



Q4 2020 AT&T EARNINGS

Investor Briefing

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Contents

3 Communications

Mobility

Broadband

Video

Business Wireline

8 WarnerMedia

Turner

Home Box Office

Warner Bros.

10 Latin America

Mexico

Vrio

11 COVID-19 Financial Impacts

14 Financial and Operational Information

31 Discussion and Reconciliation of Non-GAAP Measures

Communications

Net add metrics for Mobility, Broadband and Video include a small number of reconnects of paying accounts from the FCC's "Keep Americans Connected" (KAC) pledge. That program has now concluded.

FINANCIAL HIGHLIGHTS

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|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenues | <ul style="list-style-type: none"> ▶ \$36.7 billion, up 0.5% year over year due to increases in Mobility more than offsetting declines in Video, Business Wireline and Broadband |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$30.2 billion, up 4.0% year over year reflecting higher Mobility and Broadband expense partially offset by lower Video expense |
| Operating Income | <ul style="list-style-type: none"> ▶ \$6.6 billion, down 12.7% year over year; operating income margin: 17.9%, compared to 20.6% in the year-ago quarter |

MOBILITY

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| Revenues | <ul style="list-style-type: none"> ▶ \$20.1 billion, up 7.6% year over year primarily due to higher equipment revenues <ul style="list-style-type: none"> ▪ Service revenues: \$14.0 billion, up 0.5% year over year as subscriber gains offset declines in international roaming revenues ▪ Equipment revenues: \$6.1 billion, up 28.3% year over year driven by smartphone sales, a mix of higher priced postpaid smartphones and higher sales of postpaid data devices |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$15.0 billion, up 13.9% year over year due to higher equipment costs, higher commission costs and higher content costs associated with HBO Max, partially offset by lower bad debt expense |
| Operating Income | <ul style="list-style-type: none"> ▶ Operating Income: \$5.1 billion, down 7.5% year over year; operating income margin: 25.3%, compared to 29.4% in the year-ago quarter |
| EBITDA | <ul style="list-style-type: none"> ▶ \$7.1 billion, down 5.8% year over year; EBITDA margin: 35.3% (EBITDA margin is operating income before depreciation and amortization, divided by total revenues) ▶ Wireless EBITDA service margin: 50.6%, compared to 54.0% in the year-ago quarter (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues) |

ARPU

- ▶ Postpaid phone-only ARPU of \$54.46 decreased 1.9% versus the year-ago quarter, mostly due to lower international roaming revenues

SUBSCRIBER METRICS

- ▶ Total net adds of 5.9 million to reach 182.6 million in service
 - 1.2 million postpaid net adds with gains in phones, wearable and non-tablet computing devices more than offsetting losses in tablets
 - 800,000 postpaid phone net adds
 - 813,000 postpaid smartphone net adds
 - 40,000 postpaid tablet and other branded computing device net adds as well as 389,000 other net adds, primarily wearables
- ▶ 14,000 prepaid net adds
 - 40,000 total prepaid phone net losses with continued strong growth at Cricket
- ▶ 4.8 million connected device net adds
- ▶ 197,000 reseller net losses
- ▶ More than 1.9 million FirstNet connections across more than 15,000 agencies in service

CHURN

- ▶ Postpaid churn: 0.94% versus 1.29% in the year-ago quarter
- ▶ Postpaid phone churn: 0.76%, down versus 1.07% in the year-ago quarter
- ▶ Prepaid churn of about 3%

SMARTPHONES

- ▶ 6.9 million postpaid smartphone gross adds and upgrades in the quarter
- ▶ Postpaid upgrade rate of 6.5%

During the quarter, the company began operating the broadband and legacy voice operations separate from the video business unit. Entertainment Group results have been recast accordingly.

BROADBAND

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| Revenues | <ul style="list-style-type: none"> ▶ \$3.1 billion, down 1.4% year over year due to declines in legacy services partially offset by higher IP broadband ARPU resulting from an increase in high-speed fiber customers and pricing actions |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$2.8 billion, up 11.1% year over year largely driven by content costs associated with plans offering HBO Max, increased deferral amortization expense and higher sales and customer support costs |
| Operating Income | <ul style="list-style-type: none"> ▶ \$366 million, down 46.6% year over year; operating income margin: 11.7%, compared to 21.7% in the year-ago quarter |
| EBITDA | <ul style="list-style-type: none"> ▶ \$1.1 billion, down 21.8% year over year due to declines in higher-margin legacy services; EBITDA margin: 35.4%, down from 44.7% in the year-ago quarter |

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| <ul style="list-style-type: none"> ▶ Total broadband subscribers: 2,000 net loss reflects growth in fiber subscribers, more than offset by losses in slower-speed territories <ul style="list-style-type: none"> ■ 273,000 fiber net adds benefited from the current work-from-home environment; more than 1 million net adds for the year ▶ More than 90% of all broadband subscribers on AT&T's fiber network subscribe to speeds of 100 megabits per second (Mbps) or more. More than 3 million fiber subscribers have taken nearly 1 Gbps speeds; 1 Gbps customers increased by more than 290,000 in the quarter, driven by promotions targeting speed upgrades and copper migrations as well as HBO Max bundling | <ul style="list-style-type: none"> ▶ AT&T markets its 100% fiber network to more than 14 million customer locations. Broadband penetration in the fiber footprint continues to trend significantly higher than in AT&T's non-fiber footprint with penetration rates increasing the longer the Company has fiber in a market. |
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VIDEO

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| Revenues | <ul style="list-style-type: none"> ▶ \$7.2 billion, down 11.2% year over year due to declines in premium and OTT subscribers, partially offset by higher premium TV ARPU and higher advertising revenues during the general election; in addition to the continuing impact of COVID-19 on commercial revenues, fourth quarter revenues included estimated 2020 billing credits to be provided to subscribers for lower delivery of regional sports networks programming |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$7.1 billion, down 12.0% year over year due to lower content costs associated with fewer subscribers, estimated reimbursements from regional sports networks for lower delivery of programming during COVID-19, and ongoing cost initiatives, partially offset by annual content rate increases including increased costs associated with NFL SUNDAY TICKET |
| Operating Income | <ul style="list-style-type: none"> ▶ \$98 million, up year over year; operating income margin: 1.4%, compared to 0.5% in the year-ago quarter |
| EBITDA | <ul style="list-style-type: none"> ▶ \$619 million, down 1.4% year over year due to lower video revenues, the impact of COVID-19 and increased costs for NFL SUNDAY TICKET. EBITDA margin: 8.6%, compared with 7.8% in the year-ago quarter; the impact of regional sports networks credits was neutral to EBITDA but contributed more than 10 basis points to EBITDA margin. |

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| <ul style="list-style-type: none"> ▶ Premium TV subscribers (which includes all DirecTV, U-verse and AT&T TV subscribers): 617,000 loss due to competition, lower gross adds from the continued focus on adding higher value customers and a programming dispute, partially offset by lower churn | <ul style="list-style-type: none"> ▶ AT&T TV NOW subscribers: 27,000 net loss |
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BUSINESS WIRELINE

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| Revenues | <ul style="list-style-type: none"> ▶ \$6.3 billion, down 4.1% year over year with declines in legacy products partially offset by growth in strategic and managed services |
| Strategic and Managed Services | <ul style="list-style-type: none"> ▶ \$4.0 billion, up 2.1% 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 \$16 billion; more than 60% of total business wireline revenues ■ Growth helped offset a decline of more than \$250 million in legacy services |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$5.3 billion, essentially flat year over year due to ongoing cost efficiencies offset by increased depreciation expense |
| Operating Income | <ul style="list-style-type: none"> ▶ \$1.0 billion, down 21.6%; operating income margin: 15.9%, compared with 19.5% in the year-ago quarter |
| EBITDA | <ul style="list-style-type: none"> ▶ \$2.3 billion, down 8.1% year over year |
| EBITDA Margin | <ul style="list-style-type: none"> ▶ 36.8%, compared to 38.4% in the year-ago quarter with strategic and managed services revenue growth and cost efficiencies partially offsetting declines in legacy services |
| Other Metrics | <ul style="list-style-type: none"> ▶ More than 625,000 U.S. business buildings are 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.* |

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

WarnerMedia

In second quarter 2020, the Xandr advertising business was moved within WarnerMedia. In fourth quarter 2020, the Crunchyroll anime business of Otter Media was classified as held-for-sale and moved from WarnerMedia Corporate to AT&T Corporate. WarnerMedia segment results have been recast for all prior periods to include prior Xandr segment financials and exclude Crunchyroll business unit financials.

FINANCIAL HIGHLIGHTS

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| Revenues | <ul style="list-style-type: none"> ▶ \$8.6 billion, down 9.5% year over year, driven by a decline at Warner Bros. partially offset by an increase at Home Box Office |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$6.0 billion, down 9.1% year over year primarily due to lower costs at Warner Bros. and Turner, partially offset by higher costs at Home Box Office; includes \$3.0 billion of programming and production costs, down 20.5% year over year |
| Operating Income | <ul style="list-style-type: none"> ▶ \$2.5 billion, down 10.4% year over year; operating income margin: 29.7%, compared to 30.0% in the year-ago quarter |

TURNER

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| Revenues | <ul style="list-style-type: none"> ▶ \$3.2 billion, essentially flat year over year due to decreases in advertising, content and other revenues, partially offset by an increase in subscription revenues <ul style="list-style-type: none"> ■ Subscription: Increased due to higher domestic affiliate rates, partially offset by a decline in regional sports network revenues and lower international revenues, which were impacted by unfavorable foreign exchange rates ■ Advertising: Decreased primarily due to the delay of the NBA season to the latter part of the fourth quarter and lower overall ratings, which unfavorably impacted Turner's domestic entertainment audience delivery, partially offset by higher news delivery during the general election ■ Content and Other: Decreased due to lower digital sports as a result of the delayed start to the NBA season |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$1.9 billion, down 5.8% year over year primarily due to lower programming and production costs, including a decrease in sports costs associated with the delayed start of the NBA season to the latter part of the fourth quarter |
| Operating Income | <ul style="list-style-type: none"> ▶ \$1.4 billion, up 7.6% year over year; operating income margin: 42.0%, compared to 38.8% in the year-ago quarter |

HOME BOX OFFICE

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|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Revenues</i> | <ul style="list-style-type: none"> ▶ \$1.9 billion, up 11.7% year over year reflecting an increase in subscription revenues, partially offset by a decrease in content and other revenues <ul style="list-style-type: none"> ■ Subscription: Increased due to growth in international revenues primarily due to the May 2020 acquisition of the remaining interest in HBO Latin America Group and higher domestic direct-to-consumer subscribers, partially offset by lower domestic linear subscribers ■ Content and Other: Decreased due to lower home entertainment and licensing revenues |
| <i>Operating Expenses</i> | <ul style="list-style-type: none"> ▶ \$1.8 billion, up 48.6% year over year primarily due to higher programming costs and expenses related to HBO Max |
| <i>Operating Income</i> | <ul style="list-style-type: none"> ▶ \$86 million, compared to \$481 million in the year-ago quarter; operating income margin: 4.5%, compared to 28.2% in the year-ago quarter, driven by investment in HBO Max |
| <i>Subscriber Metrics</i> | <ul style="list-style-type: none"> ▶ HBO Max/HBO domestic subscribers increased nearly 7 million year over year driven by HBO Max |

WARNER BROS.

