



Q1 ||| 2020 AT&T EARNINGS

Investor Briefing

No. 308 | APRIL 22, 2020

Contents

3 Communications

Mobility

Entertainment Group

Business Wireline

7 WarnerMedia

Turner

Home Box Office

Warner Bros.

9 Latin America

Mexico

Vrio

10 Xandr

11 COVID-19 Financial Impacts

13 Financial and Operational Information

27 Discussion and Reconciliation of Non-GAAP Measures

Communications

FINANCIAL HIGHLIGHTS

Revenues	<ul style="list-style-type: none"> ▶ \$34.2 billion, down 2.6% year over year due to declines in Entertainment Group, wireless equipment and Business Wireline that were partially offset by gains in wireless service revenues
Operating Expenses	<ul style="list-style-type: none"> ▶ \$26.0 billion, down 4.1% year over year reflecting lower Entertainment Group and Mobility expenses
Operating Income	<ul style="list-style-type: none"> ▶ \$8.2 billion, up 2.4% year over year; operating income margin of 24.0% compared to 22.8% in the year-ago quarter

Note: All subscriber counts exclude customers for whom we have agreed not to terminate service under the FCC's "Keep Americans Connected Pledge." For reporting purposes, the company counts these subscribers as if they had disconnected service.

MOBILITY

Revenues	<ul style="list-style-type: none"> ▶ \$17.4 billion, up 0.2% year over year due to an increase in service revenues more than offsetting declines in equipment revenues <ul style="list-style-type: none"> ■ Service revenues: \$14.0 billion, up 2.5% year over year, driven by prepaid subscriber gains and postpaid phone ARPU growth ■ Equipment revenues: \$3.4 billion, down 8.0% year over year with continued low postpaid upgrade rates, including impacts from COVID-19 store closures
Operating Expenses	<ul style="list-style-type: none"> ▶ \$11.6 billion, down 3.7% year over year due to lower equipment costs from lower volumes, lower advertising and promotional costs, and cost efficiencies, partially offset by higher bad debt expense
Operating Income	<ul style="list-style-type: none"> ▶ \$5.8 billion, up 9.0% year over year; operating income margin of 33.3%, compared to 30.6% in the year-ago quarter
EBITDA	<ul style="list-style-type: none"> ▶ \$7.8 billion, up 7.0% year over year; EBITDA margin: 45.0%, up 280 basis points versus the year-ago quarter (EBITDA margin is operating income before depreciation and amortization, divided by total revenues) ▶ Wireless EBITDA service margin: 56.1% compared to 53.7% in the year-ago quarter (EBITDA service margin is operating income before depreciation and amortization, divided by total service revenues)

ARPU

- ▶ Postpaid phone-only ARPU increased 0.7% versus the year-ago quarter

SUBSCRIBER METRICS

- ▶ Total net adds of 3.3 million to reach 169.2 million in service
 - 120,000 total phone net adds
 - 27,000 postpaid net adds with gains in phones and wearables offsetting losses in tablets
 - 163,000 postpaid phone net adds
 - 227,000 postpaid smartphone net adds
 - 244,000 postpaid tablet and other branded computing device net losses
- ▶ 45,000 prepaid net losses
 - 43,000 prepaid phone net losses
- ▶ 3.5 million connected device net adds
- ▶ 190,000 reseller net losses
- ▶ More than 1.3 million FirstNet connections across more than 12,000 agencies in service

CHURN

- ▶ Postpaid churn: 1.08% versus 1.16% in the year-ago quarter as improvement in phone churn more than offset tablet churn
- ▶ Postpaid phone churn: 0.86% versus 0.92% in the year-ago quarter

SMARTPHONES

- ▶ 3.9 million postpaid smartphone gross adds and upgrades in the quarter
- ▶ Record-low postpaid upgrade rate of 3.0%, down from 3.5% in the year-ago quarter

ENTERTAINMENT GROUP

Revenues	<ul style="list-style-type: none"> ▶ \$10.5 billion, down 7.2% year over year due to declines in premium and over-the-top (OTT) TV subscribers and legacy services <ul style="list-style-type: none"> ■ Video: \$7.4 billion, down 8.4% year over year due to declines in premium and OTT TV subscribers, partially offset by higher premium TV and OTT ARPU ■ IP Broadband: \$2.1 billion, up 1.9% year over year due to higher ARPU resulting from pricing actions and an increase in high-speed fiber customers
Operating Expenses	<ul style="list-style-type: none"> ▶ \$9.2 billion, down 6.8% year over year due to lower content costs resulting from fewer subscribers and ongoing cost initiatives partially offset by higher annual content rate increases and higher deferral amortization expense, including a second-quarter 2019 update to expected subscriber lives
Operating Income	<ul style="list-style-type: none"> ▶ \$1.3 billion, down 9.7% year over year; operating income margin: 12.7% compared to 13.0% in the year-ago quarter
EBITDA	<ul style="list-style-type: none"> ▶ \$2.6 billion, down 6.3% year over year due mostly to lower video revenues and higher deferral amortization expense; 25.0% EBITDA margin, up from 24.7% in the year-ago quarter

SUBSCRIBER METRICS

- ▶ **Premium TV** subscribers (which includes DirecTV, U-verse and AT&T TV subscribers): 897,000 loss due to competition and customers rolling off promotional discounts as well as lower gross adds from the continued focus on adding higher-value customers
- ▶ **AT&T TV NOW** subscribers: 138,000 net loss due to higher prices and less promotional activity
- ▶ Total broadband subscribers: 73,000 net loss impacted by competition in slower speed territories and loss of bundled video subscribers, partially offset by recent higher demand and lower churn due to the COVID-19 crisis
 - 209,000 fiber net adds
- ▶ 90% of all broadband subscribers on AT&T's fiber network subscribe to speeds of 100 megabits or more. Broadband customers with speeds of 100 megabits or faster increased more than 50% 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 trend significantly higher than in AT&T's non-fiber footprint, with penetration rates increasing the longer we have fiber in a market.

