



Q4 2019 AT&T EARNINGS

Investor Briefing

No. 307 | JANUARY 29, 2020

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Communications

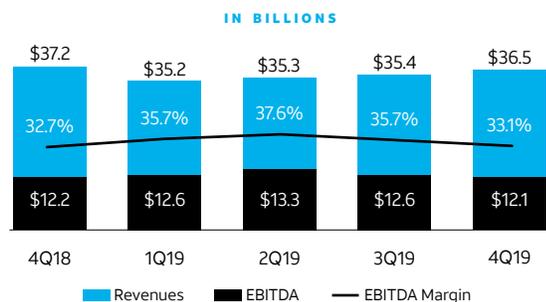
FINANCIAL HIGHLIGHTS

Revenues	▶ \$36.5 billion, down 1.9% year over year due to declines in Entertainment Group and Business Wireline that were partially offset by gains in wireless service revenues
Operating Expenses	▶ \$29.0 billion, down 2.0% year over year, reflecting lower Entertainment Group and Business Wireline expenses partially offset by increases in Mobility expenses
Operating Income	▶ \$7.5 billion, down 1.2% year over year; operating income margin of 20.6% compared to 20.4% in the year-ago quarter

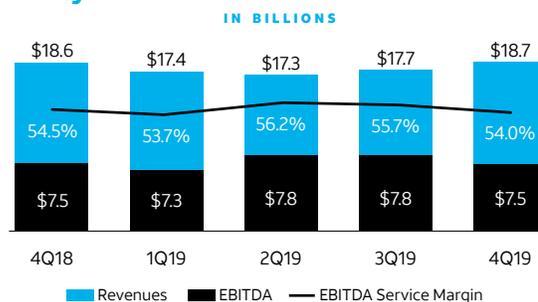
MOBILITY

Revenues	▶ \$18.7 billion, up 0.8% year over year due to an increase in service revenues offsetting declines in equipment revenues <ul style="list-style-type: none"> ■ Service revenues: \$13.9 billion, up 1.8% year over year due to prepaid subscriber gains and postpaid phone ARPU growth ■ Equipment revenues: \$4.8 billion, down 2.1% year over year with continued low postpaid phone upgrade rates
Operating Expenses	▶ \$13.2 billion, up 0.5% year over year due to higher bad debt, promotions and advertising expenses partially offset by lower equipment costs and cost efficiencies
Operating Income	▶ \$5.5 billion, up 1.5% year over year; operating income margin of 29.4%, compared to 29.2% in the year-ago quarter
EBITDA	▶ \$75 billion, up 0.8% year over year; EBITDA margin; 40.3% flat versus the year-ago quarter (EBITDA margin is operating income before depreciation and amortization, divided by total revenues) ▶ Wireless EBITDA service margin: 54.0% compared to 54.5% in the year-ago quarter (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues)

Communications Revenues & EBITDA Margin



Mobility Revenues & EBITDA Service Margin



ARPU

- ▶ Postpaid phone-only ARPU increased 0.4% versus the year-ago quarter

SUBSCRIBER METRICS

- ▶ Total net adds of 3.6 million to reach 165.9 million in service
 - 209,000 total phone net adds
 - 286,000 total smartphone net adds
 - 135,000 postpaid net adds with gains in wearables and phones more than offsetting losses in tablets
 - 229,000 postpaid phone net adds
 - 302,000 postpaid smartphone net adds
 - 325,000 postpaid tablet and other branded computing device net losses
- ▶ 8,000 prepaid net adds
 - 20,000 prepaid phone net losses largely due to competitors' promotions
 - 16,000 prepaid smartphone net losses
- ▶ 3.7 million connected device net adds
- ▶ 251,000 reseller net losses
- ▶ More than 1 million FirstNet connections across more than 10,000 agencies in service

CHURN

- ▶ Postpaid churn: 1.29% versus 1.23% in the year-ago quarter due to tablet and phone churn
- ▶ Postpaid phone churn: 1.07%, compared to 1.00% in the year-ago quarter

SMARTPHONES

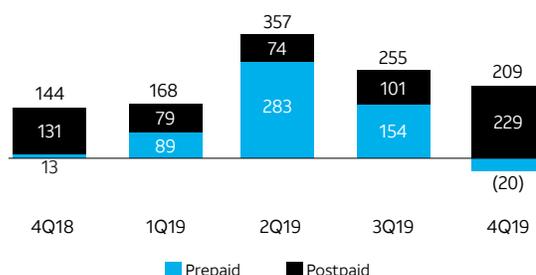
- ▶ 7.4 million* postpaid and prepaid smartphone gross adds and upgrades in the quarter, including 1.7 million* from prepaid
- ▶ Postpaid upgrade rate of 4.8%, down from 5.0% in the year-ago quarter

* Updated 2/3/2020.

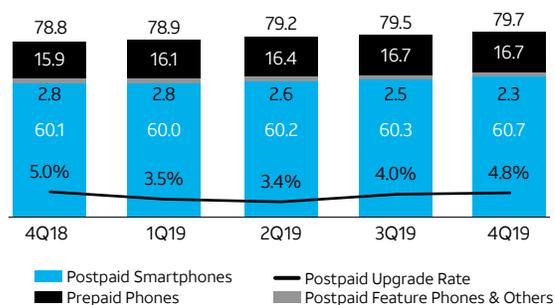
Phone-Only Postpaid ARPU



Postpaid & Prepaid Phone Net Adds IN THOUSANDS



Phone Subscribers & Postpaid Upgrade Rate IN MILLIONS



ENTERTAINMENT GROUP

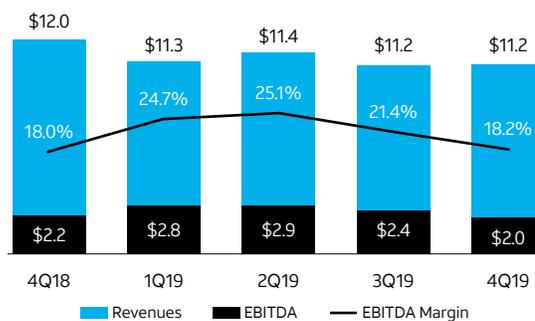
Revenues
Operating Expenses
Operating Income
EBITDA

- ▶ \$11.2 billion, down 6.1% year over year due to declines in premium TV subscribers and legacy services
 - **Video:** \$8.1 billion, down 7.0% year over year due to declines in premium and over-the-top TV subscribers partially offset by higher premium TV and OTT ARPU
 - **IP Broadband:** \$2.1 billion, up 2.7% year over year due to higher ARPU resulting from customers continuing to shift to higher-speed services, including AT&T Fiber, which was partially offset by declines in subscribers with slower speeds
- ▶ \$10.5 billion, down 5.8% year over year due to lower content costs resulting from fewer subscribers and ongoing cost initiatives, partially offset by higher deferral amortization, including a second-quarter 2019 update to expected subscriber lives, and increased costs associated with NFL SUNDAY TICKET
- ▶ \$746 million, down 9.7% year over year; operating income margin: 6.6% compared to 6.9% in the year-ago quarter
- ▶ \$2.0 billion, down 5.2% year over year due mostly to lower video revenues, higher deferral amortization and increased costs for NFL SUNDAY TICKET; 18.2% EBITDA margin, up from 18.0% in the year-ago quarter

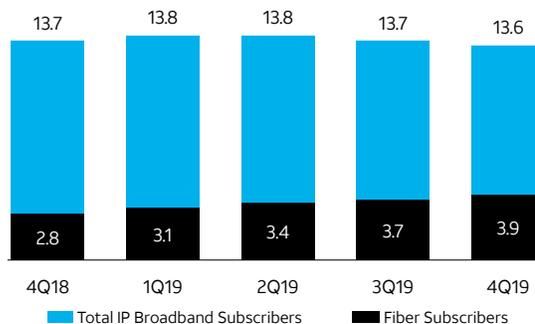
SUBSCRIBER METRICS

- ▶ **Premium TV** subscribers: (945,000) net loss due to competition and customers rolling off promotional discounts as well as to lower gross adds from the continued focus on adding higher value customers
- ▶ **AT&T TV NOW** subscribers: (219,000) net loss due to higher prices and less promotional activity
- ▶ Total broadband subscribers: (182,000) net loss impacted by competition in slower speed territories and loss of bundled video subscribers
 - 191,000 fiber net adds
- ▶ More than 85% of all broadband subscribers on AT&T’s fiber network subscribe to speeds of 100 megabits or more. Total broadband customers with speeds of 100 megabits or faster increased more than 75% in the past year.
- ▶ AT&T now markets its 100% fiber network to 14 million customer locations in parts of 85 major metro areas. Broadband penetration in the fiber footprint continues to be significantly higher than in AT&T’s non-fiber footprint with penetration rates increasing the longer we have fiber in a market.

Entertainment Group Revenues & EBITDA Margin
IN BILLIONS



IP Broadband Subscribers
IN MILLIONS

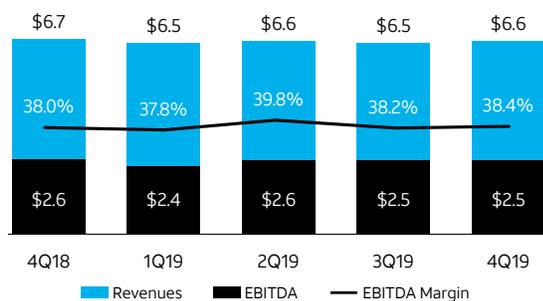


BUSINESS WIRELIN

Revenues	▶ \$6.6 billion, down 1.7% year over year with declines in legacy products partially offset by growth in strategic and managed services. Total business revenues including wireless grew 1.1%.
Strategic and Managed Services	▶ \$3.9 billion, up 3.0% year over year. These are the wireline capabilities that lead AT&T's most advanced business solutions. <ul style="list-style-type: none"> ■ Annualized revenue stream of \$15.6 billion; nearly 60% of total business wireline revenues ■ Growth helped offset a fourth-quarter decline of about \$300 million in legacy services
Operating Expenses	▶ \$5.3 billion, down 0.4% year over year
Operating Income	▶ \$1.3 billion, down 6.9%; operating income margin: 19.2%, down from 20.2% in the year-ago quarter
EBITDA Margin	▶ 38.4%, compared to 38.0% in the year-ago quarter with strategic and managed services revenue growth and cost efficiencies offsetting declines in legacy services
Other Metrics	▶ Approximately 600,000 U.S. business buildings are now lit with fiber from AT&T, enabling high-speed fiber connections to more than 2.5 million U.S. business customer locations. Nationwide, more than 8.5 million business customer locations are on or within 1,000 feet of our fiber*.