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|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Revenues</i> | <ul style="list-style-type: none"> ▶ \$3.2 billion, down 21.2% year over year primarily due to declines in television and theatrical <ul style="list-style-type: none"> ■ Theatrical product: Decreased primarily due to the postponement of theatrical and home entertainment releases due to the pandemic, and unfavorable comparisons to the prior year, which included the early fourth quarter release of <i>Joker</i>; with limited capacity and continued closure of movie theaters in many locations, <i>Wonder Woman 1984</i> was released near the end of the quarter through a hybrid distribution model with a global theatrical release (including the United States) and concurrent release on HBO Max for 31 days ■ Television product: Decreased primarily due to lower TV production revenues from production delays related to COVID-19, which impacted delivery for the 2020-21 broadcast season, and lower TV licensing |
| <i>Operating Expenses</i> | <ul style="list-style-type: none"> ▶ \$2.5 billion, down 25.9% primarily due to COVID-related delays in production and fewer theatrical and home entertainment releases, resulting in a decline in production and marketing costs |
| <i>Operating Income</i> | <ul style="list-style-type: none"> ▶ \$791 million, down 1.7% year over year; operating income margin: 24.4%, compared to 19.5% in the year-ago quarter |

Latin America

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|---------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenues | <ul style="list-style-type: none"> ▶ \$1.5 billion, down 14.8% year over year largely due to foreign exchange pressures and the economic impact of COVID-19 |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$1.7 billion, down 10.0% year over year |
| Operating Loss | <ul style="list-style-type: none"> ▶ (\$165) million, compared to an (\$89) million loss in the year-ago quarter, due to pressure in Vrio; operating income margin: (11.0)%, compared to (5.1)% in the prior year |

MEXICO

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| Revenues | <ul style="list-style-type: none"> ▶ \$736 million, down 5.2% year over year due to lower service and equipment revenues including foreign exchange pressures; both total revenues and service revenues grew excluding foreign exchange pressure |
| Service Revenues | <ul style="list-style-type: none"> ▶ \$459 million, down 5.7% year over year driven by foreign exchange pressures and COVID-19 impacts on the economy |
| Equipment Revenues | <ul style="list-style-type: none"> ▶ \$277 million, down 4.2% year over year but growing when excluding foreign exchange pressures |
| Operating Loss | <ul style="list-style-type: none"> ▶ (\$126) million, compared to a loss of (\$127) million in the year-ago quarter |
| EBITDA | <ul style="list-style-type: none"> ▶ \$14 million, compared to \$3 million in the year-ago quarter |
| Subscriber Metrics | <ul style="list-style-type: none"> ▶ Total net adds of 529,000 including 509,000 prepaid net adds and 34,000 reseller net adds partially offset by (14,000) postpaid net losses; 18.9 million total wireless subscribers |

VRIO

| | |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenues | <ul style="list-style-type: none"> ▶ \$762 million, down 22.4% year over year due to foreign exchange and COVID-19 pressures |
| Operating Loss | <ul style="list-style-type: none"> ▶ (\$39) million, compared to operating income of \$38 million in the year-ago quarter, with continued positive EBITDA for the quarter |
| Subscriber Metrics | <ul style="list-style-type: none"> ▶ 49,000 net adds, driven by the return of soccer leagues, partial lifting of COVID-19 restrictions and continued expansion of over-the-top video services across the region, partially offset by economic pressures in Brazil; 10.9 million total subscribers at the end of the quarter |

COVID-19 Financial Impacts

COVID-19 UPDATE

Disruptions caused by the coronavirus (COVID-19) and measures taken to prevent its spread or mitigate its effects both domestically and internationally have impacted our results of operations. Fourth-quarter 2020 earnings include approximately \$650 million, or \$0.08 per diluted share of COVID-19 impacts, including \$90 million, or \$0.01 per diluted share, of cost reductions reflecting insurance recoveries associated with WarnerMedia business disruption recoveries offset by additional incremental expense.

In addition to the incremental impact, we estimate that our operations and comparability were impacted by an estimated \$740 million, or \$0.09 per diluted share, for the following COVID-19 related pressures: (1) lower television licensing and production revenues due to production delays and the partial closure of movie theaters and postponement of theatrical releases, leading to lower content revenues and associated expenses, and (2) the reluctance of consumers to travel at previous levels, driving significantly lower international wireless roaming services that do not have a directly correlated expense reduction.

Fourth-quarter 2020 subscriber net adds include 35,000 postpaid (28,000 phone), 4,000 broadband and 4,000 premium TV "Keep Americans Connected Pledge" paying accounts. The "Keep Americans Connected Pledge" has concluded and will not impact future subscriber counts.

With partial reopening of the economy and improved collections experience, the economic effects of the pandemic and resulting societal changes remain unpredictable. There are a number of uncertainties that could impact our future results of operations, including the effectiveness of COVID-19 mitigation measures, the duration of the pandemic, the efficacy and widespread distribution of a vaccine, global economic conditions, changes to our operations, changes in consumer confidence, behaviors and spending, work and learn from home trends and the sustainability of supply chains. We expect operating results and cash flows to continue to be adversely impacted by COVID-19 for the duration of the pandemic. We expect our 2021 results to be impacted by the following:

- ▶ Lower revenues from the continued partial closure of movie theaters and higher costs based on our decision to distribute films in 2021 on HBO Max in the U.S. simultaneous with theaters for 31 days;
- ▶ The decline in revenues from international roaming wireless services due to reduced travel, particularly in the first quarter; and
- ▶ Continued expenses to protect front-line employees, contractors and customers.

| Three Months Ended December 31, 2020 | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------|
| <i>Dollars in millions</i> | Estimated Revenues Impact | Estimated EBITDA Impacts |
| Revenues: | | |
| WarnerMedia Content and Other | \$ (1,490) | \$ (280) |
| WarnerMedia Advertising (sports) and Other | (120) | 50 |
| Video Advertising ¹ | 60 | 60 |
| Video | (210) | (60) |
| Mobility Wireless Service | (250) | (240) |
| Business Wireline | (100) | (100) |
| Latin America | (350) | (155) |
| Other | (20) | (15) |
| Total | \$ (2,480) | \$ (740) |
| ¹ Includes certain Xandr advertising revenues which are reported in the WarnerMedia and Communications segments and are eliminated in consolidation. | | |
| Three Months Ended December 31, 2020 | | |
| <i>Dollars in millions</i> | EBITDA Impacts Included in Reported Results | |
| Expenses: | | |
| Production Disruption Costs | \$ (30) | |
| <i>Business Disruption Recoveries</i> | 180 | |
| Other Costs | (60) | |
| Total | \$ 90 | |

FIRST-QUARTER 2021 EARNINGS DATE: APRIL 22, 2021

AT&T will release first-quarter 2021 earnings on Thursday, April 22, 2021, 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>.

CORPORATE RESPONSIBILITY

AT&T is committed to addressing environmental, social and governance (ESG) issues at every level of our company, including Board of Directors oversight and officer-level engagement across all operating companies. Our work is designed to help strengthen communities by addressing the issues of social justice, the digital divide that inhibits access to online learning resources vital to our future workforce, and climate change.

Over the last 5 years, we've committed approximately **\$245 million** to help increase education, skills building and career readiness opportunities in Black and underserved communities. We met our 2020 commitment to spend **\$3 billion** with U.S. Black-owned suppliers, and we've joined the OneTen coalition, a group of corporations pledging to collectively hire 1 million Black Americans in the next 10 years.

Since 2008, we've invested more than **\$600 million** to bolster educational programs in under-resourced schools and communities. To help families mitigate the educational impacts of the COVID-19 pandemic, in 2020 we committed more than **\$20 million** to help equip parents, students and teachers with tech-enabled resources and connectivity for at-home learning.

We're committed to being **carbon neutral** across our global operations by 2035. Our industry-leading Climate Change Analysis Tool helps identify potential impacts of climate change on our U.S. network and operations up to 30 years into the future. And we've become one of the largest corporate purchasers of renewable energy in the U.S.

We detail our ESG performance through robust public reporting, which many shareholders recognize as

best-in-class. We align to the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) standards, and disclosure frameworks from CDP (climate change), the Task Force on Climate-related Financial Disclosures (TCFD), the United Nations (UN) Global Compact and UN Sustainable Development Goals. Learn more at <https://about.att.com/csr/reporting>.

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>.

AT&T INVESTOR BRIEFING

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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 |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Service | \$ 39,051 | \$ 41,475 | (5.8)% | \$ 152,767 | \$ 163,499 | (6.6)% |
| Equipment | 6,640 | 5,346 | 24.2 % | 18,993 | 17,694 | 7.3 % |
| Total Operating Revenues | 45,691 | 46,821 | (2.4)% | 171,760 | 181,193 | (5.2)% |
| Operating Expenses | | | | | | |
| Cost of revenues | | | | | | |
| Equipment | 7,084 | 5,606 | 26.4 % | 19,706 | 18,653 | 5.6 % |
| Broadcast, programming and operations | 7,750 | 8,684 | (10.8)% | 27,305 | 31,132 | (12.3)% |
| Other cost of revenues (exclusive of depreciation and amortization shown separately below) | 8,076 | 8,446 | (4.4)% | 32,909 | 34,356 | (4.2)% |
| Selling, general and administrative | 10,182 | 10,345 | (1.6)% | 38,039 | 39,422 | (3.5)% |
| Asset impairments and abandonments | 16,365 | 1,458 | — % | 18,880 | 1,458 | — % |
| Depreciation and amortization | 6,979 | 6,961 | 0.3 % | 28,516 | 28,217 | 1.1 % |
| Total Operating Expenses | 56,436 | 41,500 | 36.0 % | 165,355 | 153,238 | 7.9 % |
| Operating Income (Loss) | (10,745) | 5,321 | — % | 6,405 | 27,955 | (77.1)% |
| Interest Expense | 1,894 | 2,049 | (7.6)% | 7,925 | 8,422 | (5.9)% |
| Equity in Net Income (Loss) of Affiliates | 106 | (30) | — % | 95 | 6 | — % |
| Other Income (Expense) — Net | (3,020) | (104) | — % | (1,431) | (1,071) | (33.6)% |
| Income (Loss) Before Income Taxes | (15,553) | 3,138 | — % | (2,856) | 18,468 | — % |
| Income Tax (Benefit) Expense | (2,038) | 434 | — % | 965 | 3,493 | (72.4)% |
| Net Income (Loss) | (13,515) | 2,704 | — % | (3,821) | 14,975 | — % |
| Less: Net Income Attributable to Noncontrolling Interest | (368) | (310) | (18.7)% | (1,355) | (1,072) | (26.4)% |
| Net Income (Loss) Attributable to AT&T | \$ (13,883) | \$ 2,394 | — % | \$ (5,176) | \$ 13,903 | — % |
| Less: Preferred Stock Dividends | (55) | (3) | — % | (193) | (3) | — % |
| Net Income (Loss) Attributable to Common Stock | \$ (13,938) | \$ 2,391 | — % | \$ (5,369) | \$ 13,900 | — % |
| Basic Earnings Per Share Attributable to Common Stock | \$ (1.95) | \$ 0.33 | — % | \$ (0.75) | \$ 1.90 | — % |
| Weighted Average Common Shares Outstanding (000,000) | 7,150 | 7,312 | (2.2)% | 7,157 | 7,319 | (2.2)% |
| Diluted Earnings Per Share Attributable to Common Stock | \$ (1.95) | \$ 0.33 | — % | \$ (0.75) | \$ 1.89 | — % |
| Weighted Average Common Shares Outstanding with Dilution (000,000) | 7,176 | 7,341 | (2.2)% | 7,183 | 7,348 | (2.2)% |

AT&T INC. FINANCIAL DATA

| Consolidated Balance Sheets | | |
|---------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <i>Dollars in millions</i> | | |
| <i>Unaudited</i> | Dec. 31, 2020 | Dec. 31, 2019 |
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 9,740 | \$ 12,130 |
| Accounts receivable - net of related allowance for credit loss of \$1,221 and \$1,235 | 20,215 | 22,636 |
| Prepaid expenses | 1,822 | 1,631 |
| Other current assets | 20,231 | 18,364 |
| Total current assets | 52,008 | 54,761 |
| Noncurrent Inventories and Theatrical Film and Television Production Costs | 14,752 | 12,434 |
| Property, Plant and Equipment – Net | 127,315 | 130,128 |
| Goodwill | 135,259 | 146,241 |
| Licenses – Net | 93,840 | 97,907 |
| Trademarks and Trade Names – Net | 23,297 | 23,567 |
| Distribution Networks – Net | 13,793 | 15,345 |
| Other Intangible Assets – Net | 15,386 | 20,798 |
| Investments in and Advances to Equity Affiliates | 1,780 | 3,695 |
| Operating Lease Right-Of-Use Assets | 24,714 | 24,039 |
| Other Assets | 23,617 | 22,754 |
| Total Assets | \$ 525,761 | \$ 551,669 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Debt maturing within one year | \$ 3,470 | \$ 11,838 |
| Accounts payable and accrued liabilities | 49,032 | 45,956 |
| Advanced billings and customer deposits | 6,176 | 6,124 |
| Accrued taxes | 1,019 | 1,212 |
| Dividends payable | 3,741 | 3,781 |
| Total current liabilities | 63,438 | 68,911 |
| Long-Term Debt | 153,775 | 151,309 |
| Deferred Credits and Other Noncurrent Liabilities | | |
| Deferred income taxes | 60,472 | 59,502 |
| Postemployment benefit obligation | 18,276 | 18,788 |
| Operating lease liabilities | 22,202 | 21,804 |
| Other noncurrent liabilities | 28,358 | 29,421 |
| Total deferred credits and other noncurrent liabilities | 129,308 | 129,515 |
| Stockholders' Equity | | |
| Preferred stock | — | — |
| Common stock | 7,621 | 7,621 |
| Additional paid-in capital | 130,175 | 126,279 |
| Retained earnings | 37,457 | 57,936 |
| Treasury stock | (17,910) | (13,085) |
| Accumulated other comprehensive income | 4,330 | 5,470 |
| Noncontrolling interest | 17,567 | 17,713 |
| Total stockholders' equity | 179,240 | 201,934 |
| Total Liabilities and Stockholders' Equity | \$ 525,761 | \$ 551,669 |