BUSINESS WIRELINE

Revenues	<ul style="list-style-type: none"> ▶ \$6.3 billion, down 2.3% year over year with declines in legacy products partially offset by growth in strategic and managed services. Total business revenues including wireless grew 1.7%.
Strategic and Managed Services	<ul style="list-style-type: none"> ▶ \$3.9 billion, up 2.6% 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 more than \$15 billion; more than 60% of total business wireline revenues ■ Growth helped offset a first-quarter decline of more than \$250 million in legacy services
Operating Expenses	<ul style="list-style-type: none"> ▶ \$5.3 billion, flat year over year
Operating Income	<ul style="list-style-type: none"> ▶ \$1.1 billion, down 11.8%; operating income margin: 17.1%, down from 18.9% in the year-ago quarter
EBITDA Margin	<ul style="list-style-type: none"> ▶ 37.6%, compared to 37.8% 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.*

* 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

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$7.4 billion, down 12.2% year over year, primarily driven by lower revenues in Turner advertising and declines at Warner Bros.
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$5.7 billion, down 7.8% year over year primarily due to lower costs at Turner, partially offset by higher expenses at Home Box Office and Warner Bros.; includes \$3.4 billion of programming and production costs, down 6.9% year over year
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$1.7 billion, down 24.3% year over year; operating income margin of 23.1% compared with 26.8% in year-ago quarter

TURNER

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$3.2 billion, down 8.2% year over year due to a decrease in advertising, content and other revenues, partially offset by an increase in subscription revenues ▶ Subscription: Increased due to higher domestic affiliate rates partially offset by a decline in international subscription revenues, which were impacted by unfavorable foreign exchange rates ▶ Advertising: Declined primarily due to the cancellation of the NCAA Division I Men's Basketball Tournament, which had a significant unfavorable impact on Turner's domestic entertainment networks and contributed to lower audience delivery, partially offset by higher news delivery; international advertising revenues declined and were impacted by unfavorable foreign exchange rates
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$1.8 billion, down 19% year over year, primarily due to lower programming, including lower licensing fees due to the cancellation of the NCAA Division I Men's Basketball Tournament, and lower marketing costs
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$1.4 billion, up 10.9% year over year; operating income margin of 43.7% compared to 36.2% in the year-ago quarter

HOME BOX OFFICE

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$1.5 billion, down 0.9% year over year reflecting flat subscription revenues and a decrease in content and other revenues ▶ Subscription: Essentially flat year over year reflecting digital and international growth, partially offset by lower domestic linear subscribers ▶ Content and other: Decreased due to lower content licensing
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$1.1 billion, up 13.9% year over year primarily due to higher programming and expenses related to the upcoming launch of HBO Max, partially offset by lower marketing expenses
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$423 million, down 25.4% year over year; operating income margin of 28.3% compared to 37.5% in the year-ago quarter

WARNER BROS.

<i>Revenues</i>	<ul style="list-style-type: none"> ▶ \$3.2 billion, down 7.9% year over year due to declines in theatrical revenues, partially offset by higher television revenues ▶ Theatrical product: Decreased primarily due to unfavorable comparisons to the prior-year quarter, which included carryover revenues from the theatrical release of <i>Aquaman</i> in addition to a more favorable mix of home entertainment releases ▶ Television product: Increased primarily due to higher revenues driven by licensing
<i>Operating Expenses</i>	<ul style="list-style-type: none"> ▶ \$3.0 billion, up 0.7%, primarily due to higher bad debt and film and television production costs, including the impact of the production hiatus related to COVID-19, partially offset by lower marketing expenses
<i>Operating Income</i>	<ul style="list-style-type: none"> ▶ \$249 million, down 54.5% year over year; operating income margin of 7.7% compared to 15.5% in the year-ago quarter

Latin America

Revenues

- ▶ \$1.6 billion, down 7.5% year over year largely due to foreign exchange pressures more than offsetting growth in Mexico

Operating Expenses

- ▶ \$1.8 billion, down 6.0% year over year largely due to foreign exchange impacts

Operating Loss

- ▶ (\$188) million, compared to a (\$173) million loss in the year-ago quarter, due to pressure in Vrio which more than offset improvement in Mexico; operating income margin (11.8)%, compared to (10.1)% in the prior year

MEXICO

Revenues

- ▶ \$703 million, up 8.0% year over year due to higher equipment and service revenues

Service Revenues

- ▶ \$467 million, up 5.7% year over year driven by prepaid subscriber growth

Operating Loss

- ▶ (\$145) million, compared to a loss of (\$205) million in the year-ago quarter

EBITDA

- ▶ (\$11) million, compared to a loss of (\$74) in the year-ago quarter

Subscriber Metrics

- ▶ 108,000 prepaid net adds, 141,000 postpaid net losses and 32,000 reseller net adds; 19.2 million total wireless subscribers

VRIO

Revenues

- ▶ \$887 million, down 16.9% year over year primarily due to foreign exchange pressures in most of the region

Operating Income

- ▶ (\$43) million compared to operating income of \$32 million in the year-ago quarter, with continued positive EBITDA for the quarter

Subscriber Metrics

- ▶ (114,000) net losses mainly due to macro-economic conditions and pricing actions; total subscribers at the end of the quarter were 13.2 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 Advertising Marketplace and Data revenues.

Revenues

- ▶ \$489 million, up 14.8% year over year due to strong demand for addressable advertising, including political, as well as higher CPMs across product offerings at Xandr Media

Operating Expenses

- ▶ \$190 million, up 9.8% year over year due to growth in the business

Operating Income

- ▶ \$299 million, up 18.2% year over year due to growth in the business; operating income margin of 61.1% compared with 59.4% in the year-ago quarter

COVID-19 Financial Impacts

COVID-19 UPDATE

In March 2020, the World Health Organization designated the coronavirus (COVID-19) a pandemic and the President of the United States declared a national emergency. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns.

Interruption caused by COVID-19 and measures taken to prevent its spread both domestically and internationally have impacted our results of operations. In the first quarter of 2020, we recognized approximately \$430 million, or \$0.05 per share, of incremental costs associated with bad debt reserves, voluntary corporate actions taken primarily to protect and compensate front-line employees and contractors, and WarnerMedia production shutdown costs. In addition to these incremental costs, our operations and comparability were impacted by (1) the cancellation of the NCAA Division I Men's Basketball Tournament, resulting in lower advertising revenues and associated expenses, (2) closures of retail stores, contributing to a decline in wireless equipment sales, with a corresponding reduction in equipment expense and (3) the imposition of travel restrictions, driving significantly lower wireless roaming services that do not have a directly correlated expense reduction.

