

AT&T
Time Warner
Analyst Call

October 24, 2016

AT&T
to Acquire
Time Warner



AT&T Time Warner Analyst Call

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Call Participants

Randall Stephenson

Chairman & CEO, AT&T, Inc.

Jeff Bewkes

Chairman and CEO, Time Warner, Inc.

John Stephens

AT&T Senior Executive Vice President and CFO

David McAtee

AT&T Senior Executive Vice President and General Counsel



Cautionary Language Concerning Forward-Looking Statements

Information set forth in this communication, including financial estimates and statements as to the expected timing, completion and effects of the proposed merger between AT&T and Time Warner, constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially. Such estimates and statements include, but are not limited to, statements about the benefits of the merger, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of AT&T and Time Warner and are subject to significant risks and uncertainties outside of our control.

Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: (1) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, (2) the risk that Time Warner stockholders may not adopt the merger agreement, (3) the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated, (4) risks that any of the closing conditions to the proposed merger may not be satisfied in a timely manner, (5) risks related to disruption of management time from ongoing business operations due to the proposed merger, (6) failure to realize the benefits expected from the proposed merger and (7) the effect of the announcement of the proposed merger on the ability of Time Warner and AT&T to retain customers and retain and hire key personnel and maintain relationships with their suppliers, and on their operating results and businesses generally. Discussions of additional risks and uncertainties are contained in AT&T's and Time Warner's filings with the Securities and Exchange Commission. Neither AT&T nor Time Warner is under any obligation, and each expressly disclaim any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise. Persons reading this announcement are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.



Cautionary Language Concerning Forward-Looking Statements

Additional Information and Where to Find It

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. This communication may be deemed to be solicitation material in respect of the proposed merger between AT&T and Time Warner.

In connection with the proposed merger, AT&T intends to file a registration statement on Form S-4, containing a proxy statement/prospectus with the Securities and Exchange Commission (“SEC”). **STOCKHOLDERS OF Time Warner ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED MERGER.** Investors and security holders will be able to obtain copies of the proxy statement/prospectus as well as other filings containing information about AT&T and Time Warner, without charge, at the SEC’s website, <http://www.sec.gov>. Copies of documents filed with the SEC by AT&T will be made available free of charge on AT&T’s investor relations website. Copies of documents filed with the SEC by Time Warner will be made available free of charge on Time Warner’s investor relations website.

Participants in Solicitation

AT&T and its directors and executive officers, and Time Warner and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Time Warner common stock in respect of the proposed merger. Information about the directors and executive officers of AT&T is set forth in the proxy statement for AT&T’s 2016 Annual Meeting of Stockholders, which was filed with the SEC on March 11, 2016. Information about the directors and executive officers of Time Warner is set forth in the proxy statement for Time Warner’s 2016 Annual Meeting of Stockholders, which was filed with the SEC on April 29, 2016. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed merger when it becomes available.



**AT&T & Time
Warner**
A Compelling Combination



TimeWarner

**Best Premium Content +
Best Scale in Distribution, Customers**

**Best in class assets
in converging media
& communications industry**

**Vertically integrated
company with best content
& distribution across
mobile,
TV, broadband**

**Scale in content creation,
aggregation, distribution &
customer data**

**Combination is significantly
enhanced by the market
environment**

***“Premium content always wins – on the big screen,
the TV screen and now on the mobile screen.”***



AT&T & Time Warner

TURNER



HBO®



Otter Media

A Leader in Premium Content

- Global pure-play video content company with iconic brands
- Industry-leading scale with top basic and premium networks
 - 3 of the top 5 basic cable networks; #1 network among millennials
 - Premium sports rights
 - World's #1 premium cable network
- Largest film and TV studio with leading franchises, production scale and content library





TimeWarner

Unmatched distribution platforms and customer relationships

- Nationwide mobile – 133 million subscribers (*144 million worldwide*)
- Nationwide video – 25 million subscribers (*~45 million worldwide¹*)
- 60 million broadband customer locations (*~16 million subscribers*)
- 88,000 North American retail points of sale

Robust viewership insights for targeted advertising and content creation

- Data-informed content creation
- Innovate with new subscription and ad models

Strong management team, world class creative talent and relationships

¹Includes Sky Mexico



Transaction Summary

Time Warner 2015 Financial Results
\$28.1B revenue

Turner Valuable portfolio of
network and digital assets
\$10.6B revenue

HBO Worldwide leader in
premium content
\$5.6B revenue

WB World's largest film and television
studio
\$13.0B revenue

Consideration and valuation

- AT&T to acquire Time Warner for \$107.50 per share
 - 50% AT&T stock; 50% cash
 - Stock consideration subject to collar

Financial impact

- Accretive to margins, adjusted EPS and free cash flow
- Improves FCF dividend coverage
- Enhanced and diversified revenue and earnings growth profile
- Commitment to preserve strong balance sheet and investment grade credit metrics

Approvals required

- Time Warner stockholders
- Regulatory approvals in U.S., E.U. and various countries abroad
- Expect to close before year-end 2017



Significant Value for Time Warner Stockholders

Transaction creates immediate and long-term value

36% premium to Time Warner closing share price
of \$79.24 on October 19, 2016

Attractive consideration mix

- 50% cash and 50% stock
- ~15% pro forma ownership in a leading integrated media and communications company

Provides unmatched distribution capabilities to deliver
our great content across any platform

Accelerates the ability to innovate and offer a better consumer experience

Significantly advances our direct-to-consumer efforts
and our ability to develop new video offerings



Deal Summary and Financial Expectations

Equity Value at \$107.50 per share	\$85.4
Time Warner Net Debt ¹	\$21.0
Transaction Value	\$106.4
New AT&T Equity (1.1 billion shares)	\$42.7
New Debt Issued ² (net of TWX cash)	\$39.2
Time Warner Debt (gross)	\$24.5
Total Consideration	\$106.4
Current AT&T shares out	6.1 B
Post-Closing AT&T shares out	7.2 B

