

3rd QUARTER EARNINGS 2023

Financial and Operational Schedules & Non-GAAP Reconciliations

October 19, 2023

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	
	2023	2022	Change	2023	2022	Change	
Operating Revenues							
Service	\$ 25,112	\$ 24,731	1.5 %	\$ 74,579	\$ 72,998	2.2 %	
Equipment	5,238	5,312	(1.4)%	15,827	16,400	(3.5)%	
Total Operating Revenues	30,350	30,043	1.0 %	90,406	89,398	1.1 %	
Operating Expenses							
Cost of revenues							
Equipment	5,219	5,440	(4.1)%	15,933	17,010	(6.3)%	
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	6,835	6,761	1.1 %	20,279	20,267	0.1 %	
Selling, general and administrative	7,205	7,202	— %	21,389	21,445	(0.3)%	
Asset impairments and abandonments and restructuring	604	114	— %	604	745	(18.9)%	
Depreciation and amortization	4,705	4,514	4.2 %	14,011	13,426	4.4 %	
Total Operating Expenses	24,568	24,031	2.2 %	72,216	72,893	(0.9)%	
Operating Income	5,782	6,012	(3.8)%	18,190	16,505	10.2 %	
Interest Expense	1,662	1,420	17.0 %	4,978	4,548	9.5 %	
Equity in Net Income of Affiliates	420	392	7.1 %	1,338	1,417	(5.6)%	
Other Income (Expense) — Net	440	2,270	(80.6)%	2,362	6,729	(64.9)%	
Income from Continuing Operations Before Income Taxes	4,980	7,254	(31.3)%	16,912	20,103	(15.9)%	
Income tax expense on continuing operations	1,154	908	27.1 %	3,871	3,857	0.4 %	
Income From Continuing Operations	3,826	6,346	(39.7)%	13,041	16,246	(19.7)%	
Income (loss) from discontinued operations, net of tax	—	53	— %	—	(146)	— %	
Net Income	3,826	6,399	(40.2)%	13,041	16,100	(19.0)%	
Less: Net Income Attributable to Noncontrolling Interest	(331)	(373)	11.3 %	(829)	(1,107)	25.1 %	
Net Income Attributable to AT&T	\$ 3,495	\$ 6,026	(42.0)%	\$ 12,212	\$ 14,993	(18.5)%	
Less: Preferred Stock Dividends	(51)	(49)	(4.1)%	(155)	(149)	(4.0)%	
Net Income Attributable to Common Stock	\$ 3,444	\$ 5,977	(42.4)%	\$ 12,057	\$ 14,844	(18.8)%	
Basic Earnings (Loss) Per Share Attributable to Common Stock							
From continuing operations	\$ 0.48	\$ 0.82	(41.5)%	\$ 1.67	\$ 2.08	(19.7)%	
From discontinued operations	\$ —	\$ 0.01	— %	\$ —	\$ (0.02)	— %	
	\$ 0.48	\$ 0.83	(42.2)%	\$ 1.67	\$ 2.06	(18.9)%	
Weighted Average Common Shares Outstanding (000,000)	7,185	7,153	0.4 %	7,178	7,169	0.1 %	
Diluted Earnings (Loss) Per Share Attributable to Common Stock							
From continuing operations	\$ 0.48	\$ 0.79	(39.2)%	\$ 1.67	\$ 2.03	(17.7)%	
From discontinued operations	\$ —	\$ 0.01	— %	\$ —	\$ (0.02)	— %	
	\$ 0.48	\$ 0.80	(40.0)%	\$ 1.67	\$ 2.01	(16.9)%	
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,185	7,647	(6.0)%	7,280	7,605	(4.3)%	

AT&T Inc.
Financial Data

Consolidated Balance Sheets		
<i>Dollars in millions</i>		
<i>Unaudited</i>	Sep. 30,	Dec. 31,
	2023	2022
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,540	\$ 3,701
Accounts receivable – net of related allowances for credit loss of \$484 and \$588	8,962	11,466
Inventories	2,520	3,123
Prepaid and other current assets	16,598	14,818
Total current assets	35,620	33,108
Property, Plant and Equipment – Net	128,496	127,445
Goodwill – Net	67,854	67,895
Licenses – Net	127,113	124,092
Other Intangible Assets – Net	5,332	5,354
Investments in and Advances to Equity Affiliates	1,847	3,533
Operating Lease Right-Of-Use Assets	21,001	21,814
Other Assets	19,435	19,612
Total Assets	\$ 406,698	\$ 402,853
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 11,302	\$ 7,467
Note payable to DIRECTV	—	130
Accounts payable and accrued liabilities	34,659	42,644
Advanced billings and customer deposits	3,703	3,918
Dividends payable	2,020	2,014
Total current liabilities	51,684	56,173
Long-Term Debt	126,701	128,423
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	58,671	57,032
Postemployment benefit obligation	6,494	7,260
Operating lease liabilities	17,730	18,659
Other noncurrent liabilities	25,591	28,849
Total deferred credits and other noncurrent liabilities	108,486	111,800
Redeemable Noncontrolling Interest	1,972	—
Stockholders' Equity		
Preferred stock	—	—
Common stock	7,621	7,621
Additional paid-in capital	116,890	123,610
Retained (deficit) earnings	(7,203)	(19,415)
Treasury stock	(16,150)	(17,082)
Accumulated other comprehensive income	2,545	2,766
Noncontrolling interest	14,152	8,957
Total stockholders' equity	117,855	106,457
Total Liabilities and Stockholders' Equity	\$ 406,698	\$ 402,853

