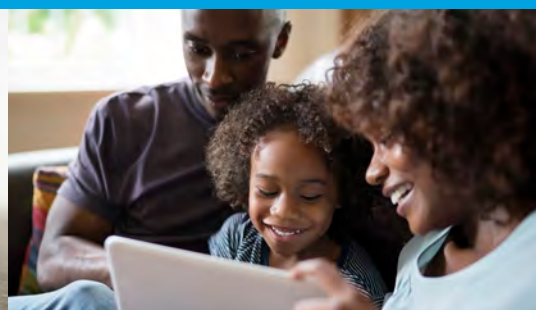


# we create connection



## To Our Shareholders:

The employees of AT&T have faced and met our share of challenges over our history. But a global pandemic that so suddenly and swiftly disrupted the lives of people in virtually every country, industry, company, community and family in the world made 2020 a year like no other.

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As COVID-19 continues to disrupt our lives and millions continue to work and learn from home, the connectivity solutions we provide and the news and entertainment content we create are more relevant than ever.

The pandemic has resulted in significant changes in how people live and work, and how businesses operate, including our own.

In 2020, we pivoted to new ways of serving our customers while working to keep both them and our people safe. As I write this, more than 100,000 AT&T employees are still working from home. And we've implemented protocols to protect the tens of thousands of our employees who remained on the front lines providing critical services to customers. Thanks to our employees' dedication and the billions of dollars we've invested over the years in broadband connectivity, our network performance was outstanding, even with significant growth in demand for connectivity and network consumption patterns shifting from urban office locations to more suburban and rural residential areas.

The pandemic left no part of our business untouched. At WarnerMedia, it caused the near-universal shutdown of TV and film production and the cancellation of marquee events like the 2020 NCAA Final Four. We've worked to introduce new safety protocols into this part of our business, as well, and we committed more than \$100 million to cast and crew members to help them through this unexpected production hiatus.

All this disruption and the uncertainty it caused made more clear the power of our robust and resilient portfolio of subscription businesses to generate strong cash flows that support our ability to invest in growth, focus on debt reduction and support the dividend for our investors. To put that in perspective, consumers and businesses have more than 225 million monthly subscriptions to our services, representing nearly 60% of AT&T's total revenues.

# a year like no other

## Our Purpose and Market Focus

As the pandemic has extended into this new year, so has our commitment to keep families, communities and companies connected. That's the strength of our business, and it's how we define AT&T's purpose: We create connection. We connect people with each other, with what they need to thrive in their everyday lives and with the stories and experiences that matter most to them. To that end, we are focused on 3 things:

- 1. Leveraging our world-class fiber and wireless infrastructure** to carry more broadband traffic and serve more customers across all segments than any other U.S. company.
- 2. Developing a next-generation entertainment distribution platform** built for subscription- and advertising-based customer relationships.
- 3. Creating and curating industry-leading premium entertainment content** that profitably grows our customer relationships beyond our traditional connectivity-based services.

While the pandemic underscored why robust mobile and fixed internet connectivity are fundamental and important services in everyday life, we believe an engaging and high-value entertainment-based service is vital to giving us a direct relationship with most U.S. households. A robust entertainment service not only adds value to our connectivity offerings, but it also gives us the opportunity to complement our subscription-based relationships with an ad-supported value proposition. Further, we're positioning AT&T to participate in what will certainly be an attractive future for interactive and experiential home-based entertainment.

Finally, we're working in a thoughtful and disciplined way to help ensure that our capital structure supports and funds our focus areas, while returning value to you, our shareholders.



**John Stankey**  
CHIEF EXECUTIVE OFFICER

## 2020 Performance Highlights

With that as context, I'm pleased to report that in this challenging and disruptive year we made significant progress across these 3 areas:

### **BROADBAND CONNECTIVITY**

We successfully rolled out nationwide 5G, further strengthening our wireless network, which was already recognized as the best<sup>1</sup> and fastest<sup>2</sup> in the United States. And customers responded well to our unmatched network quality. In fact, in 2020 we had more than twice as many postpaid phone net adds than in 2018 and 2019 combined.

We also continued to grow our fiber broadband business, adding more than 1 million subscribers in 2020. Our fiber network not only provides critical connectivity for consumers and businesses,

but it also connects with our wireless network to provide high-speed service regardless of access technology — wired or wireless.

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### J.D. Power also ranked us first in customer satisfaction for residential internet everywhere we offer the service.

