



4th Quarter Earnings

AT&T Investor Update

January 25, 2017

Q4 2016 AT&T EARNINGS

Agenda

Results and Outlook

John Stephens

Senior Executive Vice President and Chief Financial Officer

Business Update

Randall Stephenson

Chairman and Chief Executive Officer

Q&A



Cautionary Language Concerning Forward-Looking Statements

This presentation may contain certain non-GAAP financial measures. Reconciliations between the non-GAAP financial measures and the GAAP financial measures are available on the company's website at www.att.com/investor.relations.

The "quiet period" for FCC Spectrum Auction 1000 (also known as the 600 MHz incentive auction) is now in effect. During the quiet period, auction applicants are required to avoid discussions of bids, bidding strategy and post-auction market structure with other auction applicants.

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 and the rules, regulations and releases of the Securities and Exchange Commission. These forward-looking statements are subject to risks and uncertainties, and actual results might differ materially from those discussed in, or implied by, the forward-looking statements. Such forward-looking 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 and will be 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 disclaims 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 communication 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

No Offer or Solicitation

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, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

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.

Additional Information and Where to Find It

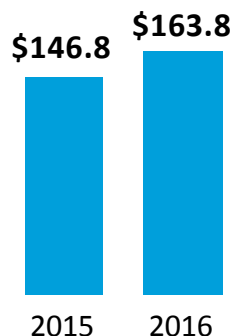
In connection with the proposed merger, AT&T has filed a registration statement on Form S-4, containing a proxy statement/prospectus with the Securities and Exchange Commission ("SEC"). AT&T and Time Warner have made the proxy statement/prospectus available to their respective stockholders and AT&T and Time Warner will file other documents regarding the proposed merger with the SEC. This communication is not intended to be, and is not, a substitute for such filings or for any other document that AT&T or Time Warner may file with the SEC in connection with the proposed merger. **STOCKHOLDERS OF TIME WARNER ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE REGISTRATION STATEMENT AND THE PROXY STATEMENT/PROSPECTUS, CAREFULLY BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT AT&T, TIME WARNER AND THE PROPOSED MERGER.** Investors and security holders are 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 at <http://phx.corporate-ir.net/phoenix.zhtml?c=113088&p=irol-sec>. Copies of documents filed with the SEC by Time Warner will be made available free of charge on Time Warner's investor relations website at <http://ir.timewarner.com/phoenix.zhtml?c=70972&p=irol-sec>.



2016 Financial Summary

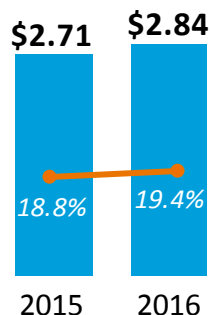
\$ in billions, except EPS

Revenues

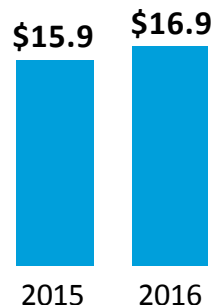


Adjusted EPS

— Adj. OI Margin



Free Cash Flow



4Q15 vs. 4Q16

\$42.1	\$41.8	\$0.63	\$0.66	\$3.1	\$3.7
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4Q15 4Q16

Reported EPS \$0.65 \$0.39

Adjustments:

Amortization of intangibles \$0.14 \$0.13

Merger, integration and other¹ \$0.06 \$0.04

Actuarial (gain)/loss on benefit plans (\$0.22) \$0.10

Adjusted EPS \$0.63 \$0.66

\$164 billion revenue for the year, up 11.6%

- \$41.8 billion in the quarter

Adjusted EPS of \$2.84 for the year, up 4.8%

- Fourth-quarter adjusted EPS of \$0.66

Record full-year cash from operations of \$39.3 billion; \$10.1 billion in the quarter

Free cash flow of \$16.9 billion for the year, up 6.8%; \$3.7 billion in the quarter

- Record full-year capital investment² of \$22.9 billion; \$6.7 billion in the quarter

¹4Q16 includes merger-related items of \$0.04; asset impairments offset by tax-related items and other.

²Includes capital purchases with favorable vendor payment terms in both quarter and for the year.

