



Q4 2019 AT&T EARNINGS

Investor Briefing

No. 307 | JANUARY 29, 2020

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Communications

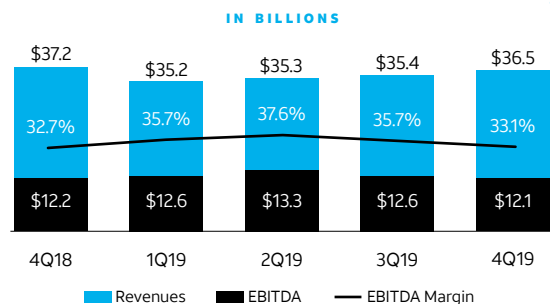
FINANCIAL HIGHLIGHTS

| | |
|---------------------------|--|
| Revenues | <ul style="list-style-type: none"> \$36.5 billion, down 1.9% year over year due to declines in Entertainment Group and Business Wireline that were partially offset by gains in wireless service revenues |
| Operating Expenses | <ul style="list-style-type: none"> \$29.0 billion, down 2.0% year over year, reflecting lower Entertainment Group and Business Wireline expenses partially offset by increases in Mobility expenses |
| Operating Income | <ul style="list-style-type: none"> \$7.5 billion, down 1.2% year over year; operating income margin of 20.6% compared to 20.4% in the year-ago quarter |

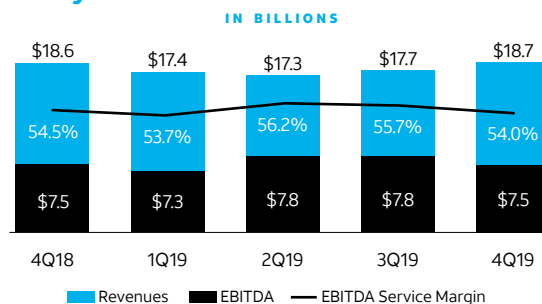
MOBILITY

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

Communications Revenues & EBITDA Margin



Mobility Revenues & EBITDA Service Margin



ARPU

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

SUBSCRIBER METRICS

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

CHURN

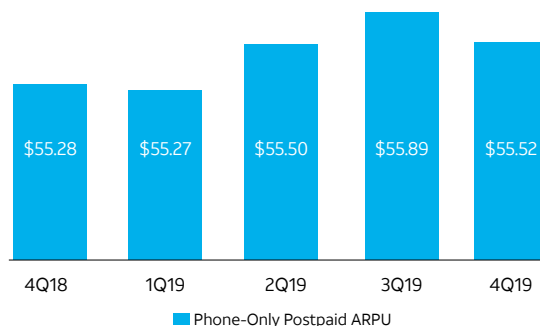
- ▶ Postpaid churn: 1.29% versus 1.23% in the year-ago quarter due to tablet and phone churn
- ▶ Postpaid phone churn: 1.07%, compared to 1.00% in the year-ago quarter

SMARTPHONES

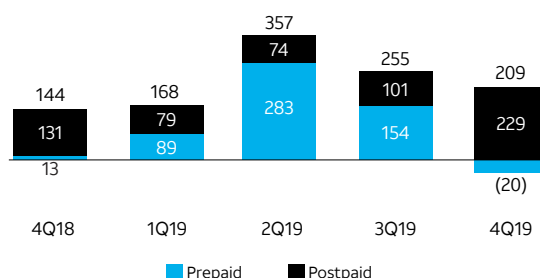
- ▶ 7.4 million* postpaid and prepaid smartphone gross adds and upgrades in the quarter, including 1.7 million* from prepaid
- ▶ Postpaid upgrade rate of 4.8%, down from 5.0% in the year-ago quarter

* Updated 2/3/2020.