AT&T Inc.
Financial Data

Consolidated Statements of Cash Flows		
<i>Dollars in millions</i>		
<i>Unaudited</i>		
	Nine-Month Period	
	2023	2022
Operating Activities		
Income from continuing operations	\$ 13,041	\$ 16,246
Adjustments to reconcile income from continuing operations to net cash provided by operating activities from continuing operations:		
Depreciation and amortization	14,011	13,426
Provision for uncollectible accounts	1,409	1,323
Deferred income tax expense	3,163	2,947
Net (gain) loss on investments, net of impairments	335	412
Pension and postretirement benefit expense (credit)	(1,966)	(2,529)
Actuarial and settlement (gain) loss on pension and postretirement benefits - net	(145)	(3,838)
Asset impairments and abandonments and restructuring	604	745
Changes in operating assets and liabilities:		
Receivables	1,173	1,021
Other current assets	57	(799)
Accounts payable and other accrued liabilities	(5,062)	(3,261)
Equipment installment receivables and related sales	(56)	906
Deferred customer contract acquisition and fulfillment costs	47	(756)
Postretirement claims and contributions	(715)	(443)
Other - net	1,040	64
Total adjustments	13,895	9,218
Net Cash Provided by Operating Activities from Continuing Operations	26,936	25,464
Investing Activities		
Capital expenditures	(13,252)	(15,397)
Acquisitions, net of cash acquired	(923)	(9,959)
Dispositions	66	49
Distributions from DIRECTV in excess of cumulative equity in earnings	1,447	2,205
(Purchases), sales and settlements of securities and investments - net	(1,043)	93
Other - net	(81)	(2)
Net Cash Used in Investing Activities from Continuing Operations	(13,786)	(23,011)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	(914)	84
Issuance of other short-term borrowings	5,406	3,955
Repayment of other short-term borrowings	(979)	(16,861)
Issuance of long-term debt	9,633	479
Repayment of long-term debt	(11,889)	(24,412)
Repayment of note payable to DIRECTV	(130)	(1,070)
Payment of vendor financing	(4,736)	(4,237)
Purchase of treasury stock	(190)	(875)
Issuance of treasury stock	3	28
Issuance of preferred interests in subsidiary	7,151	—
Redemption of preferred interests in subsidiary	(5,333)	—
Dividends paid	(6,116)	(7,845)
Other - net	(1,190)	(3,649)
Net Cash Used in Financing Activities from Continuing Operations	(9,284)	(54,403)
Net increase (decrease) in cash and cash equivalents and restricted cash from continuing operations	3,866	(51,950)
Cash flows from Discontinued Operations:		
Cash (used in) provided by operating activities	—	(3,754)
Cash provided by (used in) investing activities	—	1,029
Cash provided by (used in) financing activities	—	35,853
Net increase (decrease) in cash and cash equivalents and restricted cash from discontinued operations	—	33,128
Net increase (decrease) in cash and cash equivalents and restricted cash	\$ 3,866	\$ (18,822)
Cash and cash equivalents and restricted cash beginning of year	3,793	21,316
Cash and Cash Equivalents and Restricted Cash End of Period	\$ 7,659	\$ 2,494

