

# Financial and Operational Schedules & Non-GAAP Reconciliations

**October 21<sup>ST</sup>, 2021**

**AT&T Inc.**  
**Financial Data**

Consolidated Statements of Income						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Operating Revenues</b>						
Service	\$ 34,843	\$ 37,782	(7.8)%	\$ 112,303	\$ 113,716	(1.2)%
Equipment	5,079	4,558	11.4 %	15,603	12,353	26.3 %
<b>Total Operating Revenues</b>	<b>39,922</b>	<b>42,340</b>	<b>(5.7)%</b>	<b>127,906</b>	<b>126,069</b>	<b>1.5 %</b>
<b>Operating Expenses</b>						
Cost of revenues						
Equipment	5,427	4,552	19.2 %	16,324	12,622	29.3 %
Broadcast, programming and operations	4,750	6,912	(31.3)%	19,891	19,555	1.7 %
Other cost of revenues (exclusive of depreciation and amortization shown separately below)	7,649	8,375	(8.7)%	23,797	24,833	(4.2)%
Selling, general and administrative	9,207	9,266	(0.6)%	27,950	27,857	0.3 %
Asset impairments and abandonments	161	73	— %	4,716	2,515	87.5 %
Depreciation and amortization	5,619	7,030	(20.1)%	17,189	21,537	(20.2)%
<b>Total Operating Expenses</b>	<b>32,813</b>	<b>36,208</b>	<b>(9.4)%</b>	<b>109,867</b>	<b>108,919</b>	<b>0.9 %</b>
<b>Operating Income</b>	<b>7,109</b>	<b>6,132</b>	<b>15.9 %</b>	<b>18,039</b>	<b>17,150</b>	<b>5.2 %</b>
<b>Interest Expense</b>	<b>1,667</b>	<b>1,972</b>	<b>(15.5)%</b>	<b>5,221</b>	<b>6,031</b>	<b>(13.4)%</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>91</b>	<b>5</b>	<b>— %</b>	<b>184</b>	<b>(11)</b>	<b>— %</b>
<b>Other Income (Expense) — Net</b>	<b>2,279</b>	<b>(231)</b>	<b>— %</b>	<b>7,499</b>	<b>1,589</b>	<b>— %</b>
<b>Income Before Income Taxes</b>	<b>7,812</b>	<b>3,934</b>	<b>98.6 %</b>	<b>20,501</b>	<b>12,697</b>	<b>61.5 %</b>
<b>Income Tax Expense</b>	<b>1,539</b>	<b>766</b>	<b>— %</b>	<b>4,412</b>	<b>3,003</b>	<b>46.9 %</b>
<b>Net Income</b>	<b>6,273</b>	<b>3,168</b>	<b>98.0 %</b>	<b>16,089</b>	<b>9,694</b>	<b>66.0 %</b>
<b>Less: Net Income Attributable to Noncontrolling Interest</b>	<b>(355)</b>	<b>(352)</b>	<b>(0.9)%</b>	<b>(1,051)</b>	<b>(987)</b>	<b>(6.5)%</b>
<b>Net Income Attributable to AT&amp;T</b>	<b>\$ 5,918</b>	<b>\$ 2,816</b>	<b>— %</b>	<b>\$ 15,038</b>	<b>\$ 8,707</b>	<b>72.7 %</b>
<b>Less: Preferred Stock Dividends</b>	<b>(50)</b>	<b>(54)</b>	<b>7.4 %</b>	<b>(156)</b>	<b>(138)</b>	<b>(13.0)%</b>
<b>Net Income Attributable to Common Stock</b>	<b>\$ 5,868</b>	<b>\$ 2,762</b>	<b>— %</b>	<b>\$ 14,882</b>	<b>\$ 8,569</b>	<b>73.7 %</b>
<b>Basic Earnings Per Share Attributable to Common Stock</b>	<b>\$ 0.82</b>	<b>\$ 0.39</b>	<b>— %</b>	<b>\$ 2.07</b>	<b>\$ 1.19</b>	<b>73.9 %</b>
Weighted Average Common Shares Outstanding (000,000)	7,171	7,147	0.3 %	7,167	7,160	0.1 %
<b>Diluted Earnings Per Share Attributable to Common Stock</b>	<b>\$ 0.82</b>	<b>\$ 0.39</b>	<b>— %</b>	<b>\$ 2.07</b>	<b>\$ 1.19</b>	<b>73.9 %</b>
Weighted Average Common Shares Outstanding with Dilution (000,000)	7,202	7,173	0.4 %	7,197	7,186	0.2 %

**AT&T Inc.**  
**Financial Data**

Consolidated Balance Sheets			
<i>Dollars in millions</i>			
<i>Unaudited</i>			
	Sep. 30, 2021	Dec. 31, 2020	
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 21,270	\$ 9,740	
Accounts receivable – net of related allowances for credit loss of \$806 and \$1,221	16,304	20,215	
Inventories	3,088	3,695	
Prepaid and other current assets	16,568	18,358	
Total current assets	57,230	52,008	
Noncurrent Inventories and Theatrical Film and Television Production Costs	17,811	14,752	
Property, Plant and Equipment – Net	124,419	127,315	
Goodwill	133,663	135,259	
Licenses – Net	112,423	93,840	
Trademarks and Trade Names – Net	22,097	23,297	
Distribution Networks – Net	12,408	13,793	
Other Intangible Assets – Net	12,338	15,386	
Investments in and Advances to Equity Affiliates	8,629	1,780	
Operating Lease Right-Of-Use Assets	24,341	24,714	
Other Assets	21,748	23,617	
Total Assets	\$ 547,107	\$ 525,761	
<b>Liabilities and Stockholders' Equity</b>			
<b>Current Liabilities</b>			
Debt maturing within one year	\$ 23,755	\$ 3,470	
Note payable to DIRECTV	1,180	—	
Accounts payable and accrued liabilities	47,926	50,051	
Advanced billings and customer deposits	4,991	6,176	
Dividends payable	3,749	3,741	
Total current liabilities	81,601	63,438	
Long-Term Debt	155,406	153,775	
<b>Deferred Credits and Other Noncurrent Liabilities</b>			
Deferred income taxes	63,405	60,472	
Postemployment benefit obligation	14,158	18,276	
Operating lease liabilities	21,510	22,202	
Other noncurrent liabilities	29,466	28,358	
Noncurrent note payable to DIRECTV	258	—	
Total deferred credits and other noncurrent liabilities	128,797	129,308	
<b>Stockholders' Equity</b>			
Preferred stock	—	—	
Common stock	7,621	7,621	
Additional paid-in capital	130,035	130,175	
Retained earnings	41,091	37,457	
Treasury stock	(17,319)	(17,910)	
Accumulated other comprehensive income	2,343	4,330	
Noncontrolling interest	17,532	17,567	
Total stockholders' equity	181,303	179,240	
Total Liabilities and Stockholders' Equity	\$ 547,107	\$ 525,761	