Three Months Ended March 31, 2020		
<i>Dollars in millions</i>	Estimated Revenues Impact	Estimated EBITDA Impacts
Revenues:		
WarnerMedia Advertising and Other	\$ (400)	\$ 5
Wireless Equipment	(175)	35
Wireless Service	(30)	(25)
Total	\$ (605)	\$ 15
Three Months Ended March 31, 2020		
<i>Dollars in millions</i>	EBITDA Impacts Included in Reported Results	
Expenses:		
Bad Debt	\$	(250)
Commissions/Compassion Payments		(114)
Production Shutdown Costs		(56)
Other Costs		(13)
Total	\$	(433)

SECOND-QUARTER 2020 EARNINGS DATE: JULY 23, 2020

AT&T will release second-quarter 2020 earnings on July 23, 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>.

CORPORATE RESPONSIBILITY

AT&T is committed to addressing environmental, social and governance (ESG) issues at every level of our company, including Board of Directors oversight and officer-level engagement across all operating companies. We're leveraging our expertise, resources and scale to develop and support initiatives that make a meaningful impact. Our programs combat climate change, provide skills training that support a future-ready workforce, build stronger communities, and respond to worldwide disasters and emergencies. In 2019, AT&T announced cumulative renewable energy purchases that will surpass 1.5 gigawatts of clean energy capacity, solidifying our position as one of the largest corporate purchasers of renewable energy in the U.S., and this year we committed to two science-based targets: reduce our greenhouse gas emissions by 26% by 2030 and that 50% of our suppliers still set targets by 2024. Through AT&T Aspire, we've committed \$550 million since 2008 to drive student success across the U.S., and last year AT&T employees volunteered more than 1.3 million hours in their communities. We're also proud of our diverse workforce and commitment to creating an inclusive place where everyone can build a career, exemplified by AT&T earning the top spot on DiversityInc's 2019 Top 50 Companies for Diversity list and placement on the Human Rights Campaign's Corporate Equality Index for the 15th consecutive year.

We detail our ESG performance and progress through robust annual reporting. In 2019, we won the Corporate Governance Award for Best ESG Reporting by *Corporate Secretary*, and a *Financial Times Agenda* study named AT&T one of the 10 most transparent S&P 500 companies for ESG reporting. Learn more at <https://about.att.com/csr/reporting>.

CAUTIONARY LANGUAGE CONCERNING FORWARD-LOOKING STATEMENTS

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

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

AT&T INVESTOR BRIEFING

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.

Correspondence should be sent to:

Investor Relations
AT&T Inc.
208 S. Akard Street
Dallas, TX 75202

Email address:

investr@att.com

Senior Vice President – Investor Relations

Mike Viola

Investor Relations Staff

Jamie Anderson
Tim Bever
Michael Black
Kent Evans
Lindsey Foreman
Matt Gallaher
Todd Gericke
Shelly Mathews
Nate Melihercik
Martin Sheehan
Chris Womack

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>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Service	\$ 38,883	\$ 40,684	(4.4)	%
Equipment	3,896	4,143	(6.0)	%
Total Operating Revenues	42,779	44,827	(4.6)	%
Operating Expenses				
Cost of revenues				
Equipment	4,092	4,502	(9.1)	%
Broadcast, programming and operations	6,847	7,652	(10.5)	%
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	8,342	8,585	(2.8)	%
Selling, general and administrative	8,790	9,649	(8.9)	%
Depreciation and amortization	7,222	7,206	0.2	%
Total Operating Expenses	35,293	37,594	(6.1)	%
Operating Income	7,486	7,233	3.5	%
Interest Expense	2,018	2,141	(5.7)	%
Equity in Net Income (Loss) of Affiliates	(6)	(7)	14.3	%
Other Income (Expense) - Net	803	286	-	%
Income Before Income Taxes	6,265	5,371	16.6	%
Income Tax Expense	1,302	1,023	27.3	%
Net Income	4,963	4,348	14.1	%
Less: Net Income Attributable to Noncontrolling Interest	(353)	(252)	(40.1)	%
Net Income Attributable to AT&T	\$ 4,610	\$ 4,096	12.5	%
Less: Preferred Stock Dividends	(32)	-	-	%
Net Income Attributable to Common Stock	\$ 4,578	\$ 4,096	11.8	%
Basic Earnings Per Share Attributable to Common Stock	\$ 0.63	\$ 0.56	12.5	%
Weighted Average Common Shares Outstanding (000,000)	7,187	7,313	(1.7)	%
Diluted Earnings Per Share Attributable to Common Stock	\$ 0.63	\$ 0.56	12.5	%
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,214	7,342	(1.7)	%

AT&T INC. FINANCIAL DATA

Consolidated Balance Sheets		
<i>Dollars in millions</i>		
<i>Unaudited</i>	Mar. 31, 2020	Dec. 31, 2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 9,955	\$ 12,130
Accounts receivable - net of allowances for doubtful accounts of \$1,651 and \$1,235	19,908	22,636
Prepaid expenses	1,600	1,631
Other current assets	21,241	18,364
Total current assets	52,704	54,761
Noncurrent Inventories and Theatrical Film and Television Production Costs	13,276	12,434
Property, Plant and Equipment – Net	128,921	130,128
Goodwill	145,546	146,241
Licenses – Net	96,662	97,907
Trademarks and Trade Names – Net	23,293	23,567
Distribution Networks – Net	14,886	15,345
Other Intangible Assets – Net	19,623	20,798
Investments in and Advances to Equity Affiliates	3,606	3,695
Operating Lease Right-of-Use Assets	24,008	24,039
Other Assets	22,829	22,754
Total Assets	\$ 545,354	\$ 551,669
Liabilities and Stockholders' Equity		
Current Liabilities		
Debt maturing within one year	\$ 17,067	\$ 11,838
Accounts payable and accrued liabilities	40,771	45,956
Advanced billings and customer deposits	5,960	6,124
Accrued taxes	2,169	1,212
Dividends payable	3,737	3,781
Total current liabilities	69,704	68,911
Long-Term Debt	147,202	151,309
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	58,491	59,502
Postemployment benefit obligation	18,324	18,788
Operating lease liabilities	21,584	21,804
Other noncurrent liabilities	34,600	29,421
Total deferred credits and other noncurrent liabilities	132,999	129,515
Stockholders' Equity		
Preferred stock	-	-
Common stock	7,621	7,621
Additional paid-in capital	129,966	126,279
Retained earnings	58,534	57,936
Treasury stock	(17,957)	(13,085)
Accumulated other comprehensive income	(385)	5,470
Noncontrolling interest	17,670	17,713
Total stockholders' equity	195,449	201,934
Total Liabilities and Stockholders' Equity	\$ 545,354	\$ 551,669