Business Wireline Revenues & EBITDA Margin

IN BILLIONS



Strategic & Managed Services Revenues

IN BILLIONS



* The more than 2.5 million U.S. business customer locations are included within the 8.5M+ U.S. business customer locations on or within 1,000 feet of our fiber.

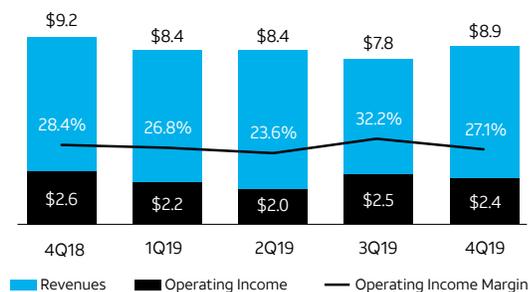
WarnerMedia

FINANCIAL HIGHLIGHTS

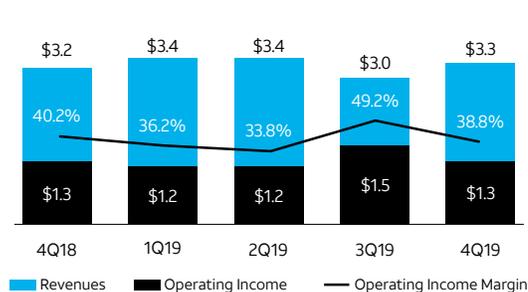
Revenues
Operating Expenses
Operating Income

- ▶ \$8.9 billion, down 3.3% year over year primarily driven by lower Warner Bros. revenues, partially offset by gains at Turner and Home Box Office
- ▶ \$6.5 billion, down 1.6% year over year primarily due to lower expenses at Warner Bros., partially offset by higher expenses at Home Box Office and Turner; includes \$3.9 billion of programming and production costs, up 0.9% year over year
- ▶ \$2.4 billion, down 7.7% year over year; operating income margin of 27.1% compared with 28.4% in year-ago quarter; merger synergies remain on track with \$700 million run rate achieved at end of year

WarnerMedia Revenues & Operating Income Margin
IN BILLIONS



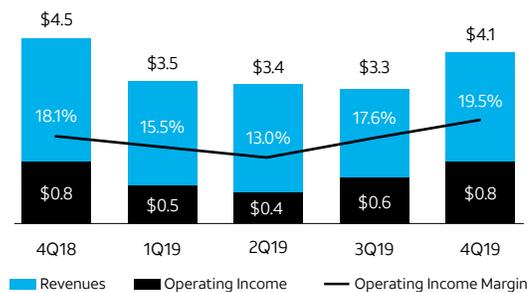
Turner Revenues & Operating Income Margin
IN BILLIONS



Home Box Office Revenues & Operating Income Margin
IN BILLIONS



Warner Bros. Revenues & Operating Income Margin
IN BILLIONS



TURNER

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$3.3 billion, up 1.6% year over year due to a 3.1% increase in subscription revenues and a 7.3% increase in content licensing and other revenues, partially offset by a 2.0% decline in advertising revenues ▶ Subscription: Benefited from higher domestic affiliate rates and growth at Turner's international networks; revenues were impacted by unfavorable foreign exchange rates ▶ Advertising: Decreased due to lower audience delivery at Turner's domestic entertainment networks that was partly offset by higher pricing; international advertising revenues declined and were impacted by unfavorable foreign exchange rates
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$2.0 billion, up 3.9% year over year, primarily due to higher programming costs and expenses in preparation for HBO Max launch, partially offset by lower operating expenses
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$1.3 billion, down 1.9% year over year; operating income margin of 38.8% compared to 40.2% in the year-ago quarter

HOME BOX OFFICE

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$1.7 billion, up 1.9% year over year, reflecting a 1.2% increase in subscription revenues and a 5.4% increase in content and other revenues ▶ Subscription: Increased year over year due to higher digital and international growth, partially offset by lower domestic linear subscribers ▶ Content and other: Increased due to higher home entertainment and games licensing
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$1.2 billion, up 16.4% year over year due to higher programming, distribution and marketing expenses related to the upcoming launch of HBO Max
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$481 million, down 22.7% year over year; operating income margin of 28.2% compared to 37.2% in the year-ago quarter

WARNER BROS.

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$4.1 billion, down 8.0% year over year due to declines in theatrical revenues and foregone content licensing revenues, which were partially offset by higher television production revenues ▶ Theatrical product: Decreased primarily due to mix of releases, as the prior-year quarter included the theatrical release of <i>Aquaman</i>, <i>Fantastic Beasts: The Crimes of Grindelwald</i> and <i>A Star Is Born</i> and the home entertainment release of <i>The Meg</i> and <i>Crazy Rich Asians</i> partially offset by the theatrical release of <i>Joker</i> in the current year quarter ▶ Television product: Increased primarily due to increase in television production partially offset by lower licensing revenues
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$3.3 billion, down 9.6% year over year primarily due to lower film and television production costs and marketing expenses
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$805 million, down 0.7% year over year; operating income margin of 19.5% compared to 18.1% in the year-ago quarter

SELECT RECENT & UPCOMING RELEASES

Note: Represents a limited, select list of releases only. Premiere/release dates shown may be estimated and are subject to change.

TURNER

Series

Joe Pera Talks With You (S2, Adult Swim): 12/6/2019
AEW: Dynamite (S2, TNT): 1/1/2020
CONAN (S10, TBS): 1/13/2020
Samantha Bee (S4, TBS): 1/15/2020⁽¹⁾
Miracle Workers (S2, TBS): 1/28/2020
Impractical Jokers (S8, truTV): 1/30/2020⁽¹⁾
Impractical Jokers: After Party (S3, truTV): 1/30/2020
Impractical Jokers: Inside Jokes (S7, truTV): 2/6/2020
Hot Ones: Game Show (S1, truTV): 2/18/2020
It's Personal with Amy Hoggart (S1, truTV): 2/26/2020
Three Busy Debras (S1, Adult Swim): 3/22/2020⁽²⁾
Beef House (S1, Adult Swim): 3/22/2020⁽²⁾
Tacoma FD (S2, truTV): 3/26/2020

Animated Series

Mike Tyson Mysteries (S4B, Adult Swim): 1/12/2020⁽¹⁾
BallMastrz: 9009 (S2, Adult Swim): 2/23/2020⁽²⁾
ThunderCats Roar (S1, Cartoon Network): 2/29/2020

Docuseries

Vengeance: Killer Coworkers (S1, HLN): 1/5/2020
Race for the White House (S2, CNN): 2/16/2020
The Windsors: Inside the Royal Dynasty (S1, CNN): 2/16/2020
Forensic Files II (S1, HLN): 2/23/2020
Sex & Murder (S1, HLN): 3/9/2020

Films

Linda Ronstadt: The Sound of My Voice (CNN, Film): 1/1/2020

HOME BOX OFFICE

HBO Series

The Outsider (S1): 1/12/2020
Avenue 5 (S1): 1/19/2020
Real Time with Bill Maher (S18): 1/17/2020
Curb Your Enthusiasm (S10): 1/19/2020
High Maintenance (S4): 2/7/2020
Last Week Tonight with John Oliver (S7): 2/16/2020
Axios (S3): 3/1/2020⁽²⁾
Westworld (S3): 3/15/2020⁽²⁾
My Brilliant Friend (S2): 3/16/2020⁽²⁾

HBO Limited/Miniseries

The New Pope: 1/13/2020
The Plot Against America: 3/16/2020⁽²⁾

Cinemax Series

Strike Back (S7): 2/14/2020

HBO Film/Documentaries

Mel Brooks: Unwrapped: 12/13/2019
McMillion\$: 2/3/2020
Ali & Cavett: The Tale of the Tapes: 2/11/2020
We Are the Dream: The Kids of the Oakland MLK
Oratorical Fest: 2/18/2020
After Truth: Disinformation and the
Cost of Fake News: 3/19/2020⁽²⁾
Kill Chain: The Cyber War on America's Elections: 3/26/2020⁽²⁾

HBO Comedy/Specials

Entre Nos: About Last Night (HBO Latino): 12/13/2019
Shakira In Concert: El Dorado World Tour (HBO Latino): 1/31/2020
Whitmer Thomas: The Golden One: 2/22/2020
Entre Nos Presents: Nick Guerra: Love Me at My Worst: 3/20/2020

HBO Sports

Real Sports with Bryant Gumbel (S26): 1/28/2020
Women of Troy: 3/10/2020

WARNER BROS.

Select TV Production: Broadcast

Manifest (S2, NBC): 1/6/2020⁽⁵⁾
The Bachelor XXIV (S24, ABC): 1/6/2020
DC's Legends of Tomorrow (S5, The CW): 1/21/2020
Katy Keene (S1, The CW): 2/6/2020⁽²⁾⁽⁵⁾
The Voice XVIII (S18, NBC): 2/24/2020⁽²⁾⁽⁵⁾
Roswell, New Mexico (S2, The CW): 3/16/2020⁽²⁾⁽⁵⁾

Select TV Production: Cable/Pay/SVOD

You (S2, Netflix): 12/26/2019
Medical Police (S1, Netflix): 1/10/2020
AJ and the Queen (S1, Netflix): 1/10/2020
Shrill (S2, Hulu): 1/24/2020
Self Made: Inspired by the Life of Madam C.J. Walker
(S1, Netflix): 3/20/2020

Theatrical: Box Office (Domestic Release Dates Shown)

4Q 2019

Joker: 10/4/2019
Western Stars: 10/25/2019⁽³⁾
Motherless Brooklyn: 11/1/2019
Doctor Sleep: 11/8/2019
The Good Liar: 11/15/2019
Richard Jewell: 12/13/2019
Just Mercy: 12/25/2019 limited; 1/10/2020 wide

1Q 2020

Birds of Prey (And the Fantabulous
Emancipation of One Harley Quinn): 2/7/2020⁽⁴⁾
The Way Back: 3/6/2020⁽⁴⁾

2Q 2020

SCOOB!: 5/15/2020⁽⁴⁾
Wonder Woman 1984: 6/5/2020⁽⁴⁾
In the Heights: 6/26/2020⁽⁴⁾

Games

The LEGO Movie 2 Videogame (console): 2/26/2019
Mortal Kombat (mobile, expansion): 4/1/2019
Mortal Kombat 11 (console): 4/23/2019
Harry Potter: Wizards Unite (mobile): 6/21/2019⁽⁶⁾

(1)Continuation of season. (2)Expected premiere date.