**AT&T Inc.**  
**Financial Data**

Consolidated Statements of Cash Flows			
<i>Dollars in millions</i>			
<i>Unaudited</i>			
	Nine-Month Period		
	2021	2020	
<b>Operating Activities</b>			
Net income	\$ 16,089	\$ 9,694	
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,189	21,537	
Amortization of film and television costs	8,421	6,448	
Distributed (undistributed) earnings from investments in equity affiliates	102	108	
Provision for uncollectible accounts	858	1,611	
Deferred income tax expense	3,187	2,248	
Net (gain) loss on investments, net of impairments	(965)	(689)	
Pension and postretirement benefit expense (credit)	(2,870)	(2,245)	
Actuarial (gain) loss on pension and postretirement benefits	(3,021)	63	
Asset impairments and abandonments	4,716	2,515	
Changes in operating assets and liabilities:			
Receivables	57	2,321	
Other current assets, inventories and theatrical film and television production costs	(11,928)	(7,836)	
Accounts payable and other accrued liabilities	(2,254)	(4,905)	
Equipment installment receivables and related sales	715	(148)	
Deferred customer contract acquisition and fulfillment costs	316	453	
Postretirement claims and contributions	(425)	(409)	
Other - net	516	2,282	
Total adjustments	14,614	23,354	
Net Cash Provided by Operating Activities	30,703	33,048	
<b>Investing Activities</b>			
Capital expenditures	(12,696)	(13,283)	
Acquisitions, net of cash acquired	(23,533)	(1,215)	
Dispositions	9,086	428	
Other - net	(190)	344	
Net Cash Used in Investing Activities	(27,333)	(13,726)	
<b>Financing Activities</b>			
Net change in short-term borrowings with original maturities of three months or less	630	(17)	
Issuance of other short-term borrowings	17,476	9,440	
Repayment of other short-term borrowings	(2,448)	(7,710)	
Issuance of long-term debt	9,931	31,987	
Repayment of long-term debt	(1,653)	(37,583)	
Note payable to DIRECTV, net of payments of \$361	1,439	—	
Payment of vendor financing	(4,013)	(1,965)	
Issuance of preferred stock	—	3,869	
Purchase of treasury stock	(191)	(5,483)	
Issuance of treasury stock	89	88	
Issuance of preferred interests in subsidiaries	—	1,979	
Dividends paid	(11,319)	(11,215)	
Other - net	(1,776)	(5,158)	
Net Cash Provided by (Used in) Financing Activities	8,165	(21,768)	
Net increase (decrease) in cash and cash equivalents and restricted cash	11,535	(2,446)	
Cash and cash equivalents and restricted cash beginning of year	9,870	12,295	
<b>Cash and Cash Equivalents and Restricted Cash End of Period</b>	<b>\$ 21,405</b>	<b>\$ 9,849</b>	

**AT&T Inc.**  
**Consolidated Supplementary Data**

Supplementary Financial Data						
<i>Dollars in millions except per share amounts</i>						
<i>Unaudited</i>	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
Capital expenditures						
Purchase of property and equipment	\$ 4,666	\$ 3,819	22.2 %	\$ 12,564	\$ 13,191	(4.8) %
Interest during construction - capital expenditures	38	32	18.8 %	132	92	43.5 %
Total Capital Expenditures	\$ 4,704	\$ 3,851	22.2 %	\$ 12,696	\$ 13,283	(4.4) %
Acquisition, net of cash acquired						
Business acquisitions	\$ (26)	\$ 25	— %	\$ —	\$ 153	— %
Spectrum acquisitions	131	16	— %	23,017	1,062	— %
Interest during construction - spectrum	259	—	— %	516	—	— %
Total Acquisitions	\$ 364	\$ 41	— %	\$ 23,533	\$ 1,215	— %
Cash Paid for Programming and Produced Film/TV Content	\$ 4,766	\$ 3,062	55.6 %	\$ 14,562	\$ 10,281	41.6 %
Dividends Declared per Common Share	\$ 0.52	\$ 0.52	— %	\$ 1.56	\$ 1.56	— %
End of Period Common Shares Outstanding (000,000)				7,140	7,125	0.2 %
Debt Ratio				49.7 %	44.9 %	480 BP
Total Employees				214,840	234,630	(8.4) %

## COMMUNICATIONS SEGMENT

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

Results have been recast to remove the Video business, instead reporting those results in Corporate and Other.

Segment Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Segment Operating Revenues</b>						
Mobility	\$ 19,138	\$ 17,894	7.0 %	\$ 57,108	\$ 52,445	8.9 %
Business Wireline	5,938	6,261	(5.2)%	18,036	18,832	(4.2)%
Consumer Wireline	3,142	3,040	3.4 %	9,380	9,202	1.9 %
Total Segment Operating Revenues	28,218	27,195	3.8 %	84,524	80,479	5.0 %
<b>Segment Operating Contribution</b>						
Mobility	5,955	5,691	4.6 %	17,959	17,284	3.9 %
Business Wireline	985	1,184	(16.8)%	3,093	3,567	(13.3)%
Consumer Wireline	183	189	(3.2)%	776	1,102	(29.6)%
Total Segment Operating Contribution	\$ 7,123	\$ 7,064	0.8 %	\$ 21,828	\$ 21,953	(0.6)%

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,		Percent			
	2021	2020	Change			
<b>Broadband Connections</b>						
Broadband	15,050	14,761	2.0 %			
DSL	460	614	(25.1)%			
Total Broadband Connections	15,510	15,375	0.9 %			
<b>Voice Connections</b>						
Retail Consumer Switched Access Lines	6,404	7,562	(15.3)%			
U-verse Consumer VoIP Connections	3,440	3,942	(12.7)%			
Total Retail Voice Connections	9,844	11,504	(14.4)%			
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Broadband Net Additions</b>						
Broadband	62	213	(70.9)%	232	102	— %
DSL	(33)	(39)	15.4 %	(106)	(116)	8.6 %
Total Broadband Net Additions	29	174	(83.3)%	126	(14)	— %

## Mobility

Mobility provides nationwide wireless service and equipment.

Mobility Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Third Quarter		Percent		Nine-Month Period		Percent
	2021	2020	Change		2021	2020	Change
<b>Operating Revenues</b>							
Service	\$ 14,527	\$ 13,883	4.6 %		\$ 42,921	\$ 41,520	3.4 %
Equipment	4,611	4,011	15.0 %		14,187	10,925	29.9 %
<b>Total Operating Revenues</b>	<b>19,138</b>	<b>17,894</b>	<b>7.0 %</b>		<b>57,108</b>	<b>52,445</b>	<b>8.9 %</b>
<b>Operating Expenses</b>							
Operations and support	11,148	10,182	9.5 %		33,077	29,083	13.7 %
Depreciation and amortization	2,035	2,021	0.7 %		6,072	6,078	(0.1) %
<b>Total Operating Expenses</b>	<b>13,183</b>	<b>12,203</b>	<b>8.0 %</b>		<b>39,149</b>	<b>35,161</b>	<b>11.3 %</b>
<b>Operating Income</b>	<b>5,955</b>	<b>5,691</b>	<b>4.6 %</b>		<b>17,959</b>	<b>17,284</b>	<b>3.9 %</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>— %</b>		<b>—</b>	<b>—</b>	<b>— %</b>
<b>Operating Contribution</b>	<b>\$ 5,955</b>	<b>\$ 5,691</b>	<b>4.6 %</b>		<b>\$ 17,959</b>	<b>\$ 17,284</b>	<b>3.9 %</b>
<b>Operating Income Margin</b>	<b>31.1 %</b>	<b>31.8 %</b>	<b>(70) BP</b>		<b>31.4 %</b>	<b>33.0 %</b>	<b>(160) BP</b>