Fiber is also important in keeping businesses connected. At the end of 2020, more than 625,000 U.S. business buildings — connecting more than 2.5 million business customer locations — were lit with fiber from AT&T. And nationwide, more than 8.5 million business customer locations are on or within 1,000 feet of our fiber, which offers upload speeds up to 20 times faster than our competitors' networks.<sup>3</sup>

2020 also proved to be the ultimate stress test for FirstNet — the network we've built specifically for America's first responders — and it excelled. From the beginning of the pandemic, FirstNet has helped give its subscribers on the front line the reliable, around-the-clock connectivity they need to coordinate and communicate their response. In 2020, public safety agencies made more than 750 requests for dedicated deployable network assets to support their response to COVID-19, as well as to major disasters across the nation. It's clear FirstNet stands above other commercial offerings, and I believe first responders at more than 15,000 public safety agencies and organizations — representing nearly 2 million connections — would agree.

Across the board, our networks have held up incredibly well to Mother Nature and a global pandemic, and I'm proud of all the hard work that continues to go into providing this essential service.

## SOFTWARE-BASED ENTERTAINMENT

Building on our strong HBO Max launch, we significantly exceeded our end-of-year 2020 HBO Max and HBO subscriber target. In fact, we're 2 years ahead of our initial forecast. HBO Max is generating strong viewer engagement. We ended 2020 with more than 41 million HBO Max and HBO subscribers in the United States and nearly 61 million globally, and we expect this momentum to continue.<sup>4</sup> For perspective, we added more HBO Max and HBO U.S. subscribers in 2020 than we did in the 10 years before that combined.

As expected, HBO Max has also helped drive positive trends in our connectivity business, supporting uptake of our AT&T UNLIMITED ELITE<sup>SM</sup> Plan for wireless customers, which includes HBO Max at no additional cost. As a result, we saw the percentage of wireless phone customers on unlimited plans increase by 10 percentage points in 2020.<sup>5</sup>

In 2021, we'll roll out an ad-supported version of HBO Max and expand availability to areas outside the United States. An ad-supported option will help us engage with even more customers by enhancing customer choice — for example, by making HBO Max accessible to viewers with less discretionary income. The business models we're putting in place give us flexibility, and our direct relationships with customers give us the ability to grow their level of engagement with us.

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With a scaled software-based entertainment distribution capability, we're well positioned for the future of entertainment consumption.

And as the pay-TV industry evolves, our sharpened focus on serving a high-quality customer base and managing that business separately allows us the overall flexibility to satisfy our customers' rapidly changing preferences for how they access and enjoy content.

## FANTASTIC STORYTELLING

We kicked off 2020 with strong showings at the Golden Globes® and Academy Awards® and then proceeded to lead the industry at the Emmy® Awards, with 38 prime-time and 15 news & documentary awards. We're home to the premier storytellers in the world, and that quality has shone through in the steady stream of hits appealing to a wide range of audiences, including *The Undoing*, *I May Destroy You*, *The Flight Attendant* and *Lovecraft Country*. The great quality of this content also helped increase viewer engagement with HBO Max.

On the theatrical side, all media companies have faced significant headwinds from the pandemic, and it's hard to predict when theaters will be back at full capacity and how consumers will feel about returning to theaters, even after a vaccine is widely available. Given that, we decided late last year to give fans a choice on how they enjoy Warner Bros.' 2021 slate of movies, which are premiering simultaneously in theaters and on HBO Max for 31 days in the United States. We started with *Wonder Woman 1984* on Dec. 25 and, based on the enthusiastic response so far, this is a winning solution. We look forward to theaters fully reopening once the pandemic subsides, but like so many other aspects of consumer behavior that COVID-19 has changed, it's hard to predict if things will return to how they were before. Either way, in 2021 this hybrid distribution model enabled by HBO Max provides us with a flexible and adaptable distribution option to meet the needs of both customers and content owners/creators as the media landscape goes through its most significant challenges in decades.

Our TV groups and networks at WarnerMedia were able to produce and air content to millions of viewers each month, as they met the challenge of restarting and ramping production while following pandemic protocols to help ensure the safety of our valued casts and crews. WarnerMedia's cable networks reach an average of nearly 170 million people across the U.S. each month.<sup>6</sup>

Meanwhile, CNN delivered top-notch news coverage of the pandemic, the U.S. presidential election and the ongoing struggles for racial equity and social justice, and our CNN team continues to work around the clock to keep viewers informed. As a result of their tireless efforts, CNN had its most-watched year ever, and cnn.com was the world's most-accessed digital news outlet.