AT&T INC. FINANCIAL DATA

Consolidated Statements of Cash Flows		
<i>Dollars in millions</i>		
<i>Unaudited</i>		
	First Quarter	
	2020	2019
Operating Activities		
Net income	\$ 4,963	\$ 4,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,222	7,206
Amortization of film and television costs	2,269	2,497
Undistributed earnings from investments in equity affiliates	39	112
Provision for uncollectible accounts	780	592
Deferred income tax expense (benefit)	259	753
Net (gain) loss on investments, net of impairments	(646)	(175)
Pension and postretirement benefit expense (credit)	(748)	(369)
Actuarial (gain) loss on pension and postretirement benefits	-	432
Changes in operating assets and liabilities:		
Receivables	1,695	2,125
Other current assets, inventories and theatrical film and television production costs	(3,267)	(2,510)
Accounts payable and other accrued liabilities	(3,884)	(3,686)
Equipment installment receivables and related sales	535	652
Deferred customer contract acquisition and fulfillment costs	105	(375)
Postretirement claims and contributions	(111)	(193)
Other - net	(345)	(357)
Total adjustments	3,903	6,704
Net Cash Provided by Operating Activities	8,866	11,052
Investing Activities		
Capital expenditures:		
Purchase of property and equipment	(4,938)	(5,121)
Interest during construction	(28)	(61)
Acquisitions, net of cash acquired	(100)	(117)
Dispositions	118	10
(Purchases), sales and settlement of securities and investments, net	(6)	(1)
Advances to and investments in equity affiliates, net	(68)	(111)
Net Cash Used in Investing Activities	(5,022)	(5,401)
Financing Activities		
Net change in short-term borrowings with original maturities of three months or less	1,742	(256)
Issuance of other short-term borrowings	1,390	296
Repayment of other short-term borrowings	-	(176)
Issuance of long-term debt	4,357	9,182
Repayment of long-term debt	(4,422)	(9,840)
Payment of vendor financing	(791)	(819)
Issuance of preferred stock	3,869	-
Purchase of treasury stock	(5,463)	(189)
Issuance of treasury stock	58	167
Dividends paid	(3,737)	(3,714)
Other	(3,102)	928
Net Cash Used in Financing Activities	(6,099)	(4,421)
Net (decrease) increase in cash and cash equivalents and restricted cash	(2,255)	1,230
Cash and cash equivalents and restricted cash beginning of year	12,295	5,400
Cash and Cash Equivalents and Restricted Cash End of Period	\$ 10,040	\$ 6,630

AT&T INC. CONSOLIDATED SUPPLEMENTARY DATA

Supplementary Financial Data				
<i>Dollars in millions except per share amounts</i>				
<i>Unaudited</i>				
	First Quarter		Percent	
	2020	2019	Change	
Capital expenditures				
Purchase of property and equipment	\$ 4,938	\$ 5,121	(3.6)	%
Interest during construction	28	61	(54.1)	%
Total Capital Expenditures	\$ 4,966	\$ 5,182	(4.2)	%
Dividends Declared per Common Share	\$ 0.52	\$ 0.51	2.0	%
End of Period Common Shares Outstanding (000,000)	7,125	7,297	(2.4)	%
Debt Ratio	45.7 %	47.4 %	(170)	BP
Total Employees	244,490	262,290	(6.8)	%

Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	March 31,		Percent	
	2020	2019	Change	
Broadband Connections				
IP	14,627	14,852	(1.5)	%
DSL	688	885	(22.3)	%
Total Broadband Connections	15,315	15,737	(2.7)	%
Voice Connections				
Network Access Lines	8,160	9,587	(14.9)	%
U-verse VoIP Connections	4,213	4,935	(14.6)	%
Total Retail Voice Connections	12,373	14,522	(14.8)	%
	First Quarter		Percent	
	2020	2019	Change	
Broadband Net Additions				
IP	(32)	100	-	%
DSL	(42)	(64)	34.4	%
Total Broadband Net Additions	(74)	36	-	%

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.

Segment Results					
<i>Dollars in millions</i>					
<i>Unaudited</i>					
	First Quarter		Percent		
	2020	2019	Change		
Segment Operating Revenues					
Mobility	\$ 17,402	\$ 17,363	0.2	%	
Entertainment Group	10,515	11,328	(7.2)	%	
Business Wireline	6,332	6,478	(2.3)	%	
Total Segment Operating Revenues	34,249	35,169	(2.6)	%	
Segment Operating Contribution					
Mobility	5,788	5,309	9.0	%	
Entertainment Group	1,335	1,478	(9.7)	%	
Business Wireline	1,080	1,224	(11.8)	%	
Total Segment Operating Contribution	\$ 8,203	\$ 8,011	2.4	%	

MOBILITY

Mobility provides nationwide wireless service and equipment.

Mobility Results				
<i>Dollars in millions</i>				
<i>Unaudited</i>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Service	\$ 13,968	\$ 13,629	2.5	%
Equipment	3,434	3,734	(8.0)	%
Total Operating Revenues	17,402	17,363	0.2	%
Operating Expenses				
Operations and support	9,569	10,041	(4.7)	%
Depreciation and amortization	2,045	2,013	1.6	%
Total Operating Expenses	11,614	12,054	(3.7)	%
Operating Income	5,788	5,309	9.0	%
Equity in Net Income (Loss) of Affiliates	-	-	-	%
Operating Contribution	\$ 5,788	\$ 5,309	9.0	%
Operating Income Margin	33.3 %	30.6 %	270	BP
Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	March 31,		Percent	
	2020	2019	Change	
Mobility Subscribers				
Postpaid	75,148	75,737	(0.8)	%
Prepaid	17,808	17,012	4.7	%
Reseller	6,736	7,495	(10.1)	%
Connected Devices	69,506	54,426	27.7	%
Total Mobility Subscribers	169,198	154,670	9.4	%
Postpaid Phone Subscribers	63,105	62,830	0.4	%
Total Phone Subscribers	79,792	78,887	1.1	%
	First Quarter		Percent	
	2020	2019	Change	
Mobility Net Additions				
Postpaid	27	(207)	-	%
Prepaid	(45)	101	-	%
Reseller	(190)	(242)	21.5	%
Connected Devices	3,518	3,088	13.9	%
Total Mobility Net Additions	3,310	2,740	20.8	%
Postpaid Phone Net Additions	163	79	-	%
Total Phone Net Additions	120	168	(28.6)	%
Postpaid Churn	1.08 %	1.16 %	(8)	BP
Postpaid Phone-Only Churn	0.86 %	0.92 %	(6)	BP

