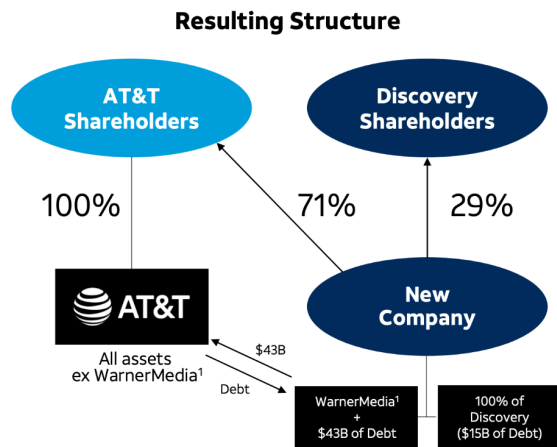


- WarnerMedia and Discovery to combine operations to create a global entertainment leader
- David Zaslav to be CEO of new company

Transaction Rationale

- Unlocks significant value for AT&T shareholders
- Positions Discovery shareholders with enhanced long-term growth
- Accelerates HBO Max and discovery+'s global plans for direct-to-consumer
- Creates one of the deepest content libraries in the world
- Unites complementary content and brands across the most popular programming categories
- Expects to generate \$3B+/year in synergies that can be reinvested into content and DTC

Transaction Summary



- Structured as Reverse Morris Trust transaction, AT&T to spin/split out WarnerMedia¹ which will merge into Discovery
- Discovery to contribute 100% of its business and receive 29% of common equity
- AT&T will receive \$43B (subject to adjustment) in a combination of cash, debt securities, and WarnerMedia's retention of certain debt
- AT&T shareholders to receive 71% of common equity distributed via shares of stock
- Unlocks value in WarnerMedia; shareholders can participate in potential upside of New Company

- Largest library with ~200k hours of video content
- Leading scripted and unscripted content portfolio
- Available in 220+ countries and territories and 50 languages
- High quality production capabilities of Warner Brothers studio
 - #1 TV studio by revenue and volume
 - Top 2 movie studio by box office 11 of the last 12 years
- Premium sports rights in U.S., Europe and Latin America



- Portfolio positioned as stronger partner to advertising and distribution counterparts
- Combined company pay TV portfolio reach can compete with combined pay and broadcast network reach of other global players
- News, sports, scripted and unscripted - combined portfolio addresses key programming genres of the linear ecosystem
- Significant overlapping and duplicative expense base can be rationalized to drive efficiency

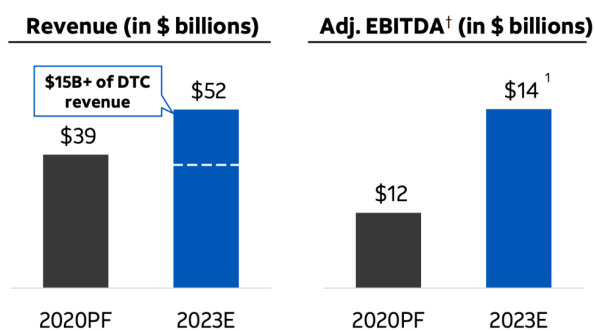
Greater scale with ~\$52B of expected revenue and ~\$14B of expected adjusted EBITDA[†] in 2023

Targeting \$15+ billion of DTC revenues in 2023

Significant synergies with \$3+ billion of expected run-rate cost savings

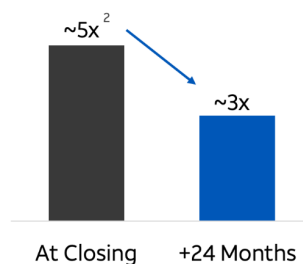
Robust FCF[†] supports deleveraging, reinvestment and financial flexibility

Committed to maintaining investment grade ratings



- ~60% FCF[†] conversion

Expected Rapid Deleveraging (Gross Leverage[†])



- Long-term leverage target[†] of 2.5x – 3.0x

<https://otp.tools.investis.com/clients/us/atnt2/sec/sec-show.aspx?FilingId=14746187&Cik=0000732717&Type=PDF&hasPdf=1>

	2020	2019	2018	Percent Change	
				2020 vs. 2019	2019 vs. 2018
Operating Revenues					
Communications	\$ 138,850	\$ 142,359	\$ 143,721	(2.5) %	(0.9)%
WarnerMedia	30,442	35,259	20,585	(13.7)	71.3
Latin America	5,716	6,963	7,652	(17.9)	(9.0)
Corporate and other	1,932	1,865	2,197	3.6	(15.1)
Eliminations and consolidation	(5,180)	(5,253)	(3,399)	1.4	(54.5)
AT&T Operating Revenues	171,760	181,193	170,756	(5.2)	6.1
Operating Contribution					
Communications	30,521	32,230	32,108	(5.3)	0.4
WarnerMedia	8,210	10,659	7,020	(23.0)	51.8
Latin America	(729)	(635)	(710)	(14.8)	10.6
Segment Operating Contribution	\$ 38,002	\$ 42,254	\$ 38,418	(10.1) %	10.0 %