AT&T INC. FINANCIAL DATA

| Consolidated Statements of Cash Flows | | |
|------------------------------------------------------------------------------------------|-----------------|------------------|
| <i>Dollars in millions</i> | | |
| <i>Unaudited</i> | | |
| | Year Ended | |
| | 2020 | 2019 |
| Operating Activities | | |
| Net income (loss) | \$ (3,821) | \$ 14,975 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,516 | 28,217 |
| Amortization of film and television costs | 8,603 | 9,587 |
| Undistributed earnings from investments in equity affiliates | 38 | 295 |
| Provision for uncollectible accounts | 1,972 | 2,575 |
| Deferred income tax expense | 1,675 | 1,806 |
| Net (gain) loss on investments, net of impairments | (742) | (1,218) |
| Pension and postretirement benefit expense (credit) | (2,992) | (2,002) |
| Actuarial (gain) loss on pension and postretirement benefits | 4,169 | 5,171 |
| Asset impairments and abandonments | 18,880 | 1,458 |
| Changes in operating assets and liabilities: | | |
| Receivables | 2,216 | 2,812 |
| Other current assets, inventories and theatrical film and television production costs | (13,070) | (12,852) |
| Accounts payable and other accrued liabilities | (1,410) | (1,524) |
| Equipment installment receivables and related sales | (1,429) | 548 |
| Deferred customer contract acquisition and fulfillment costs | 376 | (910) |
| Postretirement claims and contributions | (985) | (1,008) |
| Other - net | 1,134 | 738 |
| Total adjustments | 46,951 | 33,693 |
| Net Cash Provided by Operating Activities | 43,130 | 48,668 |
| Investing Activities | | |
| Capital expenditures, including \$(123) and \$(200) of interest during construction | (15,675) | (19,635) |
| Acquisitions, net of cash acquired | (1,851) | (1,809) |
| Dispositions | 3,641 | 4,684 |
| (Purchases), sales and settlements of securities and investments, net | 497 | 435 |
| Advances to and investments in equity affiliates, net | (160) | (365) |
| Net Cash Used in Investing Activities | (13,548) | (16,690) |
| Financing Activities | | |
| Net change in short-term borrowings with original maturities of three months or less | (17) | (276) |
| Issuance of other short-term borrowings | 9,440 | 4,012 |
| Repayment of other short-term borrowings | (9,467) | (6,904) |
| Issuance of long-term debt | 31,988 | 17,039 |
| Repayment of long-term debt | (39,964) | (27,592) |
| Payment of vendor financing | (2,966) | (3,050) |
| Issuance of preferred stock | 3,869 | 1,164 |
| Purchase of treasury stock | (5,498) | (2,417) |
| Issuance of treasury stock | 105 | 631 |
| Issuance of preferred interests in subsidiary | 1,979 | 7,876 |
| Redemption of preferred interest in subsidiary | (1,950) | — |
| Dividends paid | (14,956) | (14,888) |
| Other - net | (4,570) | (678) |
| Net Cash Used in Financing Activities | (32,007) | (25,083) |
| Net (decrease) increase in cash and cash equivalents and restricted cash | (2,425) | 6,895 |
| Cash and cash equivalents and restricted cash beginning of year | 12,295 | 5,400 |
| Cash and Cash Equivalents and Restricted Cash End of Year | \$ 9,870 | \$ 12,295 |

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 |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Capital expenditures | | | | | | |
| Purchase of property and equipment | \$ 2,361 | \$ 3,752 | (37.1)% | \$ 15,552 | \$ 19,435 | (20.0) % |
| Interest during construction | 31 | 40 | (22.5)% | 123 | 200 | (38.5) % |
| Total Capital Expenditures | \$ 2,392 | \$ 3,792 | (36.9)% | \$ 15,675 | \$ 19,635 | (20.2) % |
| Dividends Declared per Common Share | \$ 0.52 | \$ 0.52 | — % | \$ 2.08 | \$ 2.05 | 1.5 % |
| End of Period Common Shares Outstanding (000,000) | | | | 7,126 | 7,255 | (1.8) % |
| Debt Ratio | | | | 46.7 % | 44.7 % | 200 BP |
| Total Employees | | | | 230,760 | 247,800 | (6.9) % |

| Supplementary Operating Data | | | |
|-------------------------------------------------|----------------|--------|----------|
| <i>Subscribers and connections in thousands</i> | | | |
| <i>Unaudited</i> | | | |
| | December 31, | | Percent |
| | 2020 | 2019 | Change |
| Broadband Connections | | | |
| IP | 14,818 | 14,659 | 1.1 % |
| DSL | 566 | 730 | (22.5) % |
| Total Broadband Connections | 15,384 | 15,389 | — % |
| Voice Connections | | | |
| Network Access Lines | 7,263 | 8,487 | (14.4) % |
| U-verse VoIP Connections | 3,816 | 4,370 | (12.7) % |
| Total Retail Voice Connections | 11,079 | 12,857 | (13.8) % |
| | Fourth Quarter | | Percent |
| | 2020 | 2019 | Change |
| Broadband Net Additions | | | |
| IP | 57 | (127) | — % |
| DSL | (48) | (59) | 18.6 % |
| Total Broadband Net Additions | 9 | (186) | — % |

COMMUNICATIONS SEGMENT

Our Communications segment consists of our Mobility, Video, Broadband and Business Wireline business units. During the fourth quarter, to further accelerate our ability to innovate and execute in our fast-growing broadband and fiber business, we began operating our video business separately from our broadband and legacy telephony operations. We have recast our results for all prior periods to split the Entertainment Group into two separate business units, Video and Broadband, and remove video operations from Business Wireline, combining all video operations in Video.

| Segment Results | | | | | | |
|---------------------------------------|----------------|-----------|---------|------------|-----------|---------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Segment Operating Revenues | | | | | | |
| Mobility | \$ 20,119 | \$ 18,700 | 7.6 % | \$ 72,564 | \$ 71,056 | 2.1 % |
| Video | 7,168 | 8,075 | (11.2)% | 28,610 | 32,124 | (10.9)% |
| Broadband | 3,116 | 3,161 | (1.4)% | 12,318 | 13,012 | (5.3)% |
| Business Wireline | 6,319 | 6,586 | (4.1)% | 25,358 | 26,167 | (3.1)% |
| Total Segment Operating Revenues | 36,722 | 36,522 | 0.5 % | 138,850 | 142,359 | (2.5)% |
| Segment Operating Contribution | | | | | | |
| Mobility | 5,088 | 5,503 | (7.5)% | 22,372 | 22,321 | 0.2 % |
| Video | 98 | 39 | — % | 1,729 | 2,064 | (16.2)% |
| Broadband | 366 | 686 | (46.6)% | 1,822 | 2,681 | (32.0)% |
| Business Wireline | 1,006 | 1,283 | (21.6)% | 4,598 | 5,164 | (11.0)% |
| Total Segment Operating Contribution | \$ 6,558 | \$ 7,511 | (12.7)% | \$ 30,521 | \$ 32,230 | (5.3)% |

MOBILITY

Mobility provides nationwide wireless service and equipment.

| Mobility Results | | | | | | |
|--------------------------------------------------|-----------------|-----------------|-----------------|------------------|------------------|----------------|
| <i>Dollars in millions</i> <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Service | \$ 14,022 | \$ 13,948 | 0.5 % | \$ 55,542 | \$ 55,331 | 0.4 % |
| Equipment | 6,097 | 4,752 | 28.3 % | 17,022 | 15,725 | 8.2 % |
| Total Operating Revenues | 20,119 | 18,700 | 7.6 % | 72,564 | 71,056 | 2.1 % |
| Operating Expenses | | | | | | |
| Operations and support | 13,023 | 11,170 | 16.6 % | 42,106 | 40,681 | 3.5 % |
| Depreciation and amortization | 2,008 | 2,027 | (0.9) % | 8,086 | 8,054 | 0.4 % |
| Total Operating Expenses | 15,031 | 13,197 | 13.9 % | 50,192 | 48,735 | 3.0 % |
| Operating Income | 5,088 | 5,503 | (7.5) % | 22,372 | 22,321 | 0.2 % |
| Equity in Net Income (Loss) of Affiliates | — | — | — % | — | — | — % |
| Operating Contribution | \$ 5,088 | \$ 5,503 | (7.5) % | \$ 22,372 | \$ 22,321 | 0.2 % |
| Operating Income Margin | 25.3 % | 29.4 % | (410) BP | 30.8 % | 31.4 % | (60) BP |

| Supplementary Operating Data | | | | | | |
|---------------------------------------------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|
| <i>Subscribers and connections in thousands</i> <i>Unaudited</i> | | | | | | |
| | December 31, | | Percent | | | |
| | 2020 | 2019 | Change | | | |
| Mobility Subscribers | | | | | | |
| Postpaid | 77,154 | 75,207 | 2.6 % | | | |
| Prepaid | 18,102 | 17,803 | 1.7 % | | | |
| Reseller | 6,535 | 6,893 | (5.2) % | | | |
| Connected Devices | 80,767 | 65,986 | 22.4 % | | | |
| Total Mobility Subscribers | 182,558 | 165,889 | 10.0 % | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Mobility Net Additions | | | | | | |
| Postpaid Phone Net Additions ¹ | 800 | 229 | — % | 1,457 | 483 | — % |
| Total Phone Net Additions¹ | 760 | 209 | — % | 1,640 | 989 | 65.8 % |
| Postpaid ^{1,2} | 1,229 | 135 | — % | 2,183 | (435) | — % |
| Prepaid ^{2,3} | 14 | 8 | 75.0 % | 379 | 677 | (44.0) % |
| Reseller ² | (197) | (251) | 21.5 % | (449) | (928) | 51.6 % |
| Connected Devices | 4,809 | 3,698 | 30.0 % | 14,785 | 14,645 | 1.0 % |
| Total Mobility Net Additions | 5,855 | 3,590 | 63.1 % | 16,898 | 13,959 | 21.1 % |
| Postpaid Churn ¹ | 0.94 % | 1.29 % | (35) BP | 0.98 % | 1.18 % | (20) BP |
| Postpaid Phone-Only Churn ¹ | 0.76 % | 1.07 % | (31) BP | 0.79 % | 0.95 % | (16) BP |

¹ Fourth-quarter 2020 subscriber net adds include 35 postpaid (28 phone) "Keep Americans Connected Pledge" paying accounts. The fourth quarter postpaid churn excluding "Keep Americans Connected Pledge" paying accounts was 0.96% (0.78% phone), with no impact for the year ended December 31, 2020.

² The year ended December 31, 2020, includes subscribers transferred in connection with business dispositions.

³ The year ended December 31, 2020, includes 188 subscriber disconnections resulting from updating our prepaid activation policy.