Supplementary Operating Data							
<i>Subscribers and connections in thousands</i>							
<i>Unaudited</i>							
	September 30,		Percent		September 30,		Percent
	2021	2020	Change		2021	2020	Change
<b>Mobility Subscribers</b>							
Postpaid	80,249	75,969	5.6 %				
Postpaid phone	66,396	63,485	4.6 %				
Prepaid	19,028	18,100	5.1 %				
Reseller	6,263	6,708	(6.6) %				
Connected Devices	90,979	75,967	19.8 %				
<b>Total Mobility Subscribers</b>	<b>196,519</b>	<b>176,744</b>	<b>11.2 %</b>				
	Third Quarter		Percent		Nine-Month Period		Percent
	2021	2020	Change		2021	2020	Change
<b>Mobility Net Additions</b>							
Postpaid Phone Net Additions	928	645	43.9 %		2,312	657	— %
<b>Total Phone Net Additions</b>	<b>1,177</b>	<b>776</b>	<b>51.7 %</b>		<b>2,942</b>	<b>880</b>	<b>— %</b>
Postpaid	1,218	1,081	12.7 %		3,197	954	— %
Prepaid	351	245	43.3 %		927	365	— %
Reseller	(164)	(4)	— %		(357)	(252)	(41.7) %
Connected Devices	3,468	4,203	(17.5) %		10,194	9,976	2.2 %
<b>Total Mobility Net Additions</b>	<b>4,873</b>	<b>5,525</b>	<b>(11.8) %</b>		<b>13,961</b>	<b>11,043</b>	<b>26.4 %</b>
Postpaid Churn	0.92 %	0.85 %	7 BP		0.91 %	0.99 %	(8) BP
Postpaid Phone-Only Churn	0.72 %	0.69 %	3 BP		0.72 %	0.80 %	(8) BP

## Business Wireline

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

Results have been recast to characterize revenues as either service or equipment, consistent with the way we are managing the business unit.

Business Wireline Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Operating Revenues</b>						
Service	\$ 5,765	\$ 6,079	(5.2) %	\$ 17,497	\$ 18,271	(4.2) %
Equipment	173	182	(4.9) %	539	561	(3.9) %
<b>Total Operating Revenues</b>	<b>5,938</b>	<b>6,261</b>	<b>(5.2) %</b>	<b>18,036</b>	<b>18,832</b>	<b>(4.2) %</b>
<b>Operating Expenses</b>						
Operations and support	3,649	3,764	(3.1) %	11,068	11,365	(2.6) %
Depreciation and amortization	1,304	1,313	(0.7) %	3,875	3,900	(0.6) %
<b>Total Operating Expenses</b>	<b>4,953</b>	<b>5,077</b>	<b>(2.4) %</b>	<b>14,943</b>	<b>15,265</b>	<b>(2.1) %</b>
<b>Operating Income</b>	<b>985</b>	<b>1,184</b>	<b>(16.8) %</b>	<b>3,093</b>	<b>3,567</b>	<b>(13.3) %</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>— %</b>	<b>—</b>	<b>—</b>	<b>— %</b>
<b>Operating Contribution</b>	<b>\$ 985</b>	<b>\$ 1,184</b>	<b>(16.8) %</b>	<b>\$ 3,093</b>	<b>\$ 3,567</b>	<b>(13.3) %</b>
<b>Operating Income Margin</b>	<b>16.6 %</b>	<b>18.9 %</b>	<b>(230) BP</b>	<b>17.1 %</b>	<b>18.9 %</b>	<b>(180) BP</b>

## Consumer Wireline

Consumer Wireline provides broadband, including fiber, and voice communication services primarily to residential customers.

Results have been recast to refine the allocation of shared infrastructure and deferred customer acquisition costs between Consumer Wireline and Video.

Consumer Wireline Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Operating Revenues</b>						
Broadband	\$ 2,290	\$ 2,128	7.6 %	\$ 6,761	\$ 6,329	6.8 %
Legacy voice and data services	484	538	(10.0) %	1,507	1,679	(10.2) %
Other service and equipment	368	374	(1.6) %	1,112	1,194	(6.9) %
<b>Total Operating Revenues</b>	<b>3,142</b>	<b>3,040</b>	<b>3.4 %</b>	<b>9,380</b>	<b>9,202</b>	<b>1.9 %</b>
<b>Operating Expenses</b>						
Operations and support	2,184	2,117	3.2 %	6,298	5,924	6.3 %
Depreciation and amortization	775	734	5.6 %	2,306	2,176	6.0 %
<b>Total Operating Expenses</b>	<b>2,959</b>	<b>2,851</b>	<b>3.8 %</b>	<b>8,604</b>	<b>8,100</b>	<b>6.2 %</b>
<b>Operating Income</b>	<b>183</b>	<b>189</b>	<b>(3.2) %</b>	<b>776</b>	<b>1,102</b>	<b>(29.6) %</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>— %</b>	<b>—</b>	<b>—</b>	<b>— %</b>
<b>Operating Contribution</b>	<b>\$ 183</b>	<b>\$ 189</b>	<b>(3.2) %</b>	<b>\$ 776</b>	<b>\$ 1,102</b>	<b>(29.6) %</b>
<b>Operating Income Margin</b>	<b>5.8 %</b>	<b>6.2 %</b>	<b>(40) BP</b>	<b>8.3 %</b>	<b>12.0 %</b>	<b>(370) BP</b>

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>				September 30,		Percent
				2021	2020	Change
<b>Broadband Connections</b>						
Total Broadband and DSL Connections				14,180	14,102	0.6 %
Fiber Broadband Connections				5,721	4,678	22.3 %
<b>Voice Connections</b>						
Retail Consumer Switched Access Lines				2,527	2,977	(15.1) %
U-verse Consumer VoIP Connections				2,843	3,361	(15.4) %
Total Retail Consumer Voice Connections				5,370	6,338	(15.3) %
				Third Quarter	Percent	Nine-Month Period
				2021	2020	Change
				2021	2020	Change
<b>Broadband Net Additions</b>						
Total Broadband and DSL Net Additions				6	158	(96.2) %
Fiber Broadband Net Additions				289	357	(19.0) %
				770	791	(2.7) %