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>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Video entertainment	\$ 7,395	\$ 8,074	(8.4)	%
High-speed internet	2,109	2,070	1.9	%
Legacy voice and data services	581	683	(14.9)	%
Other service and equipment	430	501	(14.2)	%
Total Operating Revenues	10,515	11,328	(7.2)	%
Operating Expenses				
Operations and support	7,891	8,527	(7.5)	%
Depreciation and amortization	1,289	1,323	(2.6)	%
Total Operating Expenses	9,180	9,850	(6.8)	%
Operating Income	1,335	1,478	(9.7)	%
Equity in Net Income (Loss) of Affiliates	-	-	-	%
Operating Contribution	\$ 1,335	\$ 1,478	(9.7)	%
Operating Income Margin	12.7 %	13.0 %	(30)	BP

Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	March 31,		Percent	
	2020	2019	Change	
Video Connections				
Premium TV	18,576	22,359	(16.9)	%
AT&T TV Now	788	1,508	(47.7)	%
Total Video Connections	19,364	23,867	(18.9)	%
Broadband Connections				
IP	13,554	13,822	(1.9)	%
DSL	492	632	(22.2)	%
Total Broadband Connections	14,046	14,454	(2.8)	%
Fiber Broadband Connections (included in IP)	4,096	3,060	33.9	%
Voice Connections				
Retail Consumer Switched Access Lines	3,196	3,787	(15.6)	%
U-verse Consumer VoIP Connections	3,630	4,393	(17.4)	%
Total Retail Consumer Voice Connections	6,826	8,180	(16.6)	%
	First Quarter		Percent	
	2020	2019	Change	
Video Net Additions				
Premium TV	(897)	(544)	(64.9)	%
AT&T TV Now	(138)	(83)	(66.3)	%
Total Video Net Additions	(1,035)	(627)	(65.1)	%
Broadband Net Additions				
IP	(44)	93	-	%
DSL	(29)	(48)	39.6	%
Total Broadband Net Additions	(73)	45	-	%
Fiber Broadband Net Additions (included in IP)	209	297	(29.6)	%

BUSINESS WIRELINE

Business Wireline unit provides advanced IP-based services, as well as traditional data services to business customers.

Business Wireline Results				
<i>Dollars in millions</i>				
<i>Unaudited</i>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Strategic and managed services	\$ 3,879	\$ 3,779	2.6	%
Legacy voice and data services	2,129	2,397	(11.2)	%
Other service and equipment	324	302	7.3	%
Total Operating Revenues	6,332	6,478	(2.3)	%
Operating Expenses				
Operations and support	3,951	4,032	(2.0)	%
Depreciation and amortization	1,301	1,222	6.5	%
Total Operating Expenses	5,252	5,254	-	%
Operating Income	1,080	1,224	(11.8)	%
Equity in Net Income (Loss) of Affiliates	-	-	-	%
Operating Contribution	\$ 1,080	\$ 1,224	(11.8)	%
Operating Income Margin	17.1 %	18.9 %	(180)	BP

BUSINESS SOLUTIONS

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

Business Solutions Results				
<i>Dollars in millions</i>				
<i>Unaudited</i>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Wireless service	\$ 1,949	\$ 1,777	9.7	%
Strategic and managed services	3,879	3,779	2.6	%
Legacy voice and data services	2,129	2,397	(11.2)	%
Other service and equipment	324	302	7.3	%
Wireless equipment	710	590	20.3	%
Total Operating Revenues	8,991	8,845	1.7	%
Operating Expenses				
Operations and support	5,710	5,614	1.7	%
Depreciation and amortization	1,625	1,525	6.6	%
Total Operating Expenses	7,335	7,139	2.7	%
Operating Income	1,656	1,706	(2.9)	%
Equity in Net Income (Loss) of Affiliates	-	-	-	%
Operating Contribution	\$ 1,656	\$ 1,706	(2.9)	%
Operating Income Margin	18.4 %	19.3 %	(90)	BP

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>				
	First Quarter		Percent	
	2020	2019	Change	
Segment Operating Revenues				
Turner	\$ 3,162	\$ 3,443	(8.2)	%
HBO	1,497	1,510	(0.9)	%
Warner Bros.	3,240	3,518	(7.9)	%
Eliminations and other	(540)	(92)	-	%
Total Segment Operating Revenues	7,359	8,379	(12.2)	%
Cost of revenues				
Turner	1,320	1,680	(21.4)	%
HBO	816	670	21.8	%
Warner Bros.	2,346	2,430	(3.5)	%
Selling, general and administrative	1,354	1,284	5.5	%
Eliminations and other	(319)	(71)	-	%
Depreciation and amortization	143	143	-	%
Total Operating Expenses	5,660	6,136	(7.8)	%
Operating Income	1,699	2,243	(24.3)	%
Equity in Net Income of Affiliates	15	67	(77.6)	%
Total Segment Operating Contribution	\$ 1,714	\$ 2,310	(25.8)	%

TURNER

Turner creates and programs branded news, entertainment, sports and kids multi-platform content that is sold to various distribution affiliates. Turner also sells advertising on its networks and digital properties.

Turner Results				
<i>Dollars in millions</i>				
<i>Unaudited</i>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Subscription	\$ 2,049	\$ 1,965	4.3	%
Advertising	957	1,261	(24.1)	%
Content and other	156	217	(28.1)	%
Total Operating Revenues	3,162	3,443	(8.2)	%
Operating Expenses				
Cost of revenues	1,320	1,680	(21.4)	%
Selling, general and administrative	390	456	(14.5)	%
Depreciation and amortization	69	60	15.0	%
Total Operating Expenses	1,779	2,196	(19.0)	%
Operating Income	1,383	1,247	10.9	%
Equity in Net Income of Affiliates	6	25	(76.0)	%
Operating Contribution	\$ 1,389	\$ 1,272	9.2	%
Operating Income Margin	43.7 %	36.2 %	750	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>					
	First Quarter				Percent Change
	2020	2019			
Operating Revenues					
Subscription	\$ 1,338	\$ 1,334	0.3	%	
Content and other	159	176	(9.7)	%	
Total Operating Revenues	1,497	1,510	(0.9)	%	
Operating Expenses					
Cost of revenues	816	670	21.8	%	
Selling, general and administrative	237	251	(5.6)	%	
Depreciation and amortization	21	22	(4.5)	%	
Total Operating Expenses	1,074	943	13.9	%	
Operating Income	423	567	(25.4)	%	
Equity in Net Income of Affiliates	20	15	33.3	%	
Operating Contribution	\$ 443	\$ 582	(23.9)	%	
Operating Income Margin	28.3 %	37.5 %	(920)	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>					
	First Quarter				Percent Change
	2020	2019			
Operating Revenues					
Theatrical product	\$ 1,106	\$ 1,506	(26.6)	%	
Television product	1,769	1,613	9.7	%	
Video games and other	365	399	(8.5)	%	
Total Operating Revenues	3,240	3,518	(7.9)	%	
Operating Expenses					
Cost of revenues	2,346	2,430	(3.5)	%	
Selling, general and administrative	604	489	23.5	%	
Depreciation and amortization	41	52	(21.2)	%	
Total Operating Expenses	2,991	2,971	0.7	%	
Operating Income	249	547	(54.5)	%	
Equity in Net Income (Loss) of Affiliates	(8)	6	-	%	
Operating Contribution	\$ 241	\$ 553	(56.4)	%	
Operating Income Margin	7.7 %	15.5 %	(780)	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>				
	First Quarter		Percent	
	2020	2019	Change	
Segment Operating Revenues				
Vrio	\$ 887	\$ 1,067	(16.9)	%
Mexico	703	651	8.0	%
Total Segment Operating Revenues	1,590	1,718	(7.5)	%
Segment Operating Contribution				
Vrio	(39)	32	-	%
Mexico	(145)	(205)	29.3	%
Total Segment Operating Contribution	\$ (184)	\$ (173)	(6.4)	%