AT&T Inc.
Consolidated Supplementary Data

Supplementary Financial Data						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>	Third Quarter		Percent Change	Nine-Month Period		Percent Change
	2023	2022		2023	2022	
Capital expenditures						
Purchase of property and equipment	\$ 4,601	\$ 5,874	(21.7)%	\$13,116	\$ 15,273	(14.1) %
Interest during construction - capital expenditures	46	47	(2.1)%	136	124	9.7 %
Total Capital Expenditures	\$ 4,647	\$ 5,921	(21.5)%	\$13,252	\$ 15,397	(13.9) %
Acquisitions, net of cash acquired						
Business acquisitions	\$ —	\$ —	— %	\$ —	\$ —	— %
Spectrum acquisitions	241	111	— %	309	9,076	(96.6) %
Interest during construction - spectrum	167	278	(39.9)%	614	883	(30.5) %
Total Acquisitions	\$ 408	\$ 389	4.9 %	\$ 923	\$ 9,959	(90.7) %
Cash paid for interest - continuing operations	\$ 2,099	\$ 1,953	7.5 %	\$ 5,703	\$ 5,981	(4.6) %
Cash paid for income taxes, net of refunds - continuing operations	\$ 423	\$ 62	— %	\$ 758	\$ 400	89.5 %
Dividends Declared per Common Share	\$ 0.2775	\$ 0.2775	— %	\$0.8325	\$ 0.8325	— %
End of Period Common Shares Outstanding (000,000)				7,150	7,126	0.3 %
Debt Ratio				53.5 %	48.8 %	470 BP
Total Employees				152,740	169,880	(10.1) %

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 remove prior service credits from our historical reporting.

Segment Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2023	2022	Change	2023	2022	Change
Segment Operating Revenues						
Mobility	\$ 20,692	\$ 20,278	2.0 %	\$ 61,589	\$ 60,279	2.2 %
Business Wireline	5,221	5,668	(7.9)%	15,831	16,903	(6.3)%
Consumer Wireline	3,331	3,185	4.6 %	9,821	9,520	3.2 %
Total Segment Operating Revenues	29,244	29,131	0.4 %	87,241	86,702	0.6 %
Segment Operating Income						
Mobility	6,763	6,226	8.6 %	19,647	17,963	9.4 %
Business Wireline	350	621	(43.6)%	1,124	1,750	(35.8)%
Consumer Wireline	160	142	12.7 %	422	446	(5.4)%
Total Segment Operating Income	\$ 7,273	\$ 6,989	4.1 %	\$ 21,193	\$ 20,159	5.1 %

Supplementary Operating Data			
<i>Subscribers and connections in thousands</i>			
<i>Unaudited</i>			
	September 30,		Percent
	2023	2022	Change
Broadband Connections			
Broadband	15,065	15,112	(0.3)%
DSL	231	340	(32.1)%
Total Broadband Connections	15,296	15,452	(1.0)%
Voice Connections			
Retail Consumer Switched Access Lines	4,421	5,466	(19.1)%
Consumer VoIP Connections	2,649	3,022	(12.3)%
Total Retail Consumer Voice Connections	7,070	8,488	(16.7)%
	Third Quarter		Percent
	2023	2022	Change
Broadband Net Additions			
Broadband	20	(24)	— %
DSL	(28)	(33)	15.2 %
Total Broadband Net Additions	(8)	(57)	86.0 %

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
	2023	2022	Change	2023	2022	Change
Operating Revenues						
Service	\$ 15,908	\$ 15,337	3.7 %	\$ 47,136	\$ 45,065	4.6 %
Equipment	4,784	4,941	(3.2) %	14,453	15,214	(5.0) %
Total Operating Revenues	20,692	20,278	2.0 %	61,589	60,279	2.2 %
Operating Expenses						
Operations and support	11,795	12,010	(1.8) %	35,587	36,198	(1.7) %
Depreciation and amortization	2,134	2,042	4.5 %	6,355	6,118	3.9 %
Total Operating Expenses	13,929	14,052	(0.9) %	41,942	42,316	(0.9) %
Operating Income	\$ 6,763	\$ 6,226	8.6 %	\$ 19,647	\$ 17,963	9.4 %
Operating Income Margin	32.7 %	30.7 %	200 BP	31.9 %	29.8 %	210 BP