## Financial Strength and Capital Allocation

As I noted above, our core subscription businesses — especially wireless, broadband and enterprise networks — proved highly resilient in the face of last year's economic stresses. These critical services delivered a strong recurring stream of revenues and solid cash flows. That's a key reason why we finished the year with a strong balance sheet and solid cash position, enabling us to keep moving forward with our deliberate capital allocation plans, which include continuing to invest in our growth areas of 5G, fiber, spectrum and HBO Max.



We are committed to supporting the dividend. My confidence in saying that comes from the financial strength and flexibility provided by the \$27.5 billion in free cash flow we generated in 2020 and the \$26 billion we anticipate this year.<sup>7</sup> Our strong cash generation in 2020 allowed us to finish the year with our full-year dividend payout ratio at 54.5% — a very comfortable position.<sup>8</sup>

We're also sizing our operations to reflect the new economic activity level brought about by the pandemic, and we're leaning into our cost and efficiency initiatives so that we have the cost structure in place to compete today and well into the future.

We're continuing to evaluate our portfolio for opportunities to monetize additional non-core assets. We closed or announced nearly \$5 billion of asset sales last year, including our stake in Central European Media, our Puerto Rico and U.S. Virgin Islands wireless and wireline operations,<sup>9</sup> and our Crunchyroll anime operations.

Our financial strength also enabled us to make steady progress in paying down our debt, reducing debt maturities over the coming years and maintaining high-quality credit.

For obvious reasons, 2020 was a difficult year for forecasting financial results. Looking at 2021, we have better visibility, but we still see several uncertainties that could influence the course of our business.

With that in mind, here's what we anticipate in 2021:

- > Consolidated revenue growth of about 1% with wireless service revenue growth of 2% and a gradual improvement in WarnerMedia's top line.
- > Stable adjusted EPS.
- > Gross capital investment in the \$21 billion range with net capex of about \$18 billion.<sup>10</sup>
- > Free cash flow of around \$26 billion with a dividend payout ratio in the high 50s% range.<sup>11</sup>

After we pay dividends, we expect to use free cash flow dollars to pay down debt. And we'll continue to look for opportunities to monetize assets and apply those proceeds to reducing our debt as well.

## Advocating for Smart Public Policies

One of AT&T's core values is *stand for equality*. To that end, we're looking forward to working with the new U.S. presidential administration and Congress to advance and support equality in our country, with special focus on 3 key areas.

every American  
needs to be  
connected



First, we believe every American needs to be connected to the internet. Accomplishing that goal requires all of us in the public and private sectors to share responsibility for closing the digital divide. COVID-19 has proven that internet connectivity is more important than ever to how we live, work and learn. But many rural and low-income families don't have the internet access they need. We're addressing this digital divide on a number of fronts, including our investment of more than \$95 billion over the past 5 years — more than any other U.S. company<sup>12</sup> — in the powerful and pervasive network infrastructure that keeps families and communities connected. But to help close the divide we need a policy framework that incorporates sustainable funding mechanisms for the long run. With smart policy reforms, America can achieve and sustain universal internet connectivity that's accessible and affordable.

There's also a growing bipartisan consensus that big online tech companies should be held more accountable for decisions that fundamentally shape American society. Members of both parties in Congress increasingly see a need for greater transparency and oversight, and AT&T supports those goals. Appropriate government oversight will give consumers more confidence that these large digital platforms are acting in the public interest.

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### We also remain focused on the critical need to address racial equality and equal justice.

Working through the Business Roundtable, AT&T led an effort to redefine the relationship between law enforcement and all those they serve, laying the groundwork to achieve important breakthroughs at the local level. But, realizing that full and equal treatment for all Americans requires action at the federal level, we will continue to collaborate with policymakers to build consensus and advance important equal justice reforms.

## Embracing Corporate Responsibility

For us, the priorities I've just outlined are more than just matters of public policy. They are part and parcel of our commitment to operate our business in a responsible manner. In these areas and beyond, we're doing our part as a company to create sustainable solutions to issues that face our communities, our nation and the world. For example, we've committed \$600 million since 2008 to advance educational and career readiness opportunities for our young people, particularly those in underserved communities. And in the face of the pandemic, we launched initiatives to help close the homework gap affecting

more than 17 million American students. To do this, we offered new discounted wireless data plans with free Wi-Fi hotspots to more than 135,000 public and private schools. And we complemented that initiative with a \$10 million commitment to support connected learning in underserved communities.

