

Financial and Operational Schedules & Non-GAAP Reconciliations

OCTOBER 20, 2022

AT&T Inc.
Financial Data

Consolidated Statements of Income						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Operating Revenues						
Service	\$ 24,731	\$ 26,247	(5.8)%	\$ 72,998	\$ 87,340	(16.4)%
Equipment	5,312	5,079	4.6 %	16,400	15,603	5.1 %
Total Operating Revenues	30,043	31,326	(4.1)%	89,398	102,943	(13.2)%
Operating Expenses						
Cost of revenues						
Equipment	5,440	5,401	0.7 %	17,010	16,242	4.7 %
Broadcast, programming and operations	—	1,117	— %	—	8,106	— %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	6,761	6,915	(2.2)%	20,267	21,834	(7.2)%
Selling, general and administrative	7,202	7,094	1.5 %	21,445	22,301	(3.8)%
Asset impairments and abandonments and restructuring	114	105	8.6 %	745	105	— %
Depreciation and amortization	4,514	4,457	1.3 %	13,426	13,352	0.6 %
Total Operating Expenses	24,031	25,089	(4.2)%	72,893	81,940	(11.0)%
Operating Income	6,012	6,237	(3.6)%	16,505	21,003	(21.4)%
Interest Expense	1,420	1,627	(12.7)%	4,548	5,090	(10.6)%
Equity in Net Income (Loss) of Affiliates	392	183	— %	1,417	159	— %
Other Income (Expense) — Net	2,270	1,522	49.1 %	6,729	6,958	(3.3)%
Income from Continuing Operations Before Income Taxes	7,254	6,315	14.9 %	20,103	23,030	(12.7)%
Income tax expense on continuing operations	908	1,296	(29.9)%	3,857	4,456	(13.4)%
Income From Continuing Operations	6,346	5,019	26.4 %	16,246	18,574	(12.5)%
Income (loss) from discontinued operations, net of tax	53	1,254	(95.8)%	(146)	(2,485)	94.1 %
Net Income	6,399	6,273	2.0 %	16,100	16,089	0.1 %
Less: Net Income Attributable to Noncontrolling Interest	(373)	(355)	(5.1)%	(1,107)	(1,051)	(5.3)%
Net Income Attributable to AT&T	\$ 6,026	\$ 5,918	1.8 %	\$ 14,993	\$ 15,038	(0.3)%
Less: Preferred Stock Dividends	(49)	(50)	2.0 %	(149)	(156)	4.5 %
Net Income Attributable to Common Stock	\$ 5,977	\$ 5,868	1.9 %	\$ 14,844	\$ 14,882	(0.3)%
Basic Earnings Per Share Attributable to Common Stock						
From continuing operations	\$ 0.82	\$ 0.64	28.1 %	\$ 2.08	\$ 2.40	(13.3)%
From discontinued operations	\$ 0.01	\$ 0.18	(94.4)%	\$ (0.02)	\$ (0.33)	93.9 %
	\$ 0.83	\$ 0.82	1.2 %	\$ 2.06	\$ 2.07	(0.5)%
Weighted Average Common Shares Outstanding (000,000)	7,153	7,171	(0.3)%	7,169	7,167	— %
Diluted Earnings Per Share Attributable to Common Stock ¹						
From continuing operations	\$ 0.79	\$ 0.63	25.4 %	\$ 2.03	\$ 2.37	(14.3)%
From discontinued operations	\$ 0.01	\$ 0.17	(94.1)%	\$ (0.02)	\$ (0.33)	93.9 %
	\$ 0.80	\$ 0.80	— %	\$ 2.01	\$ 2.04	(1.5)%
Weighted Average Common Shares Outstanding with Dilution (000,000) ¹	7,647	7,506	1.9 %	7,605	7,491	1.5 %

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

AT&T Inc.
Financial Data

Consolidated Balance Sheets		
<i>Dollars in millions</i>		
<i>Unaudited</i>	Sep. 30, 2022	Dec. 31, 2021
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,423	\$ 19,223
Accounts receivable – net of related allowances for credit loss of \$646 and \$658	11,384	12,313
Inventories	3,935	3,325
Prepaid and other current assets	14,553	16,131
Assets from discontinued operations	—	119,776
Total current assets	32,295	170,768
Property, Plant and Equipment – Net	127,045	121,649
Goodwill	92,725	92,740
Licenses – Net	123,856	113,830
Other Intangible Assets – Net	5,362	5,391
Investments in and Advances to Equity Affiliates	3,964	6,168
Operating Lease Right-Of-Use Assets	21,782	21,824
Other Assets	19,434	19,252
Total Assets	\$ 426,463	\$ 551,622
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 9,626	\$ 24,620
Note payable to DIRECTV	271	1,245
Accounts payable and accrued liabilities	36,642	39,095
Advanced billings and customer deposits	3,705	3,966
Dividends payable	2,013	3,749
Liabilities from discontinued operations	—	33,555
Total current liabilities	52,257	106,230
Long-Term Debt	123,854	151,011
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	56,055	53,767
Postemployment benefit obligation	6,152	12,560
Operating lease liabilities	18,741	18,956
Other noncurrent liabilities	29,426	25,243
Total deferred credits and other noncurrent liabilities	110,374	110,526
Stockholders' Equity		
Preferred stock	—	—
Common stock	7,621	7,621
Additional paid-in capital	122,933	130,112
Retained earnings	6,127	42,350
Treasury stock	(17,148)	(17,280)
Accumulated other comprehensive income	2,873	3,529
Noncontrolling interest	17,572	17,523
Total stockholders' equity	139,978	183,855
Total Liabilities and Stockholders' Equity	\$ 426,463	\$ 551,622