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,		Percent			
	2023	2022	Change			
Mobility Subscribers						
Postpaid	86,365	83,614	3.3 %			
Postpaid phone	70,757	68,969	2.6 %			
Prepaid	19,391	19,215	0.9 %			
Reseller	7,101	5,854	21.3 %			
Connected Devices	122,728	101,995	20.3 %			
Total Mobility Subscribers¹	235,585	210,678	11.8 %			
¹ Wireless subscribers at September 30, 2023 includes an increase of 295 subscribers and connections (206 postpaid, including 74 phone, and 89 connected devices) resulting from our 3G network shutdown.						
	Third Quarter		Percent	Nine-Month Period		Percent
	2023	2022	Change	2023	2022	Change
Mobility Net Additions						
Postpaid Phone Net Additions	468	708	(33.9) %	1,218	2,212	(44.9) %
Total Phone Net Additions	494	816	(39.5) %	1,407	2,629	(46.5) %
Postpaid	550	964	(42.9) %	1,556	2,987	(47.9) %
Prepaid	56	141	(60.3) %	263	488	(46.1) %
Reseller	401	308	30.2 %	941	312	— %
Connected Devices	5,547	5,716	(3.0) %	15,133	15,476	(2.2) %
Total Mobility Net Additions	6,554	7,129	(8.1) %	17,893	19,263	(7.1) %
Postpaid Churn	0.95 %	1.01 %	(6) BP	0.97 %	0.96 %	1 BP
Postpaid Phone-Only Churn	0.79 %	0.84 %	(5) BP	0.80 %	0.79 %	1 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
	2023	2022	Change	2023	2022	Change
Operating Revenues						
Service	\$ 5,087	\$ 5,524	(7.9) %	\$ 15,401	\$ 16,418	(6.2) %
Equipment	134	144	(6.9) %	430	485	(11.3) %
Total Operating Revenues	5,221	5,668	(7.9) %	15,831	16,903	(6.3) %
Operating Expenses						
Operations and support	3,526	3,705	(4.8) %	10,699	11,199	(4.5) %
Depreciation and amortization	1,345	1,342	0.2 %	4,008	3,954	1.4 %
Total Operating Expenses	4,871	5,047	(3.5) %	14,707	15,153	(2.9) %
Operating Income	\$ 350	\$ 621	(43.6) %	\$ 1,124	\$ 1,750	(35.8) %
Operating Income Margin	6.7 %	11.0 %	(430) BP	7.1 %	10.4 %	(330) BP

Consumer Wireline

Consumer Wireline provides broadband services, including fiber connections that provide our multi-gig services to residential customers in select locations. 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
	2023	2022	Change	2023	2022	Change
Operating Revenues						
Broadband	\$ 2,667	\$ 2,429	9.8 %	\$ 7,755	\$ 7,177	8.1 %
Legacy voice and data services	368	427	(13.8) %	1,147	1,332	(13.9) %
Other service and equipment	296	329	(10.0) %	919	1,011	(9.1) %
Total Operating Revenues	3,331	3,185	4.6 %	9,821	9,520	3.2 %
Operating Expenses						
Operations and support	2,300	2,243	2.5 %	6,810	6,723	1.3 %
Depreciation and amortization	871	800	8.9 %	2,589	2,351	10.1 %
Total Operating Expenses	3,171	3,043	4.2 %	9,399	9,074	3.6 %
Operating Income	\$ 160	\$ 142	12.7 %	\$ 422	\$ 446	(5.4) %
Operating Income Margin	4.8 %	4.5 %	30 BP	4.3 %	4.7 %	(40) BP

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,		Percent			Percent
	2023	2022	Change			Change
Broadband Connections						
Total Broadband and DSL Connections	13,887	14,055	(1.2) %			
Broadband	13,710	13,796	(0.6) %			
Fiber Broadband Connections	8,034	6,935	15.8 %			
Voice Connections						
Retail Consumer Switched Access Lines	1,737	2,123	(18.2) %			
Consumer VoIP Connections	2,035	2,409	(15.5) %			
Total Retail Consumer Voice Connections	3,772	4,532	(16.8) %			
	Third Quarter		Percent	Nine-Month Period		Percent
	2023	2022	Change	2023	2022	Change
Broadband Net Additions						
Total Broadband and DSL Net Additions	(8)	(50)	84.0 %	(104)	(105)	1.0 %
Broadband Net Additions	15	(29)	— %	(43)	(49)	12.2 %
Fiber Broadband Net Additions	296	338	(12.4) %	819	943	(13.1) %

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	
	2023	2022	Change	2023	2022	Change	
Operating Revenues							
Wireless service	\$ 672	\$ 559	20.2 %	\$ 1,898	\$ 1,583	19.9 %	
Wireless equipment	320	226	41.6 %	944	700	34.9 %	
Total Segment Operating Revenues	992	785	26.4 %	2,842	2,283	24.5 %	
Operating Expenses							
Operations and support	837	684	22.4 %	2,396	2,036	17.7 %	
Depreciation and amortization	184	164	12.2 %	544	494	10.1 %	
Total Segment Operating Expenses	1,021	848	20.4 %	2,940	2,530	16.2 %	
Operating Income (Loss)	\$ (29)	\$ (63)	54.0 %	\$ (98)	\$ (247)	60.3 %	
Operating Income Margin	(2.9)%	(8.0)%	510 BP	(3.4)%	(10.8)%	740 BP	

Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	September 30,		Percent	
	2023	2022	Change	
Mexico Wireless Subscribers				
Postpaid	5,085	4,854	4.8 %	
Prepaid	16,213	15,689	3.3 %	
Reseller	456	455	0.2 %	
Total Mexico Wireless Subscribers	21,754	20,998	3.6 %	
	Third Quarter		Percent	Percent
	2023	2022	Change	Change
Mexico Wireless Net Additions				
Postpaid	55	19	— %	— %
Prepaid	17	267	(93.6) %	(98.6) %
Reseller	(7)	12	— %	58.1 %
Total Mexico Wireless Net Additions	65	298	(78.2) %	(76.3) %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
September 30, 2023					
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)
Communications					
Mobility	\$ 20,692	\$ 11,795	\$ 8,897	\$ 2,134	\$ 6,763
Business Wireline	5,221	3,526	1,695	1,345	350
Consumer Wireline	3,331	2,300	1,031	871	160
Total Communications	29,244	17,621	11,623	4,350	7,273
Latin America - Mexico	992	837	155	184	(29)
Segment Total	30,236	18,458	11,778	4,534	7,244
Corporate and Other					
Corporate:					
DTV-related retained costs	—	167	(167)	144	(311)
Parent administration support	(1)	333	(334)	1	(335)
Securitization fees	25	164	(139)	—	(139)
Value portfolio	90	25	65	5	60
Total Corporate	114	689	(575)	150	(725)
Certain significant items	—	716	(716)	21	(737)
Total Corporate and Other	114	1,405	(1,291)	171	(1,462)
AT&T Inc.	\$ 30,350	\$ 19,863	\$ 10,487	\$ 4,705	\$ 5,782
<i>September 30, 2022</i>					
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)
Communications					
Mobility	\$ 20,278	\$ 12,010	\$ 8,268	\$ 2,042	\$ 6,226
Business Wireline	5,668	3,705	1,963	1,342	621
Consumer Wireline	3,185	2,243	942	800	142
Total Communications	29,131	17,958	11,173	4,184	6,989
Latin America - Mexico	785	684	101	164	(63)
Segment Total	29,916	18,642	11,274	4,348	6,926
Corporate and Other					
Corporate:					
DTV-related retained costs	—	235	(235)	139	(374)
Parent administration support	(6)	317	(323)	2	(325)
Securitization fees	15	103	(88)	—	(88)
Value portfolio	118	32	86	9	77
Total Corporate	127	687	(560)	150	(710)
Certain significant items	—	188	(188)	16	(204)
Total Corporate and Other	127	875	(748)	166	(914)
AT&T Inc.	\$ 30,043	\$ 19,517	\$ 10,526	\$ 4,514	\$ 6,012

SUPPLEMENTAL SEGMENT RECONCILIATION

Nine Months Ended						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
<i>September 30, 2023</i>						
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	
Communications						
Mobility	\$ 61,589	\$ 35,587	\$ 26,002	\$ 6,355	\$ 19,647	
Business Wireline	15,831	10,699	5,132	4,008	1,124	
Consumer Wireline	9,821	6,810	3,011	2,589	422	
Total Communications	87,241	53,096	34,145	12,952	21,193	
Latin America - Mexico	2,842	2,396	446	544	(98)	
Segment Total	90,083	55,492	34,591	13,496	21,095	
Corporate and Other						
Corporate:						
DTV-related retained costs	—	514	(514)	440	(954)	
Parent administration support	(13)	1,039	(1,052)	4	(1,056)	
Securitization fees	61	439	(378)	—	(378)	
Value portfolio	275	77	198	16	182	
Total Corporate	323	2,069	(1,746)	460	(2,206)	
Certain significant items	—	644	(644)	55	(699)	
Total Corporate and Other	323	2,713	(2,390)	515	(2,905)	
AT&T Inc.	\$ 90,406	\$ 58,205	\$ 32,201	\$ 14,011	\$ 18,190	
<i>September 30, 2022</i>						
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	
Communications						
Mobility	\$ 60,279	\$ 36,198	\$ 24,081	\$ 6,118	\$ 17,963	
Business Wireline	16,903	11,199	5,704	3,954	1,750	
Consumer Wireline	9,520	6,723	2,797	2,351	446	
Total Communications	86,702	54,120	32,582	12,423	20,159	
Latin America - Mexico	2,283	2,036	247	494	(247)	
Segment Total	88,985	56,156	32,829	12,917	19,912	
Corporate and Other						
Corporate:						
DTV-related retained costs	8	634	(626)	408	(1,034)	
Parent administration support	(24)	1,005	(1,029)	12	(1,041)	
Securitization fees	48	263	(215)	—	(215)	
Value portfolio	381	106	275	29	246	
Total Corporate	413	2,008	(1,595)	449	(2,044)	
Certain significant items	—	1,303	(1,303)	60	(1,363)	
Total Corporate and Other	413	3,311	(2,898)	509	(3,407)	
AT&T Inc.	\$ 89,398	\$ 59,467	\$ 29,931	\$ 13,426	\$ 16,505	

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).