## 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 revenues.

Business Solutions Results							
<i>Dollars in millions</i>							
<i>Unaudited</i>							
	Third Quarter		Percent		Nine-Month Period		Percent
	2021	2020	Change		2021	2020	Change
<b>Operating Revenues</b>							
Wireless service	\$ 2,059	\$ 1,950	5.6 %		\$ 6,053	\$ 5,784	4.7 %
Wireline service	5,765	6,079	(5.2) %		17,497	18,271	(4.2) %
Wireless equipment	813	662	22.8 %		2,384	1,957	21.8 %
Wireline equipment	173	182	(4.9) %		539	561	(3.9) %
<b>Total Operating Revenues</b>	<b>8,810</b>	<b>8,873</b>	<b>(0.7) %</b>		<b>26,473</b>	<b>26,573</b>	<b>(0.4) %</b>
<b>Operating Expenses</b>							
Operations and support	5,603	5,441	3.0 %		16,815	16,447	2.2 %
Depreciation and amortization	1,651	1,632	1.2 %		4,903	4,862	0.8 %
<b>Total Operating Expenses</b>	<b>7,254</b>	<b>7,073</b>	<b>2.6 %</b>		<b>21,718</b>	<b>21,309</b>	<b>1.9 %</b>
<b>Operating Income</b>	<b>1,556</b>	<b>1,800</b>	<b>(13.6) %</b>		<b>4,755</b>	<b>5,264</b>	<b>(9.7) %</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>— %</b>		<b>—</b>	<b>—</b>	<b>— %</b>
<b>Operating Contribution</b>	<b>\$ 1,556</b>	<b>\$ 1,800</b>	<b>(13.6) %</b>		<b>\$ 4,755</b>	<b>\$ 5,264</b>	<b>(9.7) %</b>
<b>Operating Income Margin</b>	<b>17.7 %</b>	<b>20.3 %</b>	<b>(260) BP</b>		<b>18.0 %</b>	<b>19.8 %</b>	<b>(180) BP</b>

## WARNERMEDIA SEGMENT

The WarnerMedia segment develops, produces and distributes feature films, television, gaming and other content in various physical and digital formats globally. WarnerMedia content is distributed through basic networks, Direct-to-Consumer (DTC) or theatrical, TV content and games licensing. Segment results also include Xandr advertising and Otter Media Holdings. Additional information is provided as part of the earnings material on the company's Investor Relations website.

Segment Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Segment Operating Revenues</b>						
Subscription	\$ 3,988	\$ 3,477	14.7 %	\$ 11,779	\$ 10,142	16.1 %
Content and other	3,053	2,318	31.7 %	9,103	7,510	21.2 %
Advertising	1,401	1,600	(12.4)%	4,877	4,236	15.1 %
<b>Total Segment Operating Revenues</b>	<b>8,442</b>	<b>7,395</b>	<b>14.2 %</b>	<b>25,759</b>	<b>21,888</b>	<b>17.7 %</b>
Direct Costs						
Programming	3,068	3,181	(3.6)%	10,996	8,638	27.3 %
Marketing	1,096	655	67.3 %	2,929	1,750	67.4 %
Other	932	734	27.0 %	2,599	2,329	11.6 %
General and administrative	1,175	913	28.7 %	3,084	3,027	1.9 %
Depreciation and amortization	163	169	(3.6)%	491	494	(0.6)%
<b>Total Operating Expenses</b>	<b>6,434</b>	<b>5,652</b>	<b>13.8 %</b>	<b>20,099</b>	<b>16,238</b>	<b>23.8 %</b>
<b>Operating Income</b>	<b>2,008</b>	<b>1,743</b>	<b>15.2 %</b>	<b>5,660</b>	<b>5,650</b>	<b>0.2 %</b>
Equity in Net Income (Loss) of Affiliates	(73)	12	— %	44	31	41.9 %
<b>Total Segment Operating Contribution</b>	<b>\$ 1,935</b>	<b>\$ 1,755</b>	<b>10.3 %</b>	<b>\$ 5,704</b>	<b>\$ 5,681</b>	<b>0.4 %</b>

## 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>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Segment Operating Revenues</b>						
Vrio	\$ 756	\$ 753	0.4 %	\$ 2,248	\$ 2,392	(6.0)%
Mexico	724	643	12.6 %	2,043	1,826	11.9 %
Total Segment Operating Revenues	1,480	1,396	6.0 %	4,291	4,218	1.7 %
<b>Segment Operating Contribution</b>						
Vrio	105	(34)	— %	43	(101)	— %
Mexico	(130)	(143)	9.1 %	(393)	(461)	14.8 %
Total Segment Operating Contribution	\$ (25)	\$ (177)	85.9 %	\$ (350)	\$ (562)	37.7 %

### Vrio

Vrio provides entertainment services to customers utilizing satellite technology in Latin America and the Caribbean. We agreed to sell our Vrio business and applied held-for-sale accounting in the second quarter of 2021.

Vrio Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Operating Revenues</b>	\$ 756	\$ 753	0.4 %	\$ 2,248	\$ 2,392	(6.0) %
<b>Operating Expenses</b>						
Operations and support	660	675	(2.2) %	1,981	2,119	(6.5) %
Depreciation and amortization	—	126	— %	231	400	(42.3) %
<b>Total Operating Expenses</b>	660	801	(17.6) %	2,212	2,519	(12.2) %
<b>Operating Income (Loss)</b>	96	(48)	— %	36	(127)	— %
<b>Equity in Net Income (Loss) of Affiliates</b>	9	14	(35.7) %	7	26	(73.1) %
<b>Operating Contribution</b>	\$ 105	\$ (34)	— %	\$ 43	\$ (101)	— %
<b>Operating Income Margin</b>	12.7 %	(6.4)%	1,910 BP	1.6 %	(5.3)%	690 BP

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,		Percent			
	2021	2020	Change			
<b>Vrio Video Subscribers</b>	10,142	10,893	(6.9) %			
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Vrio Video Net Additions</b>	(178)	229	— %	(800)	(197)	— %

## Mexico

Mexico provides wireless services and equipment to customers in Mexico.

Mexico Results						
<i>Dollars in millions</i>						
<i>Unaudited</i>						
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Operating Revenues</b>						
Wireless service	\$ 463	\$ 385	20.3 %	\$ 1,349	\$ 1,197	12.7 %
Wireless equipment	261	258	1.2 %	694	629	10.3 %
<b>Total Operating Revenues</b>	<b>724</b>	<b>643</b>	<b>12.6 %</b>	<b>2,043</b>	<b>1,826</b>	<b>11.9 %</b>
<b>Operating Expenses</b>						
Operations and support	697	662	5.3 %	1,984	1,914	3.7 %
Depreciation and amortization	157	124	26.6 %	452	373	21.2 %
<b>Total Operating Expenses</b>	<b>854</b>	<b>786</b>	<b>8.7 %</b>	<b>2,436</b>	<b>2,287</b>	<b>6.5 %</b>
<b>Operating Income (Loss)</b>	<b>(130)</b>	<b>(143)</b>	<b>9.1 %</b>	<b>(393)</b>	<b>(461)</b>	<b>14.8 %</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>— %</b>	<b>—</b>	<b>—</b>	<b>— %</b>
<b>Operating Contribution</b>	<b>\$ (130)</b>	<b>\$ (143)</b>	<b>9.1 %</b>	<b>\$ (393)</b>	<b>\$ (461)</b>	<b>14.8 %</b>
<b>Operating Income Margin</b>	<b>(18.0)%</b>	<b>(22.2)%</b>	<b>420 BP</b>	<b>(19.2)%</b>	<b>(25.2)%</b>	<b>600 BP</b>