AT&T Inc.
Financial Data

Consolidated Statements of Cash Flows			
<i>Dollars in millions</i>			
<i>Unaudited</i>			
	Nine-Month Period		
	2022	2021	
Operating Activities			
Income from continuing operations	\$ 16,246	\$ 18,574	
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:			
Depreciation and amortization	13,426	13,352	
Provision for uncollectible accounts	1,323	857	
Deferred income tax expense	2,947	5,234	
Net (gain) loss on investments, net of impairments	412	(298)	
Pension and postretirement benefit expense (credit)	(2,529)	(2,876)	
Actuarial (gain) loss on pension and postretirement benefits	(3,838)	(3,021)	
Asset impairments and abandonments and restructuring	745	105	
Changes in operating assets and liabilities:			
Receivables	1,021	(101)	
Other current assets	(799)	(484)	
Accounts payable and other accrued liabilities	(3,261)	(2,660)	
Equipment installment receivables and related sales	906	715	
Deferred customer contract acquisition and fulfillment costs	(756)	287	
Postretirement claims and contributions	(443)	(425)	
Other - net	64	(166)	
Total adjustments	9,218	10,519	
Net Cash Provided by Operating Activities from Continuing Operations	25,464	29,093	
Investing Activities			
Capital expenditures	(15,397)	(12,051)	
Acquisitions, net of cash acquired	(9,959)	(23,533)	
Dispositions	49	7,061	
Distributions from DIRECTV in excess of cumulative equity in earnings	2,205	—	
Other - net	91	(5)	
Net Cash Used in Investing Activities from Continuing Operations	(23,011)	(28,528)	
Financing Activities			
Net change in short-term borrowings with original maturities of three months or less	84	630	
Issuance of other short-term borrowings	3,955	17,476	
Repayment of other short-term borrowings	(16,861)	(2,448)	
Issuance of long-term debt	479	9,931	
Repayment of long-term debt	(24,412)	(1,574)	
Note payable to DIRECTV, net of payments	(1,070)	1,439	
Payment of vendor financing	(4,237)	(4,013)	
Purchase of treasury stock	(875)	(191)	
Issuance of treasury stock	28	89	
Dividends paid	(7,845)	(11,319)	
Other - net	(3,649)	(1,567)	
Net Cash (Used in) Provided by Financing Activities from Continuing Operations	(54,403)	8,453	
Net (decrease) increase in cash and cash equivalents and restricted cash from continuing operations	(51,950)	9,018	
Cash flows from Discontinued Operations:			
Cash (used in) provided by operating activities	(3,754)	1,610	
Cash provided by (used in) investing activities	1,029	1,195	
Cash provided by (used in) financing activities	35,853	(288)	
Net increase (decrease) in cash and cash equivalents and restricted cash from discontinued operations	33,128	2,517	
Net (decrease) increase in cash and cash equivalents and restricted cash	\$ (18,822)	\$ 11,535	
Cash and cash equivalents and restricted cash beginning of year	21,316	9,870	
Cash and Cash Equivalents and Restricted Cash End of Period	\$ 2,494	\$ 21,405	

Note: 2022 updated per Form 10-Q filed November 3, 2022

AT&T Inc.
Consolidated Supplementary Data

Supplementary Financial Data						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Capital expenditures						
Purchase of property and equipment	\$ 5,874	\$ 4,432	32.5 %	\$ 15,273	\$ 11,919	28.1 %
Interest during construction - capital expenditures	47	38	23.7 %	124	132	(6.1) %
Total Capital Expenditures	\$ 5,921	\$ 4,470	32.5 %	\$ 15,397	\$ 12,051	27.8 %
Acquisitions, net of cash acquired						
Business acquisitions	\$ —	\$ —	— %	\$ —	\$ —	— %
Spectrum acquisitions	111	131	(15.3)%	9,076	23,017	(60.6) %
Interest during construction - spectrum	278	259	7.3 %	883	516	71.1 %
Total Acquisitions	\$ 389	\$ 390	(0.3)%	\$ 9,959	\$ 23,533	(57.7) %
Dividends Declared per Common Share	\$ 0.2775	\$ 0.52	(46.6)%	\$ 0.8325	\$ 1.56	(46.6) %
End of Period Common Shares Outstanding (000,000)				7,126	7,140	(0.2) %
Debt Ratio				48.8 %	49.5 %	(70) BP
Total Employees				169,880	177,309	(4.2) %

COMMUNICATIONS SEGMENT

The Communications segment provides wireless and wireline telecom and broadband services to consumers located in the U.S. and businesses globally. The Communications segment contains three reporting units: Mobility, Business Wireline, and Consumer Wireline.