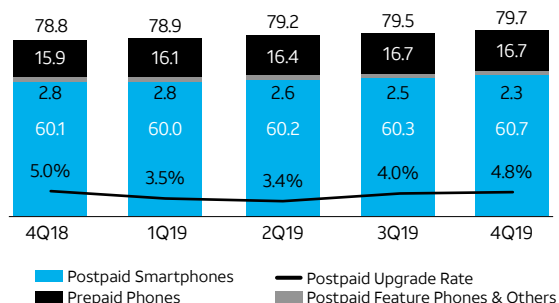
Phone-Only Postpaid ARPU



Postpaid & Prepaid Phone Net Adds IN THOUSANDS



Phone Subscribers & Postpaid Upgrade Rate IN MILLIONS



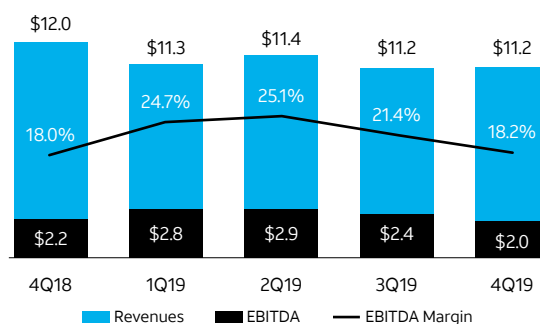
ENTERTAINMENT GROUP

| | |
|---------------------------|--|
| Revenues | <ul style="list-style-type: none"> ▶ \$11.2 billion, down 6.1% year over year due to declines in premium TV subscribers and legacy services <ul style="list-style-type: none"> ■ Video: \$8.1 billion, down 7.0% year over year due to declines in premium and over-the-top TV subscribers partially offset by higher premium TV and OTT ARPU ■ IP Broadband: \$2.1 billion, up 2.7% year over year due to higher ARPU resulting from customers continuing to shift to higher-speed services, including AT&T Fiber, which was partially offset by declines in subscribers with slower speeds |
| Operating Expenses | <ul style="list-style-type: none"> ▶ \$10.5 billion, down 5.8% year over year due to lower content costs resulting from fewer subscribers and ongoing cost initiatives, partially offset by higher deferral amortization, including a second-quarter 2019 update to expected subscriber lives, and increased costs associated with NFL SUNDAY TICKET |
| Operating Income | <ul style="list-style-type: none"> ▶ \$746 million, down 9.7% year over year; operating income margin: 6.6% compared to 6.9% in the year-ago quarter |
| EBITDA | <ul style="list-style-type: none"> ▶ \$2.0 billion, down 5.2% year over year due mostly to lower video revenues, higher deferral amortization and increased costs for NFL SUNDAY TICKET; 18.2% EBITDA margin, up from 18.0% in the year-ago quarter |

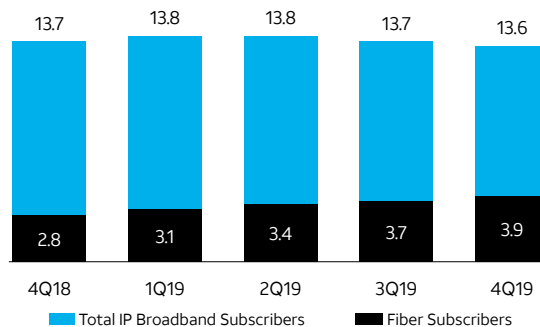
SUBSCRIBER METRICS

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

Entertainment Group Revenues & EBITDA Margin
IN BILLIONS



IP Broadband Subscribers
IN MILLIONS

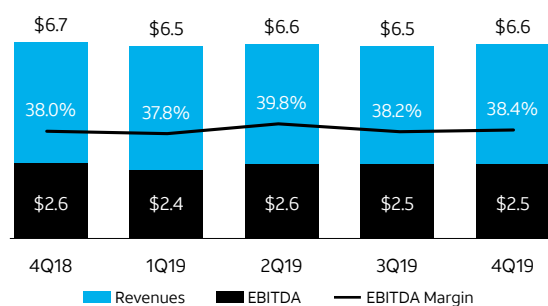


BUSINESS WIRELINE

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

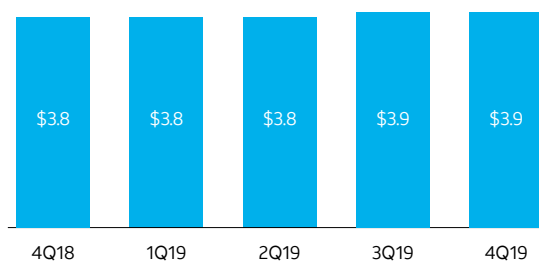
Business Wireline Revenues & EBITDA Margin