(3)Limited release. (4)Expected release date.

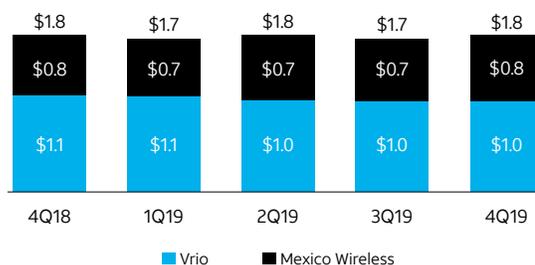
(5)Co-produced. (6)Co-published.

Latin America

Revenues
Operating Expenses
Operating Loss

- ▶ \$1.8 billion, down 4.6% year over year largely due to foreign exchange pressures from revenues in multiple currencies
- ▶ \$1.8 billion, down 12.1% year over year largely due to foreign exchange
- ▶ (\$89) million, compared to a (\$258) million loss in the year-ago quarter due to improvement in Mexico; operating income margin (5.1%), compared to (14.0)% in the prior year

Latin America Revenues
IN BILLIONS



MEXICO

Revenues
Service Revenues
Operating Loss
EBITDA
Subscriber Metrics

- ▶ \$776 million, up 0.9% year over year due to higher service revenues, which were partially offset by lower equipment revenues
- ▶ \$487 million, up 10.7% year over year, driven by prepaid subscriber growth
- ▶ (\$127) million, compared to a loss of (\$314) million in the year-ago quarter
- ▶ \$3 million, compared to a loss of (\$187) million, positive for the first time since acquisitions
- ▶ 540,000 total net adds; 736,000 prepaid net adds, 249,000 postpaid net losses and 53,000 reseller net adds to reach 19.2 million total wireless subscribers

VRIO

Revenues
Operating Income
Subscriber Metrics

- ▶ \$982 million, down 8.6% year over year primarily due to foreign exchange pressures
- ▶ \$38 million compared to operating income of \$56 million in the year-ago quarter with continued positive cash flow and operating contribution for the quarter
- ▶ 25,000 net adds; total subscribers at the end of the quarter were 13.3 million

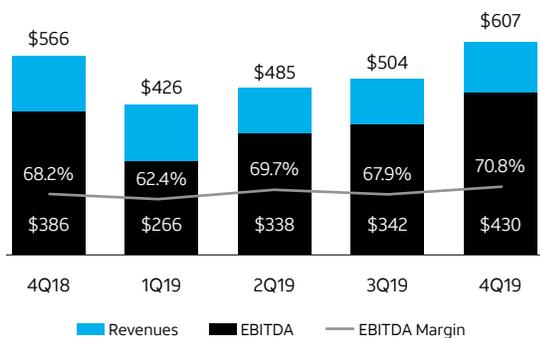
Xandr

FINANCIAL HIGHLIGHTS

Xandr revenues include Xandr Media revenues (which are also reported in the Entertainment Group and are reconciled at the corporate level) and AppNexus revenues.

Revenues	▶ \$607 million, up 7.2% year over year
Operating Expenses	▶ \$194 million, up 4.9% year over year due to growth in the business
Operating Income	▶ \$413 million, up 8.4% year over year due to growth in the business; operating income margin of 68.0% compared with 67.3% in the year-ago quarter

Xandr Revenues & EBITDA Margin
IN MILLIONS



FIRST-QUARTER 2020 EARNINGS**DATE: APRIL 22, 2020**

AT&T will release first-quarter 2020 earnings on April 22, 2020, before the market opens.

The company's Investor Briefing and related earnings materials will be available on the AT&T website at <https://investors.att.com> by 7:30 a.m. Eastern time.

AT&T will also host a conference call to discuss the results at 8:30 a.m. Eastern time the same day. Dial-in and replay information will be announced on First Call approximately 8 weeks before the call, which will also be broadcast live and will be available for replay over the internet at <https://investors.att.com>.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

Information set forth in this Investor Briefing contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results may differ materially. A discussion of factors that may affect future results is contained in AT&T's filings with the Securities and Exchange Commission. AT&T disclaims any obligation to update or revise statements contained in this Investor Briefing based on new information or otherwise.

This Investor Briefing may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are included in the exhibits to the Investor Briefing and are available on the company's website at <https://investors.att.com>.

The "quiet period" for FCC Spectrum Auction 103 (37-39Ghz and 47Ghz) is now in effect. During the quiet period, auction applicants are required to avoid discussions of bids, bidding strategy and post-auction market structure with other auction applicants.

AT&T INVESTOR BRIEFING

The AT&T Investor Briefing is published by the Investor Relations staff of AT&T Inc. Requests for further information may be directed to one of the Investor Relations managers by phone at 210-351-3327.

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Financial and Operational Information

AT&T INC. FINANCIAL DATA

Consolidated Statements of Income						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Operating Revenues						
Service	\$ 41,475	\$ 42,496	(2.4) %	\$ 163,499	\$ 152,345	7.3 %
Equipment	5,346	5,497	(2.7) %	17,694	18,411	(3.9) %
Total Operating Revenues	46,821	47,993	(2.4) %	181,193	170,756	6.1 %
Operating Expenses						
Cost of revenues						
Equipment	5,606	5,733	(2.2) %	18,653	19,786	(5.7) %
Broadcast, programming and operations	8,684	8,885	(2.3) %	31,132	26,727	16.5 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	8,446	8,691	(2.8) %	34,356	32,906	4.4 %
Selling, general and administrative	10,345	10,586	(2.3) %	39,422	36,765	7.2 %
Asset abandonment and impairments	1,458	46	- %	1,458	46	- %
Depreciation and amortization	6,961	7,892	(11.8) %	28,217	28,430	(0.7) %
Total Operating Expenses	41,500	41,833	(0.8) %	153,238	144,660	5.9 %
Operating Income	5,321	6,160	(13.6) %	27,955	26,096	7.1 %
Interest Expense	2,049	2,112	(3.0) %	8,422	7,957	5.8 %
Equity in Net Income (Loss) of Affiliates	(30)	23	- %	6	(48)	- %
Other Income (Expense) - Net	(104)	1,674	- %	(1,071)	6,782	- %
Income Before Income Taxes	3,138	5,745	(45.4) %	18,468	24,873	(25.8) %
Income Tax Expense	434	615	(29.4) %	3,493	4,920	(29.0) %
Net Income	2,704	5,130	(47.3) %	14,975	19,953	(24.9) %
Less: Net Income Attributable to Noncontrolling Interest	(310)	(272)	(14.0) %	(1,072)	(583)	(83.9) %
Net Income Attributable to AT&T	\$ 2,394	\$ 4,858	(50.7) %	\$ 13,903	\$ 19,370	(28.2) %
Less: Preferred Stock Dividends	(3)	-	- %	(3)	-	- %
Net Income Attributable to Common Stock	\$ 2,391	\$ 4,858	(50.8) %	\$ 13,900	\$ 19,370	(28.2) %
Basic Earnings Per Share Attributable to Common Stock	\$ 0.33	\$ 0.66	(50.0) %	\$ 1.90	\$ 2.85	(33.3) %
Weighted Average Common Shares Outstanding (000,000)	7,312	7,296	0.2 %	7,319	6,778	8.0 %
Diluted Earnings Per Share Attributable to Common Stock	\$ 0.33	\$ 0.66	(50.0) %	\$ 1.89	\$ 2.85	(33.7) %
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,341	7,328	0.2 %	7,348	6,806	8.0 %

AT&T INC. FINANCIAL DATA

Consolidated Balance Sheets		
<i>Dollars in millions</i>		
<i>Unaudited</i>	Dec. 31, 2019	Dec. 31, 2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 12,130	\$ 5,204
Accounts receivable - net of allowances for doubtful accounts of \$1,235 and \$907	22,636	26,472
Prepaid expenses	1,631	2,047
Other current assets	18,364	17,704
Total current assets	54,761	51,427
Noncurrent Inventories and Theatrical Film and Television Production Costs	12,434	7,713
Property, Plant and Equipment – Net	130,128	131,473
Goodwill	146,241	146,370
Licenses – Net	97,907	96,144
Trademarks and Trade Names – Net	23,567	24,345
Distribution Networks – Net	15,345	17,069
Other Intangible Assets – Net	20,798	26,269
Investments in and Advances to Equity Affiliates	3,695	6,245
Operating Lease Right-of-Use Assets	24,039	-
Other Assets	22,754	24,809
Total Assets	\$ 551,669	\$ 531,864
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 11,838	\$ 10,255
Accounts payable and accrued liabilities	45,956	43,184
Advanced billings and customer deposits	6,124	5,948
Accrued taxes	1,212	1,179
Dividends payable	3,781	3,854
Total current liabilities	68,911	64,420
Long-Term Debt	151,309	166,250
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	59,502	57,859
Postemployment benefit obligation	18,788	19,218
Operating lease liabilities	21,804	-
Other noncurrent liabilities	29,421	30,233
Total deferred credits and other noncurrent liabilities	129,515	107,310
Stockholders' Equity		
Preferred stock	-	-
Common stock	7,621	7,621
Additional paid-in capital	126,279	125,525
Retained earnings	57,936	58,753
Treasury stock	(13,085)	(12,059)
Accumulated other comprehensive income	5,470	4,249
Noncontrolling interest	17,713	9,795
Total stockholders' equity	201,934	193,884
Total Liabilities and Stockholders' Equity	\$ 551,669	\$ 531,864

Note: 2019 updated per Form 10-K filed February 20, 2020.