Results have been recast to refine the allocation of shared infrastructure costs between the Communications segment and Corporate and Other.

Segment Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Segment Operating Revenues						
Mobility	\$ 20,278	\$ 19,138	6.0 %	\$ 60,279	\$ 57,108	5.6 %
Business Wireline	5,668	5,938	(4.5)%	16,903	18,036	(6.3)%
Consumer Wireline	3,185	3,142	1.4 %	9,520	9,380	1.5 %
Total Segment Operating Revenues	29,131	28,218	3.2 %	86,702	84,524	2.6 %
Operating Income						
Mobility	6,419	5,987	7.2 %	18,484	18,038	2.5 %
Business Wireline	882	1,002	(12.0)%	2,451	3,151	(22.2)%
Consumer Wireline	330	179	84.4 %	951	794	19.8 %
Total Operating Income	\$ 7,631	\$ 7,168	6.5 %	\$ 21,886	\$ 21,983	(0.4)%

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,		Percent			
	2022	2021	Change			
Broadband Connections						
Broadband	15,112	15,050	0.4 %			
DSL	340	460	(26.1)%			
Total Broadband Connections	15,452	15,510	(0.4)%			
Voice Connections						
Retail Consumer Switched Access Lines	5,466	6,404	(14.6)%			
U-verse Consumer VoIP Connections	3,022	3,440	(12.2)%			
Total Retail Voice Connections	8,488	9,844	(13.8)%			
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Broadband Net Additions						
Broadband	(24)	62	— %	38	232	(83.6)%
DSL	(33)	(33)	— %	(90)	(106)	15.1 %
Total Broadband Net Additions	(57)	29	— %	(52)	126	— %

Mobility

Mobility provides nationwide wireless service and equipment.

Mobility Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Operating Revenues						
Service	\$ 15,337	\$ 14,527	5.6 %	\$ 45,065	\$ 42,921	5.0 %
Equipment	4,941	4,611	7.2 %	15,214	14,187	7.2 %
Total Operating Revenues	20,278	19,138	6.0 %	60,279	57,108	5.6 %
Operating Expenses						
Operations and support	11,817	11,116	6.3 %	35,677	32,998	8.1 %
Depreciation and amortization	2,042	2,035	0.3 %	6,118	6,072	0.8 %
Total Operating Expenses	13,859	13,151	5.4 %	41,795	39,070	7.0 %
Operating Income	\$ 6,419	\$ 5,987	7.2 %	\$ 18,484	\$ 18,038	2.5 %
Operating Income Margin	31.7 %	31.3 %	40 BP	30.7 %	31.6 %	(90) BP

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,				Percent	
	2022	2021			Change	
Mobility Subscribers						
Postpaid	83,614	80,249			4.2 %	
Postpaid phone	68,969	66,396			3.9 %	
Prepaid	19,215	19,028			1.0 %	
Reseller	5,854	6,263			(6.5) %	
Connected Devices	101,995	90,979			12.1 %	
Total Mobility Subscribers ¹	210,678	196,519			7.2 %	
¹ Wireless subscribers at September 30, 2022 includes a reduction of 10,707 subscribers and connections (899 postpaid, including 438 phone, 234 prepaid, 749 reseller subscribers, and 8,825 connected devices) resulting from our 3G network shutdown in February 2022. The third quarter includes an adjustment of 170 subscribers, primarily connected devices.						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Mobility Net Additions						
Postpaid Phone Net Additions	708	928	(23.7) %	2,212	2,312	(4.3) %
Total Phone Net Additions	816	1,177	(30.7) %	2,629	2,942	(10.6) %
Postpaid	964	1,218	(20.9) %	2,987	3,197	(6.6) %
Prepaid	141	351	(59.8) %	488	927	(47.4) %
Reseller	308	(164)	— %	312	(357)	— %
Connected Devices	5,716	3,468	64.8 %	15,476	10,194	51.8 %
Total Mobility Net Additions	7,129	4,873	46.3 %	19,263	13,961	38.0 %
Postpaid Churn	1.01 %	0.92 %	9 BP	0.96 %	0.91 %	5 BP
Postpaid Phone-Only Churn	0.84 %	0.72 %	12 BP	0.79 %	0.72 %	7 BP

Business Wireline

Business Wireline provides advanced ethernet-based fiber services, IP Voice and managed professional services, as well as traditional voice and data services and related equipment to business customers.

Business Wireline Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Operating Revenues						
Service	\$ 5,524	\$ 5,765	(4.2) %	\$ 16,418	\$ 17,497	(6.2) %
Equipment	144	173	(16.8) %	485	539	(10.0) %
Total Operating Revenues	5,668	5,938	(4.5) %	16,903	18,036	(6.3) %
Operating Expenses						
Operations and support	3,444	3,632	(5.2) %	10,498	11,010	(4.7) %
Depreciation and amortization	1,342	1,304	2.9 %	3,954	3,875	2.0 %
Total Operating Expenses	4,786	4,936	(3.0) %	14,452	14,885	(2.9) %
Operating Income	\$ 882	\$ 1,002	(12.0) %	\$ 2,451	\$ 3,151	(22.2) %
Operating Income Margin	15.6 %	16.9 %	(130) BP	14.5 %	17.5 %	(300) BP

Consumer Wireline

Consumer Wireline provides broadband services, including fiber connections that now provide our multi-gig services to residential customers. Consumer Wireline also provides legacy telephony voice communication services.