¹ Projected at 12/31/17

² Includes estimated transaction costs

Funding considerations

- Financing in place; \$40B bridge loan
- Committed to strong balance sheet and investment grade credit metrics
- Strong deleveraging potential given attractive FCF attributes
- Pro forma leverage approximately 2.5x by end of year 1, returning to historical target range by end of year 4

Robust combination benefits

- Annual synergy potential in the \$1 billion range; cost-focused
- Vertical integration of content and distribution drives innovation and investments
- Enhanced value proposition for advertisers
- Diversified and enhanced revenue growth profile
 - 15% from content with lighter-touch regulation
 - New geographies and customer base
- Strong cash flow growth and lower capital intensity provides investment flexibility

Favorable financial impact

- Accretive to adjusted EPS within 12 months
- Accretive to free cash flow per share within 12 months; improves FCF dividend coverage
 - Recently announced 33rd consecutive dividend increase
- Continued financial strength with over \$60 billion in EBITDA

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AT&T 3Q16 Results



AT&T - 3Q16 Financial Summary

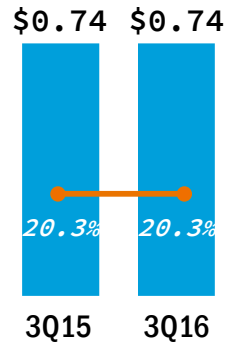
\$ in billions, except EPS

Revenues



Adjusted EPS

— Adj. OI Margin



Cash from Ops

■ Capital Investment²

■ Free Cash Flow



Consolidated revenues of \$40.9 billion, up 4.6%; down slightly on comparable basis

- Growth in video and IP services

Net income continues to grow

- Adjusted EPS of \$0.74 for the quarter; up nearly 4% year to date
- Adjusted operating margins stable

Cash from operations of \$11 billion in quarter, \$29.2 billion year to date, up 9.4%

- Free cash flow of \$5.2 billion, \$13.3 billion year to date
- Capital investment of \$5.9 billion; \$16.2 billion year to date
- Dividends of \$3 billion per quarter
 - 67% free cash flow dividend coverage year to date

	3Q15	3Q16
Reported EPS	\$0.50	\$0.54
Adjustments:		
Amortization of intangibles	\$0.13	\$0.14
Merger, integration and other ¹	\$0.11	\$0.06
Adjusted EPS	\$0.74	\$0.74

¹3Q16 includes merger-related items for DIRECTV (\$0.02), Mexico/Other wireless (\$0.01) and (\$0.03) employee separation charges.

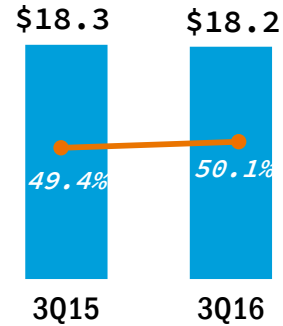
²3Q16 includes \$87 million capital purchases in Mexico with favorable vendor payment terms.



AT&T - 3Q16 Operational Results

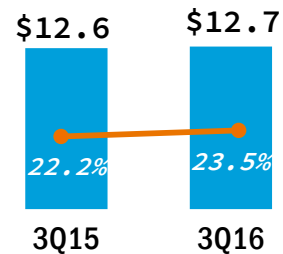
■ Revenue¹ — EBITDA Margin²
\$ in billions

U.S. Wireless



- Record EBITDA service margin of 50.1%, with stable revenue and ARPU
- Strong postpaid churn improvement
- Continued prepaid subscriber and revenue growth
- 1.5 million U.S. net adds; 2.3 million in North America
 - 212,000 U.S. postpaid net adds
 - 304,000 U.S. prepaid net adds

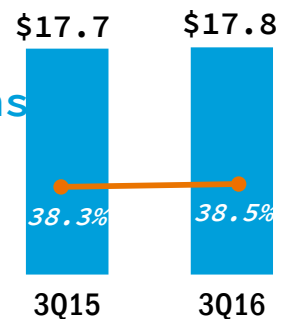
Entertainment Group



- Revenues up 1% on comparable basis, with growth in video and IP services offsetting legacy revenue declines
- Continued margin expansion, with content savings on track
- Stable TV and broadband net subscriber base, led by
 - 323,000 DIRECTV[®] net adds, with about 70% transitioning from U-verse[®]
 - 156,000 IP broadband net adds

Business Solutions

International



- Wireless drives revenue growth, with increases in all retail segments
- Strategic service revenues up \$240 million, or 9% year over year
- Continued solid margins
- 10.7 million wireless subscribers in Mexico; 769,000 branded net adds
- LatAm revenues of \$1.3 billion; continued profitability and free cash flow

¹ Adjusted to include prior period DIRECTV revenues on a comparable basis. ² Wireless presented on EBITDA Service Margin basis.



AT&T - 3Q16 Summary

Growing earnings with stable margins

Net income growth with cash from operations up 9.4% year to date

Best-ever wireless EBITDA margins with low postpaid churn

Expanding smartphone base and 1.5 million U.S. net adds; 4.7 million net adds year to date

Stable video and broadband subscribers as shift to DIRECTV continues

Growing margins with expanding integrated services base; double-digit AdWorks growth; DIRECTV Now SM launch

4G LTE deployment in Mexico ahead of plan

4G LTE deployed to 74 million POPs; 10.7 million subscribers with 2 million added year to date

2016 guidance on track

Adjusted earnings growth in mid-single digits, stable consolidated margins with free cash flow dividend coverage of 67% year to date



Q&A