AT&T INC. FINANCIAL DATA

Consolidated Statements of Cash Flows		
<i>Dollars in millions</i>		
<i>Unaudited</i>	Year Ended	
	2019	2018
Operating Activities		
Net income	\$ 14,975	\$ 19,953
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,217	28,430
Amortization of film and television costs	9,587	3,772
Undistributed earnings from investments in equity affiliates	295	292
Provision for uncollectible accounts	2,575	1,791
Deferred income tax expense (benefit)	1,806	4,931
Net (gain) loss from investments, net of impairments	(1,218)	(739)
Pension and postretirement benefit expense (credit)	(2,002)	(1,148)
Actuarial (gain) loss on pension and postretirement benefits	5,171	(3,412)
Asset abandonments and impairments	1,458	46
Changes in operating assets and liabilities:		
Receivables	2,812	(1,580)
Other current assets, inventories and theatrical film and television production costs	(12,852)	(6,442)
Accounts payable and other accrued liabilities	(1,524)	1,602
Equipment installment receivables and related sales	548	(490)
Deferred customer contract acquisition and fulfillment costs	(910)	(3,458)
Postretirement claims and contributions	(1,008)	(936)
Other - net	738	990
Total adjustments	33,693	23,649
Net Cash Provided by Operating Activities	48,668	43,602
Investing Activities		
Capital expenditures:		
Purchase of property and equipment	(19,435)	(20,758)
Interest during construction	(200)	(493)
Acquisitions, net of cash acquired	(1,809)	(43,309)
Dispositions	4,684	2,148
(Purchases), sales and settlement of securities and investments, net	435	(183)
Advances to and investments in equity affiliates, net	(365)	(1,050)
Cash collections of deferred purchase price	-	500
Net Cash Used in Investing Activities	(16,690)	(63,145)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	(276)	(821)
Issuance of other short-term borrowings	4,012	4,898
Repayment of other short-term borrowings	(6,904)	(2,098)
Issuance of long-term debt	17,039	41,875
Repayment of long-term debt	(27,592)	(52,643)
Payment of vendor financing	(3,050)	(560)
Issuance of preferred stock	1,164	-
Purchase of treasury stock	(2,417)	(609)
Issuance of treasury stock	631	745
Issuance of preferred interests in subsidiary	7,876	-
Dividends paid	(14,888)	(13,410)
Other	(678)	(3,366)
Net Cash Used in Financing Activities	(25,083)	(25,989)
Net increase (decrease) in cash and cash equivalents and restricted cash	6,895	(45,532)
Cash and cash equivalents and restricted cash beginning of year	5,400	50,932
Cash and Cash Equivalents and Restricted Cash End of Year	\$ 12,295	\$ 5,400

Note: 2019 updated per Form 10-K filed February 20, 2020.

AT&T INC. CONSOLIDATED SUPPLEMENTARY DATA

Supplementary Financial Data						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Capital expenditures						
Purchase of property and equipment	\$ 3,752	\$ 4,063	(7.7) %	\$ 19,435	\$ 20,758	(6.4) %
Interest during construction	40	89	(55.1) %	200	493	(59.4) %
Total Capital Expenditures	\$ 3,792	\$ 4,152	(8.7) %	\$ 19,635	\$ 21,251	(7.6) %
Dividends Declared per Common Share	\$ 0.52	\$ 0.51	2.0 %	\$ 2.05	\$ 2.01	2.0 %
End of Period Common Shares Outstanding (000,000)				7,255	7,282	(0.4) %
Debt Ratio				44.7 %	47.7 %	(300) BP
Total Employees				247,800	268,220	(7.6) %

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	December 31,		Percent			
	2019	2018	Change			
Broadband Connections						
IP	14,659	14,751	(0.6) %			
DSL	730	950	(23.2) %			
Total Broadband Connections	15,389	15,701	(2.0) %			
Voice Connections						
Network Access Lines	8,487	10,002	(15.1) %			
U-verse VoIP Connections	4,370	5,114	(14.5) %			
Total Retail Voice Connections	12,857	15,116	(14.9) %			
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Broadband Net Additions						
IP	(127)	7	- %	(94)	264	- %
DSL	(59)	(53)	(11.3) %	(219)	(282)	22.3 %
Total Broadband Net Additions	(186)	(46)	- %	(313)	(18)	- %

COMMUNICATIONS SEGMENT

The Communications segment provides wireless and wireline telecom, video and broadband services to consumers located in the U.S. and businesses globally. The Communications segment contains three reporting units: Mobility, Entertainment Group, and Business Wireline. Historical results in the Mobility and Business Wireline business units of the Communications segment have been recast to remove operations in Puerto Rico and the U.S. Virgin Islands, which we began held-for-sale accounting in the third quarter of 2019.

Segment Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Segment Operating Revenues						
Mobility	\$ 18,700	\$ 18,556	0.8 %	\$ 71,056	\$ 70,521	0.8 %
Entertainment Group	11,233	11,962	(6.1) %	45,126	46,460	(2.9) %
Business Wireline	6,589	6,705	(1.7) %	26,177	26,740	(2.1) %
Total Segment Operating Revenues	36,522	37,223	(1.9) %	142,359	143,721	(0.9) %
Segment Operating Contribution						
Mobility	5,503	5,424	1.5 %	22,321	21,568	3.5 %
Entertainment Group	746	826	(9.7) %	4,822	4,715	2.3 %
Business Wireline	1,263	1,357	(6.9) %	5,087	5,825	(12.7) %
Total Segment Operating Contribution	\$ 7,512	\$ 7,607	(1.2) %	\$ 32,230	\$ 32,108	0.4 %

Note: Updated per Form 10-K filed February 20, 2020.

MOBILITY

Mobility provides nationwide wireless service and equipment. Results have been recast to conform to the current period's presentation.

Mobility Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Operating Revenues						
Service	\$ 13,948	\$ 13,700	1.8 %	\$ 55,331	\$ 54,294	1.9 %
Equipment	4,752	4,856	(2.1) %	15,725	16,227	(3.1) %
Total Operating Revenues	18,700	18,556	0.8 %	71,056	70,521	0.8 %
Operating Expenses						
Operations and support	11,170	11,087	0.7 %	40,681	40,690	- %
Depreciation and amortization	2,027	2,045	(0.9) %	8,054	8,263	(2.5) %
Total Operating Expenses	13,197	13,132	0.5 %	48,735	48,953	(0.4) %
Operating Income	5,503	5,424	1.5 %	22,321	21,568	3.5 %
Equity in Net Income (Loss) of Affiliates	-	-	- %	-	-	- %
Operating Contribution	\$ 5,503	\$ 5,424	1.5 %	\$ 22,321	\$ 21,568	3.5 %
Operating Income Margin	29.4 %	29.2 %	20 BP	31.4 %	30.6 %	80 BP
Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	December 31,		Percent			
	2019	2018	Change			
Mobility Subscribers						
Postpaid smartphones	60,664	60,131	0.9 %			
Postpaid feature phones and data-centric devices	14,543	15,937	(8.7) %			
Postpaid	75,207	76,068	(1.1) %			
Prepaid	17,803	16,828	5.8 %			
Reseller	6,893	7,693	(10.4) %			
Connected Devices	65,986	51,332	28.5 %			
Total Mobility Subscribers	165,889	151,921	9.2 %			
Postpaid Phone Subscribers	63,018	62,882	0.2 %			
Total Phone Subscribers	79,700	78,767	1.2 %			
	Fourth Quarter		Percent			
	2019	2018	Change			
Mobility Net Additions						
Postpaid	135	15	- %			
Prepaid	8	26	(69.2) %			
Reseller	(251)	(424)	40.8 %			
Connected Devices	3,698	3,153	17.3 %			
Total Mobility Net Additions	3,590	2,770	29.6 %			
Postpaid Phone Net Additions	229	131	74.8 %			
Total Phone Net Additions	209	144	45.1 %			
Postpaid Churn	1.29 %	1.23 %	6 BP			
Postpaid Phone-Only Churn	1.07 %	1.00 %	7 BP			

Note: Updated per Form 10-K filed February 20, 2020.

ENTERTAINMENT GROUP

Entertainment Group provides video, including over-the-top (OTT) services, broadband and voice communication services primarily to residential customers. This business unit also sells advertising on video distribution platforms.

Entertainment Group Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Operating Revenues						
Video entertainment	\$ 8,068	\$ 8,676	(7.0) %	\$ 32,110	\$ 33,357	(3.7) %
High-speed internet	2,107	2,052	2.7 %	8,403	7,956	5.6 %
Legacy voice and data services	604	724	(16.6) %	2,573	3,041	(15.4) %
Other service and equipment	454	510	(11.0) %	2,040	2,106	(3.1) %
Total Operating Revenues	11,233	11,962	(6.1) %	45,126	46,460	(2.9) %
Operating Expenses						
Operations and support	9,189	9,807	(6.3) %	35,028	36,430	(3.8) %
Depreciation and amortization	1,298	1,329	(2.3) %	5,276	5,315	(0.7) %
Total Operating Expenses	10,487	11,136	(5.8) %	40,304	41,745	(3.5) %
Operating Income	746	826	(9.7) %	4,822	4,715	2.3 %
Equity in Net Income (Loss) of Affiliates	-	-	- %	-	-	- %
Operating Contribution	\$ 746	\$ 826	(9.7) %	\$ 4,822	\$ 4,715	2.3 %
Operating Income Margin	6.6 %	6.9 %	(30) BP	10.7 %	10.1 %	60 BP

Note: Updated per Form 10-K filed February 20, 2020.