VIDEO

Video provides video, including over-the-top (OTT) services and also sells advertising on video distribution platforms. Video results were previously reported in the Entertainment Group and Business Wireline business units.

| Video Results | | | | | | |
|--------------------------------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Service | \$ 7,124 | \$ 8,074 | (11.8) % | \$28,465 | \$ 32,123 | (11.4) % |
| Equipment | 44 | 1 | — % | 145 | 1 | — % |
| Total Operating Revenues | 7,168 | 8,075 | (11.2) % | 28,610 | 32,124 | (10.9) % |
| | | | | | | |
| Operating Expenses | | | | | | |
| Operations and support | 6,549 | 7,447 | (12.1) % | 24,619 | 27,599 | (10.8) % |
| Depreciation and amortization | 521 | 589 | (11.5) % | 2,262 | 2,461 | (8.1) % |
| Total Operating Expenses | 7,070 | 8,036 | (12.0) % | 26,881 | 30,060 | (10.6) % |
| Operating Income | 98 | 39 | — % | 1,729 | 2,064 | (16.2) % |
| Equity in Net Income (Loss) of Affiliates | — | — | — % | — | — | — % |
| Operating Contribution | \$ 98 | \$ 39 | — % | \$ 1,729 | \$ 2,064 | (16.2) % |
| | | | | | | |
| Operating Income Margin | 1.4 % | 0.5 % | 90 BP | 6.0 % | 6.4 % | (40) BP |
| | | | | | | |
| Supplementary Operating Data | | | | | | |
| <i>Subscribers and connections in thousands</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | December 31, | | | | Percent | |
| | 2020 | 2019 | | | Change | |
| Video Connections | | | | | | |
| Premium TV | 16,505 | 19,496 | | | (15.3) % | |
| AT&T TV Now | 656 | 926 | | | (29.2) % | |
| Total Video Connections | 17,161 | 20,422 | | | (16.0) % | |
| | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Video Net Additions | | | | | | |
| Premium TV ¹ | (617) | (946) | 34.8 % | (2,992) | (3,430) | 12.8 % |
| AT&T TV Now | (27) | (219) | 87.7 % | (270) | (665) | 59.4 % |
| Total Video Net Additions | (644) | (1,165) | 44.7 % | (3,262) | (4,095) | 20.3 % |

¹ Fourth-quarter 2020 subscriber net adds include 4 premium TV “Keep Americans Connected Pledge” paying accounts.

BROADBAND

Broadband provides broadband, including fiber, and voice communication services primarily to residential customers. Broadband was previously combined with the majority of our Video business unit and reported as Entertainment Group. Results have been recast to conform to the current period's presentation of separate Video and Broadband business units.

| Broadband Results | | | | | | |
|--------------------------------------------------|----------------|---------------|-------------------|-----------------|-----------------|-----------------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| High-speed internet | \$ 2,205 | \$ 2,107 | 4.7 % | \$ 8,534 | \$ 8,403 | 1.6 % |
| Legacy voice and data services | 534 | 604 | (11.6) % | 2,213 | 2,573 | (14.0) % |
| Other service and equipment | 377 | 450 | (16.2) % | 1,571 | 2,036 | (22.8) % |
| Total Operating Revenues | 3,116 | 3,161 | (1.4) % | 12,318 | 13,012 | (5.3) % |
| Operating Expenses | | | | | | |
| Operations and support | 2,012 | 1,749 | 15.0 % | 7,582 | 7,451 | 1.8 % |
| Depreciation and amortization | 738 | 726 | 1.7 % | 2,914 | 2,880 | 1.2 % |
| Total Operating Expenses | 2,750 | 2,475 | 11.1 % | 10,496 | 10,331 | 1.6 % |
| Operating Income | 366 | 686 | (46.6) % | 1,822 | 2,681 | (32.0) % |
| Equity in Net Income (Loss) of Affiliates | — | — | — % | — | — | — % |
| Operating Contribution | \$ 366 | \$ 686 | (46.6) % | \$ 1,822 | \$ 2,681 | (32.0) % |
| Operating Income Margin | 11.7 % | 21.7 % | (1,000) BP | 14.8 % | 20.6 % | (580) BP |

| Supplementary Operating Data | | | |
|-------------------------------------------------|----------------|--------------|-----------------|
| <i>Subscribers and connections in thousands</i> | | | |
| <i>Unaudited</i> | | | |
| | December 31, | | Percent |
| | 2020 | 2019 | Change |
| Broadband Connections | | | |
| Total Broadband Connections | 14,100 | 14,119 | (0.1) % |
| Fiber Broadband Connections | 4,951 | 3,887 | 27.4 % |
| Voice Connections | | | |
| Retail Consumer Switched Access Lines | 2,862 | 3,329 | (14.0) % |
| U-verse Consumer VoIP Connections | 3,231 | 3,794 | (14.8) % |
| Total Retail Consumer Voice Connections | 6,093 | 7,123 | (14.5) % |
| | Fourth Quarter | | Percent |
| | 2020 | 2019 | Change |
| Broadband Net Additions | | | |
| Total Broadband Net Additions ¹ | (2) | (182) | 98.9 % |
| Fiber Broadband Net Additions | 273 | 191 | 42.9 % |

¹ Fourth-quarter 2020 subscriber net adds include 4 "Keep Americans Connected Pledge" paying accounts.

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 of a separate Video business unit.

| Business Wireline Results | | | | | | |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Strategic and managed services | \$ 4,006 | \$ 3,925 | 2.1 % | \$ 15,788 | \$ 15,430 | 2.3 % |
| Legacy voice and data services | 1,956 | 2,207 | (11.4) % | 8,183 | 9,180 | (10.9) % |
| Other service and equipment | 357 | 454 | (21.4) % | 1,387 | 1,557 | (10.9) % |
| Total Operating Revenues | 6,319 | 6,586 | (4.1) % | 25,358 | 26,167 | (3.1) % |
| Operating Expenses | | | | | | |
| Operations and support | 3,993 | 4,056 | (1.6) % | 15,534 | 16,069 | (3.3) % |
| Depreciation and amortization | 1,320 | 1,247 | 5.9 % | 5,226 | 4,934 | 5.9 % |
| Total Operating Expenses | 5,313 | 5,303 | 0.2 % | 20,760 | 21,003 | (1.2) % |
| Operating Income | 1,006 | 1,283 | (21.6) % | 4,598 | 5,164 | (11.0) % |
| Equity in Net Income (Loss) of Affiliates | — | — | — % | — | — | — % |
| Operating Contribution | \$ 1,006 | \$ 1,283 | (21.6) % | \$ 4,598 | \$ 5,164 | (11.0) % |
| Operating Income Margin | 15.9 % | 19.5 % | (360) BP | 18.1 % | 19.7 % | (160) BP |

BUSINESS SOLUTIONS

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and fixed operations. This combined view presents a complete profile of the entire business customer relationship and underscores the importance of mobile solutions to serving our business customers. Results have been recast to conform to the current period's classification of consumer and business wireless subscribers and a separate Video reporting unit.

| Business Solutions Results | | | | | | |
|--------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Wireless service | \$ 1,948 | \$ 1,899 | 2.6 % | \$ 7,732 | \$ 7,444 | 3.9 % |
| Strategic and managed services | 4,006 | 3,925 | 2.1 % | 15,788 | 15,430 | 2.3 % |
| Legacy voice and data services | 1,956 | 2,207 | (11.4) % | 8,183 | 9,180 | (10.9) % |
| Other service and equipment | 357 | 454 | (21.4) % | 1,387 | 1,557 | (10.9) % |
| Wireless equipment | 925 | 855 | 8.2 % | 2,882 | 2,754 | 4.6 % |
| Total Operating Revenues | 9,192 | 9,340 | (1.6) % | 35,972 | 36,365 | (1.1) % |
| Operating Expenses | | | | | | |
| Operations and support | 6,091 | 5,960 | 2.2 % | 22,713 | 22,714 | — % |
| Depreciation and amortization | 1,640 | 1,554 | 5.5 % | 6,509 | 6,148 | 5.9 % |
| Total Operating Expenses | 7,731 | 7,514 | 2.9 % | 29,222 | 28,862 | 1.2 % |
| Operating Income | 1,461 | 1,826 | (20.0) % | 6,750 | 7,503 | (10.0) % |
| Equity in Net Income (Loss) of Affiliates | — | — | — % | — | — | — % |
| Operating Contribution | \$ 1,461 | \$ 1,826 | (20.0) % | \$ 6,750 | \$ 7,503 | (10.0) % |
| Operating Income Margin | 15.9 % | 19.6 % | (370) BP | 18.8 % | 20.6 % | (180) BP |

WARNERMEDIA SEGMENT

The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally, and also includes our Xandr business, which utilizes data analytics to provide targeted advertising services. Results from Turner, Home Box Office (HBO) and Warner Bros. businesses are combined with AT&T's Regional Sports Network (RSN), Otter Media Holdings and Xandr in the WarnerMedia segment. All previously reported periods have been recast to include Xandr, which was a separate reportable segment prior to the second quarter of 2020 and to remove the Crunchyroll anime business that was classified as held-for-sale.

| Segment Results | | | | | | |
|--------------------------------------------------|-----------------|-----------------|----------------|-----------------|------------------|----------------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Segment Operating Revenues | | | | | | |
| Turner | \$ 3,242 | \$ 3,262 | (0.6)% | \$ 12,568 | \$ 13,122 | (4.2)% |
| HBO | 1,903 | 1,704 | 11.7 % | 6,808 | 6,749 | 0.9 % |
| Warner Bros. | 3,247 | 4,118 | (21.2)% | 12,154 | 14,358 | (15.4)% |
| Eliminations and other | 162 | 369 | (56.1)% | (1,088) | 1,030 | — % |
| Total Segment Operating Revenues | 8,554 | 9,453 | (9.5)% | 30,442 | 35,259 | (13.7)% |
| Cost of revenues | | | | | | |
| Turner | 1,356 | 1,458 | (7.0)% | 5,330 | 5,970 | (10.7)% |
| HBO | 1,201 | 892 | 34.6 % | 4,356 | 3,248 | 34.1 % |
| Warner Bros. | 2,057 | 2,823 | (27.1)% | 8,236 | 10,006 | (17.7)% |
| Selling, general and administrative | 1,698 | 1,416 | 19.9 % | 5,803 | 5,368 | 8.1 % |
| Eliminations and other | (477) | (141) | — % | (2,146) | (420) | — % |
| Depreciation and amortization | 177 | 169 | 4.7 % | 671 | 589 | 13.9 % |
| Total Operating Expenses | 6,012 | 6,617 | (9.1)% | 22,250 | 24,761 | (10.1)% |
| Operating Income | 2,542 | 2,836 | (10.4)% | 8,192 | 10,498 | (22.0)% |
| Equity in Net Income (Loss) of Affiliates | (13) | 23 | — % | 18 | 161 | (88.8)% |
| Total Segment Operating Contribution | \$ 2,529 | \$ 2,859 | (11.5)% | \$ 8,210 | \$ 10,659 | (23.0)% |