Supplementary Operating Data						
<i>Subscribers and connections in thousands</i>						
<i>Unaudited</i>						
	September 30,		Percent			
	2021	2020	Change			
<b>Mexico Wireless Subscribers</b>						
Postpaid	4,781	4,710	1.5 %			
Prepaid	14,199	13,249	7.2 %			
Reseller	493	455	8.4 %			
<b>Total Mexico Wireless Subscribers</b>	<b>19,473</b>	<b>18,414</b>	<b>5.8 %</b>			
	Third Quarter		Percent	Nine-Month Period		Percent
	2021	2020	Change	2021	2020	Change
<b>Mexico Wireless Net Additions</b>						
Postpaid	36	(61)	— %	85	(393)	— %
Prepaid	389	472	(17.6) %	441	(335)	— %
Reseller	2	30	(93.3) %	4	83	(95.2) %
<b>Total Mexico Wireless Net Additions</b>	<b>427</b>	<b>441</b>	<b>(3.2) %</b>	<b>530</b>	<b>(645)</b>	<b>— %</b>

## SUPPLEMENTAL SEGMENT RECONCILIATION

Three Months Ended														
Dollars in millions														
Unaudited														
September 30, 2021														
								Equity in Net Income (Loss) of Affiliates	Segment Contribution					
	Revenues		Operations and Support Expenses		EBITDA		Depreciation and Amortization		Operating Income (Loss)					
Communications														
Mobility	\$	19,138	\$	11,148	\$	7,990	\$	2,035	\$	5,955	\$	—	\$	5,955
Business Wireline		5,938		3,649		2,289		1,304		985		—		985
Consumer Wireline		3,142		2,184		958		775		183		—		183
Total Communications		28,218		16,981		11,237		4,114		7,123		—		7,123
WarnerMedia		8,442		6,271		2,171		163		2,008		(73)		1,935
Latin America														
Vrio		756		660		96		—		96		9		105
Mexico		724		697		27		157		(130)		—		(130)
Total Latin America		1,480		1,357		123		157		(34)		9		(25)
Segment Total		38,140		24,609		13,531		4,434		9,097	\$	(64)	\$	9,033
Corporate and Other														
Corporate		278		1,109		(831)		129		(960)				
Video		2,149		1,731		418		44		374				
Acquisition-related items		—		130		(130)		1,012		(1,142)				
Certain significant items		—		161		(161)		—		(161)				
Eliminations and consolidations		(645)		(546)		(99)		—		(99)				
AT&T Inc.	\$	39,922	\$	27,194	\$	12,728	\$	5,619	\$	7,109				

Three Months Ended								
<i>Dollars in millions</i>								
<i>Unaudited</i>								
<i>September 30, 2020</i>								
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution	
<b>Communications</b>								
Mobility	\$ 17,894	\$ 10,182	\$ 7,712	\$ 2,021	\$ 5,691	\$ —	\$ 5,691	
Business Wireline	6,261	3,764	2,497	1,313	1,184	—	1,184	
Consumer Wireline	3,040	2,117	923	734	189	—	189	
Total Communications	27,195	16,063	11,132	4,068	7,064	—	7,064	
<b>WarnerMedia</b>	7,395	5,483	1,912	169	1,743	12	1,755	
<b>Latin America</b>								
Vrio	753	675	78	126	(48)	14	(34)	
Mexico	643	662	(19)	124	(143)	—	(143)	
Total Latin America	1,396	1,337	59	250	(191)	14	(177)	
Segment Total	35,986	22,883	13,103	4,487	8,616	\$ 26	\$ 8,642	
<b>Corporate and Other</b>								
Corporate	628	1,175	(547)	65	(612)			
Video	7,014	5,887	1,127	557	570			
Acquisition-related items	—	38	(38)	1,921	(1,959)			
Certain significant items	—	113	(113)	—	(113)			
Eliminations and consolidations	(1,288)	(918)	(370)	—	(370)			
AT&T Inc.	\$ 42,340	\$ 29,178	\$ 13,162	\$ 7,030	\$ 6,132			

## SUPPLEMENTAL SEGMENT RECONCILIATION

Nine Months Ended									
Dollars in millions									
Unaudited									
September 30, 2021									
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution		
Communications									
Mobility	\$ 57,108	\$ 33,077	\$ 24,031	\$ 6,072	\$ 17,959	\$ —	\$ 17,959		
Business Wireline	18,036	11,068	6,968	3,875	3,093	—	3,093		
Consumer Wireline	9,380	6,298	3,082	2,306	776	—	776		
Total Communications	84,524	50,443	34,081	12,253	21,828	—	21,828		
WarnerMedia	25,759	19,608	6,151	491	5,660	44	5,704		
Latin America									
Vrio	2,248	1,981	267	231	36	7	43		
Mexico	2,043	1,984	59	452	(393)	—	(393)		
Total Latin America	4,291	3,965	326	683	(357)	7	(350)		
Segment Total	114,574	74,016	40,558	13,427	27,131	\$ 51	\$ 27,182		
Corporate and Other									
Corporate	1,065	3,482	(2,417)	194	(2,611)				
Video	15,513	12,666	2,847	356	2,491				
Acquisition-related items	—	167	(167)	3,212	(3,379)				
Certain significant items	—	4,773	(4,773)	—	(4,773)				
Eliminations and consolidations	(3,246)	(2,426)	(820)	—	(820)				
AT&T Inc.	\$ 127,906	\$ 92,678	\$ 35,228	\$ 17,189	\$ 18,039				

Nine Months Ended									
<i>Dollars in millions</i>									
<i>Unaudited</i>									
<i>September 30, 2020</i>									
	Revenues	Operations and Support Expenses	EBITDA	Depreciation and Amortization	Operating Income (Loss)	Equity in Net Income (Loss) of Affiliates	Segment Contribution		
<b>Communications</b>									
Mobility	\$ 52,445	\$ 29,083	\$ 23,362	\$ 6,078	\$ 17,284	\$ —	\$ 17,284		
Business Wireline	18,832	11,365	7,467	3,900	3,567	—	3,567		
Consumer Wireline	9,202	5,924	3,278	2,176	1,102	—	1,102		
Total Communications	80,479	46,372	34,107	12,154	21,953	—	21,953		
<b>WarnerMedia</b>	21,888	15,744	6,144	494	5,650	31	5,681		
<b>Latin America</b>									
Vrio	2,392	2,119	273	400	(127)	26	(101)		
Mexico	1,826	1,914	(88)	373	(461)	—	(461)		
Total Latin America	4,218	4,033	185	773	(588)	26	(562)		
Segment Total	106,585	66,149	40,436	13,421	27,015	\$ 57	\$ 27,072		
<b>Corporate and Other</b>									
Corporate	1,751	3,256	(1,505)	254	(1,759)				
Video	21,442	17,716	3,726	1,741	1,985				
Acquisition-related items	—	431	(431)	6,122	(6,553)				
Certain significant items	—	2,539	(2,539)	—	(2,539)				
Eliminations and consolidations	(3,709)	(2,709)	(1,000)	(1)	(999)				
AT&T Inc.	\$ 126,069	\$ 87,382	\$ 38,687	\$ 21,537	\$ 17,150				