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	December 31,		Percent			
	2019	2018	Change			
Video Connections						
Premium TV	19,473	22,903	(15.0) %			
AT&T TV Now	926	1,591	(41.8) %			
Total Video Connections	20,399	24,494	(16.7) %			
Broadband Connections						
IP	13,598	13,729	(1.0) %			
DSL	521	680	(23.4) %			
Total Broadband Connections	14,119	14,409	(2.0) %			
Fiber Broadband Connections (included in IP)	3,887	2,763	40.7 %			
Voice Connections						
Retail Consumer Switched Access Lines	3,329	3,967	(16.1) %			
U-verse Consumer VoIP Connections	3,794	4,582	(17.2) %			
Total Retail Consumer Voice Connections	7,123	8,549	(16.7) %			
	Fourth Quarter		Percent	Year Ended		Percent
	2019	2018	Change	2019	2018	Change
Video Net Additions						
Premium TV ¹	(945)	(391)	- %	(3,430)	(1,186)	- %
AT&T TV Now	(219)	(267)	18.0 %	(665)	436	- %
Total Video Net Additions	(1,164)	(658)	(76.9) %	(4,095)	(750)	- %
Broadband Net Additions						
IP	(141)	6	- %	(131)	267	- %
DSL	(41)	(38)	(7.9) %	(159)	(208)	23.6 %
Total Broadband Net Additions	(182)	(32)	- %	(290)	59	- %
Fiber Broadband Net Additions (included in IP)	191	259	(26.3) %	1,124	1,034	8.7 %

¹ Includes the impact of customers that migrated to AT&T TV Now.

BUSINESS WIRELINE

Business Wireline unit provides advanced IP-based services, as well as traditional data services to business customers. Results have been recast to conform to the current period's presentation.

Business Wireline Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent Change	Year Ended		Percent Change
	2019	2018		2019	2018	
Operating Revenues						
Strategic and managed services	\$ 3,927	\$ 3,811	3.0 %	\$ 15,440	\$ 14,660	5.3 %
Legacy voice and data services	2,207	2,498	(11.6) %	9,180	10,674	(14.0) %
Other service and equipment	455	396	14.9 %	1,557	1,406	10.7 %
Total Operating Revenues	6,589	6,705	(1.7) %	26,177	26,740	(2.1) %
Operating Expenses						
Operations and support	4,062	4,154	(2.2) %	16,091	16,201	(0.7) %
Depreciation and amortization	1,264	1,194	5.9 %	4,999	4,714	6.0 %
Total Operating Expenses	5,326	5,348	(0.4) %	21,090	20,915	0.8 %
Operating Income	1,263	1,357	(6.9) %	5,087	5,825	(12.7) %
Equity in Net Income (Loss) of Affiliates	-	-	- %	-	-	- %
Operating Contribution	\$ 1,263	\$ 1,357	(6.9) %	\$ 5,087	\$ 5,825	(12.7) %
Operating Income Margin	19.2 %	20.2 %	(100) BP	19.4 %	21.8 %	(240) BP

Note: Updated per Form 10-K filed February 20, 2020.

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 presentation.

Business Solutions Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Fourth Quarter		Percent Change	Year Ended		Percent Change
	2019	2018		2019	2018	
Operating Revenues						
Wireless service	\$ 2,024	\$ 1,883	7.5 %	\$ 7,925	\$ 7,323	8.2 %
Strategic and managed services	3,927	3,811	3.0 %	15,440	14,660	5.3 %
Legacy voice and data services	2,207	2,498	(11.6) %	9,180	10,674	(14.0) %
Other service and equipment	455	396	14.9 %	1,557	1,406	10.7 %
Wireless equipment	855	773	10.6 %	2,757	2,510	9.8 %
Total Operating Revenues	9,468	9,361	1.1 %	36,859	36,573	0.8 %
Operating Expenses						
Operations and support	5,965	5,884	1.4 %	22,735	22,608	0.6 %
Depreciation and amortization	1,570	1,492	5.2 %	6,213	5,900	5.3 %
Total Operating Expenses	7,535	7,376	2.2 %	28,948	28,508	1.5 %
Operating Income	1,933	1,985	(2.6) %	7,911	8,065	(1.9) %
Equity in Net Income (Loss) of Affiliates	-	-	- %	-	-	- %
Operating Contribution	\$ 1,933	\$ 1,985	(2.6) %	\$ 7,911	\$ 8,065	(1.9) %
Operating Income Margin	20.4 %	21.2 %	(80) BP	21.5 %	22.1 %	(60) BP

Note: Updated per Form 10-K filed February 20, 2020.

WARNERMEDIA SEGMENT

The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. Results from Turner, Home Box Office and Warner Bros. businesses are combined with AT&T's Regional Sports Network (RSN) and Otter Media Holdings in the WarnerMedia segment.

Segment Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent	Year Ended		Percent	
	2019	2018	Change	2019	2018	Change	
Segment Operating Revenues							
Turner	\$ 3,262	\$ 3,212	1.6 %	\$ 13,122	\$ 6,979	88.0 %	%
HBO	1,704	1,673	1.9 %	6,749	3,598	87.6 %	%
Warner Bros.	4,118	4,476	(8.0) %	14,358	8,703	65.0 %	%
Eliminations and other	(160)	(129)	(24.0) %	(730)	(339)	-	%
Total Segment Operating Revenues	8,924	9,232	(3.3) %	33,499	18,941	76.9 %	%
Segment Operating Contribution							
Turner	1,273	1,306	(2.5) %	5,199	3,108	67.3 %	%
HBO	471	650	(27.5) %	2,365	1,384	70.9 %	%
Warner Bros.	794	807	(1.6) %	2,350	1,449	62.2 %	%
Eliminations and other	(91)	(60)	(51.7) %	(588)	(246)	-	%
Total Segment Operating Contribution	\$ 2,447	\$ 2,703	(9.5) %	\$ 9,326	\$ 5,695	63.8 %	%

TURNER

Turner is comprised of the WarnerMedia businesses managed by Turner as well as our RSN. This business unit creates and programs branded news, entertainment, sports and kids multi-platform content that is sold to various distribution affiliates. Turner also sells advertising on its networks and digital properties.

Turner Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent	Year Ended		Percent	
	2019	2018	Change	2019	2018	Change	
Operating Revenues							
Subscription	\$ 1,901	\$ 1,844	3.1 %	\$ 7,736	\$ 4,207	83.9 %	%
Advertising	1,126	1,149	(2.0) %	4,566	2,330	96.0 %	%
Content and other	235	219	7.3 %	820	442	85.5 %	%
Total Operating Revenues	3,262	3,212	1.6 %	13,122	6,979	88.0 %	%
Operating Expenses							
Operations and support	1,927	1,861	3.5 %	7,740	3,794	-	%
Depreciation and amortization	68	60	13.3 %	235	131	79.4 %	%
Total Operating Expenses	1,995	1,921	3.9 %	7,975	3,925	-	%
Operating Income	1,267	1,291	(1.9) %	5,147	3,054	68.5 %	%
Equity in Net Income of Affiliates	6	15	(60.0) %	52	54	(3.7) %	%
Operating Contribution	\$ 1,273	\$ 1,306	(2.5) %	\$ 5,199	\$ 3,108	67.3 %	%
Operating Income Margin	38.8 %	40.2 %	(140) BP	39.2 %	43.8 %	(460) BP	%

HOME BOX OFFICE

Home Box Office consists of premium pay television and OTT services domestically and premium pay, basic tier television and OTT services internationally, as well as content licensing and home entertainment.

Home Box Office Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent	Year Ended		Percent	
	2019	2018	Change	2019	2018	Change	
Operating Revenues							
Subscription	\$ 1,431	\$ 1,414	1.2 %	\$ 5,814	\$ 3,201	81.6 %	
Content and other	273	259	5.4 %	935	397	- %	
Total Operating Revenues	1,704	1,673	1.9 %	6,749	3,598	87.6 %	
Operating Expenses							
Operations and support	1,188	1,025	15.9 %	4,312	2,187	97.2 %	
Depreciation and amortization	35	26	34.6 %	102	56	82.1 %	
Total Operating Expenses	1,223	1,051	16.4 %	4,414	2,243	96.8 %	
Operating Income	481	622	(22.7) %	2,335	1,355	72.3 %	
Equity in Net Income (Loss) of Affiliates	(10)	28	- %	30	29	3.4 %	
Operating Contribution	\$ 471	\$ 650	(27.5) %	\$ 2,365	\$ 1,384	70.9 %	
Operating Income Margin	28.2 %	37.2 %	(900) BP	34.6 %	37.7 %	(310) BP	

WARNER BROS.

Warner Bros. consists of the production, distribution and licensing of television programming and feature films, the distribution of home entertainment products and the production and distribution of games.

Warner Bros. Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent	Year Ended		Percent	
	2019	2018	Change	2019	2018	Change	
Operating Revenues							
Theatrical product	\$ 1,570	\$ 2,085	(24.7) %	\$ 5,978	\$ 4,002	49.4 %	
Television product	1,983	1,827	8.5 %	6,367	3,621	75.8 %	
Video games and other	565	564	0.2 %	2,013	1,080	86.4 %	
Total Operating Revenues	4,118	4,476	(8.0) %	14,358	8,703	65.0 %	
Operating Expenses							
Operations and support	3,273	3,623	(9.7) %	11,816	7,130	65.7 %	
Depreciation and amortization	40	42	(4.8) %	162	96	68.8 %	
Total Operating Expenses	3,313	3,665	(9.6) %	11,978	7,226	65.8 %	
Operating Income	805	811	(0.7) %	2,380	1,477	61.1 %	
Equity in Net Income (Loss) of Affiliates	(11)	(4)	- %	(30)	(28)	(7.1) %	
Operating Contribution	\$ 794	\$ 807	(1.6) %	\$ 2,350	\$ 1,449	62.2 %	
Operating Income Margin	19.5 %	18.1 %	140 BP	16.6 %	17.0 %	(40) BP	

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							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent Change	Year Ended		Percent Change	
	2019	2018		2019	2018		
Segment Operating Revenues							
Vrio	\$ 982	\$ 1,074	(8.6) %	\$ 4,094	\$ 4,784	(14.4) %	
Mexico	776	769	0.9 %	2,869	2,868	- %	
Total Segment Operating Revenues	1,758	1,843	(4.6) %	6,963	7,652	(9.0) %	
Segment Operating Contribution							
Vrio	40	66	(39.4) %	83	347	(76.1) %	
Mexico	(127)	(314)	59.6 %	(718)	(1,057)	32.1 %	
Total Segment Operating Contribution	\$ (87)	\$ (248)	64.9 %	\$ (635)	\$ (710)	10.6 %	