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 classified as investing activities, 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	
	2023	2022	2023	2022
Net cash provided by operating activities from continuing operations ¹	\$ 10,336	\$ 10,094	\$ 26,936	\$ 25,464
Add: Distributions from DIRECTV classified as investing activities	473	567	1,447	2,205
Less: Capital expenditures	(4,647)	(5,921)	(13,252)	(15,397)
Less: Cash paid for vendor financing	(980)	(900)	(4,736)	(4,237)
Free Cash Flow	5,182	3,840	10,395	8,035
Less: Dividends paid	(2,019)	(2,010)	(6,116)	(7,845)
Free Cash Flow after Dividends	\$ 3,163	\$ 1,830	\$ 4,279	\$ 190
Free Cash Flow Dividend Payout Ratio	39.0 %	52.3 %	58.8 %	97.6 %

¹ Includes distributions from DIRECTV of \$423 and \$1,334 in the third quarter and for the first nine months of 2023, and \$392 and \$1,429 in the third quarter and for the first nine months of 2022.

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	
	2023	2022	2023	2022
Capital Expenditures	\$ (4,647)	\$ (5,921)	\$ (13,252)	\$ (15,397)
Cash paid for vendor financing	(980)	(900)	(4,736)	(4,237)
Cash paid for Capital Investment	\$ (5,627)	\$ (6,821)	\$ (17,988)	\$ (19,634)

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	
	2023	2022	2023	2022
Income from Continuing Operations	\$ 3,826	\$ 6,346	\$ 13,041	\$ 16,246
Additions:				
Income Tax Expense	1,154	908	3,871	3,857
Interest Expense	1,662	1,420	4,978	4,548
Equity in Net (Income) of Affiliates	(420)	(392)	(1,338)	(1,417)
Other (Income) Expense - Net	(440)	(2,270)	(2,362)	(6,729)
Depreciation and amortization	4,705	4,514	14,011	13,426
EBITDA	10,487	10,526	32,201	29,931
Transaction and other costs	72	58	72	341
Benefit-related (gain) loss	40	16	(32)	217
Asset impairments and abandonments and restructuring	604	114	604	745
Adjusted EBITDA¹	\$ 11,203	\$ 10,714	\$ 32,845	\$ 31,234

¹ See "Adjusting Items" section for additional discussion and reconciliation of adjusted items.

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin

Dollars in millions

	Third Quarter		Nine-Month Period	
	2023	2022	2023	2022
Communications Segment				
Operating Income	\$ 7,273	\$ 6,989	\$ 21,193	\$ 20,159
Add: Depreciation and amortization	4,350	4,184	12,952	12,423
EBITDA	\$ 11,623	\$ 11,173	\$ 34,145	\$ 32,582
Total Operating Revenues	\$ 29,244	\$ 29,131	\$ 87,241	\$ 86,702
Operating Income Margin	24.9 %	24.0 %	24.3 %	23.3 %
EBITDA Margin	39.7 %	38.4 %	39.1 %	37.6 %
Mobility				
Operating Income	\$ 6,763	\$ 6,226	\$ 19,647	\$ 17,963
Add: Depreciation and amortization	2,134	2,042	6,355	6,118
EBITDA	\$ 8,897	\$ 8,268	\$ 26,002	\$ 24,081
Total Operating Revenues	\$ 20,692	\$ 20,278	\$ 61,589	\$ 60,279
Service Revenues	15,908	15,337	47,136	45,065
Operating Income Margin	32.7 %	30.7 %	31.9 %	29.8 %
EBITDA Margin	43.0 %	40.8 %	42.2 %	39.9 %
EBITDA Service Margin	55.9 %	53.9 %	55.2 %	53.4 %
Business Wireline				
Operating Income	\$ 350	\$ 621	\$ 1,124	\$ 1,750
Add: Depreciation and amortization	1,345	1,342	4,008	3,954
EBITDA	\$ 1,695	\$ 1,963	\$ 5,132	\$ 5,704
Total Operating Revenues	\$ 5,221	\$ 5,668	\$ 15,831	\$ 16,903
Operating Income Margin	6.7 %	11.0 %	7.1 %	10.4 %
EBITDA Margin	32.5 %	34.6 %	32.4 %	33.7 %
Consumer Wireline				
Operating Income	\$ 160	\$ 142	\$ 422	\$ 446
Add: Depreciation and amortization	871	800	2,589	2,351
EBITDA	\$ 1,031	\$ 942	\$ 3,011	\$ 2,797
Total Operating Revenues	\$ 3,331	\$ 3,185	\$ 9,821	\$ 9,520
Operating Income Margin	4.8 %	4.5 %	4.3 %	4.7 %
EBITDA Margin	31.0 %	29.6 %	30.7 %	29.4 %
Latin America Segment				
Operating Income (Loss)	\$ (29)	\$ (63)	\$ (98)	\$ (247)
Add: Depreciation and amortization	184	164	544	494
EBITDA	\$ 155	\$ 101	\$ 446	\$ 247
Total Operating Revenues	\$ 992	\$ 785	\$ 2,842	\$ 2,283
Operating Income Margin	-2.9 %	-8.0 %	-3.4 %	-10.8 %
EBITDA Margin	15.6 %	12.9 %	15.7 %	10.8 %