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

Free Cash Flow and Free Cash Flow Dividend Payout Ratio				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
Net cash provided by operating activities <sup>1</sup>	\$ 9,866	\$ 12,123	\$ 30,703	\$ 33,048
Add: Distributions from DIRECTV classified as investing activities	—	—	—	—
Less: Capital expenditures	(4,704)	(3,851)	(12,696)	(13,283)
<b>Free Cash Flow</b>	<b>5,162</b>	<b>8,272</b>	<b>18,007</b>	<b>19,765</b>
Less: Dividends paid	(3,748)	(3,741)	(11,319)	(11,215)
Free Cash Flow after Dividends	\$ 1,414	\$ 4,531	\$ 6,688	\$ 8,550
<b>Free Cash Flow Dividend Payout Ratio</b>	<b>72.6 %</b>	<b>45.2 %</b>	<b>62.9 %</b>	<b>56.7 %</b>

<sup>1</sup> Includes distributions from DIRECTV of \$130 in the third quarter and for the nine months ended September 30, 2021.

### Cash Paid for Capital Investment

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

Cash Paid for Capital Investment				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
Capital Expenditures	\$ (4,704)	\$ (3,851)	\$ (12,696)	\$ (13,283)
Cash paid for vendor financing	(1,019)	(611)	(4,013)	(1,965)
<b>Cash paid for Capital Investment</b>	<b>\$ (5,723)</b>	<b>\$ (4,462)</b>	<b>\$ (16,709)</b>	<b>\$ (15,248)</b>
FirstNet reimbursement	—	(64)	—	(143)
<b>Gross Capital Investment</b>	<b>\$ (5,723)</b>	<b>\$ (4,526)</b>	<b>\$ (16,709)</b>	<b>\$ (15,391)</b>

## EBITDA

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

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

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

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

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

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

EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>Net Income</b>	\$ 6,273	\$ 3,168	\$ 16,089	\$ 9,694
Additions:				
Income Tax Expense	1,539	766	4,412	3,003
Interest Expense	1,667	1,972	5,221	6,031
Equity in Net (Income) Loss of Affiliates	(91)	(5)	(184)	11
Other (Income) Expense - Net	(2,279)	231	(7,499)	(1,589)
Depreciation and amortization	5,619	7,030	17,189	21,537
<b>EBITDA</b>	<b>12,728</b>	<b>13,162</b>	<b>35,228</b>	<b>38,687</b>
Merger costs	130	38	167	431
Employee separation costs and benefit-related (gain) loss	—	40	57	924
Impairments	161	73	\$ 4,716	2,515
Gain on spectrum transaction	—	—	—	(900)
<b>Adjusted EBITDA<sup>1</sup></b>	<b>\$ 13,019</b>	<b>\$ 13,313</b>	<b>\$ 40,168</b>	<b>\$ 41,657</b>

<sup>1</sup> See page 5 for additional discussion and reconciliation of adjusted items.

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

*Dollars in millions*

	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>Communications Segment</b>				
<b>Operating Contribution</b>	\$ 7,123	\$ 7,064	\$ 21,828	\$ 21,953
Additions:				
Depreciation and amortization	4,114	4,068	12,253	12,154
<b>EBITDA</b>	<b>11,237</b>	<b>11,132</b>	<b>34,081</b>	<b>34,107</b>
Total Operating Revenues	28,218	27,195	84,524	80,479
<b>Operating Income Margin</b>	<b>25.2 %</b>	<b>26.0 %</b>	<b>25.8 %</b>	<b>27.3 %</b>
<b>EBITDA Margin</b>	<b>39.8 %</b>	<b>40.9 %</b>	<b>40.3 %</b>	<b>42.4 %</b>
<b>Mobility</b>				
<b>Operating Contribution</b>	\$ 5,955	\$ 5,691	\$ 17,959	\$ 17,284
Additions:				
Depreciation and amortization	2,035	2,021	6,072	6,078
<b>EBITDA</b>	<b>7,990</b>	<b>7,712</b>	<b>24,031</b>	<b>23,362</b>
Total Operating Revenues	19,138	17,894	57,108	52,445
Service Revenues	14,527	13,883	42,921	41,520
<b>Operating Income Margin</b>	<b>31.1 %</b>	<b>31.8 %</b>	<b>31.4 %</b>	<b>33.0 %</b>
<b>EBITDA Margin</b>	<b>41.7 %</b>	<b>43.1 %</b>	<b>42.1 %</b>	<b>44.5 %</b>
<b>EBITDA Service Margin</b>	<b>55.0 %</b>	<b>55.5 %</b>	<b>56.0 %</b>	<b>56.3 %</b>
<b>Business Wireline</b>				
<b>Operating Contribution</b>	\$ 985	\$ 1,184	\$ 3,093	\$ 3,567
Additions:				
Depreciation and amortization	1,304	1,313	3,875	3,900
<b>EBITDA</b>	<b>2,289</b>	<b>2,497</b>	<b>6,968</b>	<b>7,467</b>
Total Operating Revenues	5,938	6,261	18,036	18,832
<b>Operating Income Margin</b>	<b>16.6 %</b>	<b>18.9 %</b>	<b>17.1 %</b>	<b>18.9 %</b>
<b>EBITDA Margin</b>	<b>38.5 %</b>	<b>39.9 %</b>	<b>38.6 %</b>	<b>39.7 %</b>
<b>Consumer Wireline</b>				
<b>Operating Contribution</b>	\$ 183	\$ 189	\$ 776	\$ 1,102
Additions:				
Depreciation and amortization	775	734	2,306	2,176
<b>EBITDA</b>	<b>958</b>	<b>923</b>	<b>3,082</b>	<b>3,278</b>
Total Operating Revenues	3,142	3,040	9,380	9,202
<b>Operating Income Margin</b>	<b>5.8 %</b>	<b>6.2 %</b>	<b>8.3 %</b>	<b>12.0 %</b>
<b>EBITDA Margin</b>	<b>30.5 %</b>	<b>30.4 %</b>	<b>32.9 %</b>	<b>35.6 %</b>

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>WarnerMedia Segment</b>				
<b>Operating Contribution</b>	\$ 1,935	\$ 1,755	\$ 5,704	\$ 5,681
Additions:				
Equity in Net (Income) of Affiliates	73	(12)	(44)	(31)
Depreciation and amortization	163	169	491	494
<b>EBITDA</b>	<b>2,171</b>	<b>1,912</b>	<b>6,151</b>	<b>6,144</b>
Total Operating Revenues	8,442	7,395	25,759	21,888
<b>Operating Income Margin</b>	<b>23.8%</b>	<b>23.6%</b>	<b>22.0%</b>	<b>25.8%</b>
<b>EBITDA Margin</b>	<b>25.7%</b>	<b>25.9%</b>	<b>23.9%</b>	<b>28.1%</b>