VRIO

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

Vrio Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent Change	Year Ended		Percent Change	
	2019	2018		2019	2018		
Operating Revenues	\$ 982	\$ 1,074	(8.6) %	\$ 4,094	\$ 4,784	(14.4) %	
Operating Expenses							
Operations and support	780	849	(8.1) %	3,378	3,743	(9.8) %	
Depreciation and amortization	164	169	(3.0) %	660	728	(9.3) %	
Total Operating Expenses	944	1,018	(7.3) %	4,038	4,471	(9.7) %	
Operating Income	38	56	(32.1) %	56	313	(82.1) %	
Equity in Net Income of Affiliates	2	10	(80.0) %	27	34	(20.6) %	
Operating Contribution	\$ 40	\$ 66	(39.4) %	\$ 83	\$ 347	(76.1) %	
Operating Income Margin	3.9 %	5.2 %	(130) BP	1.4 %	6.5 %	(510) BP	

Supplementary Operating Data					
<i>Subscribers and connections in thousands</i>					
<i>Unaudited</i>					
	December 31,		Percent Change		
	2019	2018			
Vrio Video Subscribers¹	13,331	13,838	(3.7) %		
	Fourth Quarter		Percent Change	Year Ended	
	2019	2018		2019	2018
Vrio Video Net Subscriber Additions	25	198	(87.4) %	(285)	250

¹ 2019 excludes the impact of 222 subscriber disconnections resulting from conforming our video credit policy across the region, which is reflected in beginning of period subscribers.

MEXICO

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent	Year Ended		Percent	
	2019	2018	Change	2019	2018	Change	
Operating Revenues							
Wireless service	\$ 487	\$ 440	10.7 %	\$ 1,863	\$ 1,701	9.5 %	
Wireless equipment	289	329	(12.2) %	1,006	1,167	(13.8) %	
Total Operating Revenues	776	769	0.9 %	2,869	2,868	- %	
Operating Expenses							
Operations and support	773	956	(19.1) %	3,085	3,415	(9.7) %	
Depreciation and amortization	130	127	2.4 %	502	510	(1.6) %	
Total Operating Expenses	903	1,083	(16.6) %	3,587	3,925	(8.6) %	
Operating Income (Loss)	(127)	(314)	59.6 %	(718)	(1,057)	32.1 %	
Equity in Net Income of Affiliates	-	-	- %	-	-	- %	
Operating Contribution	\$ (127)	\$ (314)	59.6 %	\$ (718)	\$ (1,057)	32.1 %	
Operating Income Margin	(16.4) %	(40.8) %	2,440 BP	(25.0) %	(36.9) %	1,190 BP	

Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	December 31,		Percent	
	2019	2018	Change	
Mexico Wireless Subscribers¹				
Postpaid	5,103	5,805	(12.1) %	
Prepaid	13,584	12,264	10.8 %	
Reseller	472	252	87.3 %	
Total Mexico Wireless Subscribers	19,159	18,321	4.6 %	
	Fourth Quarter		Percent	Year Ended
	2019	2018	Change	2019
	2018			2018
Mexico Wireless Net Additions				
Postpaid	(249)	(17)	- %	(608)
Prepaid	736	994	(26.0) %	1,919
Reseller	53	39	35.9 %	219
Total Mexico Wireless Net Subscriber Additions	540	1,016	(46.9) %	1,530
				3,222
				(52.5) %

¹ 2019 excludes the impact of 692 subscriber disconnections resulting from the churn of customers related to sales by certain third-party distributors and the sunset of 2G services in Mexico, which are reflected in beginning of period subscribers.

XANDR SEGMENT

The Xandr segment provides advertising services. These services utilize data insights to develop higher value targeted advertising. Certain revenues in this segment are also reported by the Communications segment and are eliminated upon consolidation.

Segment Operating Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent Change	Year Ended		Percent Change	
	2019	2018		2019	2018		
Segment Operating Revenues	\$ 607	\$ 566	7.2 %	\$ 2,022	\$ 1,740	16.2 %	
Segment Operating Expenses							
Operations and support	177	180	(1.7) %	646	398	62.3 %	
Depreciation and amortization	17	5	- %	58	9	- %	
Total Segment Operating Expenses	194	185	4.9 %	704	407	73.0 %	
Operating Income	413	381	8.4 %	1,318	1,333	(1.1) %	
Equity in Net Income of Affiliates	-	-	- %	-	-	- %	
Segment Operating Contribution	\$ 413	\$ 381	8.4 %	\$ 1,318	\$ 1,333	(1.1) %	
Segment Operating Income Margin	68.0 %	67.3 %	70 BP	65.2 %	76.6 %	(1,140) BP	

SUPPLEMENTAL AT&T ADVERTISING REVENUES

As a supplemental presentation to our Xandr segment operating results, we are providing a view of total advertising revenues generated by AT&T, which combines the advertising revenues recorded across all operating segments. This combined view presents the entire portfolio of revenues generated from AT&T assets and represents a significant strategic initiative and growth opportunity for AT&T.

Advertising Revenues							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Fourth Quarter		Percent Change	Year Ended		Percent Change	
	2019	2018		2019	2018		
Operating Revenues							
WarnerMedia	\$ 1,167	\$ 1,239	(5.8) %	\$ 4,676	\$ 2,461	90.0 %	
Communications	581	543	7.0 %	1,963	1,827	7.4 %	
Xandr	607	566	7.2 %	2,022	1,740	16.2 %	
Eliminations	(502)	(473)	(6.1) %	(1,672)	(1,595)	(4.8) %	
Total Advertising Revenues	\$ 1,853	\$ 1,875	(1.2) %	\$ 6,989	\$ 4,433	57.7 %	

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended								
<i>Dollars in millions</i>								
<i>Unaudited</i>								
<i>December 31, 2019</i>								
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution	
Communications								
Mobility	\$ 18,700	\$ 11,170	\$ 7,530	\$ 2,027	\$ 5,503	\$ -	\$ 5,503	
Entertainment Group	11,233	9,189	2,044	1,298	746	-	746	
Business Wireline	6,589	4,062	2,527	1,264	1,263	-	1,263	
Total Communications	36,522	24,421	12,101	4,589	7,512	-	7,512	
WarnerMedia								
Turner	3,262	1,927	1,335	68	1,267	6	1,273	
Home Box Office	1,704	1,188	516	35	481	(10)	471	
Warner Bros.	4,118	3,273	845	40	805	(11)	794	
Eliminations and other	(160)	(40)	(120)	11	(131)	40	(91)	
Total WarnerMedia	8,924	6,348	2,576	154	2,422	25	2,447	
Latin America								
Vrio	982	780	202	164	38	2	40	
Mexico	776	773	3	130	(127)	-	(127)	
Total Latin America	1,758	1,553	205	294	(89)	2	(87)	
Xandr	607	177	430	17	413	-	413	
Segment Total	47,811	32,499	15,312	5,054	10,258	\$ 27	\$ 10,285	
Corporate and Other								
Corporate	385	879	(494)	124	(618)			
Acquisition-related items	-	381	(381)	1,741	(2,122)			
Certain significant items	-	1,701	(1,701)	43	(1,744)			
Eliminations and consolidations	(1,375)	(921)	(454)	(1)	(453)			
AT&T Inc.	\$ 46,821	\$ 34,539	\$ 12,282	\$ 6,961	\$ 5,321			
Note: Updated per Form 10-K filed February 20, 2020.								
<i>December 31, 2018</i>								
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution	
Communications								
Mobility	\$ 18,556	\$ 11,087	\$ 7,469	\$ 2,045	\$ 5,424	\$ -	\$ 5,424	
Entertainment Group	11,962	9,807	2,155	1,329	826	-	826	
Business Wireline	6,705	4,154	2,551	1,194	1,357	-	1,357	
Total Communications	37,223	25,048	12,175	4,568	7,607	-	7,607	
WarnerMedia								
Turner	3,212	1,861	1,351	60	1,291	15	1,306	
Home Box Office	1,673	1,025	648	26	622	28	650	
Warner Bros.	4,476	3,623	853	42	811	(4)	807	
Eliminations and other	(129)	(39)	(90)	11	(101)	41	(60)	
Total WarnerMedia	9,232	6,470	2,762	139	2,623	80	2,703	
Latin America								
Vrio	1,074	849	225	169	56	10	66	
Mexico	769	956	(187)	127	(314)	-	(314)	
Total Latin America	1,843	1,805	38	296	(258)	10	(248)	
Xandr	566	180	386	5	381	-	381	
Segment Total	48,864	33,503	15,361	5,008	10,353	\$ 90	\$ 10,443	
Corporate and Other								
Corporate	514	418	96	596	(500)			
Acquisition-related items	(49)	435	(484)	2,262	(2,746)			
Certain significant items	-	492	(492)	26	(518)			
Eliminations and consolidations	(1,336)	(907)	(429)	-	(429)			
AT&T Inc.	\$ 47,993	\$ 33,941	\$ 14,052	\$ 7,892	\$ 6,160			
Note: Updated per Form 10-K filed February 20, 2020.								