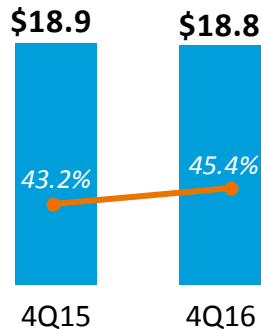


4Q16 Operational Results

\$ in billions

AT&T Mobility

■ Revenue — EBITDA Svc Margin



Record fourth-quarter and full-year margins

- Fourth-quarter EBITDA up \$280 million, 4.4% growth

Record 4Q postpaid phone churn of 0.98%, down 9 basis points

- Postpaid churn of 1.16%, down 2 bps even with 2G shutdown

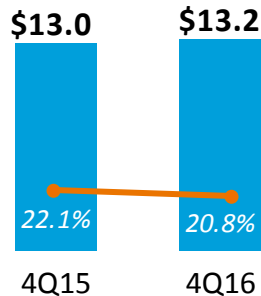
More than 1 million branded smartphones added

1.5 million total net adds, including 339,000 branded phones

- 520,000 postpaid
- 406,000 prepaid
- 1.3 million connected devices
- (672,000) reseller

Entertainment Group

■ Revenue — EBITDA Margin



Revenues up 1.6% in the quarter

- Growth in video and IP services
- AdWorks revenue growing at double-digit rates

Strong DIRECTV NOW launch with more than 200,000 net adds

235,000 satellite net adds offset by 262,000 IPTV losses

Stable broadband subscribers

- 136,000 IP broadband net adds

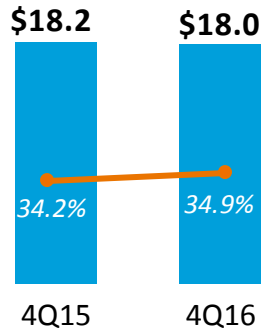


4Q16 Operational Results

\$ in billions

Business Solutions

■ Revenue — EBITDA Margin



Revenues down 1% due to legacy services pressure

- Shift to wireless and strategic services continues
- Now nearly 75% of total

EBITDA of \$6.3 billion, up ~1%

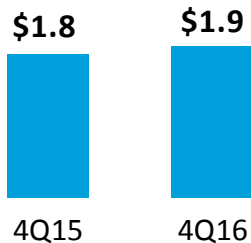
- Strong wireless margins offset wireline pressure
- Continued focus on cost management

Network transformation delivering software-enabled services

- Network on Demand; Network Functions on Demand
- Netbond now with access to 19 leading cloud services

International

■ Revenue



Revenues up 3.2% in the quarter

- Continued Mexico subscriber growth

Investing in Mexico growth platform

- 1.3 million wireless net adds, now 12 million total subscribers
- 78 million LTE POPs
- 162 markets

LatAm continued profitability and cash flow



2016 Summary – Met Full-Year Guidance

\$ in billions, except EPS

	2016 Guidance	2016	Results	
Revenue	Double-digit growth	\$163.8	+11.6%	✓
Adj. EPS	Mid-single digit growth	\$2.84	+4.8%	✓
Adjusted Margins	Stable, including Mexico	19.4%	+60 bps	✓
Capital	\$22 billion range	Capex: Cap. invest ¹ :	\$22.4 billion \$22.9 billion	✓
Free Cash Flow	Growth; 70s% dividend payout	\$16.9	+6.8%; 70% payout	✓

Operational Achievements

FTTP Build	3.8 million locations; 2.6 million FCC commitment
SDN/NFV	34% of network functions virtualized, ahead of 30% target
Network Leadership	5G path; open-sourced network OS ECOMP; Indigo data-collaboration platform

¹Includes capital spending with favorable vendor payment terms.



2017 Outlook

Consolidated revenue growth in the low-single digits

Adjusted EPS growth in the mid-single digit range

Adjusted Operating margin expansion

Capital expenditures in the \$22 billion range

Free cash flow in the \$18 billion range

Adjustments include non-cash mark-to-market benefit plan gain/loss, merger integration and amortization costs and other adjustments. Traditionally, the mark-to-market adjustment is the largest item, which is driven by interest rates and investment returns that are not reasonably estimable at this time. We expect amortization to be lower in 2017 compared to 2016.



Business Update



The Foundation of the Future



Video-centric network

- ▶ 400 million LTE POPs
- ▶ Fiber to 12.5 million locations
- ▶ Software-defined
- ▶ 5G path



Capacity

- ▶ \$27 billion of spectrum purchases over 5 years
- ▶ 40 MHz of additional capacity
- ▶ FirstNet process
- ▶ Ongoing refarming and optimization



Distribution

- ▶ 147 million mobile subs
- ▶ 46 million pay TV subs¹
- ▶ 16 million broadband subs
- ▶ Innovative OTT and SVOD platforms



¹ Includes Sky Mexico

A Global Leader in TMT



TELECOM

MEDIA & ENTERTAINMENT¹

Business to Business

Direct to Consumer

Cable Networks

Sports

VOD

Production Studio

SVOD

▶ 147M Mobile subscribers

▶ Global leader

▶ Fortune 1000

▶ ~200 Countries

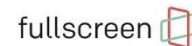
▶ ~3.5M Customers

▶ ~46M Video subs²

▶ ~16M BB subs

▶ ~60M BB locations

▶ 48M Streams



TECHNOLOGY ▶ Mobile | Fiber | Software | Data & Analytics | Security

¹ Upon Time Warner merger closing

² Includes Sky Mexico



Q&A

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