Segment and Business Unit EBITDA, EBITDA Margin and EBITDA Service Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>Latin America Segment</b>				
<b>Operating Contribution</b>	\$ (25)	\$ (177)	\$ (350)	\$ (562)
Additions:				
Equity in Net (Income) of Affiliates	(9)	(14)	(7)	(26)
Depreciation and amortization	157	250	683	773
<b>EBITDA</b>	<b>123</b>	<b>59</b>	<b>326</b>	<b>185</b>
Total Operating Revenues	1,480	1,396	4,291	4,218
<b>Operating Income Margin</b>	<b>-2.3%</b>	<b>-13.7%</b>	<b>-8.3%</b>	<b>-13.9%</b>
<b>EBITDA Margin</b>	<b>8.3%</b>	<b>4.2%</b>	<b>7.6%</b>	<b>4.4%</b>
<b>Vrio</b>				
<b>Operating Contribution</b>	\$ 105	\$ (34)	\$ 43	\$ (101)
Additions:				
Equity in Net (Income) of Affiliates	(9)	(14)	(7)	(26)
Depreciation and amortization	—	126	231	400
<b>EBITDA</b>	<b>96</b>	<b>78</b>	<b>267</b>	<b>273</b>
Total Operating Revenues	756	753	2,248	2,392
<b>Operating Income Margin</b>	<b>12.7%</b>	<b>-6.4%</b>	<b>1.6%</b>	<b>-5.3%</b>
<b>EBITDA Margin</b>	<b>12.7%</b>	<b>10.4%</b>	<b>11.9%</b>	<b>11.4%</b>
<b>Mexico</b>				
<b>Operating Contribution</b>	\$ (130)	\$ (143)	\$ (393)	\$ (461)
Additions:				
Equity in Net (Income) Loss of Affiliates	—	—	—	—
Depreciation and amortization	157	124	452	373
<b>EBITDA</b>	<b>27</b>	<b>(19)</b>	<b>59</b>	<b>(88)</b>
Total Operating Revenues	724	643	2,043	1,826
<b>Operating Income Margin</b>	<b>-18.0%</b>	<b>-22.2%</b>	<b>-19.2%</b>	<b>-25.2%</b>
<b>EBITDA Margin</b>	<b>3.7%</b>	<b>-3.0%</b>	<b>2.9%</b>	<b>-4.8%</b>

## Adjusting Items

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

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

Adjusting Items				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>Operating Expenses</b>				
Merger costs	\$ 130	\$ 38	\$ 167	\$ 431
Employee separation costs and benefit-related (gain) loss <sup>1</sup>	—	40	57	924
Assets impairments and abandonment	161	73	4,716	2,515
Gain (loss) on spectrum transaction	—	—	—	(900)
<b>Adjustments to Operations and Support Expenses</b>	<b>291</b>	<b>151</b>	<b>4,940</b>	<b>2,970</b>
Amortization of intangible assets	1,012	1,921	3,212	6,122
<b>Adjustments to Operating Expenses</b>	<b>1,303</b>	<b>2,072</b>	<b>8,152</b>	<b>9,092</b>
<b>Other</b>				
DIRECTV intangible amortization (proportionate share)	392	—	392	—
(Gain) loss on sale of assets	(768)	—	(832)	—
Debt redemption, impairments and other	68	1,263	213	1,670
Actuarial (gain) loss	(374)	63	(3,021)	63
Employee benefit-related (gain) loss <sup>1</sup>	—	(64)	—	(22)
<b>Adjustments to Income Before Income Taxes</b>	<b>621</b>	<b>3,334</b>	<b>4,904</b>	<b>10,803</b>
Tax impact of adjustments	72	648	620	1,791
Tax-related items	123	—	241	—
Impairment attributable to noncontrolling interest	—	—	81	105
<b>Adjustments to Net Income</b>	<b>\$ 426</b>	<b>\$ 2,686</b>	<b>\$ 3,962</b>	<b>\$ 8,907</b>

<sup>1</sup> Mark-to-market gains and losses on benefit-related investments were adjusted in 2020 reflecting more significant market volatility and uncertainty experienced as a result of the onset of the COVID-19 pandemic. Benefit-related investment gains (losses) were \$(3) and \$256 in the third quarter and for the first nine months of 2021 and \$123 and \$125 in the third quarter and for the first nine months 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, actuarial gains and losses, significant abandonments and impairment, severance and other material gains and losses. Management believes that these measures provide relevant and useful information to investors and other users of our financial data in evaluating the effectiveness of our operations and underlying business trends.

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

Adjusted Operating Income, Adjusted Operating Income Margin, Adjusted EBITDA, and Adjusted EBITDA Margin				
<i>Dollars in millions</i>				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>Operating Income</b>	\$ 7,109	\$ 6,132	\$ 18,039	\$ 17,150
Adjustments to Operating Expenses	1,303	2,072	8,152	9,092
<b>Adjusted Operating Income</b>	<b>8,412</b>	<b>8,204</b>	<b>26,191</b>	<b>26,242</b>
<b>EBITDA</b>	<b>12,728</b>	<b>13,162</b>	<b>35,228</b>	<b>38,687</b>
Adjustments to Operations and Support Expenses	291	151	4,940	2,970
<b>Adjusted EBITDA</b>	<b>13,019</b>	<b>13,313</b>	<b>40,168</b>	<b>41,657</b>
Total Operating Revenues	39,922	42,340	127,906	126,069
Operating Income Margin	17.8 %	14.5 %	14.1 %	13.6 %
Adjusted Operating Income Margin	21.1 %	19.4 %	20.5 %	20.8 %
<b>Adjusted EBITDA Margin</b>	<b>32.6 %</b>	<b>31.4 %</b>	<b>31.4 %</b>	<b>33.0 %</b>

Adjusted Diluted EPS				
	Third Quarter		Nine-Month Period	
	2021	2020	2021	2020
<b>Diluted Earnings Per Share (EPS)</b>	\$ 0.82	\$ 0.39	\$ 2.07	\$ 1.19
Amortization of intangible assets	0.11	0.22	0.35	0.68
DIRECTV intangible amortization (proportionate share)	0.04	—	0.04	—
Impairments	0.02	0.01	0.54	0.35
(Gain) loss on sale of assets	(0.08)	—	(0.09)	—
Actuarial (gain) loss <sup>1</sup>	(0.04)	0.01	(0.32)	0.01
Debt redemption and other adjustments	0.02	0.13	0.06	0.20
Tax-related items	(0.02)	—	(0.03)	—
<b>Adjusted EPS</b>	<b>\$ 0.87</b>	<b>\$ 0.76</b>	<b>\$ 2.62</b>	<b>\$ 2.43</b>
<i>Year-over-year growth - Adjusted</i>	<b>14.5%</b>		<b>7.8%</b>	
<b>Weighted Average Common Shares Outstanding with Dilution (000,000)</b>	<b>7,202</b>	<b>7,173</b>	<b>7,197</b>	<b>7,186</b>

<sup>1</sup> Includes adjustments for actuarial gains or losses associated with our pension benefit plan, 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 gain of \$0.4 billion in the third quarter of 2021. As a result, adjusted EPS reflects an expected return on plan assets of \$0.9 billion (based on an average expected return on plan assets of 6.75% for our pension trust), rather than the actual return on plan assets of \$1.0 billion (actual pension return of 6.3%), included in the GAAP measure of income.