TURNER

Turner 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 |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Subscription | \$ 1,920 | \$ 1,901 | 1.0 % | \$ 7,613 | \$ 7,736 | (1.6) % |
| Advertising | 1,111 | 1,126 | (1.3) % | 3,941 | 4,566 | (13.7) % |
| Content and other | 211 | 235 | (10.2) % | 1,014 | 820 | 23.7 % |
| Total Operating Revenues | 3,242 | 3,262 | (0.6) % | 12,568 | 13,122 | (4.2) % |
| Operating Expenses | | | | | | |
| Cost of revenues | 1,356 | 1,458 | (7.0) % | 5,330 | 5,970 | (10.7) % |
| Selling, general and administrative | 453 | 469 | (3.4) % | 1,624 | 1,770 | (8.2) % |
| Depreciation and amortization | 70 | 68 | 2.9 % | 277 | 235 | 17.9 % |
| Total Operating Expenses | 1,879 | 1,995 | (5.8) % | 7,231 | 7,975 | (9.3) % |
| Operating Income | 1,363 | 1,267 | 7.6 % | 5,337 | 5,147 | 3.7 % |
| Equity in Net Income (Loss) of Affiliates | (2) | 6 | — % | (2) | 52 | — % |
| Operating Contribution | \$ 1,361 | \$ 1,273 | 6.9 % | \$ 5,335 | \$ 5,199 | 2.6 % |
| Operating Income Margin | 42.0 % | 38.8 % | 320 BP | 42.5 % | 39.2 % | 330 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 |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Subscription | \$ 1,687 | \$ 1,431 | 17.9 % | \$ 6,090 | \$ 5,814 | 4.7 % |
| Content and other | 216 | 273 | (20.9) % | 718 | 935 | (23.2) % |
| Total Operating Revenues | 1,903 | 1,704 | 11.7 % | 6,808 | 6,749 | 0.9 % |
| Operating Expenses | | | | | | |
| Cost of revenues | 1,201 | 892 | 34.6 % | 4,356 | 3,248 | 34.1 % |
| Selling, general and administrative | 591 | 296 | 99.7 % | 1,672 | 1,064 | 57.1 % |
| Depreciation and amortization | 25 | 35 | (28.6) % | 98 | 102 | (3.9) % |
| Total Operating Expenses | 1,817 | 1,223 | 48.6 % | 6,126 | 4,414 | 38.8 % |
| Operating Income | 86 | 481 | (82.1) % | 682 | 2,335 | (70.8) % |
| Equity in Net Income (Loss) of Affiliates | 1 | (10) | — % | 16 | 30 | (46.7) % |
| Operating Contribution | \$ 87 | \$ 471 | (81.5) % | \$ 698 | \$ 2,365 | (70.5) % |
| Operating Income Margin | 4.5 % | 28.2 % | (2,370) BP | 10.0 % | 34.6 % | (2,460) 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 |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Theatrical product | \$ 1,186 | \$ 1,570 | (24.5) % | \$ 4,389 | \$ 5,978 | (26.6) % |
| Television product | 1,566 | 1,983 | (21.0) % | 6,171 | 6,367 | (3.1) % |
| Games and other | 495 | 565 | (12.4) % | 1,594 | 2,013 | (20.8) % |
| Total Operating Revenues | 3,247 | 4,118 | (21.2) % | 12,154 | 14,358 | (15.4) % |
| Operating Expenses | | | | | | |
| Cost of revenues | 2,057 | 2,823 | (27.1) % | 8,236 | 10,006 | (17.7) % |
| Selling, general and administrative | 354 | 450 | (21.3) % | 1,681 | 1,810 | (7.1) % |
| Depreciation and amortization | 45 | 40 | 12.5 % | 169 | 162 | 4.3 % |
| Total Operating Expenses | 2,456 | 3,313 | (25.9) % | 10,086 | 11,978 | (15.8) % |
| Operating Income | 791 | 805 | (1.7) % | 2,068 | 2,380 | (13.1) % |
| Equity in Net Income (Loss) of Affiliates | (20) | (11) | (81.8) % | (70) | (30) | — % |
| Operating Contribution | \$ 771 | \$ 794 | (2.9) % | \$ 1,998 | \$ 2,350 | (15.0) % |
| Operating Income Margin | 24.4 % | 19.5 % | 490 BP | 17.0 % | 16.6 % | 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 | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Segment Operating Revenues | | | | | | |
| Vrio | \$ 762 | \$ 982 | (22.4)% | \$ 3,154 | \$ 4,094 | (23.0)% |
| Mexico | 736 | 776 | (5.2)% | 2,562 | 2,869 | (10.7)% |
| Total Segment Operating Revenues | 1,498 | 1,758 | (14.8)% | 5,716 | 6,963 | (17.9)% |
| Segment Operating Contribution | | | | | | |
| Vrio | (41) | 40 | — % | (142) | 83 | — % |
| Mexico | (126) | (127) | 0.8 % | (587) | (718) | 18.2 % |
| Total Segment Operating Contribution | \$ (167) | \$ (87) | (92.0)% | \$ (729) | \$ (635) | (14.8)% |

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 |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Wireless service | \$ 459 | \$ 487 | (5.7) % | \$ 1,656 | \$ 1,863 | (11.1) % |
| Wireless equipment | 277 | 289 | (4.2) % | 906 | 1,006 | (9.9) % |
| Total Operating Revenues | 736 | 776 | (5.2) % | 2,562 | 2,869 | (10.7) % |
| Operating Expenses | | | | | | |
| Operations and support | 722 | 773 | (6.6) % | 2,636 | 3,085 | (14.6) % |
| Depreciation and amortization | 140 | 130 | 7.7 % | 513 | 502 | 2.2 % |
| Total Operating Expenses | 862 | 903 | (4.5) % | 3,149 | 3,587 | (12.2) % |
| Operating Income (Loss) | (126) | (127) | 0.8 % | (587) | (718) | 18.2 % |
| Equity in Net Income of Affiliates | — | — | — % | — | — | — % |
| Operating Contribution | \$ (126) | \$ (127) | 0.8 % | \$ (587) | \$ (718) | 18.2 % |
| Operating Income Margin | (17.1)% | (16.4)% | (70) BP | (22.9)% | (25.0)% | 210 BP |

| Supplementary Operating Data | | | | | | |
|--------------------------------------------|--------|----------------|--------|--------------|------------|---------|
| Subscribers and connections in thousands | | | | | | |
| Unaudited | | | | December 31, | | Percent |
| | | | | 2020 | 2019 | Change |
| Mexico Wireless Subscribers | | | | | | |
| Postpaid | 4,696 | | 5,103 | | (8.0) | % |
| Prepaid | 13,758 | | 13,584 | | 1.3 | % |
| Reseller | 489 | | 472 | | 3.6 | % |
| Mexico Wireless Subscribers | 18,943 | | 19,159 | | (1.1) | % |
| | | | | | | |
| | | Fourth Quarter | | Percent | Year Ended | |
| | | 2020 | 2019 | Change | 2020 | 2019 |
| Percent Change | | | | | | |
| Mexico Wireless Net Additions ¹ | | | | | | |
| Postpaid | (14) | (249) | 94.4 | % | (407) | (608) |
| Prepaid | 509 | 736 | (30.8) | % | 174 | 1,919 |
| Reseller | 34 | 53 | (35.8) | % | 118 | 219 |
| Mexico Wireless Net Additions | 529 | 540 | (2.0) | % | (115) | 1,530 |
| | | | | | | |

¹ 2020 excludes the impact of 101 subscriber disconnections resulting from conforming our policy on reporting of fixed wireless resellers.

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 | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | \$ 762 | \$ 982 | (22.4) % | \$ 3,154 | \$ 4,094 | (23.0) % |
| Operating Expenses | | | | | | |
| Operations and support | 681 | 780 | (12.7) % | 2,800 | 3,378 | (17.1) % |
| Depreciation and amortization | 120 | 164 | (26.8) % | 520 | 660 | (21.2) % |
| Total Operating Expenses | 801 | 944 | (15.1) % | 3,320 | 4,038 | (17.8) % |
| Operating Income (Loss) | (39) | 38 | — % | (166) | 56 | — % |
| Equity in Net Income (Loss) of Affiliates | (2) | 2 | — % | 24 | 27 | (11.1) % |
| Operating Contribution | \$ (41) | \$ 40 | — % | \$ (142) | \$ 83 | — % |
| Operating Income Margin | (5.1)% | 3.9 % | (900) BP | (5.3)% | 1.4 % | (670) BP |

| Supplementary Operating Data | | | |
|-------------------------------------------------|----------------|---------------|-----------------|
| <i>Subscribers and connections in thousands</i> | | | |
| <i>Unaudited</i> | | | |
| | December 31, | | Percent |
| | 2020 | 2019 | Change |
| Vrio Video Subscribers | 10,942 | 13,331 | (17.9) % |
| | Fourth Quarter | | Percent |
| | 2020 | 2019 | Change |
| Vrio Video Net Additions¹ | 49 | 25 | 96.0 % |
| | Year Ended | | Percent |
| | 2020 | 2019 | Change |
| Vrio Video Net Additions¹ | (148) | (285) | 48.1 % |

¹ 2020 excludes the impact of 2.2 million subscriber disconnections resulting from the closure of our DIRECTV operations in Venezuela.

SUPPLEMENTAL AT&T ADVERTISING REVENUES

As a supplemental presentation, 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.

| Advertising Revenues | | | | | | |
|-----------------------------------|-----------------|-----------------|--------------|-----------------|-----------------|---------------|
| <i>Dollars in millions</i> | | | | | | |
| <i>Unaudited</i> | | | | | | |
| | Fourth Quarter | | Percent | Year Ended | | Percent |
| | 2020 | 2019 | Change | 2020 | 2019 | Change |
| Operating Revenues | | | | | | |
| Turner | \$ 1,111 | \$ 1,126 | (1.3)% | \$ 3,941 | \$ 4,566 | (13.7)% |
| Video | 603 | 502 | 20.1 % | 1,718 | 1,672 | 2.8 % |
| Xandr | 741 | 607 | 22.1 % | 2,089 | 2,022 | 3.3 % |
| Other | 122 | 116 | 5.2 % | 386 | 382 | 1.0 % |
| Eliminations | (603) | (502) | (20.1)% | (1,718) | (1,672) | (2.8)% |
| Total Advertising Revenues | \$ 1,974 | \$ 1,849 | 6.8 % | \$ 6,416 | \$ 6,970 | (7.9)% |

SUPPLEMENTAL SEGMENT RECONCILIATION

| Three Months Ended | | | | | | | | | | | | | | |
|---------------------------------|----------|---------|---------------------------------|--------|--------|----------|-------------------------------|-------|-------------------------|----------|-------------------------------------------|------|----------------------|-------|
| Dollars in millions | | | | | | | | | | | | | | |
| Unaudited | | | | | | | | | | | | | | |
| December 31, 2020 | | | | | | | | | | | | | | |
| | Revenues | | Operations and Support Expenses | | EBITDA | | Depreciation and Amortization | | Operating Income (Loss) | | Equity in Net Income (Loss) of Affiliates | | Segment Contribution | |
| Communications | | | | | | | | | | | | | | |
| Mobility | \$ | 20,119 | \$ | 13,023 | \$ | 7,096 | \$ | 2,008 | \$ | 5,088 | \$ | — | \$ | 5,088 |
| Video | | 7,168 | | 6,549 | | 619 | | 521 | | 98 | | — | | 98 |
| Broadband | | 3,116 | | 2,012 | | 1,104 | | 738 | | 366 | | — | | 366 |
| Business Wireline | | 6,319 | | 3,993 | | 2,326 | | 1,320 | | 1,006 | | — | | 1,006 |
| Total Communications | | 36,722 | | 25,577 | | 11,145 | | 4,587 | | 6,558 | | — | | 6,558 |
| WarnerMedia | | | | | | | | | | | | | | |
| Turner | | 3,242 | | 1,809 | | 1,433 | | 70 | | 1,363 | | (2) | | 1,361 |
| Home Box Office | | 1,903 | | 1,792 | | 111 | | 25 | | 86 | | 1 | | 87 |
| Warner Bros. | | 3,247 | | 2,411 | | 836 | | 45 | | 791 | | (20) | | 771 |
| Eliminations and other | | 162 | | (177) | | 339 | | 37 | | 302 | | 8 | | 310 |
| Total WarnerMedia | | 8,554 | | 5,835 | | 2,719 | | 177 | | 2,542 | | (13) | | 2,529 |
| Latin America | | | | | | | | | | | | | | |
| Vrio | | 762 | | 681 | | 81 | | 120 | | (39) | | (2) | | (41) |
| Mexico | | 736 | | 722 | | 14 | | 140 | | (126) | | — | | (126) |
| Total Latin America | | 1,498 | | 1,403 | | 95 | | 260 | | (165) | | (2) | | (167) |
| Segment Total | | 46,774 | | 32,815 | | 13,959 | | 5,024 | | 8,935 | \$ | (15) | \$ | 8,920 |
| Corporate and Other | | | | | | | | | | | | | | |
| Corporate | | 388 | | 894 | | (506) | | 52 | | (558) | | | | |
| Acquisition-related items | | — | | 37 | | (37) | | 1,890 | | (1,927) | | | | |
| Certain significant items | | — | | 16,617 | | (16,617) | | 14 | | (16,631) | | | | |
| Eliminations and consolidations | | (1,471) | | (906) | | (565) | | (1) | | (564) | | | | |
| AT&T Inc. | \$ | 45,691 | \$ | 49,457 | \$ | (3,766) | \$ | 6,979 | \$ | (10,745) | | | | |

| Three Months Ended | | | | | | | | | | | | | | |
|---------------------------------|----------|---------|---------------------------------------|--------|--------|---------|-------------------------------------------------------|-------|-------------------------------|---------|----|------|----|--------|
| Dollars in millions | | | | | | | | | | | | | | |
| Unaudited | | | | | | | | | | | | | | |
| December 31, 2019 | | | | | | | | | | | | | | |
| | | | | | | | Equity in Net Income (Loss) of Affiliates | | Segment Contribution | | | | | |
| | Revenues | | Operations and Support Expenses | | EBITDA | | Depreciation and Amortization | | Operating Income (Loss) | | | | | |
| Communications | | | | | | | | | | | | | | |
| Mobility | \$ | 18,700 | \$ | 11,170 | \$ | 7,530 | \$ | 2,027 | \$ | 5,503 | \$ | — | \$ | 5,503 |
| Video | | 8,075 | | 7,447 | | 628 | | 589 | | 39 | | — | | 39 |
| Broadband | | 3,161 | | 1,749 | | 1,412 | | 726 | | 686 | | — | | 686 |
| Business Wireline | | 6,586 | | 4,056 | | 2,530 | | 1,247 | | 1,283 | | — | | 1,283 |
| Total Communications | | 36,522 | | 24,422 | | 12,100 | | 4,589 | | 7,511 | | — | | 7,511 |
| 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 | | 369 | | 60 | | 309 | | 26 | | 283 | | 38 | | 321 |
| Total WarnerMedia | | 9,453 | | 6,448 | | 3,005 | | 169 | | 2,836 | | 23 | | 2,859 |
| 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) |
| Segment Total | | 47,733 | | 32,423 | | 15,310 | | 5,052 | | 10,258 | \$ | 25 | \$ | 10,283 |
| Corporate and Other | | | | | | | | | | | | | | |
| Corporate | | 463 | | 955 | | (492) | | 126 | | (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 | | | | |