SUPPLEMENTAL SEGMENT RECONCILIATION

Year Ended							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
<i>December 31, 2019</i>							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	\$ 71,056	\$ 40,681	\$ 30,375	\$ 8,054	\$ 22,321	\$ -	\$ 22,321
Entertainment Group	45,126	35,028	10,098	5,276	4,822	-	4,822
Business Wireline	26,177	16,091	10,086	4,999	5,087	-	5,087
Total Communications	142,359	91,800	50,559	18,329	32,230	-	32,230
WarnerMedia							
Turner	13,122	7,740	5,382	235	5,147	52	5,199
Home Box Office	6,749	4,312	2,437	102	2,335	30	2,365
Warner Bros.	14,358	11,816	2,542	162	2,380	(30)	2,350
Eliminations and other	(730)	(71)	(659)	39	(698)	110	(588)
Total WarnerMedia	33,499	23,797	9,702	538	9,164	162	9,326
Latin America							
Vrio	4,094	3,378	716	660	56	27	83
Mexico	2,869	3,085	(216)	502	(718)	-	(718)
Total Latin America	6,963	6,463	500	1,162	(662)	27	(635)
Xandr	2,022	646	1,376	58	1,318	-	1,318
Segment Total	184,843	122,706	62,137	20,087	42,050	\$ 189	\$ 42,239
Corporate and Other							
Corporate	1,675	3,008	(1,333)	629	(1,962)		
Acquisition-related items	(72)	960	(1,032)	7,460	(8,492)		
Certain significant items	-	2,082	(2,082)	43	(2,125)		
Eliminations and consolidations	(5,253)	(3,735)	(1,518)	(2)	(1,516)		
AT&T Inc.	\$ 181,193	\$ 125,021	\$ 56,172	\$ 28,217	\$ 27,955		
Note: Updated per Form 10-K filed February 20, 2020.							
<i>December 31, 2018</i>							
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution
Communications							
Mobility	\$ 70,521	\$ 40,690	\$ 29,831	\$ 8,263	\$ 21,568	\$ -	\$ 21,568
Entertainment Group	46,460	36,430	10,030	5,315	4,715	-	4,715
Business Wireline	26,740	16,201	10,539	4,714	5,825	-	5,825
Total Communications	143,721	93,321	50,400	18,292	32,108	-	32,108
WarnerMedia							
Turner	6,979	3,794	3,185	131	3,054	54	3,108
Home Box Office	3,598	2,187	1,411	56	1,355	29	1,384
Warner Bros.	8,703	7,130	1,573	96	1,477	(28)	1,449
Eliminations and other	(339)	(145)	(194)	22	(216)	(30)	(246)
Total WarnerMedia	18,941	12,966	5,975	305	5,670	25	5,695
Latin America							
Vrio	4,784	3,743	1,041	728	313	34	347
Mexico	2,868	3,415	(547)	510	(1,057)	-	(1,057)
Total Latin America	7,652	7,158	494	1,238	(744)	34	(710)
Xandr	1,740	398	1,342	9	1,333	-	1,333
Segment Total	172,054	113,843	58,211	19,844	38,367	\$ 59	\$ 38,426
Corporate and Other							
Corporate	2,150	2,250	(100)	1,630	(1,730)		
Acquisition-related items	(49)	1,185	(1,234)	6,931	(8,165)		
Certain significant items	-	899	(899)	26	(925)		
Eliminations and consolidations	(3,399)	(1,947)	(1,452)	(1)	(1,451)		
AT&T Inc.	\$ 170,756	\$ 116,230	\$ 54,526	\$ 28,430	\$ 26,096		
Note: Updated per Form 10-K filed February 20, 2020.							

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 shares. Free cash flow dividend payout ratio is defined as the percentage of dividends paid on common 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				
<i>Dollars in millions</i>	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Net cash provided by operating activities	\$ 11,943	\$ 12,080	\$ 48,668	\$ 43,602
Less: Capital expenditures	(3,792)	(4,152)	(19,635)	(21,251)
Free Cash Flow	8,151	7,928	29,033	22,351
Less: Dividends paid on common shares	(3,726)	(3,635)	(14,888)	(13,410)
Free Cash Flow after Dividends	\$ 4,425	\$ 4,293	\$ 14,145	\$ 8,941
Free Cash Flow Dividend Payout Ratio	45.7%	45.9%	51.3%	60.0%

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				
<i>Dollars in millions</i>	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Capital Expenditures	\$ (3,792)	\$ (4,152)	\$ (19,635)	\$ (21,251)
Cash paid for vendor financing	(449)	(213)	(3,050)	(560)
Cash paid for Capital Investment¹	\$ (4,241)	\$ (4,365)	\$ (22,685)	\$ (21,811)

¹ Gross capital investment excludes FirstNet reimbursements of \$900 million in the fourth quarter and \$1.0 billion for the year ended December 31, 2019.

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 U.S. generally accepted accounting principles (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				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Net Income	\$ 2,704	\$ 5,130	\$ 14,975	\$ 19,953
Additions:				
Income Tax Expense	434	615	3,493	4,920
Interest Expense	2,049	2,112	8,422	7,957
Equity in Net (Income) Loss of Affiliates	30	(23)	(6)	48
Other (Income) Expense - Net	104	(1,674)	1,071	(6,782)
Depreciation and amortization	6,961	7,892	28,217	28,430
EBITDA	12,282	14,052	56,172	54,526
Total Operating Revenues	46,821	47,993	181,193	170,756
Service Revenues	41,475	42,496	163,499	152,345
EBITDA Margin	26.2%	29.3%	31.0%	31.9%
EBITDA Service Margin	29.6%	33.1%	34.4%	35.8%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Communications Segment				
Operating Contribution	\$ 7,512	\$ 7,607	\$ 32,230	\$ 32,108
Additions:				
Depreciation and amortization	4,589	4,568	18,329	18,292
EBITDA	12,101	12,175	50,559	50,400
Total Operating Revenues	36,522	37,223	142,359	143,721
Operating Income Margin	20.6%	20.4%	22.6%	22.3%
EBITDA Margin	33.1%	32.7%	35.5%	35.1%
Mobility				
Operating Contribution	\$ 5,503	\$ 5,424	\$ 22,321	\$ 21,568
Additions:				
Depreciation and amortization	2,027	2,045	8,054	8,263
EBITDA	7,530	7,469	30,375	29,831
Total Operating Revenues	18,700	18,556	71,056	70,521
Service Revenues	13,948	13,700	55,331	54,294
Operating Income Margin	29.4%	29.2%	31.4%	30.6%
EBITDA Margin	40.3%	40.3%	42.7%	42.3%
EBITDA Service Margin	54.0%	54.5%	54.9%	54.9%
Entertainment Group				
Operating Contribution	\$ 746	\$ 826	\$ 4,822	\$ 4,715
Additions:				
Depreciation and amortization	1,298	1,329	5,276	5,315
EBITDA	2,044	2,155	10,098	10,030
Total Operating Revenues	11,233	11,962	45,126	46,460
Operating Income Margin	6.6%	6.9%	10.7%	10.1%
EBITDA Margin	18.2%	18.0%	22.4%	21.6%
Business Wireline				
Operating Contribution	\$ 1,263	\$ 1,357	\$ 5,087	\$ 5,825
Additions:				
Depreciation and amortization	1,264	1,194	4,999	4,714
EBITDA	2,527	2,551	10,086	10,539
Total Operating Revenues	6,589	6,705	26,177	26,740
Operating Income Margin	19.2%	20.2%	19.4%	21.8%
EBITDA Margin	38.4%	38.0%	38.5%	39.4%

Note: Updated per Form 10-K filed February 20, 2020.

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
WarnerMedia Segment				
Operating Contribution	\$ 2,447	\$ 2,703	\$ 9,326	\$ 5,695
Additions:				
Equity in Net (Income) of Affiliates	(25)	(80)	(162)	(25)
Depreciation and amortization	154	139	538	305
EBITDA	2,576	2,762	9,702	5,975
Total Operating Revenues	8,924	9,232	33,499	18,941
Operating Income Margin	27.1%	28.4%	27.4%	29.9%
EBITDA Margin	28.9%	29.9%	29.0%	31.5%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Latin America Segment				
Operating Contribution	\$ (87)	\$ (248)	\$ (635)	\$ (710)
Additions:				
Equity in Net (Income) of Affiliates	(2)	(10)	(27)	(34)
Depreciation and amortization	294	296	1,162	1,238
EBITDA	205	38	500	494
Total Operating Revenues	1,758	1,843	6,963	7,652
Operating Income Margin	-5.1%	-14.0%	-9.5%	-9.7%
EBITDA Margin	11.7%	2.1%	7.2%	6.5%
Vrio				
Operating Contribution	\$ 40	\$ 66	\$ 83	\$ 347
Additions:				
Equity in Net (Income) of Affiliates	(2)	(10)	(27)	(34)
Depreciation and amortization	164	169	660	728
EBITDA	202	225	716	1,041
Total Operating Revenues	982	1,074	4,094	4,784
Operating Income Margin	3.9%	5.2%	1.4%	6.5%
EBITDA Margin	20.6%	20.9%	17.5%	21.8%
Mexico				
Operating Contribution	\$ (127)	\$ (314)	\$ (718)	\$ (1,057)
Additions:				
Equity in Net (Income) Loss of Affiliates	-	-	-	-
Depreciation and amortization	130	127	502	510
EBITDA	3	(187)	(216)	(547)
Total Operating Revenues	776	769	2,869	2,868
Operating Income Margin	-16.4%	-40.8%	-25.0%	-36.9%
EBITDA Margin	0.4%	-24.3%	-7.5%	-19.1%

Segment EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Xandr				
Operating Contribution	\$ 413	\$ 381	\$ 1,318	\$ 1,333
Additions:				
Equity in Net (Income) of Affiliates	-	-	-	-
Depreciation and amortization	17	5	58	9
EBITDA	430	386	1,376	1,342
Total Operating Revenues	607	566	2,022	1,740
Operating Income Margin	68.0%	67.3%	65.2%	76.6%
EBITDA Margin	70.8%	68.2%	68.1%	77.1%

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				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Operating Revenues				
Time Warner merger adjustment	\$ -	\$ 49	\$ 72	\$ 49
Adjustments to Operating Revenues	-	49	72	49
Operating Expenses				
Time Warner and other merger costs	382	436	961	1,228
Employee separation costs	243	327	624	587
Asset abandonments and impairments	1,458	46	1,458	46
Natural disaster costs	-	77	-	181
Holding losses on benefit-related investments	-	42	-	42
Adjustments to Operations and Support Expenses	2,083	928	3,043	2,084
Amortization of intangible assets	1,741	2,261	7,460	6,930
Impairments	43	26	43	26
Adjustments to Operating Expenses	3,867	3,215	10,546	9,040
Other				
Merger-related interest and fees ¹	-	-	-	1,029
(Gains) losses on sale of investments	(69)	(451)	(707)	(808)
Special termination charges, debt redemption costs and other adjustments	331	307	693	385
Actuarial (gain) loss	1,123	(686)	5,171	(3,412)
Adjustments to Income Before Income Taxes	5,252	2,434	15,775	6,283
Tax impact of adjustments	1,119	412	3,302	1,177
Tax-related items	-	601	141	505
Adjustments to Net Income	\$ 4,133	\$ 1,421	\$ 12,332	\$ 4,601

¹ Includes interest expense incurred on debt issued, redemption premiums and interest income earned on cash held prior to the close of merger transactions.