Last year, we also moved forward with our efforts to address the global climate change crisis with a commitment that our global operations will be carbon neutral by 2035. And we announced the expansion of our Climate Change Analysis Tool to the entire contiguous United States. This tool identifies — up to 30 years into the future — the potential impacts of climate change on our network and operations. We believe we owe it to the millions of customers who rely on our services to create the most resilient and sustainable business we can. And I can assure you that we will continue to act upon that belief.

And let me be clear on a further point: We are deeply committed to our people. We invest in them and in our communities with well-paying jobs, excellent benefits and industry-leading skills development programs that open up advancement opportunities. Nearly 1 million employees and retirees — and their dependents — are eligible to participate in our health and welfare benefit programs, and our pension plans cover nearly 450,000 participants. We're also proud to be one of the largest employers of union-represented employees in America and the *only* major U.S. wireless company with a fully union-represented non-management workforce.

Another point of pride is our robust supplier diversity program, with approximately \$13 billion in annual spend with businesses owned by minorities, women, members of the LGBTQ+ community, veterans and the differently abled. That program aims to stimulate job growth, improve opportunities for technical training and support new diverse businesses, including suppliers of financial services. In fact, we're one of the top companies with diverse spend at that level. Our program hit a significant milestone in 2020 when we delivered on our two-year commitment to spend \$3 billion with Black-owned U.S. suppliers. Beyond 2020, our supplier diversity team remains dedicated to supporting the Black business community — an effort that we've sustained for more than 50 years.

## Words of Thanks

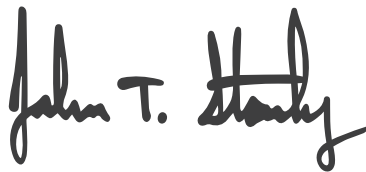
I want to close by expressing my gratitude on several fronts. First, I want to thank Randall Stephenson, who retired in January after 38 years with our company and 13 years as our chairman and CEO. Randall's fearless vision led him to seize opportunities for AT&T to grow by continuously reinventing itself. And all along the way, his personal integrity and commitment to do the right thing have set an example for us all. We wish him and his family all the best.

For our team — the amazing people who worked under extraordinarily difficult circumstances this past year — I couldn't be more grateful. I'm particularly thankful for our employees who worked courageously on the front lines to keep customers connected, not only during a global pandemic, but also in the face of natural disasters like wildfires and the most active hurricane season on record. Their commitment and agility in adjusting to ever-changing circumstances were remarkable. I've never been prouder of our people.

My thanks, as well, to our Board of Directors for their wisdom, guidance and support throughout the year. In 2021, I look forward to working with them and our new chairman, Bill Kennard, who brings to the job a deep knowledge of our business and broad leadership experience in both the public and private sectors.

And, finally, my thanks to you, our shareholders, for your continued confidence in AT&T. You have my word that our leadership team and I are committed to keep earning that confidence every day as we work to create value for you.

Sincerely,

A handwritten signature in black ink that reads "John T. Stankey". The signature is fluid and cursive, with the first name "John" and last name "Stankey" clearly legible, and "T." as a small middle initial.

**John Stankey**

Chief Executive Officer  
AT&T Inc.

February 8, 2021

## Our Purpose

# we create connection

with each other

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with what people and businesses need to thrive every day

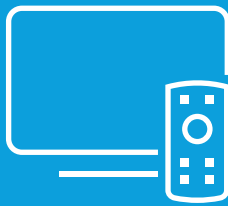
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with stories and experiences that matter

## Our Market Focus



Broadband  
Connectivity



Software-Based  
Entertainment



Fantastic  
Storytelling



### BROADBAND CONNECTIVITY

<sup>1</sup> Based on GWS OneScore Sept. 2020.

<sup>2</sup> Based on analysis by Ookla® of Speedtest Intelligence® data of average download speeds for Q1, Q2, Q3 and Q4 2019, and median download speeds for Q1, Q2 and Q3 2020. Ookla trademarks used under license and reprinted with permission.

<sup>3</sup> The more than 2.5 million U.S. business customer locations are included within the more than 8.5 million U.S. business customer locations on or within 1,000 feet of our fiber. Speed comparison of Internet 1000 wired upload connection speed to major cable providers 1GIG cable service with uploads of 35 Mbps (Teleological Systems 1/2021).