MEXICO

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results				
<i>Dollars in millions</i>				
<i>Unaudited</i>				
	First Quarter		Percent	
	2020	2019	Change	
Operating Revenues				
Wireless service	\$ 467	\$ 442	5.7	%
Wireless equipment	236	209	12.9	%
Total Operating Revenues	703	651	8.0	%
Operating Expenses				
Operations and support	714	725	(1.5)	%
Depreciation and amortization	134	131	2.3	%
Total Operating Expenses	848	856	(0.9)	%
Operating Income (Loss)	(145)	(205)	29.3	%
Equity in Net Income of Affiliates	-	-	-	%
Operating Contribution	\$ (145)	\$ (205)	29.3	%
Operating Income Margin	(20.6) %	(31.5) %	1,090	BP

Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	March 31,		Percent	
	2020	2019	Change	
Mexico Wireless Subscribers				
Postpaid	4,962	5,642	(12.1)	%
Prepaid	13,692	11,779	16.2	%
Reseller	504	301	67.4	%
Total Mexico Wireless Subscribers	19,158	17,722	8.1	%
	First Quarter		Percent	
	2020	2019	Change	
Mexico Wireless Net Additions				
Postpaid	(141)	(69)	-	%
Prepaid	108	114	(5.3)	%
Reseller	32	48	(33.3)	%
Total Mexico Wireless Net Subscriber Additions	(1)	93	-	%

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>				
	First Quarter		Percent Change	
	2020	2019		
Operating Revenues	\$ 887	\$ 1,067	(16.9)	%
Operating Expenses				
Operations and support	783	866	(9.6)	%
Depreciation and amortization	147	169	(13.0)	%
Total Operating Expenses	930	1,035	(10.1)	%
Operating Income	(43)	32	-	%
Equity in Net Income of Affiliates	4	-	-	%
Operating Contribution	\$ (39)	\$ 32	-	%
Operating Income Margin	(4.8) %	3.0 %	(780)	BP
Supplementary Operating Data				
<i>Subscribers and connections in thousands</i>				
<i>Unaudited</i>				
	March 31,		Percent Change	
	2020	2019		
Vrio Video Subscribers	13,217	13,584	(2.7)	%
	First Quarter		Percent Change	
	2020	2019		
Vrio Video Net Subscriber Additions	(114)	(32)	-	%

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>					
	First Quarter				Percent
	2020	2019			Change
Segment Operating Revenues	\$ 489	\$ 426			14.8 %
Segment Operating Expenses					
Operations and support	170	160			6.3 %
Depreciation and amortization	20	13			53.8 %
Total Segment Operating Expenses	190	173			9.8 %
Operating Income	299	253			18.2 %
Equity in Net Income of Affiliates	-	-			- %
Segment Operating Contribution	\$ 299	\$ 253			18.2 %
Segment Operating Income Margin	61.1 %	59.4 %			170 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>					
	First Quarter				Percent
	2020	2019			Change
Operating Revenues					
WarnerMedia	\$ 979	\$ 1,279			(23.5) %
Communications	489	417			17.3 %
Xandr	489	426			14.8 %
Eliminations	(413)	(350)			(18.0) %
Total Advertising Revenues	\$ 1,544	\$ 1,772			(12.9) %

SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended									
Dollars in millions									
Unaudited									
March 31, 2020									
	Revenues		Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates		Segment Contribution
Communications									
Mobility	\$ 17,402	\$	9,569	\$ 7,833	\$ 2,045	\$ 5,788	\$ -	\$	5,788
Entertainment Group	10,515		7,891	2,624	1,289	1,335	-		1,335
Business Wireline	6,332		3,951	2,381	1,301	1,080	-		1,080
Total Communications	34,249		21,411	12,838	4,635	8,203	-		8,203
WarnerMedia									
Turner	3,162		1,710	1,452	69	1,383	6		1,389
Home Box Office	1,497		1,053	444	21	423	20		443
Warner Bros.	3,240		2,950	290	41	249	(8)		241
Eliminations and other	(540)		(196)	(344)	12	(356)	(3)		(359)
Total WarnerMedia	7,359		5,517	1,842	143	1,699	15		1,714
Latin America									
Vrio	887		783	104	147	(43)	4		(39)
Mexico	703		714	(11)	134	(145)	-		(145)
Total Latin America	1,590		1,497	93	281	(188)	4		(184)
Xandr	489		170	319	20	299	-		299
Segment Total	43,687		28,595	15,092	5,079	10,013	\$ 19	\$	10,032
Corporate and Other									
Corporate	388		874	(486)	87	(573)			
Acquisition-related items	-		182	(182)	2,056	(2,238)			
Certain significant items	-		(658)	658	-	658			
Eliminations and consolidations	(1,296)		(922)	(374)	-	(374)			
AT&T Inc.	\$ 42,779	\$	28,071	\$ 14,708	\$ 7,222	\$ 7,486			
March 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	\$ 17,363	\$	10,041	\$ 7,322	\$ 2,013	\$ 5,309	\$ -	\$	5,309
Entertainment Group	11,328		8,527	2,801	1,323	1,478	-		1,478
Business Wireline	6,478		4,032	2,446	1,222	1,224	-		1,224
Total Communications	35,169		22,600	12,569	4,558	8,011	-		8,011
WarnerMedia									
Turner	3,443		2,136	1,307	60	1,247	25		1,272
Home Box Office	1,510		921	589	22	567	15		582
Warner Bros.	3,518		2,919	599	52	547	6		553
Eliminations and other	(92)		17	(109)	9	(118)	21		(97)
Total WarnerMedia	8,379		5,993	2,386	143	2,243	67		2,310
Latin America									
Vrio	1,067		866	201	169	32	-		32
Mexico	651		725	(74)	131	(205)	-		(205)
Total Latin America	1,718		1,591	127	300	(173)	-		(173)
Xandr	426		160	266	13	253	-		253
Segment Total	45,692		30,344	15,348	5,014	10,334	\$ 67	\$	10,401
Corporate and Other									
Corporate	433		661	(228)	204	(432)			
Acquisition-related items	(42)		73	(115)	1,988	(2,103)			
Certain significant items	-		248	(248)	-	(248)			
Eliminations and consolidations	(1,256)		(938)	(318)	-	(318)			
AT&T Inc.	\$ 44,827	\$	30,388	\$ 14,439	\$ 7,206	\$ 7,233			