Consumer Wireline Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Operating Revenues						
Broadband	\$ 2,429	\$ 2,290	6.1 %	\$ 7,177	\$ 6,761	6.2 %
Legacy voice and data services	427	484	(11.8) %	1,332	1,507	(11.6) %
Other service and equipment	329	368	(10.6) %	1,011	1,112	(9.1) %
Total Operating Revenues	3,185	3,142	1.4 %	9,520	9,380	1.5 %
Operating Expenses						
Operations and support	2,055	2,188	(6.1) %	6,218	6,280	(1.0) %
Depreciation and amortization	800	775	3.2 %	2,351	2,306	2.0 %
Total Operating Expenses	2,855	2,963	(3.6) %	8,569	8,586	(0.2) %
Operating Income	\$ 330	\$ 179	84.4 %	\$ 951	\$ 794	19.8 %
Operating Income Margin	10.4 %	5.7 %	470 BP	10.0 %	8.5 %	150 BP

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>				September 30,		Percent
				2022	2021	Change
Broadband Connections						
Total Broadband and DSL Connections				14,055	14,180	(0.9) %
Broadband				13,796	13,846	(0.4) %
Fiber Broadband Connections				6,935	5,721	21.2 %
Voice Connections						
Retail Consumer Switched Access Lines				2,123	2,527	(16.0) %
U-verse Consumer VoIP Connections				2,409	2,843	(15.3) %
Total Retail Consumer Voice Connections				4,532	5,370	(15.6) %
				Third Quarter	Percent	Nine-Month Period
				2022	2021	Change
				2022	2021	Change
Broadband Net Additions						
Total Broadband and DSL Net Additions				(50)	6	— %
Broadband				(29)	28	— %
Fiber Broadband Net Additions				338	289	17.0 %
				943	770	22.5 %

Business Solutions

As a supplemental presentation to our Communications segment operating results, we are providing a view of our AT&T Business Solutions results which includes both wireless and fixed operations. This combined view presents a complete profile of the entire business customer relationship and underscores the importance of mobile solutions to serving our business customers.

Business Solutions Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Operating Revenues						
Wireless service	\$ 2,222	\$ 2,059	7.9 %	\$ 6,531	\$ 6,053	7.9 %
Wireline service	5,524	5,765	(4.2) %	16,418	17,497	(6.2) %
Wireless equipment	859	813	5.7 %	2,632	2,384	10.4 %
Wireline equipment	144	173	(16.8) %	485	539	(10.0) %
Total Operating Revenues	8,749	8,810	(0.7) %	26,066	26,473	(1.5) %
Operating Expenses						
Operations and support	5,531	5,581	(0.9) %	16,823	16,743	0.5 %
Depreciation and amortization	1,699	1,651	2.9 %	5,025	4,903	2.5 %
Total Operating Expenses	7,230	7,232	— %	21,848	21,646	0.9 %
Operating Income	\$ 1,519	\$ 1,578	(3.7) %	\$ 4,218	\$ 4,827	(12.6) %
Operating Income Margin	17.4 %	17.9 %	(50) BP	16.2 %	18.2 %	(200) BP

LATIN AMERICA SEGMENT

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

Segment Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2022	2021	Change	2022	2021	Change
Operating Revenues						
Wireless service	\$ 559	\$ 463	20.7 %	\$ 1,583	\$ 1,349	17.3 %
Wireless equipment	226	261	(13.4) %	700	694	0.9 %
Total Segment Operating Revenues	785	724	8.4 %	2,283	2,043	11.7 %
Operating Expenses						
Operations and support	684	697	(1.9) %	2,036	1,984	2.6 %
Depreciation and amortization	164	157	4.5 %	494	452	9.3 %
Total Segment Operating Expenses	848	854	(0.7) %	2,530	2,436	3.9 %
Operating Income (Loss)	\$ (63)	\$ (130)	51.5 %	\$ (247)	\$ (393)	37.2 %
Operating Income Margin	(8.0)%	(18.0)%	1,000 BP	(10.8)%	(19.2)%	840 BP

Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	September 30,		Percent	
	2022	2021	Change	
Mexico Wireless Subscribers				
Postpaid	4,854	4,781	1.5	%
Prepaid	15,689	14,199	10.5	%
Reseller	455	493	(7.7)	%
Total Mexico Wireless Subscribers	20,998	19,473	7.8	%
	Third Quarter		Percent	
	2022	2021	Change	
Mexico Wireless Net Additions				
Postpaid	19	36	(47.2) %	
Prepaid	267	389	(31.4) %	
Reseller	12	2	— %	
Total Mexico Wireless Net Additions	298	427	(30.2) %	20.0 %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
<i>September 30, 2022</i>					
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)
Communications					
Mobility	\$ 20,278	\$ 11,817	\$ 8,461	\$ 2,042	\$ 6,419
Business Wireline	5,668	3,444	2,224	1,342	882
Consumer Wireline	3,185	2,055	1,130	800	330
Total Communications	29,131	17,316	11,815	4,184	7,631
Latin America - Mexico	785	684	101	164	(63)
Segment Total	29,916	18,000	11,916	4,348	7,568
Corporate and Other					
Corporate:					
DTV-related retained costs	—	197	(197)	139	(336)
Parent administration support	(6)	266	(272)	2	(274)
Securitization fees	15	103	(88)	—	(88)
Value portfolio	118	32	86	9	77
Total Corporate	127	598	(471)	150	(621)
Reclassification of prior service credits	—	731	(731)	—	(731)
Merger & Significant Items	—	188	(188)	16	(204)
Total Corporate and Other	127	1,517	(1,390)	166	(1,556)
AT&T Inc.	\$ 30,043	\$ 19,517	\$ 10,526	\$ 4,514	\$ 6,012