SUPPLEMENTAL SEGMENT RECONCILIATION

| Year Ended | | | | | | | | | | | | | | |
|---------------------------------|----------|---------|---------------------------------|---------|--------|----------|-------------------------------|--------|-------------------------|----------|-------------------------------------------|------|----------------------|--------|
| Dollars in millions | | | | | | | | | | | | | | |
| Unaudited | | | | | | | | | | | | | | |
| December 31, 2020 | | | | | | | | | | | | | | |
| | Revenues | | Operations and Support Expenses | | EBITDA | | Depreciation and Amortization | | Operating Income (Loss) | | Equity in Net Income (Loss) of Affiliates | | Segment Contribution | |
| Communications | | | | | | | | | | | | | | |
| Mobility | \$ | 72,564 | \$ | 42,106 | \$ | 30,458 | \$ | 8,086 | \$ | 22,372 | \$ | — | \$ | 22,372 |
| Video | | 28,610 | | 24,619 | | 3,991 | | 2,262 | | 1,729 | | — | | 1,729 |
| Broadband | | 12,318 | | 7,582 | | 4,736 | | 2,914 | | 1,822 | | — | | 1,822 |
| Business Wireline | | 25,358 | | 15,534 | | 9,824 | | 5,226 | | 4,598 | | — | | 4,598 |
| Total Communications | | 138,850 | | 89,841 | | 49,009 | | 18,488 | | 30,521 | | — | | 30,521 |
| WarnerMedia | | | | | | | | | | | | | | |
| Turner | | 12,568 | | 6,954 | | 5,614 | | 277 | | 5,337 | | (2) | | 5,335 |
| Home Box Office | | 6,808 | | 6,028 | | 780 | | 98 | | 682 | | 16 | | 698 |
| Warner Bros. | | 12,154 | | 9,917 | | 2,237 | | 169 | | 2,068 | | (70) | | 1,998 |
| Eliminations and other | | (1,088) | | (1,320) | | 232 | | 127 | | 105 | | 74 | | 179 |
| Total WarnerMedia | | 30,442 | | 21,579 | | 8,863 | | 671 | | 8,192 | | 18 | | 8,210 |
| Latin America | | | | | | | | | | | | | | |
| Vrio | | 3,154 | | 2,800 | | 354 | | 520 | | (166) | | 24 | | (142) |
| Mexico | | 2,562 | | 2,636 | | (74) | | 513 | | (587) | | — | | (587) |
| Total Latin America | | 5,716 | | 5,436 | | 280 | | 1,033 | | (753) | | 24 | | (729) |
| Segment Total | | 175,008 | | 116,856 | | 58,152 | | 20,192 | | 37,960 | \$ | 42 | \$ | 38,002 |
| Corporate and Other | | | | | | | | | | | | | | |
| Corporate | | 1,932 | | 3,974 | | (2,042) | | 300 | | (2,342) | | | | |
| Acquisition-related items | | — | | 468 | | (468) | | 8,012 | | (8,480) | | | | |
| Certain significant items | | — | | 19,156 | | (19,156) | | 14 | | (19,170) | | | | |
| Eliminations and consolidations | | (5,180) | | (3,615) | | (1,565) | | (2) | | (1,563) | | | | |
| AT&T Inc. | \$ | 171,760 | \$ | 136,839 | \$ | 34,921 | \$ | 28,516 | \$ | 6,405 | | | | |

| Year Ended | | | | | | | | | | | | | | |
|---------------------------------|----------|---------|---------------------------------|---------|--------|---------|-------------------------------|--------|-------------------------|---------|-------------------------------------------|------|----------------------|--------|
| Dollars in millions | | | | | | | | | | | | | | |
| Unaudited | | | | | | | | | | | | | | |
| December 31, 2019 | | | | | | | | | | | | | | |
| | 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 |
| Video | | 32,124 | | 27,599 | | 4,525 | | 2,461 | | 2,064 | | — | | 2,064 |
| Broadband | | 13,012 | | 7,451 | | 5,561 | | 2,880 | | 2,681 | | — | | 2,681 |
| Business Wireline | | 26,167 | | 16,069 | | 10,098 | | 4,934 | | 5,164 | | — | | 5,164 |
| 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 | | 1,030 | | 304 | | 726 | | 90 | | 636 | | 109 | | 745 |
| Total WarnerMedia | | 35,259 | | 24,172 | | 11,087 | | 589 | | 10,498 | | 161 | | 10,659 |
| 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) |
| Segment Total | | 184,581 | | 122,435 | | 62,146 | | 20,080 | | 42,066 | \$ | 188 | \$ | 42,254 |
| Corporate and Other | | | | | | | | | | | | | | |
| Corporate | | 1,937 | | 3,279 | | (1,342) | | 636 | | (1,978) | | | | |
| 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 | | | | |

Discussion and Reconciliation of Non-GAAP Measures

We believe the following measures are relevant and useful information to investors as they are part of AT&T's internal management reporting and planning processes and are important metrics that management uses to evaluate the operating performance of AT&T and its segments. Management also uses these measures as a method of comparing performance with that of many of our competitors. These measures should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with U.S. generally accepted accounting principles (GAAP).

FREE CASH FLOW

Free cash flow is defined as cash from operations minus capital expenditures. Free cash flow after dividends is defined as cash from operations minus capital expenditures and dividends on common and preferred shares. Free cash flow dividend payout ratio is defined as the percentage of dividends paid on common and preferred shares to free cash flow. We believe these metrics provide useful information to our investors because management views free cash flow as an important indicator of how much cash is generated by routine business operations, including capital expenditures, and makes decisions based on it. Management also views free cash flow as a measure of cash available to pay debt and return cash to shareowners.

| Free Cash Flow and Free Cash Flow Dividend Payout Ratio | | | | |
|---------------------------------------------------------|----------------|---------------|---------------|---------------|
| <i>Dollars in millions</i> | | | | |
| | Fourth Quarter | | Year Ended | |
| | 2020 | 2019 | 2020 | 2019 |
| Net cash provided by operating activities | \$ 10,082 | \$ 11,943 | \$ 43,130 | \$ 48,668 |
| Less: Capital expenditures | (2,392) | (3,792) | (15,675) | (19,635) |
| Free Cash Flow | 7,690 | 8,151 | 27,455 | 29,033 |
| Less: Dividends paid | (3,741) | (3,726) | (14,956) | (14,888) |
| Free Cash Flow after Dividends | \$ 3,949 | \$ 4,425 | \$ 12,499 | \$ 14,145 |
| Free Cash Flow Dividend Payout Ratio | 48.6 % | 45.7 % | 54.5 % | 51.3 % |

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 | |
| | 2020 | 2019 | 2020 | 2019 |
| Capital Expenditures | \$ (2,392) | \$ (3,792) | \$ (15,675) | \$ (19,635) |
| Cash paid for vendor financing | (1,001) | (449) | (2,966) | (3,050) |
| Cash paid for Capital Investment | \$ (3,393) | \$ (4,241) | \$ (18,641) | \$ (22,685) |
| FirstNet reimbursement | (920) | (902) | (1,063) | (1,005) |
| Gross Capital Investment | \$ (4,313) | \$ (5,143) | \$ (19,704) | \$ (23,690) |

EBITDA

Our calculation of EBITDA, as presented, may differ from similarly titled measures reported by other companies. For AT&T, EBITDA excludes other income (expense) – net, and equity in net income (loss) of affiliates, as these do not reflect the operating results of our subscriber base or operations that are not under our control. Equity in net income (loss) of affiliates represents the proportionate share of the net income (loss) of affiliates in which we exercise significant influence, but do not control. Because we do not control these entities, management excludes these results when evaluating the performance of our primary operations. EBITDA also excludes interest expense and the provision for income taxes. Excluding these items eliminates the expenses associated with our capital and tax structures. Finally, EBITDA excludes depreciation and amortization in order to eliminate the impact of capital investments. EBITDA does not give effect to cash used for debt service requirements and thus does not reflect available funds for distributions, reinvestment or other discretionary uses. EBITDA is not presented as an alternative measure of operating results or cash flows from operations, as determined in accordance with GAAP.

EBITDA service margin is calculated as EBITDA divided by service revenues.

When discussing our segment, business unit and supplemental results, EBITDA excludes equity in net income (loss) of affiliates, and depreciation and amortization from operating contribution.

These measures are used by management as a gauge of our success in acquiring, retaining and servicing subscribers because we believe these measures reflect AT&T's ability to generate and grow subscriber revenues while providing a high level of customer service in a cost-effective manner. Management also uses these measures as a method of comparing operating performance with that of many of its competitors. The financial and operating metrics which affect EBITDA include the key revenue and expense drivers for which management is responsible and upon which we evaluate performance.

We believe EBITDA Service Margin (EBITDA as a percentage of service revenues) to be a more relevant measure than EBITDA Margin (EBITDA as a percentage of total revenue) for our Mobility business unit operating margin. We also use wireless service revenues to calculate margin to facilitate comparison, both internally and externally with our wireless competitors, as they calculate their margins using wireless service revenues as well.

There are material limitations to using these non-GAAP financial measures. EBITDA, EBITDA margin and EBITDA service margin, as we have defined them, may not be comparable to similarly titled measures reported by other companies. Furthermore, these performance measures do not take into account certain significant items, including depreciation and amortization, interest expense, tax expense and equity in net income (loss) of affiliates. For market comparability, management analyzes performance measures that are similar in nature to EBITDA as we present it, and considering the economic effect of the excluded expense items independently as well as in connection with its analysis of net income as calculated in accordance with GAAP. EBITDA, EBITDA margin and EBITDA service margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP.

| EBITDA | | | | |
|-----------------------------------------------------------|------------------|------------------|------------------|------------------|
| <i>Dollars in millions</i> | | | | |
| | Fourth Quarter | | Year to Date | |
| | 2020 | 2019 | 2020 | 2019 |
| Net Income (Loss) | \$ (13,515) | \$ 2,704 | \$ (3,821) | \$ 14,975 |
| Additions: | | | | |
| Income Tax Expense | (2,038) | 434 | 965 | 3,493 |
| Interest Expense | 1,894 | 2,049 | 7,925 | 8,422 |
| Equity in Net (Income) Loss of Affiliates | (106) | 30 | (95) | (6) |
| Other (Income) Expense - Net | 3,020 | 104 | 1,431 | 1,071 |
| Depreciation and amortization | 6,979 | 6,961 | 28,516 | 28,217 |
| EBITDA | (3,766) | 12,282 | 34,921 | 56,172 |
| Impairments ¹ | 16,365 | 1,458 | 18,880 | 1,458 |
| Employee separation costs and benefit-related (gain) loss | 253 | 243 | 1,177 | 624 |
| Gain on spectrum transactions | — | — | (900) | — |
| Merger costs and revenue adjustments | 37 | 382 | 468 | 1,033 |
| Adjusted EBITDA² | \$ 12,889 | \$ 14,365 | \$ 54,546 | \$ 59,287 |

¹ Includes \$15.5 billion for the impairment of goodwill and other long-lived assets in our video business.