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. 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, Adjusted EBITDA Margin and Adjusted EBITDA Service Margin				
<i>Dollars in millions</i>				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Operating Income	\$ 5,321	\$ 6,160	\$ 27,955	\$ 26,096
Adjustments to Operating Revenues	-	49	72	49
Adjustments to Operating Expenses	3,867	3,215	10,546	9,040
Adjusted Operating Income	9,188	9,424	38,573	35,185
EBITDA	12,282	14,052	56,172	54,526
Adjustments to Operating Revenues	-	49	72	49
Adjustments to Operations and Support Expenses	2,083	928	3,043	2,084
Adjusted EBITDA	14,365	15,029	59,287	56,659
Total Operating Revenues	46,821	47,993	181,193	170,756
Adjustments to Operating Revenues	-	49	72	49
Total Adjusted Operating Revenue	46,821	48,042	181,265	170,805
Service Revenues	41,475	42,496	163,499	152,345
Adjustments to Service Revenues	-	49	72	49
Adjusted Service Revenue	41,475	42,545	163,571	152,394
Operating Income Margin	11.4%	12.8%	15.4%	15.3%
Adjusted Operating Income Margin	19.6%	19.6%	21.3%	20.6%
Adjusted EBITDA Margin	30.7%	31.3%	32.7%	33.2%
Adjusted EBITDA Service Margin	34.6%	35.3%	36.2%	37.2%

Adjusted Diluted EPS				
	Fourth Quarter		Year Ended	
	2019	2018	2019	2018
Diluted Earnings Per Share (EPS)	\$ 0.33	\$ 0.66	\$ 1.89	\$ 2.85
Amortization of intangible assets	0.19	0.25	0.81	0.81
Merger integration items ¹	0.04	0.06	0.13	0.26
(Gain) loss on sale of assets, impairments and other adjustments ²	0.21	0.04	0.20	0.05
Actuarial (gain) loss ³	0.12	(0.07)	0.56	(0.38)
Tax-related items	-	(0.08)	(0.02)	(0.07)
Adjusted EPS	\$ 0.89	\$ 0.86	\$ 3.57	\$ 3.52
<i>Year-over-year growth - Adjusted</i>	3.5%		1.4%	
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,341	7,328	7,348	6,806

¹Includes combined merger integration items and merger-related interest income and expense, and redemption premiums.

²Includes abandonment and impairments, gains on transactions, and employee-related and other costs.

³Includes adjustments for actuarial gains or losses associated with our postemployment benefit plans, 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 losses of \$5.1 billion in 2019. As a result, adjusted EPS reflects an expected return on plan assets of \$3.8 billion (based on an average expected return on plan assets of 7.00% for our pension trust and 5.75% for our VEBA trusts), rather than the actual return on plan assets of \$8.8 billion gain (actual pension return of 16.9% and VEBA return of 15.6%), included in the GAAP measure of income.

CONSTANT CURRENCY

Constant Currency is a non-GAAP financial measure that management uses to evaluate the operating performance of certain international subsidiaries by excluding or otherwise adjusting for the impact of changes in foreign currency exchange rates between comparative periods. We believe constant currency enhances comparison and is useful to investors to evaluate the performance of our business without taking into account the impact of changes to the foreign exchange rates to which our business is subject. To compute our constant currency results, we multiply or divide, as appropriate, our current year U.S. dollar results by the current year average foreign exchange rates and then multiply or divide, as appropriate, those amounts by the prior year average foreign exchange rates. In calculating amounts on a constant currency basis, for our Vrio business unit, we exclude our Venezuela subsidiary in light of the hyperinflationary conditions in Venezuela, which we do not believe are representative of the macroeconomics of the rest of the region in which we operate.

Constant Currency			
<i>Dollars in millions</i>			
		Fourth Quarter	
		2019	2018
AT&T Inc.			
Total Operating Revenues	\$	46,821	\$ 47,993
Exclude Venezuela		(6)	(8)
Impact of foreign exchange translation		220	-
Operating Revenues on Constant Currency Basis		47,035	47,985
<i>Year-over-year growth</i>		-2.0%	
Adjusted EBITDA		14,365	15,029
Exclude Venezuela		(38)	(38)
Impact of foreign exchange translation		109	-
Adjusted EBITDA on Constant Currency Basis		14,436	14,991
<i>Year-over-year growth</i>		-3.7%	
WarnerMedia Segment			
Total Operating Revenues	\$	8,924	\$ 9,232
Impact of foreign exchange translation		58	-
Warner Media Operating Revenues on Constant Currency Basis		8,982	9,232
<i>Year-over-year growth</i>		-2.7%	
EBITDA		2,576	2,762
Impact of foreign exchange translation		31	-
Warner Media EBITDA on Constant Currency Basis		2,607	2,762
<i>Year-over-year growth</i>		-5.6%	
Latin America Segment			
Total Operating Revenues	\$	1,758	\$ 1,843
Exclude Venezuela		(6)	(8)
Impact of foreign exchange translation		162	-
Latin America Operating Revenues on Constant Currency Basis		1,914	1,835
<i>Year-over-year growth</i>		4.3%	
EBITDA		205	38
Exclude Venezuela		(38)	(38)
Impact of foreign exchange translation		78	-
Latin America EBITDA on Constant Currency Basis		245	-
<i>Year-over-year growth</i>		-	

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					
<i>Dollars in millions</i>					
	Three Months Ended				Four Quarters
	Mar. 31 2019 ¹	June 30, 2019 ¹	Sept. 30, 2019 ¹	Dec. 31, 2019	
Adjusted EBITDA ²	\$ 14,802	\$ 15,041	\$ 15,079	\$ 14,365	\$ 59,287
End-of-period current debt					11,838
End-of-period long-term debt					151,309
Total End-of-Period Debt					163,147
Less: Cash and Cash Equivalents					12,130
Net Debt Balance					151,017
Annualized Net Debt to Adjusted EBITDA Ratio					2.547

¹ As reported in AT&T's Form 8-K filed April 24, 2019, July 24, 2019 and October 28, 2019.

² Includes the purchase accounting reclassification of released content amortization of \$150 million, \$112 million, \$108 million and \$102 million in the four quarters of 2019, respectively.

Note: Updated per Form 10-K filed February 20, 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								
Fourth Quarter								
	December 31, 2019				December 31, 2018			
	Mobility	Business Wireline	Adjustments ¹	Business Solutions	Mobility	Business Wireline	Adjustments ¹	Business Solutions
Operating Revenues								
Wireless service	\$ 13,948	\$ -	\$ (11,924)	\$ 2,024	\$ 13,700	\$ -	\$ (11,817)	\$ 1,883
Strategic and managed services	-	3,927	-	3,927	-	3,811	-	3,811
Legacy voice and data services	-	2,207	-	2,207	-	2,498	-	2,498
Other services and equipment	-	455	-	455	-	396	-	396
Wireless equipment	4,752	-	(3,897)	855	4,856	-	(4,083)	773
Total Operating Revenues	18,700	6,589	(15,821)	9,468	18,556	6,705	(15,900)	9,361
Operating Expenses								
Operations and support	11,170	4,062	(9,267)	5,965	11,087	4,154	(9,357)	5,884
EBITDA	7,530	2,527	(6,554)	3,503	7,469	2,551	(6,543)	3,477
Depreciation and amortization	2,027	1,264	(1,721)	1,570	2,045	1,194	(1,747)	1,492
Total Operating Expenses	13,197	5,326	(10,988)	7,535	13,132	5,348	(11,104)	7,376
Operating Income	5,503	1,263	(4,833)	1,933	5,424	1,357	(4,796)	1,985
Equity in Net Income (Loss) of Affiliates	-	-	-	-	-	-	-	-
Operating Contribution	\$ 5,503	\$ 1,263	\$ (4,833)	\$ 1,933	\$ 5,424	\$ 1,357	\$ (4,796)	\$ 1,985

¹Non-business wireless reported in the Communication segment under the Mobility business unit.

Supplemental Operational Measure								
Year Ended								
	December 31, 2019				December 31, 2018			
	Mobility	Business Wireline	Adjustments ¹	Business Solutions	Mobility	Business Wireline	Adjustments ¹	Business Solutions
Operating Revenues								
Wireless service	\$ 55,331	\$ -	\$ (47,406)	\$ 7,925	\$ 54,294	\$ -	\$ (46,971)	\$ 7,323
Strategic and managed services	-	15,440	-	15,440	-	14,660	-	14,660
Legacy voice and data services	-	9,180	-	9,180	-	10,674	-	10,674
Other services and equipment	-	1,557	-	1,557	-	1,406	-	1,406
Wireless equipment	15,725	-	(12,968)	2,757	16,227	-	(13,717)	2,510
Total Operating Revenues	71,056	26,177	(60,374)	36,859	70,521	26,740	(60,688)	36,573
Operating Expenses								
Operations and support	40,681	16,091	(34,037)	22,735	40,690	16,201	(34,283)	22,608
EBITDA	30,375	10,086	(26,337)	14,124	29,831	10,539	(26,405)	13,965
Depreciation and amortization	8,054	4,999	(6,840)	6,213	8,263	4,714	(7,077)	5,900
Total Operating Expenses	48,735	21,090	(40,877)	28,948	48,953	20,915	(41,360)	28,508
Operating Income	22,321	5,087	(19,497)	7,911	21,568	5,825	(19,328)	8,065
Equity in Net Income (Loss) of Affiliates	-	-	-	-	-	-	-	-
Operating Contribution	\$ 22,321	\$ 5,087	\$ (19,497)	\$ 7,911	\$ 21,568	\$ 5,825	\$ (19,328)	\$ 8,065

¹Non-business wireless reported in the Communication segment under the Mobility business unit.

Note: Updated per Form 10-K filed February 20, 2020.