IN BILLIONS



Strategic & Managed Services Revenues

IN BILLIONS



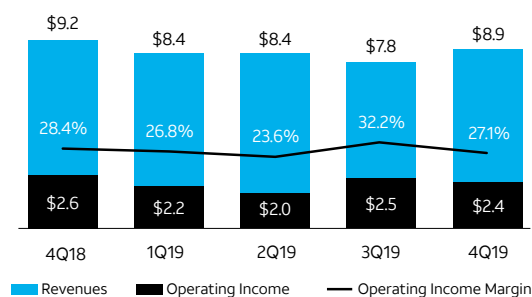
* The more than 2.5 million U.S. business customer locations are included within the 8.5M+ U.S. business customer locations on or within 1,000 feet of our fiber.

WarnerMedia

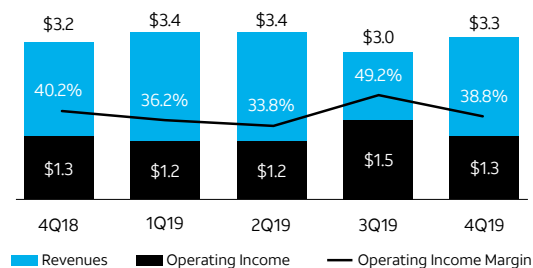
FINANCIAL HIGHLIGHTS

| | |
|---------------------------|--|
| Revenues | <ul style="list-style-type: none"> \$8.9 billion, down 3.3% year over year primarily driven by lower Warner Bros. revenues, partially offset by gains at Turner and Home Box Office |
| Operating Expenses | <ul style="list-style-type: none"> \$6.5 billion, down 1.6% year over year primarily due to lower expenses at Warner Bros., partially offset by higher expenses at Home Box Office and Turner; includes \$3.9 billion of programming and production costs, up 0.9% year over year |
| Operating Income | <ul style="list-style-type: none"> \$2.4 billion, down 7.7% year over year; operating income margin of 27.1% compared with 28.4% in year-ago quarter; merger synergies remain on track with \$700 million run rate achieved at end of year |

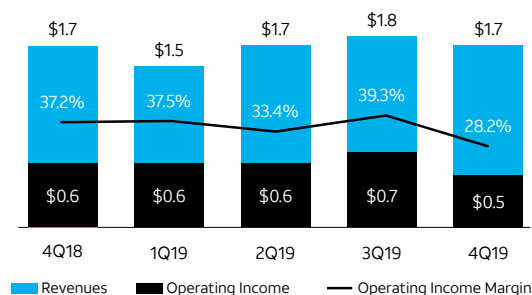
WarnerMedia Revenues & Operating Income Margin
IN BILLIONS



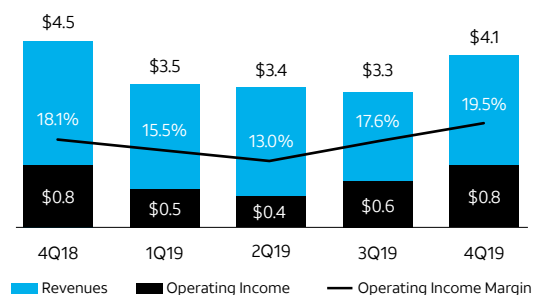
Turner Revenues & Operating Income Margin
IN BILLIONS



Home Box Office Revenues & Operating Income Margin
IN BILLIONS



Warner Bros. Revenues & Operating Income Margin
IN BILLIONS



TURNER

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

HOME BOX OFFICE

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

WARNER BROS.

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

SELECT RECENT & UPCOMING RELEASES

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

TURNER

Series

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

Animated Series

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

Docuseries

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

Films

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

HOME BOX OFFICE

HBO Series

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

HBO Limited/Miniseries

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

Cinemax Series

Strike Back (S7): 2/14/2020

HBO Film/Documentaries

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

HBO Comedy/Specials

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

HBO Sports

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

WARNER BROS.