Three Months Ended						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
<i>September 30, 2021</i>						
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	
Communications						
Mobility	\$ 19,138	\$ 11,116	\$ 8,022	\$ 2,035	\$ 5,987	
Business Wireline	5,938	3,632	2,306	1,304	1,002	
Consumer Wireline	3,142	2,188	954	775	179	
Total Communications	28,218	16,936	11,282	4,114	7,168	
Latin America - Mexico	724	697	27	157	(130)	
Segment Total	28,942	17,633	11,309	4,271	7,038	
Corporate and Other						
Corporate:						
DTV-related retained costs	20	69	(49)	92	(141)	
Parent administration support	—	360	(360)	12	(372)	
Securitization fees	16	1	15	—	15	
Value portfolio	152	46	106	10	96	
Total Corporate	188	476	(288)	114	(402)	
Video	2,149	1,731	418	44	374	
Held-for-sale and other reclassifications	64	31	33	—	33	
Reclassification of prior service credits	—	670	(670)	—	(670)	
Merger & Significant Items	—	108	(108)	28	(136)	
Eliminations and consolidations	(17)	(17)	—	—	—	
Total Corporate and Other	2,384	2,999	(615)	186	(801)	
AT&T Inc.	\$ 31,326	\$ 20,632	\$ 10,694	\$ 4,457	\$ 6,237	

SUPPLEMENTAL SEGMENT RECONCILIATION

Nine Months Ended					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
September 30, 2022					
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)
Communications					
Mobility	\$ 60,279	\$ 35,677	\$ 24,602	\$ 6,118	\$ 18,484
Business Wireline	16,903	10,498	6,405	3,954	2,451
Consumer Wireline	9,520	6,218	3,302	2,351	951
Total Communications	86,702	52,393	34,309	12,423	21,886
Latin America - Mexico	2,283	2,036	247	494	(247)
Segment Total	88,985	54,429	34,556	12,917	21,639
Corporate and Other					
Corporate:					
DTV-related retained costs	8	532	(524)	408	(932)
Parent administration support	(24)	873	(897)	12	(909)
Securitization fees	48	263	(215)	—	(215)
Value portfolio	381	106	275	29	246
Total Corporate	413	1,774	(1,361)	449	(1,810)
Reclassification of prior service credits	—	1,961	(1,961)	—	(1,961)
Merger & Significant Items	—	1,303	(1,303)	60	(1,363)
Total Corporate and Other	413	5,038	(4,625)	509	(5,134)
AT&T Inc.	\$ 89,398	\$ 59,467	\$ 29,931	\$ 13,426	\$ 16,505

Nine Months Ended						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
<i>September 30, 2021</i>						
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	
Communications						
Mobility	\$ 57,108	\$ 32,998	\$ 24,110	\$ 6,072	\$ 18,038	
Business Wireline	18,036	11,010	7,026	3,875	3,151	
Consumer Wireline	9,380	6,280	3,100	2,306	794	
Total Communications	84,524	50,288	34,236	12,253	21,983	
Latin America - Mexico	2,043	1,984	59	452	(393)	
Segment Total	86,567	52,272	34,295	12,705	21,590	
Corporate and Other						
Corporate:						
DTV-related retained costs	20	69	(49)	92	(141)	
Parent administration support	(12)	1,147	(1,159)	27	(1,186)	
Securitization fees	44	53	(9)	—	(9)	
Value portfolio	494	161	333	30	303	
Total Corporate	546	1,430	(884)	149	(1,033)	
Video	15,513	12,666	2,847	356	2,491	
Held-for-sale and other reclassifications	453	306	147	—	147	
Reclassification of prior service credits	—	2,011	(2,011)	—	(2,011)	
Merger & Significant Items	—	39	(39)	142	(181)	
Eliminations and consolidations	(136)	(136)	—	—	—	
Total Corporate and Other	16,376	16,316	60	647	(587)	
AT&T Inc.	\$ 102,943	\$ 68,588	\$ 34,355	\$ 13,352	\$ 21,003	

Discussion and Reconciliation of Non-GAAP Measures for Continuing Operations

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

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

Free Cash Flow

Free cash flow is defined as cash from operations and cash distributions from DIRECTV classified as investing activities minus capital expenditures and cash paid for vendor financing (classified as financing activities). Free cash flow after dividends is defined as cash from operations and cash distributions from DIRECTV, minus capital expenditures, cash paid for vendor financing and dividends on common and preferred shares. Free cash flow dividend payout ratio is defined as the percentage of dividends paid on common and preferred shares to free cash flow. We believe these metrics provide useful information to our investors because management views free cash flow as an important indicator of how much cash is generated by routine business operations, including capital expenditures and vendor financing, and from our continued economic interest in the U.S. video operations as part of our DIRECTV equity method investment, and makes decisions based on it. Management also views free cash flow as a measure of cash available to pay debt and return cash to shareowners.