Adjusting Items

Adjusting items include revenues and costs we consider non-operational in nature, including items arising from asset acquisitions or dispositions, including the amortization of intangible assets. While the expense associated with the amortization of certain wireless licenses and customer lists is excluded, the revenue of the acquired companies is reflected in the measure and that those assets contribute to revenue generation. 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>				
	Third Quarter		Nine-Month Period	
	2023	2022	2023	2022
Operating Expenses				
Transaction and other costs	\$ 72	\$ 58	\$ 72	\$ 341
Benefit-related (gain) loss	40	16	(32)	217
Assets impairments and abandonment and restructuring	604	114	604	745
Adjustments to Operations and Support Expenses	716	188	644	1,303
Amortization of intangible assets	21	16	55	60
Adjustments to Operating Expenses	737	204	699	1,363
Other				
DIRECTV intangible amortization (proportionate share)	310	376	975	1,188
Benefit-related (gain) loss, impairment of equity investment and other	507	416	314	822
Actuarial and settlement (gain) loss - net	(71)	(1,440)	(145)	(3,838)
Adjustments to Income Before Income Taxes	1,483	(444)	1,843	(465)
Tax impact of adjustments	325	(135)	406	(200)
Tax-related items	—	727	—	648
Adjustments to Net Income	\$ 1,158	\$ (1,036)	\$ 1,437	\$ (913)

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	
	2023	2022	2023	2022
Operating Income	\$ 5,782	\$ 6,012	\$ 18,190	\$ 16,505
Adjustments to Operating Expenses	737	204	699	1,363
Adjusted Operating Income	\$ 6,519	\$ 6,216	\$ 18,889	\$ 17,868
EBITDA	\$ 10,487	\$ 10,526	\$ 32,201	\$ 29,931
Adjustments to Operations and Support Expenses	716	188	644	1,303
Adjusted EBITDA	\$ 11,203	\$ 10,714	\$ 32,845	\$ 31,234
Total Operating Revenues	\$ 30,350	\$ 30,043	\$ 90,406	\$ 89,398
Operating Income Margin	19.1 %	20.0 %	20.1 %	18.5 %
Adjusted Operating Income Margin	21.5 %	20.7 %	20.9 %	20.0 %
Adjusted EBITDA Margin	36.9 %	35.7 %	36.3 %	34.9 %

Adjusted Diluted EPS				
	Third Quarter		Nine-Month Period	
	2023	2022	2023	2022
Diluted Earnings Per Share (EPS)	\$ 0.48	\$ 0.79	\$ 1.67	\$ 2.03
DIRECTV intangible amortization (proportionate share)	0.03	0.04	0.10	0.12
Actuarial and settlement (gain) loss - net ¹	(0.01)	(0.14)	(0.02)	(0.38)
Restructuring and impairments	0.11	0.01	0.11	0.08
Benefit-related, transaction and other costs ²	0.03	0.08	0.01	0.19
Tax-related items	—	(0.10)	—	(0.09)
Adjusted EPS	\$ 0.64	\$ 0.68	\$ 1.87	\$ 1.95
<i>Year-over-year growth - Adjusted</i>	-5.9%		-4.1%	
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,185	7,647	7,280	7,605

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 \$0.1 billion in the third quarter of 2023. As a result, adjusted EPS reflects an expected return on plan assets of \$0.6 billion (based on an average annual expected return on plan assets of 7.5% for our pension trust), rather than the actual return on plan assets of \$(1.5) billion (actual pension return of (5.0)%), included in the GAAP measure of income.

² As of January 1, 2022, we adopted 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 was to settle the Mobility II preferred interests in cash, the ability to settle this instrument in AT&T shares resulted in additional dilutive impact, the magnitude of which was 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 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 \$0.00 and \$0.02 for the quarters ended September 30, 2023 and 2022, and \$0.01 and \$0.05 for the nine months ended September 30, 2023 and 2022, respectively. The Mobility II preferred interests were repurchased on April 5, 2023.