Select TV Production: Broadcast

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

Select TV Production: Cable/Pay/SVOD

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

Theatrical: Box Office (Domestic Release Dates Shown)

4Q 2019

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

1Q 2020

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

2Q 2020

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

Games

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

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

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

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

Latin America

Revenues

- ▶ \$1.8 billion, down 4.6% year over year largely due to foreign exchange pressures from revenues in multiple currencies

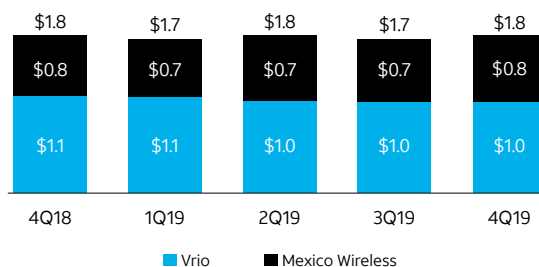
Operating Expenses

- ▶ \$1.8 billion, down 12.1% year over year largely due to foreign exchange

Operating Loss

- ▶ (\$89) million, compared to a (\$258) million loss in the year-ago quarter due to improvement in Mexico; operating income margin (5.1%), compared to (14.0)% in the prior year

Latin America Revenues
IN BILLIONS



MEXICO

Revenues

- ▶ \$776 million, up 0.9% year over year due to higher service revenues, which were partially offset by lower equipment revenues

Service Revenues

- ▶ \$487 million, up 10.7% year over year, driven by prepaid subscriber growth

Operating Loss

- ▶ (\$127) million, compared to a loss of (\$314) million in the year-ago quarter

EBITDA

- ▶ \$3 million, compared to a loss of (\$187) million, positive for the first time since acquisitions

Subscriber Metrics

- ▶ 540,000 total net adds; 736,000 prepaid net adds, 249,000 postpaid net losses and 53,000 reseller net adds to reach 19.2 million total wireless subscribers

VRIO

Revenues

- ▶ \$982 million, down 8.6% year over year primarily due to foreign exchange pressures

Operating Income

- ▶ \$38 million compared to operating income of \$56 million in the year-ago quarter with continued positive cash flow and operating contribution for the quarter

Subscriber Metrics

- ▶ 25,000 net adds; total subscribers at the end of the quarter were 13.3 million

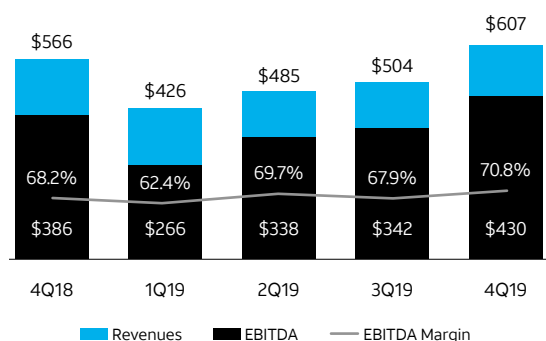
Xandr

FINANCIAL HIGHLIGHTS

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

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

Xandr Revenues & EBITDA Margin IN MILLIONS



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

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

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

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

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

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

AT&T INVESTOR BRIEFING

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

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Financial and Operational Information