Free Cash Flow and Free Cash Flow Dividend Payout Ratio				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Net cash provided by operating activities from continuing operations ¹	\$ 10,094	\$ 9,310	\$ 25,464	\$ 29,093
Add: Distributions from DIRECTV classified as investing activities	567	—	2,205	—
Less: Capital expenditures	(5,921)	(4,470)	(15,397)	(12,051)
Less: Cash paid for vendor financing	(900)	(1,019)	(4,237)	(4,013)
Free Cash Flow²	3,840	3,821	8,035	13,029
Less: Dividends paid	(2,010)	(3,748)	(7,845)	(11,319)
Free Cash Flow after Dividends	\$ 1,830	\$ 73	\$ 190	\$ 1,710
Free Cash Flow Dividend Payout Ratio	52.3 %	98.1 %	97.6 %	86.9 %

¹ Includes distributions from DIRECTV of \$392 in the third quarter and \$1,429 in the first nine months of 2022.

² For Standalone free cash flow see Exhibit 99.4.

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>				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Capital Expenditures	\$ (5,921)	\$ (4,470)	\$ (15,397)	\$ (12,051)
Cash paid for vendor financing	(900)	(1,019)	(4,237)	(4,013)
Cash paid for Capital Investment	\$ (6,821)	\$ (5,489)	\$ (19,634)	\$ (16,064)

EBITDA

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

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

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

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

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

EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Income from Continuing Operations	\$ 6,346	\$ 5,019	\$ 16,246	\$ 18,574
Additions:				
Income Tax Expense	908	1,296	3,857	4,456
Interest Expense	1,420	1,627	4,548	5,090
Equity in Net (Income) Loss of Affiliates	(392)	(183)	(1,417)	(159)
Other (Income) Expense - Net	(2,270)	(1,522)	(6,729)	(6,958)
Depreciation and amortization	4,514	4,457	13,426	13,352
EBITDA	10,526	10,694	29,931	34,355
Transaction and other costs	58	8	341	43
Benefit-related (gain) loss and other employee costs	16	(4)	217	(108)
Assets impairments and abandonment and restructuring	114	105	745	105
Adjusted EBITDA¹	\$ 10,714	\$ 10,803	\$ 31,234	\$ 34,395
Less: Video and Other dispositions	—	(568)	—	(3,811)
Standalone AT&T Adjusted EBITDA²	\$ 10,714	\$ 10,235	\$ 31,234	\$ 30,584

¹ See page 19 for additional discussion and reconciliation of adjusted items.

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

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Communications Segment				
Operating Income	\$ 7,631	\$ 7,168	\$ 21,886	\$ 21,983
Additions:				
Depreciation and amortization	4,184	4,114	12,423	12,253
EBITDA	11,815	11,282	34,309	34,236
Total Operating Revenues	29,131	28,218	86,702	84,524
Operating Income Margin	26.2 %	25.4 %	25.2 %	26.0 %
EBITDA Margin	40.6 %	40.0 %	39.6 %	40.5 %
Mobility				
Operating Income	\$ 6,419	\$ 5,987	\$ 18,484	\$ 18,038
Additions:				
Depreciation and amortization	2,042	2,035	6,118	6,072
EBITDA	8,461	8,022	24,602	24,110
Total Operating Revenues	20,278	19,138	60,279	57,108
Service Revenues	15,337	14,527	45,065	42,921
Operating Income Margin	31.7 %	31.3 %	30.7 %	31.6 %
EBITDA Margin	41.7 %	41.9 %	40.8 %	42.2 %
EBITDA Service Margin	55.2 %	55.2 %	54.6 %	56.2 %
Business Wireline				
Operating Income	\$ 882	\$ 1,002	\$ 2,451	\$ 3,151
Additions:				
Depreciation and amortization	1,342	1,304	3,954	3,875
EBITDA	2,224	2,306	6,405	7,026
Total Operating Revenues	5,668	5,938	16,903	18,036
Operating Income Margin	15.6 %	16.9 %	14.5 %	17.5 %
EBITDA Margin	39.2 %	38.8 %	37.9 %	39.0 %
Consumer Wireline				
Operating Income	\$ 330	\$ 179	\$ 951	\$ 794
Additions:				
Depreciation and amortization	800	775	2,351	2,306
EBITDA	1,130	954	3,302	3,100
Total Operating Revenues	3,185	3,142	9,520	9,380
Operating Income Margin	10.4 %	5.7 %	10.0 %	8.5 %
EBITDA Margin	35.5 %	30.4 %	34.7 %	33.0 %
Latin America Segment - Mexico				
Operating Income	\$ (63)	\$ (130)	\$ (247)	\$ (393)
Additions:				
Depreciation and amortization	164	157	494	452
EBITDA	101	27	247	59
Total Operating Revenues	785	724	2,283	2,043
Operating Income Margin	-8.0 %	-18.0 %	-10.8 %	-19.2 %
EBITDA Margin	12.9 %	3.7 %	10.8 %	2.9 %