## Net Debt to Pro Forma 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 Pro Forma Adjusted EBITDA ratio is calculated by dividing the Net Debt by the sum of the most recent four quarters Pro Forma 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 Pro Forma Adjusted EBITDA - 2021					
<i>Dollars in millions</i>					
	Three Months Ended				
	Dec. 31, 2020 <sup>1</sup>	March. 31 2021 <sup>1</sup>	June 30, 2021 <sup>1</sup>	Sept. 30, 2021	Four Quarters
Adjusted EBITDA	\$ 12,889	\$ 13,564	\$ 13,585	\$ 13,019	\$ 53,057
Less: Historical Video	(710)	(1,065)	(1,364)	(418)	(3,557)
Add: WarnerMedia sale of DIRECTV advertising	565	349	372	99	1,385
Add: WarnerMedia/DIRECTV revenue share	(422)	(271)	(287)	(78)	(1,058)
Pro Forma Adjusted EBITDA	12,322	12,577	12,306	12,622	49,827
End-of-period current debt					23,755
End-of-period long-term debt					155,406
<b>Total End-of-Period Debt</b>					<b>179,161</b>
Less: Cash and Cash Equivalents					21,270
<b>Net Debt Balance</b>					<b>157,891</b>
<b>Annualized Net Debt to Pro Forma Adjusted EBITDA Ratio</b>					<b>3.17</b>

<sup>1</sup> As reported in AT&T's Form 8-K filed January 27, 2021, April 22, 2021, July 22, 2021, and September 9, 2021.

Net Debt to Adjusted EBITDA - 2020					
<i>Dollars in millions</i>					
	Three Months Ended				
	Dec. 31, 2019 <sup>1</sup>	March. 31 2020 <sup>1</sup>	June 30, 2020 <sup>1</sup>	Sept. 30, 2020 <sup>1</sup>	Four Quarters
Adjusted EBITDA	\$ 14,365	\$ 14,232	\$ 14,112	\$ 13,313	\$ 56,022
End-of-period current debt					5,898
End-of-period long-term debt					152,980
<b>Total End-of-Period Debt</b>					<b>158,878</b>
Less: Cash and Cash Equivalents					9,758
<b>Net Debt Balance</b>					<b>149,120</b>
<b>Annualized Net Debt to Adjusted EBITDA Ratio</b>					<b>2.66</b>

<sup>1</sup> As reported in AT&T's Form 8-K filed January 29, 2020, April 22, 2020, and July 23, 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								
Third Quarter								
	September 30, 2021				September 30, 2020			
	Mobility	Business Wireline	Adjustments <sup>1</sup>	Business Solutions	Mobility	Business Wireline	Adjustments <sup>1</sup>	Business Solutions
<b>Operating Revenues</b>								
Wireless service	\$ 14,527	\$ —	\$ (12,468)	\$ 2,059	\$ 13,883	\$ —	\$ (11,933)	\$ 1,950
Wireline service	—	5,765	—	5,765	—	6,079	—	6,079
Wireless equipment	4,611	—	(3,798)	813	4,011	—	(3,349)	662
Wireline equipment	—	173	—	173	—	182	—	182
<b>Total Operating Revenues</b>	<b>19,138</b>	<b>5,938</b>	<b>(16,266)</b>	<b>8,810</b>	<b>17,894</b>	<b>6,261</b>	<b>(15,282)</b>	<b>8,873</b>
<b>Operating Expenses</b>								
Operations and support	11,148	3,649	(9,194)	5,603	10,182	3,764	(8,505)	5,441
EBITDA	7,990	2,289	(7,072)	3,207	7,712	2,497	(6,777)	3,432
Depreciation and amortization	2,035	1,304	(1,688)	1,651	2,021	1,313	(1,702)	1,632
<b>Total Operating Expenses</b>	<b>13,183</b>	<b>4,953</b>	<b>(10,882)</b>	<b>7,254</b>	<b>12,203</b>	<b>5,077</b>	<b>(10,207)</b>	<b>7,073</b>
<b>Operating Income</b>	<b>5,955</b>	<b>985</b>	<b>(5,384)</b>	<b>1,556</b>	<b>5,691</b>	<b>1,184</b>	<b>(5,075)</b>	<b>1,800</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operating Contribution</b>	<b>\$ 5,955</b>	<b>\$ 985</b>	<b>\$ (5,384)</b>	<b>\$ 1,556</b>	<b>\$ 5,691</b>	<b>\$ 1,184</b>	<b>\$ (5,075)</b>	<b>\$ 1,800</b>

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

Supplemental Operational Measure								
Nine-Month Period								
	September 30, 2021				September 30, 2020			
	Mobility	Business Wireline	Adjustments <sup>1</sup>	Business Solutions	Mobility	Business Wireline	Adjustments <sup>1</sup>	Business Solutions
<b>Operating Revenues</b>								
Wireless service	\$ 42,921	\$ —	\$ (36,868)	\$ 6,053	\$ 41,520	\$ —	\$ (35,736)	\$ 5,784
Wireline service	—	17,497	—	17,497	—	18,271	—	18,271
Wireless equipment	14,187	—	(11,803)	2,384	10,925	—	(8,968)	1,957
Wireline equipment	—	539	—	539	—	561	—	561
<b>Total Operating Revenues</b>	<b>57,108</b>	<b>18,036</b>	<b>(48,671)</b>	<b>26,473</b>	<b>52,445</b>	<b>18,832</b>	<b>(44,704)</b>	<b>26,573</b>
<b>Operating Expenses</b>								
Operations and support	33,077	11,068	(27,330)	16,815	29,083	11,365	(24,001)	16,447
EBITDA	24,031	6,968	(21,341)	9,658	23,362	7,467	(20,703)	10,126
Depreciation and amortization	6,072	3,875	(5,044)	4,903	6,078	3,900	(5,116)	4,862
<b>Total Operating Expenses</b>	<b>39,149</b>	<b>14,943</b>	<b>(32,374)</b>	<b>21,718</b>	<b>35,161</b>	<b>15,265</b>	<b>(29,117)</b>	<b>21,309</b>
<b>Operating Income</b>	<b>17,959</b>	<b>3,093</b>	<b>(16,297)</b>	<b>4,755</b>	<b>17,284</b>	<b>3,567</b>	<b>(15,587)</b>	<b>5,264</b>
<b>Equity in Net Income (Loss) of Affiliates</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Operating Contribution</b>	<b>\$ 17,959</b>	<b>\$ 3,093</b>	<b>\$ (16,297)</b>	<b>\$ 4,755</b>	<b>\$ 17,284</b>	<b>\$ 3,567</b>	<b>\$ (15,587)</b>	<b>\$ 5,264</b>

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

