

Pro Forma Financial Information

Supplemental Free Cash Flow Walk from Adjusted EBITDA

Dollars in millions

Unaudited

	2020	2021
Pro Forma Adjusted EBITDA	\$ 40,570	\$ 40,253
Pro Forma Capital Investment ¹	(17,576)	(20,098)
Cash paid for interest ²	(8,019)	(6,630)
Cash paid for income taxes ³	(641)	(305)
Changes in Operating Assets and Liabilities including U.S. Video	4,199	1,364
Changes in Equipment installment receivables and related sales	(1,429)	(265)
Other non cash adjustments ⁴	3,624	2,946
Pro Forma Free Cash Flow before DIRECTV investment	20,729	17,264
Distributions from DIRECTV ⁵	-	1,942
Pro Forma Free Cash Flow	\$ 20,729	\$ 19,206
Pro Forma Free Cash Flow (WarnerMedia, Xandr, Vrio)	3,760	2,951
Total AT&T Free Cash Flow	\$ 24,489	\$ 22,157

Notes:

AT&T Pro Forma reflects the historical operating results of the company excluding certain businesses (WarnerMedia, Xandr, Playdemic, Otter Media, Vrio, Video and other dispositions included in Corporate and Other), as if such transfers occurred as of January 1, 2020, and reflects many but not all adjustments required for pro forma financial information prepared in accordance with Article 11 of Regulation S-X. See our Form 8-K dated March 11, 2022 for further discussion and information.

EBITDA, Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures that are frequently used by investors and credit rating agencies to provide relevant and useful information. EBITDA is operating income before depreciation and amortization. Adjusted EBITDA is 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. Free cash flow is cash from operating activities and cash distributions from DIRECTV (classified as investing activities), minus capital expenditures and cash paid for vendor financing (classified as financing activities).

¹ Capital investment includes capital expenditures and cash paid for vendor financing

² AT&T cash paid for interest, less capitalized interest and interest paid on WarnerMedia debt

³ AT&T cash paid for income taxes less WarnerMedia foreign tax payments

⁴ Other non cash adjustments include service costs related to pension and postretirement benefit plans, provision for uncollectible accounts, and share-based compensation

⁵ Total distributions from DIRECTV (classified in operating and investing activities)