Adjusting Items

Adjusting items include revenues and costs we consider non-operational in nature, including items arising from asset acquisitions or dispositions. We also adjust for net actuarial gains or losses associated with our pension and postemployment benefit plans due to the often-significant impact on our results (we immediately recognize this gain or loss in the income statement, pursuant to our accounting policy for the recognition of actuarial gains and losses). Consequently, our adjusted results reflect an expected return on plan assets rather than the actual return on plan assets, as included in the GAAP measure of income. Prior periods have been recast for consistency to include gains on benefit-related and other cost investments.

The tax impact of adjusting items is calculated using the effective tax rate during the quarter except for adjustments that, given their magnitude, can drive a change in the effective tax rate, in these cases we use the actual tax expense or combined marginal rate of approximately 25%.

Adjusting Items				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Operating Expenses				
Transaction and other costs	\$ 58	\$ 8	\$ 341	\$ 43
Benefit-related (gain) loss and other employee-related costs	16	(4)	217	(108)
Assets impairments and abandonment and restructuring	114	105	745	105
Adjustments to Operations and Support Expenses	188	109	1,303	40
Amortization of intangible assets	16	28	60	142
Adjustments to Operating Expenses	204	137	1,363	182
Other				
DIRECTV intangible amortization (proportionate share)	376	392	1,188	392
Benefit-related (gain) loss, transaction financing costs and other	416	—	822	(337)
Actuarial (gain) loss	(1,440)	(374)	(3,838)	(3,021)
Adjustments to Income Before Income Taxes	(444)	155	(465)	(2,784)
Tax impact of adjustments	(135)	2	(200)	(723)
Tax-related items	727	—	648	368
Adjustments to Net Income	\$ (1,036)	\$ 153	\$ (913)	\$ (2,429)

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

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

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, and Adjusted EBITDA Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Operating Income	\$ 6,012	\$ 6,237	\$ 16,505	\$ 21,003
Adjustments to Operating Expenses	204	137	1,363	182
Adjusted Operating Income	6,216	6,374	17,868	21,185
EBITDA	10,526	10,694	29,931	34,355
Adjustments to Operations and Support Expenses	188	109	1,303	40
Adjusted EBITDA	10,714	10,803	31,234	34,395
Total Operating Revenues	30,043	31,326	89,398	102,943
Operating Income Margin	20.0 %	19.9 %	18.5 %	20.4 %
Adjusted Operating Income Margin	20.7 %	20.3 %	20.0 %	20.6 %
Adjusted EBITDA Margin	35.7 %	34.5 %	34.9 %	33.4 %

Adjusted Diluted EPS				
	Third Quarter		Nine-Month Period	
	2022	2021	2022	2021
Diluted Earnings Per Share (EPS)	\$ 0.79	\$ 0.63	\$ 2.03	\$ 2.37
DIRECTV intangible amortization (proportionate share)	0.04	0.04	0.12	0.04
Actuarial (gain) loss ¹	(0.14)	(0.04)	(0.38)	(0.30)
Restructuring and impairments	0.01	0.01	0.08	0.01
Benefit-related, transaction and other costs ^{1,2}	0.08	0.02	0.19	—
Tax-related items	(0.10)	—	(0.09)	(0.05)
Adjusted EPS	\$ 0.68	\$ 0.66	\$ 1.95	\$ 2.07
Less: Video and Other dispositions	—	(0.04)	—	(0.22)
Standalone AT&T Adjusted EPS³	\$ 0.68	\$ 0.62	\$ 1.95	\$ 1.85
<i>Year-over-year growth - Adjusted</i>	9.7%		5.4%	
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,647	7,506	7,605	7,491

¹ Includes adjustments for actuarial gains or losses associated with our pension and postretirement 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 gains of \$1.4 billion in the third quarter of 2022. As a result, adjusted EPS reflects an expected return on plan assets of \$0.8 billion (based on an average expected return on plan assets of 6.75% for our pension trust and 4.50% for our VEBA trusts), rather than the actual return on plan assets of \$(3.4) billion (actual pension return of -15.4% and VEBA return of -12.2%), included in the GAAP measure of income. Adjustments also include the impact to our third-quarter 2022 benefit expense accruals that resulted from the prior-quarters 2022 remeasurements of plan assets and obligations, which included increases in the assumed discount rates.

² As of January 1, 2022, we adopted, through retrospective application, Accounting Standards Update (ASU) No. 2020-06, which requires that instruments which may be settled in cash or stock to be presumed settled in stock in calculating diluted EPS. While our intent is to settle the Mobility II preferred interests in cash, the ability to settle this instrument in AT&T shares will result in additional dilutive impact, the magnitude of which is influenced by the fair value of the Mobility II preferred interests and the average AT&T common stock price during the reporting period, which could vary from period-to-period. For these reasons, we have excluded the impact of ASU 2020-06 from our adjusted EPS calculation. The per share impact of ASU 2020-06 was to decrease reported diluted EPS \$0.02 and \$0.01 for the quarters ended September 30, 2022 and 2021, and \$0.05 and \$0.03 for the nine months ended September 30, 2022 and 2021, respectively.