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 deposits at financial institutions that are greater than 90 days (e.g., certificates of deposit and time deposits), from the sum of debt maturing within one year and long-term debt.

Net Debt to Adjusted EBITDA - 2023					
<i>Dollars in millions</i>					
	Three Months Ended				Four Quarters
	Dec. 31, 2022 ¹	March 31, 2023 ¹	June 30, 2023 ¹	Sept. 30, 2023	
Adjusted EBITDA	\$ 10,231	\$ 10,589	\$ 11,053	\$ 11,203	\$ 43,076
End-of-period current debt					11,302
End-of-period long-term debt					126,701
Total End-of-Period Debt					138,003
Less: Cash and Cash Equivalents					7,540
Less: Time Deposits					1,750
Net Debt Balance					128,713
Annualized Net Debt to Adjusted EBITDA Ratio					2.99

¹ As reported in AT&T's Form 8-K filed July 26, 2023.

Net Debt to Adjusted EBITDA - 2022					
<i>Dollars in millions</i>					
	Three Months Ended				Four Quarters
	Dec. 31, 2021 ¹	March 31, 2022 ¹	June 30, 2022 ¹	Sept. 30, 2022 ¹	
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 AT&T's Form 8-K filed July 26, 2023.

Supplemental Operational Measures

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. Our supplemental presentation of business solutions operations 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, 2023				September 30, 2022				Percent Change	
	Mobility	Business Wireline	Adj. ¹	Business Solutions	Mobility	Business Wireline	Adj. ¹	Business Solutions		
Operating Revenues										
Wireless service	\$ 15,908	\$ —	\$ (13,530)	\$ 2,378	\$ 15,337	\$ —	\$ (13,115)	\$ 2,222	7.0 %	
Wireline service	—	5,087	—	5,087	—	5,524	—	5,524	(7.9) %	
Wireless equipment	4,784	—	(4,012)	772	4,941	—	(4,082)	859	(10.1) %	
Wireline equipment	—	134	—	134	—	144	—	144	(6.9) %	
Total Operating Revenues	20,692	5,221	(17,542)	8,371	20,278	5,668	(17,197)	8,749	(4.3) %	
Operating Expenses										
Operations and support	11,795	3,526	(9,661)	5,660	12,010	3,705	(9,886)	5,829	(2.9) %	
EBITDA	8,897	1,695	(7,881)	2,711	8,268	1,963	(7,311)	2,920	(7.2) %	
Depreciation and amortization	2,134	1,345	(1,741)	1,738	2,042	1,342	(1,685)	1,699	2.3 %	
Total Operating Expenses	13,929	4,871	(11,402)	7,398	14,052	5,047	(11,571)	7,528	(1.7) %	
Operating Income	\$ 6,763	\$ 350	\$ (6,140)	\$ 973	\$ 6,226	\$ 621	\$ (5,626)	\$ 1,221	(20.3) %	
Operating Income Margin				11.6 %					14.0 %	(240) BP

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, 2023				September 30, 2022				Percent Change	
	Mobility	Business Wireline	Adj. ¹	Business Solutions	Mobility	Business Wireline	Adj. ¹	Business Solutions		
Operating Revenues										
Wireless service	\$ 47,136	\$ —	\$ (40,104)	\$ 7,032	\$ 45,065	\$ —	\$ (38,534)	\$ 6,531	7.7 %	
Wireline service	—	15,401	—	15,401	—	16,418	—	16,418	(6.2) %	
Wireless equipment	14,453	—	(12,134)	2,319	15,214	—	(12,582)	2,632	(11.9) %	
Wireline equipment	—	430	—	430	—	485	—	485	(11.3) %	
Total Operating Revenues	61,589	15,831	(52,238)	25,182	60,279	16,903	(51,116)	26,066	(3.4) %	
Operating Expenses										
Operations and support	35,587	10,699	(29,297)	16,989	36,198	11,199	(29,773)	17,624	(3.6) %	
EBITDA	26,002	5,132	(22,941)	8,193	24,081	5,704	(21,343)	8,442	(2.9) %	
Depreciation and amortization	6,355	4,008	(5,186)	5,177	6,118	3,954	(5,047)	5,025	3.0 %	
Total Operating Expenses	41,942	14,707	(34,483)	22,166	42,316	15,153	(34,820)	22,649	(2.1) %	
Operating Income	\$ 19,647	\$ 1,124	\$ (17,755)	\$ 3,016	\$ 17,963	\$ 1,750	\$ (16,296)	\$ 3,417	(11.7) %	
Operating Income Margin				12.0 %					13.1 %	(110) BP

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.