² See page 5 for additional discussion and reconciliation of adjusted items.

| Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin | | | | |
|---------------------------------------------------------------------------|----------------|----------|------------|-----------|
| <i>Dollars in millions</i> | | | | |
| | Fourth Quarter | | Year Ended | |
| | 2020 | 2019 | 2020 | 2019 |
| Communications Segment | | | | |
| Operating Contribution | \$ 6,558 | \$ 7,511 | \$ 30,521 | \$ 32,230 |
| Additions: | | | | |
| Depreciation and amortization | 4,587 | 4,589 | 18,488 | 18,329 |
| EBITDA | 11,145 | 12,100 | 49,009 | 50,559 |
| Total Operating Revenues | 36,722 | 36,522 | 138,850 | 142,359 |
| Operating Income Margin | 17.9 % | 20.6 % | 22.0 % | 22.6 % |
| EBITDA Margin | 30.3 % | 33.1 % | 35.3 % | 35.5 % |
| Mobility | | | | |
| Operating Contribution | \$ 5,088 | \$ 5,503 | \$ 22,372 | \$ 22,321 |
| Additions: | | | | |
| Depreciation and amortization | 2,008 | 2,027 | 8,086 | 8,054 |
| EBITDA | 7,096 | 7,530 | 30,458 | 30,375 |
| Total Operating Revenues | 20,119 | 18,700 | 72,564 | 71,056 |
| Service Revenues | 14,022 | 13,948 | 55,542 | 55,331 |
| Operating Income Margin | 25.3 % | 29.4 % | 30.8 % | 31.4 % |
| EBITDA Margin | 35.3 % | 40.3 % | 42.0 % | 42.7 % |
| EBITDA Service Margin | 50.6 % | 54.0 % | 54.8 % | 54.9 % |
| Video | | | | |
| Operating Contribution | \$ 98 | \$ 39 | \$ 1,729 | \$ 2,064 |
| Additions: | | | | |
| Depreciation and amortization | 521 | 589 | 2,262 | 2,461 |
| EBITDA | 619 | 628 | 3,991 | 4,525 |
| Total Operating Revenues | 7,168 | 8,075 | 28,610 | 32,124 |
| Operating Income Margin | 1.4 % | 0.5 % | 6.0 % | 6.4 % |
| EBITDA Margin | 8.6 % | 7.8 % | 13.9 % | 14.1 % |
| Broadband | | | | |
| Operating Contribution | \$ 366 | \$ 686 | \$ 1,822 | \$ 2,681 |
| Additions: | | | | |
| Depreciation and amortization | 738 | 726 | 2,914 | 2,880 |
| EBITDA | 1,104 | 1,412 | 4,736 | 5,561 |
| Total Operating Revenues | 3,116 | 3,161 | 12,318 | 13,012 |
| Operating Income Margin | 11.7 % | 21.7 % | 14.8 % | 20.6 % |
| EBITDA Margin | 35.4 % | 44.7 % | 38.4 % | 42.7 % |
| Business Wireline | | | | |
| Operating Contribution | \$ 1,006 | \$ 1,283 | \$ 4,598 | \$ 5,164 |
| Additions: | | | | |
| Depreciation and amortization | 1,320 | 1,247 | 5,226 | 4,934 |
| EBITDA | 2,326 | 2,530 | 9,824 | 10,098 |
| Total Operating Revenues | 6,319 | 6,586 | 25,358 | 26,167 |
| Operating Income Margin | 15.9 % | 19.5 % | 18.1 % | 19.7 % |
| EBITDA Margin | 36.8 % | 38.4 % | 38.7 % | 38.6 % |

| Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin | | | | |
|---------------------------------------------------------------------------|----------------|--------------|--------------|---------------|
| <i>Dollars in millions</i> | | | | |
| | Fourth Quarter | | Year Ended | |
| | 2020 | 2019 | 2020 | 2019 |
| WARNERMEDIA Segment | | | | |
| Operating Contribution | \$ 2,529 | \$ 2,859 | \$ 8,210 | \$ 10,659 |
| Additions: | | | | |
| Equity in Net (Income) of Affiliates | 13 | (23) | (18) | (161) |
| Depreciation and amortization | 177 | 169 | 671 | 589 |
| EBITDA | 2,719 | 3,005 | 8,863 | 11,087 |
| Total Operating Revenues | 8,554 | 9,453 | 30,442 | 35,259 |
| Operating Income Margin | 29.7% | 30.0% | 26.9% | 29.8% |
| EBITDA Margin | 31.8% | 31.8% | 29.1% | 31.4% |

| Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin | | | | |
|---------------------------------------------------------------------------|----------------|---------------|---------------|---------------|
| <i>Dollars in millions</i> | | | | |
| | Fourth Quarter | | Year Ended | |
| | 2020 | 2019 | 2020 | 2019 |
| Latin America Segment | | | | |
| Operating Contribution | \$ (167) | \$ (87) | \$ (729) | \$ (635) |
| Additions: | | | | |
| Equity in Net (Income) of Affiliates | 2 | (2) | (24) | (27) |
| Depreciation and amortization | 260 | 294 | 1,033 | 1,162 |
| EBITDA | 95 | 205 | 280 | 500 |
| Total Operating Revenues | 1,498 | 1,758 | 5,716 | 6,963 |
| Operating Income Margin | -11.0% | -5.1% | -13.2% | -9.5% |
| EBITDA Margin | 6.3% | 11.7% | 4.9% | 7.2% |
| Vrio | | | | |
| Operating Contribution | \$ (41) | \$ 40 | \$ (142) | \$ 83 |
| Additions: | | | | |
| Equity in Net (Income) of Affiliates | 2 | (2) | (24) | (27) |
| Depreciation and amortization | 120 | 164 | 520 | 660 |
| EBITDA | 81 | 202 | 354 | 716 |
| Total Operating Revenues | 762 | 982 | 3,154 | 4,094 |
| Operating Income Margin | -5.1% | 3.9% | -5.3% | 1.4% |
| EBITDA Margin | 10.6% | 20.6% | 11.2% | 17.5% |
| Mexico | | | | |
| Operating Contribution | \$ (126) | \$ (127) | \$ (587) | \$ (718) |
| Additions: | | | | |
| Equity in Net (Income) Loss of Affiliates | — | — | — | — |
| Depreciation and amortization | 140 | 130 | 513 | 502 |
| EBITDA | 14 | 3 | (74) | (216) |
| Total Operating Revenues | 736 | 776 | 2,562 | 2,869 |
| Operating Income Margin | -17.1% | -16.4% | -22.9% | -25.0% |
| EBITDA Margin | 1.9% | 0.4% | -2.9% | -7.5% |

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 | |
| | 2020 | 2019 | 2020 | 2019 |
| Operating Revenues | | | | |
| Time Warner merger adjustment | \$ — | \$ — | \$ — | \$ 72 |
| Adjustments to Operating Revenues | — | — | — | 72 |
| Operating Expenses | | | | |
| Merger costs | 37 | 382 | 468 | 961 |
| Employee separation costs and benefit-related (gain) loss ¹ | 253 | 243 | 1,177 | 624 |
| Impairments ² | 16,365 | 1,458 | 18,880 | 1,458 |
| Gain on spectrum transaction | — | — | (900) | — |
| Adjustments to Operations and Support Expenses | 16,655 | 2,083 | 19,625 | 3,043 |
| Amortization of intangible assets | 1,890 | 1,741 | 8,012 | 7,460 |
| Impairments | 14 | 43 | 14 | 43 |
| Adjustments to Operating Expenses | 18,559 | 3,867 | 27,651 | 10,546 |
| Other | | | | |
| Gain on sale of investments - net | — | (69) | — | (707) |
| Debt redemption, impairments and other adjustments | 14 | 331 | 1,685 | 693 |
| Actuarial (gain) loss | 4,106 | 1,123 | 4,169 | 5,171 |
| Employee benefit-related (gain) loss ¹ | (149) | — | (172) | — |
| Adjustments to Income Before Income Taxes | 22,530 | 5,252 | 33,333 | 15,775 |
| Tax impact of adjustments | 3,186 | 1,119 | 4,977 | 3,302 |
| Tax-related items | 41 | — | 41 | 141 |
| Impairment attributable to noncontrolling interest | — | — | 105 | — |
| Adjustments to Net Income | \$ 19,303 | \$ 4,133 | \$ 28,210 | \$ 12,332 |

¹ Total holding gains on benefit-related investments were approximately \$205 million in the fourth quarter and \$330 million for the year ended December 31, 2020.

² Includes \$15.5 billion for the impairment of goodwill and other long-lived assets in our video business.

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA service margin and Adjusted diluted EPS are non-GAAP financial measures calculated by excluding from operating revenues, operating expenses and income tax expense certain significant items that are non-operational or non-recurring in nature, including dispositions and merger integration and transaction costs, actuarial gains and losses, significant abandonments and impairment, severance and other material gains and losses. Management believes that these measures provide relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends.

Adjusted Operating Revenues, Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted EBITDA service margin and Adjusted diluted EPS should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with GAAP. AT&T's calculation of Adjusted items, as presented, may differ from similarly titled measures reported by other companies.

| Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EBITDA Service Margin | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------|----------------|
| <i>Dollars in millions</i> | | | | |
| | Fourth Quarter | | Year Ended | |
| | 2020 | 2019 | 2020 | 2019 |
| Operating Income | \$ (10,745) | \$ 5,321 | \$ 6,405 | \$ 27,955 |
| Adjustments to Operating Revenues | — | — | — | 72 |
| Adjustments to Operating Expenses | 18,559 | 3,867 | 27,651 | 10,546 |
| Adjusted Operating Income | 7,814 | 9,188 | 34,056 | 38,573 |
| EBITDA | (3,766) | 12,282 | 34,921 | 56,172 |
| Adjustments to Operating Revenues | — | — | — | 72 |
| Adjustments to Operations and Support Expenses | 16,655 | 2,083 | 19,625 | 3,043 |
| Adjusted EBITDA | 12,889 | 14,365 | 54,546 | 59,287 |
| Total Operating Revenues | 45,691 | 46,821 | 171,760 | 181,193 |
| Adjustments to Operating Revenues | — | — | — | 72 |
| Total Adjusted Operating Revenue | 45,691 | 46,821 | 171,760 | 181,265 |
| Service Revenues | 39,051 | 41,475 | 152,767 | 163,499 |
| Adjustments to Service Revenues | — | — | — | 72 |
| Adjusted Service Revenue | 39,051 | 41,475 | 152,767 | 163,571 |
| Operating Income Margin | (23.5)% | 11.4 % | 3.7 % | 15.4 % |
| Adjusted Operating Income Margin | 17.1 % | 19.6 % | 19.8 % | 21.3 % |
| Adjusted EBITDA Margin | 28.2 % | 30.7 % | 31.8 % | 32.7 % |
| Adjusted EBITDA Service Margin | 33.0 % | 34.6 % | 35.7 % | 36.2 % |

| Adjusted Diluted EPS | | | | |
|---------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | Fourth Quarter | | Year Ended | |
| | 2020 | 2019 | 2020 | 2019 |
| Diluted Earnings Per Share (EPS) | \$ (1.95) | \$ 0.33 | \$ (0.75) | \$ 1.89 |
| Amortization of intangible assets | 0.22 | 0.19 | 0.90 | 0.81 |
| Merger integration items | — | 0.04 | 0.05 | 0.13 |
| Impairments ² | 2.02 | 0.16 | 2.37 | 0.16 |
| Debt redemption costs, (gain) loss on sale of assets and other | 0.04 | 0.05 | 0.18 | 0.04 |
| Actuarial (gain) loss ¹ | 0.43 | 0.12 | 0.44 | 0.56 |
| Tax-related items | (0.01) | — | (0.01) | (0.02) |
| Adjusted EPS | \$ 0.75 | \$ 0.89 | \$ 3.18 | \$ 3.57 |
| <i>Year-over-year growth - Adjusted</i> | -15.7% | | -10.9% | |
| Weighted Average Common Shares Outstanding with Dilution (000,000) | 7,176 | 7,341 | 7,183 | 7,348 |

¹ Includes 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 \$4.2 billion in 2020. As a result, adjusted EPS reflects an expected return on plan assets of \$3.7 billion (based on an average expected return on plan assets of 7.0% for our pension trust and 4.75% for our VEBA trusts), rather than the actual return on plan assets of \$6.5 billion gain (actual pension return of 12.2% and VEBA return of 8.4%), included in the GAAP measure of income.

² Includes \$1.91 for the impairment of goodwill and other long-lived assets in our video business.