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

Net Debt to Adjusted EBITDA

Net Debt to EBITDA ratios are non-GAAP financial measures frequently used by investors and credit rating agencies and management believes these measures provide relevant and useful information to investors and other users of our financial data. Our Net Debt to Adjusted EBITDA ratio is calculated by dividing the Net Debt by the sum of the most recent four quarters Adjusted EBITDA. Net Debt is calculated by subtracting cash and cash equivalents and certificates of deposit and time deposits that are greater than 90 days, from the sum of debt maturing within one year and long-term debt.

Net Debt to Adjusted EBITDA - 2022					
<i>Dollars in millions</i>					
	Three Months Ended				
	Dec. 31, 2021 ¹	March 31, 2022 ¹	June 30, 2022 ¹	Sept. 30, 2022 ¹	Four Quarters
Adjusted EBITDA	\$ 9,480	\$ 10,190	\$ 10,330	\$ 10,714	\$ 40,714
End-of-period current debt					9,626
End-of-period long-term debt					123,854
Total End-of-Period Debt					133,480
Less: Cash and Cash Equivalents					2,423
Net Debt Balance					131,057
Annualized Net Debt to Adjusted EBITDA Ratio					3.22

¹ As reported in Exhibit 99.4.

Net Debt to Adjusted EBITDA - 2021					
<i>Dollars in millions</i>					
	Three Months Ended				
	Dec. 31, 2020 ¹	March 31, 2021 ¹	June 30, 2021 ¹	Sept. 30, 2021 ¹	Four Quarters
Adjusted EBITDA	\$ 10,590	\$ 11,661	\$ 11,931	\$ 10,803	\$ 44,985
End-of-period current debt					23,712
End-of-period long-term debt					153,652
Total End-of-Period Debt					177,364
Less: Cash and Cash Equivalents					18,485
Net Debt Balance					158,879
Annualized Net Debt to Adjusted EBITDA Ratio					3.53

¹ As reported in Exhibit 99.4.

Supplemental Operational Measures

We provide a supplemental discussion of our business solutions operations that is calculated by combining our Mobility and Business Wireline operating units, and then adjusting to remove non-business operations. The following table presents a reconciliation of our supplemental Business Solutions results.

Supplemental Operational Measure								
Third Quarter								
	September 30, 2022				September 30, 2021			
	Mobility	Business Wireline	Adjustments ¹	Business Solutions	Mobility	Business Wireline	Adjustments ¹	Business Solutions
Operating Revenues								
Wireless service	\$ 15,337	\$ —	\$ (13,115)	\$ 2,222	\$ 14,527	\$ —	\$ (12,468)	\$ 2,059
Wireline service	—	5,524	—	5,524	—	5,765	—	5,765
Wireless equipment	4,941	—	(4,082)	859	4,611	—	(3,798)	813
Wireline equipment	—	144	—	144	—	173	—	173
Total Operating Revenues	20,278	5,668	(17,197)	8,749	19,138	5,938	(16,266)	8,810
Operating Expenses								
Operations and support	11,817	3,444	(9,730)	5,531	11,116	3,632	(9,167)	5,581
EBITDA	8,461	2,224	(7,467)	3,218	8,022	2,306	(7,099)	3,229
Depreciation and amortization	2,042	1,342	(1,685)	1,699	2,035	1,304	(1,688)	1,651
Total Operating Expenses	13,859	4,786	(11,415)	7,230	13,151	4,936	(10,855)	7,232
Operating Income	6,419	882	(5,782)	1,519	5,987	1,002	(5,411)	1,578

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

Supplemental Operational Measure								
Nine-Month Period								
	September 30, 2022				September 30, 2021			
	Mobility	Business Wireline	Adjustments ¹	Business Solutions	Mobility	Business Wireline	Adjustments ¹	Business Solutions
Operating Revenues								
Wireless service	\$ 45,065	\$ —	\$ (38,534)	\$ 6,531	\$ 42,921	\$ —	\$ (36,868)	\$ 6,053
Wireline service	—	16,418	—	16,418	—	17,497	—	17,497
Wireless equipment	15,214	—	(12,582)	2,632	14,187	—	(11,803)	2,384
Wireline equipment	—	485	—	485	—	539	—	539
Total Operating Revenues	60,279	16,903	(51,116)	26,066	57,108	18,036	(48,671)	26,473
Operating Expenses								
Operations and support	35,677	10,498	(29,352)	16,823	32,998	11,010	(27,265)	16,743
EBITDA	24,602	6,405	(21,764)	9,243	24,110	7,026	(21,406)	9,730
Depreciation and amortization	6,118	3,954	(5,047)	5,025	6,072	3,875	(5,044)	4,903
Total Operating Expenses	41,795	14,452	(34,399)	21,848	39,070	14,885	(32,309)	21,646
Operating Income	18,484	2,451	(16,717)	4,218	18,038	3,151	(16,362)	4,827

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