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>			
		First Quarter	
		2020	2019
Net cash provided by operating activities	\$	8,866	\$ 11,052
Less: Capital expenditures		(4,966)	(5,182)
Free Cash Flow		3,900	5,870
Less: Dividends paid		(3,737)	(3,714)
Free Cash Flow after Dividends	\$	163	\$ 2,156
Free Cash Flow Dividend Payout Ratio		95.8%	63.3%

CASH PAID FOR CAPITAL INVESTMENT

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

Cash Paid for Capital Investment			
<i>Dollars in millions</i>			
		First Quarter	
		2020	2019
Capital Expenditures	\$	(4,966)	\$ (5,182)
Cash paid for vendor financing		(791)	(819)
Cash paid for Capital Investment	\$	(5,757)	\$ (6,001)

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>			
		First Quarter	
		2020	2019
Net Income	\$	4,963	\$ 4,348
Additions:			
Income Tax Expense		1,302	1,023
Interest Expense		2,018	2,141
Equity in Net (Income) Loss of Affiliates		6	7
Other (Income) Expense - Net		(803)	(286)
Depreciation and amortization		7,222	7,206
EBITDA		14,708	14,439
Total Operating Revenues		42,779	44,827
Service Revenues		38,883	40,684
EBITDA Margin		34.4%	32.2%
EBITDA Service Margin		37.8%	35.5%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin			
<i>Dollars in millions</i>			
		First Quarter	
		2020	2019
Communications Segment			
Operating Contribution	\$	8,203	\$ 8,011
Additions:			
Depreciation and amortization		4,635	4,558
EBITDA		12,838	12,569
Total Operating Revenues		34,249	35,169
Operating Income Margin		24.0%	22.8%
EBITDA Margin		37.5%	35.7%
Mobility			
Operating Contribution	\$	5,788	\$ 5,309
Additions:			
Depreciation and amortization		2,045	2,013
EBITDA		7,833	7,322
Total Operating Revenues		17,402	17,363
Service Revenues		13,968	13,629
Operating Income Margin		33.3%	30.6%
EBITDA Margin		45.0%	42.2%
EBITDA Service Margin		56.1%	53.7%
Entertainment Group			
Operating Contribution	\$	1,335	\$ 1,478
Additions:			
Depreciation and amortization		1,289	1,323
EBITDA		2,624	2,801
Total Operating Revenues		10,515	11,328
Operating Income Margin		12.7%	13.0%
EBITDA Margin		25.0%	24.7%
Business Wireline			
Operating Contribution	\$	1,080	\$ 1,224
Additions:			
Depreciation and amortization		1,301	1,222
EBITDA		2,381	2,446
Total Operating Revenues		6,332	6,478
Operating Income Margin		17.1%	18.9%
EBITDA Margin		37.6%	37.8%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin			
<i>Dollars in millions</i>			
		First Quarter	
		2020	2019
WarnerMedia Segment			
Operating Contribution	\$	1,714	\$ 2,310
Additions:			
Equity in Net (Income) of Affiliates		(15)	(67)
Depreciation and amortization		143	143
EBITDA		1,842	2,386
Total Operating Revenues		7,359	8,379
Operating Income Margin		23.1%	26.8%
EBITDA Margin		25.0%	28.5%

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin		
<i>Dollars in millions</i>		
	First Quarter	
	2020	2019
Latin America Segment		
Operating Contribution	\$ (184)	\$ (173)
Additions:		
Equity in Net (Income) of Affiliates	(4)	-
Depreciation and amortization	281	300
EBITDA	93	127
Total Operating Revenues	1,590	1,718
Operating Income Margin	-11.8%	-10.1%
EBITDA Margin	5.8%	7.4%
Vrio		
Operating Contribution	\$ (39)	\$ 32
Additions:		
Equity in Net (Income) of Affiliates	(4)	-
Depreciation and amortization	147	169
EBITDA	104	201
Total Operating Revenues	887	1,067
Operating Income Margin	-4.8%	3.0%
EBITDA Margin	11.7%	18.8%
Mexico		
Operating Contribution	\$ (145)	\$ (205)
Additions:		
Equity in Net (Income) Loss of Affiliates	-	-
Depreciation and amortization	134	131
EBITDA	(11)	(74)
Total Operating Revenues	703	651
Operating Income Margin	-20.6%	-31.5%
EBITDA Margin	-1.6%	-11.4%

Segment EBITDA, EBITDA Margin and EBITDA Service Margin		
<i>Dollars in millions</i>		
	First Quarter	
	2020	2019
Xandr		
Operating Contribution	\$ 299	\$ 253
Additions:		
Equity in Net (Income) of Affiliates	-	-
Depreciation and amortization	20	13
EBITDA	319	266
Total Operating Revenues	489	426
Operating Income Margin	61.1%	59.4%
EBITDA Margin	65.2%	62.4%

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>			
		First Quarter	
		2020	2019
Operating Revenues			
Time Warner merger adjustment	\$	-	\$ 42
Adjustments to Operating Revenues		-	42
Operating Expenses			
Time Warner and other merger costs		182	73
Employee separation costs and benefit-related losses ¹		119	248
Impairments		123	-
Gain on spectrum transaction		(900)	-
Adjustments to Operations and Support Expenses		(476)	321
Amortization of intangible assets ³		2,056	1,989
Adjustments to Operating Expenses		1,580	2,310
Other			
Special termination charges, debt redemption costs and other adjustments		114	211
Employee benefit related losses ^{1,2}		203	432
Adjustments to Income Before Income Taxes		1,897	2,995
Tax impact of adjustments		394	649
Tax-related items		-	141
Adjustments to Net Income	\$	1,503	\$ 2,205

¹ Total holding losses on benefit-related investments were approximately \$300 million in the first quarter of 2020.