WARNERMEDIA SEGMENT

	2020	2019	2018	Percent Change	
				2020 vs. 2019	2019 vs. 2018
Segment Operating Revenues					
Turner	\$ 12,568	\$ 13,122	\$ 6,979	(4.2)%	— %
Home Box Office	6,808	6,749	3,598	0.9	—
Warner Bros.	12,154	14,358	8,703	(15.4)	—
Eliminations & Other	(1,088)	1,030	1,305	—	—
Total Segment Operating Revenues	30,442	35,259	20,585	(13.7)	—
Cost of revenues					
Turner	5,330	5,970	2,815	(10.7)	—
Home Box Office	4,356	3,248	1,669	34.1	—
Warner Bros.	8,236	10,006	6,130	(17.7)	—
Selling, general and administrative	5,803	5,368	2,895	8.1	—
Eliminations & Other	(2,146)	(420)	(230)	—	—
Depreciation and amortization	671	589	311	13.9	—
Total Operating Expenses	22,250	24,761	13,590	(10.1)	—
Operating Income	8,192	10,498	6,995	(22.0)	—
Equity in Net Income (Loss) of Affiliates	18	161	25	(88.8)	—
Total Segment Operating Contribution	\$ 8,210	\$ 10,659	\$ 7,020	(23.0)%	— %

<https://www.sec.gov/Archives/edgar/data/1105705/000119312518053619/d504160d10k.htm>

	Year Ended December 31,			% Change	
	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Turner	\$ 12,081	\$ 11,364	\$ 10,596	6%	7%
Home Box Office	6,329	5,890	5,615	7%	5%
Warner Bros.	13,866	13,037	12,992	6%	—%
Intersegment eliminations	(1,005)	(973)	(1,085)	3%	(10)%
Total revenues	\$ 31,271	\$ 29,318	\$ 28,118	7%	4%

	2017	2016	2015
Revenues	\$ 31,271	\$ 29,318	\$ 28,118
Costs of revenues	(17,647)	(16,376)	(16,154)
Selling, general and administrative	(5,438)	(5,123)	(4,824)
Amortization of intangible assets	(197)	(190)	(189)
Restructuring and severance costs	(120)	(117)	(60)
Asset impairments	(16)	(43)	(25)
Gain (loss) on operating assets, net	67	78	(1)
Operating income	7,920	7,547	6,865
Interest expense, net	(1,005)	(1,161)	(1,163)
Other loss, net	(970)	(1,191)	(256)
Income from continuing operations before income taxes	5,945	5,195	5,446
Income tax provision	(701)	(1,281)	(1,651)
Income from continuing operations	5,244	3,914	3,795
Discontinued operations, net of tax	—	11	37
Net income	5,244	3,925	3,832
Less Net loss attributable to noncontrolling interests	3	1	1
Net income attributable to Time Warner Inc. shareholders	\$ 5,247	\$ 3,926	\$ 3,833
Amounts attributable to Time Warner Inc. shareholders:			
Income from continuing operations	\$ 5,247	\$ 3,915	\$ 3,796
Discontinued operations, net of tax	—	11	37
Net income	\$ 5,247	\$ 3,926	\$ 3,833

	2017	2016	2015
OPERATIONS			
Net income	\$ 5,244	\$ 3,925	\$ 3,832
Less Discontinued operations, net of tax	—	(11)	(37)
Net income from continuing operations	5,244	3,914	3,795
Adjustments for noncash and nonoperating items:			
Depreciation and amortization	694	669	681
Amortization of film and television costs	9,162	8,324	8,030
Asset impairments	16	43	25
(Gain) loss on investments and other assets, net	(367)	(131)	31
Equity in losses of investee companies, net of cash distributions	191	324	161
Equity-based compensation	227	277	182
Deferred income taxes	(1,010)	236	328
Premiums paid and costs incurred on debt redemption	1,087	1,008	72
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	(704)	(1,201)	(112)
Inventories and film costs	(9,574)	(8,774)	(8,526)
Accounts payable and other liabilities	624	631	(200)
Other changes	(496)	(637)	(616)
Cash provided by operations from continuing operations	5,094	4,683	3,851
Cash used by operations from discontinued operations	(15)	(17)	(8)
Cash provided by operations	5,079	4,666	3,843
INVESTING ACTIVITIES			
Investments in available-for-sale securities	(1)	(9)	(41)
Investments and acquisitions, net of cash acquired	(706)	(1,228)	(672)
Capital expenditures	(656)	(432)	(423)
Other investment proceeds	367	309	143
Cash used by investing activities	(996)	(1,360)	(993)