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 (sale of this business unit closed in second quarter 2020), 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 | | |
| | 2020 | 2019 | |
| AT&T Inc. | | | |
| Total Operating Revenues | \$ 45,691 | \$ 46,821 | |
| Exclude Venezuela | — | (6) | |
| Impact of foreign exchange translation | 219 | — | |
| Operating Revenues on Constant Currency Basis | 45,910 | 46,815 | |
| Year-over-year growth | -1.9% | | |
| Adjusted EBITDA | 12,889 | 14,365 | |
| Exclude Venezuela | — | (38) | |
| Impact of foreign exchange translation | 52 | — | |
| Adjusted EBITDA on Constant Currency Basis | 12,941 | 14,327 | |
| Year-over-year growth | -9.7% | | |
| WarnerMedia Segment | | | |
| Total Operating Revenues | \$ 8,554 | \$ 9,453 | |
| Impact of foreign exchange translation | (6) | — | |
| WarnerMedia Operating Revenues on Constant Currency Basis | 8,548 | 9,453 | |
| Year-over-year growth | -9.6% | | |
| EBITDA | 2,719 | 3,005 | |
| Impact of foreign exchange translation | 4 | — | |
| WarnerMedia EBITDA on Constant Currency Basis | 2,723 | 3,005 | |
| Year-over-year growth | -9.4% | | |
| Latin America Segment | | | |
| Total Operating Revenues | \$ 1,498 | \$ 1,758 | |
| Exclude Venezuela | — | (6) | |
| Impact of foreign exchange translation | 225 | — | |
| Latin America Operating Revenues on Constant Currency Basis | 1,723 | 1,752 | |
| Year-over-year growth | -1.7% | | |
| EBITDA | 95 | 205 | |
| Exclude Venezuela | — | (38) | |
| Impact of foreign exchange translation | 48 | — | |
| Latin America EBITDA on Constant Currency Basis | 143 | 167 | |
| Year-over-year growth | -14.4% | | |

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 |
| | March 31, 2020 ¹ | June 30, 2020 ¹ | Sept. 30, 2020 ¹ | Dec. 31, 2020 | |
| Adjusted EBITDA ² | \$ 14,232 | \$ 14,112 | \$ 13,313 | \$ 12,889 | \$ 54,546 |
| End-of-period current debt | | | | | 3,470 |
| End-of-period long-term debt | | | | | 153,775 |
| Total End-of-Period Debt | | | | | 157,245 |
| Less: Cash and Cash Equivalents | | | | | 9,740 |
| Net Debt Balance | | | | | 147,505 |
| Annualized Net Debt to Adjusted EBITDA Ratio | | | | | 2.70 |

¹ As reported in AT&T's Form 8-K filed April 22, 2020, July 23, 2020, and October 22, 2020.

² Includes the purchase accounting reclassification of released content amortization of \$69 million, \$75 million, \$45 million, and \$38 million in the four quarters presented, respectively.

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 tables present a reconciliation of our supplemental Business Solutions results. Results have been recast to conform to the current period's classification.

| Supplemental Operational Measure | | | | | | | | |
|--------------------------------------------------|-----------------|-------------------|--------------------------|--------------------|-------------------|-------------------|--------------------------|--------------------|
| Fourth Quarter | | | | | | | | |
| December 31, 2020 | | | | | December 31, 2019 | | | |
| | Mobility | Business Wireline | Adjustments ¹ | Business Solutions | Mobility | Business Wireline | Adjustments ¹ | Business Solutions |
| Operating Revenues | | | | | | | | |
| Wireless service | \$ 14,022 | \$ — | \$ (12,074) | \$ 1,948 | \$ 13,948 | \$ — | \$ (12,049) | \$ 1,899 |
| Strategic and managed services | — | 4,006 | — | 4,006 | — | 3,925 | — | 3,925 |
| Legacy voice and data services | — | 1,956 | — | 1,956 | — | 2,207 | — | 2,207 |
| Other services and equipment | — | 357 | — | 357 | — | 454 | — | 454 |
| Wireless equipment | 6,097 | — | (5,172) | 925 | 4,752 | — | (3,897) | 855 |
| Total Operating Revenues | 20,119 | 6,319 | (17,246) | 9,192 | 18,700 | 6,586 | (15,946) | 9,340 |
| Operating Expenses | | | | | | | | |
| Operations and support | 13,023 | 3,993 | (10,925) | 6,091 | 11,170 | 4,056 | (9,266) | 5,960 |
| EBITDA | 7,096 | 2,326 | (6,321) | 3,101 | 7,530 | 2,530 | (6,680) | 3,380 |
| Depreciation and amortization | 2,008 | 1,320 | (1,688) | 1,640 | 2,027 | 1,247 | (1,720) | 1,554 |
| Total Operating Expenses | 15,031 | 5,313 | (12,613) | 7,731 | 13,197 | 5,303 | (10,986) | 7,514 |
| Operating Income | 5,088 | 1,006 | (4,633) | 1,461 | 5,503 | 1,283 | (4,960) | 1,826 |
| Equity in Net Income (Loss) of Affiliates | — | — | — | — | — | — | — | — |
| Operating Contribution | \$ 5,088 | \$ 1,006 | \$ (4,633) | \$ 1,461 | \$ 5,503 | \$ 1,283 | \$ (4,960) | \$ 1,826 |

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

| Supplemental Operational Measure | | | | | | | | |
|--------------------------------------------------|------------------|-------------------|--------------------------|--------------------|-------------------|-------------------|--------------------------|--------------------|
| Year Ended | | | | | | | | |
| December 31, 2020 | | | | | December 31, 2019 | | | |
| | Mobility | Business Wireline | Adjustments ¹ | Business Solutions | Mobility | Business Wireline | Adjustments ¹ | Business Solutions |
| Operating Revenues | | | | | | | | |
| Wireless service | \$ 55,542 | \$ — | \$ (47,810) | \$ 7,732 | \$ 55,331 | \$ — | \$ (47,887) | \$ 7,444 |
| Strategic and managed services | — | 15,788 | — | 15,788 | — | 15,430 | — | 15,430 |
| Legacy voice and data services | — | 8,183 | — | 8,183 | — | 9,180 | — | 9,180 |
| Other services and equipment | — | 1,387 | — | 1,387 | — | 1,557 | — | 1,557 |
| Wireless equipment | 17,022 | — | (14,140) | 2,882 | 15,725 | — | (12,971) | 2,754 |
| Total Operating Revenues | 72,564 | 25,358 | (61,950) | 35,972 | 71,056 | 26,167 | (60,858) | 36,365 |
| Operating Expenses | | | | | | | | |
| Operations and support | 42,106 | 15,534 | (34,927) | 22,713 | 40,681 | 16,069 | (34,036) | 22,714 |
| EBITDA | 30,458 | 9,824 | (27,023) | 13,259 | 30,375 | 10,098 | (26,822) | 13,651 |
| Depreciation and amortization | 8,086 | 5,226 | (6,803) | 6,509 | 8,054 | 4,934 | (6,840) | 6,148 |
| Total Operating Expenses | 50,192 | 20,760 | (41,730) | 29,222 | 48,735 | 21,003 | (40,876) | 28,862 |
| Operating Income | 22,372 | 4,598 | (20,220) | 6,750 | 22,321 | 5,164 | (19,982) | 7,503 |
| Equity in Net Income (Loss) of Affiliates | — | — | — | — | — | — | — | — |
| Operating Contribution | \$ 22,372 | \$ 4,598 | \$ (20,220) | \$ 6,750 | \$ 22,321 | \$ 5,164 | \$ (19,982) | \$ 7,503 |

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

For comparative purposes and to assist in the transition to our current financial presentation, we provided on a one-time basis, a supplemental presentation of the Historical Entertainment Group business unit (Historical EG) that is calculated by combining our Video and Broadband business units, adjusted to remove the business video operations previously reported in the Business Wireline business unit. The following tables present a reconciliation of the supplemental Historical EG results.

| Supplemental Operational Measure | | | | | | | | |
|--------------------------------------------------|--------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| Fourth Quarter | | | | | | | | |
| December 31, 2020 | | | | | December 31, 2019 | | | |
| | Video | Broadband | Adj. ¹ | Historical EG | Video | Broadband | Adj. ¹ | Historical EG |
| Operating Revenues | | | | | | | | |
| Video | \$ 7,124 | \$ — | \$ (2) | \$ 7,122 | \$ 8,074 | \$ — | \$ (6) | \$ 8,068 |
| High-speed internet | — | 2,205 | — | 2,205 | — | 2,107 | — | 2,107 |
| Legacy voice and data services | — | 534 | — | 534 | — | 604 | — | 604 |
| Other services and equipment | 44 | 377 | — | 421 | 1 | 450 | 3 | 454 |
| Total Operating Revenues | 7,168 | 3,116 | (2) | 10,282 | 8,075 | 3,161 | (3) | 11,233 |
| Operating Expenses | | | | | | | | |
| Operations and support | 6,549 | 2,012 | (8) | 8,553 | 7,447 | 1,749 | (7) | 9,189 |
| EBITDA | 619 | 1,104 | 6 | 1,729 | 628 | 1,412 | 4 | 2,044 |
| Depreciation and amortization | 521 | 738 | (15) | 1,244 | 589 | 726 | (17) | 1,298 |
| Total Operating Expenses | 7,070 | 2,750 | (23) | 9,797 | 8,036 | 2,475 | (24) | 10,487 |
| Operating Income | 98 | 366 | 21 | 485 | 39 | 686 | 21 | 746 |
| Equity in Net Income (Loss) of Affiliates | — | — | — | — | — | — | — | — |
| Operating Contribution | \$ 98 | \$ 366 | \$ 21 | \$ 485 | \$ 39 | \$ 686 | \$ 21 | \$ 746 |
| Operating Income Margin | 1.4 % | 11.7 % | | 4.7 % | 0.5 % | 21.7 % | | 6.6 % |
| EBITDA Margin | 8.6 % | 35.4 % | | 16.8 % | 7.8 % | 44.7 % | | 18.2 % |

¹ Predominantly the video business previously reported in the Communications segment under the Business Wireline business unit.

| Supplemental Operational Measure | | | | | | | | |
|--------------------------------------------------|-----------------|-----------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| Year Ended | | | | | | | | |
| December 31, 2020 | | | | | December 31, 2019 | | | |
| | Video | Broadband | Adj. ¹ | Historical EG | Video | Broadband | Adj. ¹ | Historical EG |
| Operating Revenues | | | | | | | | |
| Video | \$ 28,465 | \$ — | \$ (8) | \$ 28,457 | \$ 32,123 | \$ — | \$ (13) | \$ 32,110 |
| High-speed internet | — | 8,534 | — | 8,534 | — | 8,403 | — | 8,403 |
| Legacy voice and data services | — | 2,213 | — | 2,213 | — | 2,573 | — | 2,573 |
| Other services and equipment | 145 | 1,571 | (1) | 1,715 | 1 | 2,036 | 3 | 2,040 |
| Total Operating Revenues | 28,610 | 12,318 | (9) | 40,919 | 32,124 | 13,012 | (10) | 45,126 |
| Operating Expenses | | | | | | | | |
| Operations and support | 24,619 | 7,582 | (30) | 32,171 | 27,599 | 7,451 | (22) | 35,028 |
| EBITDA | 3,991 | 4,736 | 21 | 8,748 | 4,525 | 5,561 | 12 | 10,098 |
| Depreciation and amortization | 2,262 | 2,914 | (57) | 5,119 | 2,461 | 2,880 | (65) | 5,276 |
| Total Operating Expenses | 26,881 | 10,496 | (87) | 37,290 | 30,060 | 10,331 | (87) | 40,304 |
| Operating Income | 1,729 | 1,822 | 78 | 3,629 | 2,064 | 2,681 | 77 | 4,822 |
| Equity in Net Income (Loss) of Affiliates | — | — | — | — | — | — | — | — |
| Operating Contribution | \$ 1,729 | \$ 1,822 | \$ 78 | \$ 3,629 | \$ 2,064 | \$ 2,681 | \$ 77 | \$ 4,822 |
| Operating Income Margin | 6.0 % | 14.8 % | | 8.9 % | 6.4 % | 20.6 % | | 10.7 % |
| EBITDA Margin | 13.9 % | 38.4 % | | 21.4 % | 14.1 % | 42.7 % | | 22.4 % |

¹ Predominantly the video business previously reported in the Communications segment under the Business Wireline business unit.