### SOFTWARE-BASED ENTERTAINMENT

<sup>4</sup> Domestic HBO Max/HBO subscribers exclude customers that are part of a free trial. Worldwide HBO Max and HBO subscribers consist of domestic and international HBO subscribers and domestic HBO Max subscribers and excludes basic subscribers and Cinemax subscribers.

<sup>5</sup> Represents postpaid phone subscribers on unlimited plans at end-of-year 2020 versus end-of-year 2019.

### FANTASTIC STORYTELLING

<sup>6</sup> Source: Nielsen NPower, Average monthly reach (11/1/19-10/31/20). Based on P2+, Total Day. WarnerMedia TV = AD5M, CNN, CNNe, HLN, NBA-TV, TBSC, TNT, TOON, TRU, BOOM; Includes HBO & Warner Brothers Syndication (Linear). Based on 6 min qualifier, Live + 7 Day.

### FINANCIAL STRENGTH AND CAPITAL ALLOCATION

<sup>7</sup> Free cash flow is cash from operating activities minus capital expenditures.

<sup>8</sup> Free cash flow dividend payout ratio is total dividends paid divided by free cash flow. For full year 2020, dividends paid totaled \$14.956 billion.

<sup>9</sup> The transaction includes employees; network assets and spectrum; real estate and leases; customers, including more than 1 million wireless subscribers; and contracts. AT&T will retain DIRECTV and certain global business customer relationships and FirstNet responsibilities and relationships.

<sup>10</sup> Gross capital investment includes capital expenditures and cash payments for vendor financing and excludes FirstNet reimbursements. In 2021, vendor financing is expected to be about in the \$2 billion range and FirstNet reimbursements are expected to be about \$1 billion.

<sup>11</sup> Due to high variability and difficulty in predicting items that impact cash from operating activities and capital expenditures, the company is not able to provide a reconciliation between projected free cash flow and the most comparable GAAP metric without unreasonable effort.

### ADVOCATING FOR SMART PUBLIC POLICIES

<sup>12</sup> Based on U.S. capital expenditures from 2016 to 2020.

## Stockholder Information

### TOLL-FREE STOCKHOLDER HOTLINE

Call us at **1-800-351-7221** between 8 a.m. and 7 p.m. Central time, Monday through Friday (**TDD 1-888-403-9700**) for help with:

- Common stock account inquiries
- Requests for assistance with your common stock account, including stock transfers
- Information on The DirectSERVICE™ Investment Program for Stockholders of AT&T Inc. (sponsored and administered by Computershare Trust Company, N.A.)

### WRITTEN STOCKHOLDER REQUESTS

Please mail all account inquiries and other requests for assistance regarding your stock ownership to:

AT&T Inc.  
c/o Computershare Trust  
Company, N.A.  
P.O. Box 505005  
Louisville, KY 40233-5005

You may also reach the transfer agent for AT&T Inc. at [att@computershare.com](mailto:att@computershare.com) or visit the website at [www.computershare.com/att](http://www.computershare.com/att)

### DIRECTSERVICE INVESTMENT PROGRAM

The DirectSERVICE Investment Program for Stockholders of AT&T Inc. is sponsored and administered by Computershare Trust Company, N.A. The program allows current stockholders to reinvest dividends, purchase additional AT&T Inc. stock or enroll in an individual retirement account. For more information, call **1-800-351-7221**.

### STOCK TRADING INFORMATION

AT&T Inc. is listed on the New York Stock Exchange. Ticker symbol: T

### INFORMATION ON THE INTERNET

Information about AT&T Inc. is available on the internet at [www.about.att.com](http://www.about.att.com)

### ANNUAL MEETING

The 2021 Annual Meeting of Stockholders of AT&T Inc. will be conducted virtually on the internet at 9:00 a.m. Central time, Friday, April 30, 2021. There will be no in-person meeting. The meeting will be accessible at [www.virtualshareholdermeeting.com/T2021](http://www.virtualshareholdermeeting.com/T2021)

### SEC FILINGS

AT&T Inc.'s U.S. Securities and Exchange Commission filings, including the latest 10-K and proxy statement, are available on our website at <https://investors.att.com>

### INVESTOR RELATIONS

Securities analysts and other members of the professional financial community may contact the Investor Relations staff as listed on our website at <https://investors.att.com>

### INDEPENDENT AUDITOR

Ernst & Young LLP  
2323 Victory Ave., Suite 2000  
Dallas, TX 75219

### CORPORATE OFFICES AND NON-STOCKHOLDER INQUIRIES

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