² Includes holding losses on benefit-related investments in 2020 and an actuarial loss on our pension plan in 2019.

³ Includes \$386 million amortization of orbital slot licenses which commenced in the first quarter of 2020.

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>			
	First Quarter		
	2020	2019	
Operating Income	\$ 7,486	\$ 7,233	
Adjustments to Operating Revenues	-	42	
Adjustments to Operating Expenses	1,580	2,310	
Adjusted Operating Income	9,066	9,585	
EBITDA	14,708	14,439	
Adjustments to Operating Revenues	-	42	
Adjustments to Operations and Support Expenses	(476)	321	
Adjusted EBITDA	14,232	14,802	
Total Operating Revenues	42,779	44,827	
Adjustments to Operating Revenues	-	42	
Total Adjusted Operating Revenue	42,779	44,869	
Service Revenues	38,883	40,684	
Adjustments to Service Revenues	-	42	
Adjusted Service Revenue	38,883	40,726	
Operating Income Margin	17.5%	16.1%	
Adjusted Operating Income Margin	21.2%	21.4%	
Adjusted EBITDA Margin	33.3%	33.0%	
Adjusted EBITDA Service Margin	36.6%	36.3%	

Adjusted Diluted EPS			
	First Quarter		
	2020	2019	
Diluted Earnings Per Share (EPS)	\$ 0.63	\$ 0.56	
Amortization of intangible assets	0.23	0.21	
Merger integration items	0.02	0.01	
(Gain) loss on sale of assets, impairments and other adjustments	(0.04)	0.05	
Actuarial (gain) loss	-	0.05	
Tax-related items	-	(0.02)	
Adjusted EPS	\$ 0.84	\$ 0.86	
<i>Year-over-year growth - Adjusted</i>	-2.3%		
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,214	7,342	

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>			
	First Quarter		
	2020	2019	
AT&T Inc.			
Total Operating Revenues	\$ 42,779	\$ 44,827	
Exclude Venezuela	(6)	(3)	
Impact of foreign exchange translation	299	-	
Operating Revenues on Constant Currency Basis	43,072	44,824	
<i>Year-over-year growth</i>	-3.9%		
Adjusted EBITDA	14,232	14,802	
Exclude Venezuela	(2)	(2)	
Impact of foreign exchange translation	119	-	
Adjusted EBITDA on Constant Currency Basis	14,349	14,800	
<i>Year-over-year growth</i>	-3.0%		
WarnerMedia Segment			
Total Operating Revenues	\$ 7,359	\$ 8,379	
Impact of foreign exchange translation	66	-	
Warner Media Operating Revenues on Constant Currency Basis	7,425	8,379	
<i>Year-over-year growth</i>	-11.4%		
EBITDA	1,842	2,386	
Impact of foreign exchange translation	24	-	
Warner Media EBITDA on Constant Currency Basis	1,866	2,386	
<i>Year-over-year growth</i>	-21.8%		
Latin America Segment			
Total Operating Revenues	\$ 1,590	\$ 1,718	
Exclude Venezuela	(6)	(3)	
Impact of foreign exchange translation	233	-	
Latin America Operating Revenues on Constant Currency Basis	1,817	1,715	
<i>Year-over-year growth</i>	5.9%		
EBITDA	93	127	
Exclude Venezuela	(2)	(2)	
Impact of foreign exchange translation	95	-	
Latin America EBITDA on Constant Currency Basis	186	125	
<i>Year-over-year growth</i>	48.8%		

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				
	June 30, 2019 ¹	Sept. 30, 2019 ¹	Dec. 31, 2019 ¹	March 31, 2020	Four Quarters
Adjusted EBITDA ²	\$ 15,041	\$ 15,079	\$ 14,365	\$ 14,232	\$ 58,717
End-of-period current debt					17,067
End-of-period long-term debt					147,202
Total End-of-Period Debt					164,269
Less: Cash and Cash Equivalents					9,955
Net Debt Balance					154,314
Annualized Net Debt to Adjusted EBITDA Ratio					2.628

¹ As reported in AT&T's Form 8-K filed July 24, 2019, October 28, 2019, and January 29, 2020.

² Includes the purchase accounting reclassification of released content amortization of \$112 million, \$108 million, \$102 million and \$69 million in the four quarters presented, respectively.

SUPPLEMENTAL OPERATIONAL MEASURES

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

Supplemental Operational Measure								
First Quarter								
	March 31, 2020				March 31, 2019			
	Mobility	Business Wireline	Adjustments ¹	Business Solutions	Mobility	Business Wireline	Adjustments ¹	Business Solutions
Operating Revenues								
Wireless service	\$ 13,968	\$ -	\$ (12,019)	\$ 1,949	\$ 13,629	\$ -	\$ (11,852)	\$ 1,777
Strategic and managed services	-	3,879	-	3,879	-	3,779	-	3,779
Legacy voice and data services	-	2,129	-	2,129	-	2,397	-	2,397
Other services and equipment	-	324	-	324	-	302	-	302
Wireless equipment	3,434	-	(2,724)	710	3,734	-	(3,144)	590
Total Operating Revenues	17,402	6,332	(14,743)	8,991	17,363	6,478	(14,996)	8,845
Operating Expenses								
Operations and support	9,569	3,951	(7,810)	5,710	10,041	4,032	(8,459)	5,614
EBITDA	7,833	2,381	(6,933)	3,281	7,322	2,446	(6,537)	3,231
Depreciation and amortization	2,045	1,301	(1,721)	1,625	2,013	1,222	(1,710)	1,525
Total Operating Expenses	11,614	5,252	(9,531)	7,335	12,054	5,254	(10,169)	7,139
Operating Income	5,788	1,080	(5,212)	1,656	5,309	1,224	(4,827)	1,706
Equity in Net Income (Loss) of Affiliates	-	-	-	-	-	-	-	-
Operating Contribution	\$ 5,788	\$ 1,080	\$ (5,212)	\$ 1,656	\$ 5,309	\$ 1,224	\$ (4,827)	\$ 1,706

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