diluted Earnings Per Share (EPS)** | **$ 0.59** | $ 0.76 | **$ 1.23** | $ 1.73 |
| DIRECTV intangible amortization (proportionate share) | **0.04** | — | **0.08** | — |
| Actuarial (gain) loss [1] | **(0.13)** | 0.02 | **(0.24)** | (0.27) |
| Restructuring and impairments | **0.06** | — | **0.06** | — |
| Benefit-related, transaction and other costs[1, 2] | **0.08** | (0.02) | **0.13** | (0.01) |
| Tax-related items | **0.01** | (0.03) | **0.01** | (0.05) |
| **Adjusted EPS** | **$ 0.65** | $ 0.73 | **$ 1.27** | $ 1.40 |
| Less: Video and Other dispositions | **—** | (0.09) | **—** | (0.18) |
| **Standalone AT&T Adjusted EPS[3]** | **$ 0.65** | $ 0.64 | **$ 1.27** | $ 1.22 |
| *Year-over-year growth - Adjusted* | **1.6%** | | **4.1%** | |
| **Weighted Average Common Shares Outstanding with Dilution (000,000)** | **7,611** | 7,484 | **7,584** | 7,483 |

[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 $1.3 billion in the second quarter of 2022. As a result, adjusted EPS reflects an expected return on plan assets of $0.8 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 $(4.0) billion (actual pension return of -11.3%), included in the GAAP measure of income. Adjustments also include the impact to our second-quarter 2022 benefit expense accrual that resulted from the first-quarter 2022 remeasurement of plan assets and obligations, which included an increase in the assumed discount rate.

[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 June 30, 2022 and 2021, and $0.02 and $0.02 for the six months ended June 30, 2022 and 2021, respectively.

[3] See Exhibit 99.4 for reconciliation of Standalone AT&T Adjusted EPS.

## 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 | | | | |
|---|---|---|---|---|---|
| | Sept. 30 2021 [1] | Dec. 31, 2021 [1] | March 31, 2022 [1] | June 30, 2022 | **Four Quarters** |
| Adjusted EBITDA | $ 10,803 | $ 9,480 | $ 10,190 | $ 10,330 | **$ 40,803** |
| End-of-period current debt | | | | | **6,210** |
| End-of-period long-term debt | | | | | **129,747** |
| **Total End-of-Period Debt** | | | | | **135,957** |
| Less: Cash and Cash Equivalents | | | | | **4,018** |
| **Net Debt Balance** | | | | | **131,939** |
| **Annualized Net Debt to Adjusted EBITDA Ratio [2]** | | | | | **3.23** |

[1] As reported in Exhibit 99.4.

[2] Annualized Net Debt to Adjusted EBITDA Ratio of 3.28 when adjusted to remove the impacts for Video and Other dispositions of $568 and $4 in the third and fourth quarters of 2021, respectively. Additional information on Standalone AT&T can be found in Exhibit 99.4.

**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 [1] | Four Quarters |
| Adjusted EBITDA | $ 11,642 | $ 10,590 | $ 11,661 | $ 11,931 | $ 45,824 |
| End-of-period current debt | | | | | 23,975 |
| End-of-period long-term debt | | | | | 154,006 |
| **Total End-of-Period Debt** | | | | | 177,981 |
| Less: Cash and Cash Equivalents | | | | | 9,924 |
| **Net Debt Balance** | | | | | 168,057 |
| **Annualized Net Debt to Adjusted EBITDA Ratio** | | | | | 3.67 |

[1] As reported in Exhibit 99.4.

## 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, 2022 | | | | June 30, 2021 | | | |
| | **Mobility** | **Business Wireline** | **Adjustments[1]** | **Business Solutions** | Mobility | Business Wireline | Adjustments[1] | Business Solutions |
| **Operating Revenues** | | | | | | | | |
| Wireless service | **$ 15,004** | **$ —** | **$ (12,829)** | **$ 2,175** | $ 14,346 | $ — | $ (12,321) | $ 2,025 |
| Wireline service | **—** | **5,416** | **—** | **5,416** | — | 5,860 | — | 5,860 |
| Wireless equipment | **4,922** | **—** | **(4,048)** | **874** | 4,590 | — | (3,809) | 781 |
| Wireline equipment | **—** | **179** | **—** | **179** | — | 192 | — | 192 |
| **Total Operating Revenues** | **19,926** | **5,595** | **(16,877)** | **8,644** | 18,936 | 6,052 | (16,130) | 8,858 |
| | | | | | | | | |
| **Operating Expenses** | | | | | | | | |
| Operations and support | **11,697** | **3,572** | **(9,585)** | **5,684** | 10,906 | 3,690 | (8,953) | 5,643 |
| EBITDA | **8,229** | **2,023** | **(7,292)** | **2,960** | 8,030 | 2,362 | (7,177) | 3,215 |
| Depreciation and amortization | **2,017** | **1,313** | **(1,664)** | **1,666** | 2,023 | 1,293 | (1,678) | 1,638 |
| **Total Operating Expenses** | **13,714** | **4,885** | **(11,249)** | **7,350** | 12,929 | 4,983 | (10,631) | 7,281 |
| **Operating Income** | **6,212** | **710** | **(5,628)** | **1,294** | 6,007 | 1,069 | (5,499) | 1,577 |

[1] Non-business wireless reported in the Communications 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, 2022 | | | | June 30, 2021 | | | |
| | **Mobility** | **Business Wireline** | **Adjustments[1]** | **Business Solutions** | Mobility | Business Wireline | Adjustments[1] | Business Solutions |
| **Operating Revenues** | | | | | | | | |
| Wireless service | **$ 29,728** | **$ —** | **$ (25,419)** | **$ 4,309** | $ 28,394 | $ — | $ (24,400) | $ 3,994 |
| Wireline service | **—** | **10,894** | **—** | **10,894** | — | 11,732 | — | 11,732 |
| Wireless equipment | **10,273** | **—** | **(8,500)** | **1,773** | 9,576 | — | (8,005) | 1,571 |
| Wireline equipment | **—** | **341** | **—** | **341** | — | 366 | — | 366 |
| **Total Operating Revenues** | **40,001** | **11,235** | **(33,919)** | **17,317** | 37,970 | 12,098 | (32,405) | 17,663 |
| | | | | | | | | |
| **Operating Expenses** | | | | | | | | |
| Operations and support | **23,860** | **7,054** | **(19,622)** | **11,292** | 21,882 | 7,378 | (18,098) | 11,162 |
| EBITDA | **16,141** | **4,181** | **(14,297)** | **6,025** | 16,088 | 4,720 | (14,307) | 6,501 |
| Depreciation and amortization | **4,076** | **2,612** | **(3,362)** | **3,326** | 4,037 | 2,571 | (3,356) | 3,252 |
| **Total Operating Expenses** | **27,936** | **9,666** | **(22,984)** | **14,618** | 25,919 | 9,949 | (21,454) | 14,414 |
| **Operating Income** | **12,065** | **1,569** | **(10,935)** | **2,699** | 12,051 | 2,149 | (10,951) | 3,249 |

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


AT&T