AT&T INC. FINANCIAL DATA

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

AT&T INC. FINANCIAL DATA

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

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

AT&T INC. FINANCIAL DATA

| Consolidated Statements of Cash Flows | | |
|---|------------------|-----------------|
| <i>Dollars in millions</i> | | |
| <i>Unaudited</i> | | |
| | Year Ended | |
| | 2019 | 2018 |
| Operating Activities | | |
| Net income | \$ 14,975 | \$ 19,953 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,217 | 28,430 |
| Amortization of film and television costs | 9,587 | 3,772 |
| Undistributed earnings from investments in equity affiliates | 295 | 292 |
| Provision for uncollectible accounts | 2,575 | 1,791 |
| Deferred income tax expense (benefit) | 1,806 | 4,931 |
| Net (gain) loss from investments, net of impairments | (1,218) | (739) |
| Pension and postretirement benefit expense (credit) | (2,002) | (1,148) |
| Actuarial (gain) loss on pension and postretirement benefits | 5,171 | (3,412) |
| Asset abandonments and impairments | 1,458 | 46 |
| Changes in operating assets and liabilities: | | |
| Receivables | 2,812 | (1,580) |
| Other current assets, inventories and theatrical film and television production costs | (12,852) | (6,442) |
| Accounts payable and other accrued liabilities | (1,524) | 1,602 |
| Equipment installment receivables and related sales | 548 | (490) |
| Deferred customer contract acquisition and fulfillment costs | (910) | (3,458) |
| Postretirement claims and contributions | (1,008) | (936) |
| Other - net | 738 | 990 |
| Total adjustments | 33,693 | 23,649 |
| Net Cash Provided by Operating Activities | 48,668 | 43,602 |
| Investing Activities | | |
| Capital expenditures: | | |
| Purchase of property and equipment | (19,435) | (20,758) |
| Interest during construction | (200) | (493) |
| Acquisitions, net of cash acquired | (1,809) | (43,309) |
| Dispositions | 4,684 | 2,148 |
| (Purchases), sales and settlement of securities and investments, net | 435 | (183) |
| Advances to and investments in equity affiliates, net | (365) | (1,050) |
| Cash collections of deferred purchase price | - | 500 |
| Net Cash Used in Investing Activities | (16,690) | (63,145) |
| Financing Activities | | |
| Net change in short-term borrowings with original maturities of three months or less | (276) | (821) |
| Issuance of other short-term borrowings | 4,012 | 4,898 |
| Repayment of other short-term borrowings | (6,904) | (2,098) |
| Issuance of long-term debt | 17,039 | 41,875 |
| Repayment of long-term debt | (27,592) | (52,643) |
| Payment of vendor financing | (3,050) | (560) |
| Issuance of preferred stock | 1,164 | - |
| Purchase of treasury stock | (2,417) | (609) |
| Issuance of treasury stock | 631 | 745 |
| Issuance of preferred interests in subsidiary | 7,876 | - |
| Dividends paid | (14,888) | (13,410) |
| Other | (678) | (3,366) |
| Net Cash Used in Financing Activities | (25,083) | (25,989) |
| Net increase (decrease) in cash and cash equivalents and restricted cash | 6,895 | (45,532) |
| Cash and cash equivalents and restricted cash beginning of year | 5,400 | 50,932 |
| Cash and Cash Equivalents and Restricted Cash End of Year | \$ 12,295 | \$ 5,400 |
| Note: 2019 updated per Form 10-K filed February 20, 2020. | | |

AT&T INC. CONSOLIDATED SUPPLEMENTARY DATA

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

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

COMMUNICATIONS SEGMENT

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

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

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

MOBILITY

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

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

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

ENTERTAINMENT GROUP

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

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

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

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

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

BUSINESS WIRELINE

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

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

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

BUSINESS SOLUTIONS

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

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

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

WARNERMEDIA SEGMENT

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

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

TURNER

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

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

HOME BOX OFFICE

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

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

WARNER BROS.

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

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

LATIN AMERICA SEGMENT

The Latin America segment provides entertainment and wireless service outside of the U.S. Our international subsidiaries conduct business in their local currency and operating results are converted to U.S. dollars using official exchange rates. The Latin America segment contains two business units: Vrio and Mexico.

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

VRIO

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

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

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

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

MEXICO

Mexico provides wireless services and equipment to customers in Mexico.

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

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

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

XANDR SEGMENT

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

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

SUPPLEMENTAL AT&T ADVERTISING REVENUES

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

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

SUPPLEMENTAL SEGMENT RECONCILIATION

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

SUPPLEMENTAL SEGMENT RECONCILIATION

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

Discussion and Reconciliation of Non-GAAP Measures

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

FREE CASH FLOW

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

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

CASH PAID FOR CAPITAL INVESTMENT

In connection with capital improvements, we negotiate with some of our vendors to obtain favorable payment terms of 120 days or more, referred to as vendor financing, which are excluded from capital expenditures and reported in accordance with GAAP as financing activities. We present an additional view of cash paid for capital investment to provide investors with a comprehensive view of cash used to invest in our networks, product developments and support systems.

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

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

EBITDA

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

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

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

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

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

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

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

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

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

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

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

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

ADJUSTING ITEMS

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

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

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

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

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

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

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

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

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

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

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

CONSTANT CURRENCY

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

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

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

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

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

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

SUPPLEMENTAL OPERATIONAL MEASURES

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

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

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

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

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

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