



News Release

AT&T CFO Pascal Desroches Updates Shareholders

DALLAS, August 10, 2021 — Pascal Desroches, senior executive vice president and chief financial officer of [AT&T Inc.*](#) ([NYSE:T](#)) spoke today at the Oppenheimer Technology, Internet & Communications Conference, where he provided an update to shareholders.

Desroches indicated that AT&T has good momentum as the company continues to successfully execute in its market focus areas of 5G, fiber and HBO Max. At the same time, AT&T continues to invest in its network and the creation of compelling content. For full-year 2021, AT&T expects gross capital investment¹ to be in the \$22 billion range, capital expenditures in the \$17 billion range and cash content spend of approximately \$19 billion.

In wireless, Desroches said he expects strong demand for mobile services and AT&T's consistent go-to-market strategy will enable the company to sustain profitable postpaid subscriber growth in the second half of 2021. The wireless landscape remains highly competitive as operators look to capitalize on healthy industry demand. Desroches noted that AT&T expects this competitive intensity to continue at current levels and factored this expectation into its reiterated guidance for full-year 2021 service revenue growth of 3%, up from 2% previously, and low single-digit mobility EBITDA growth.

AT&T has also been simplifying its portfolio to focus on its connectivity-based businesses. The company recently completed its DIRECTV transaction with TPG Capital and is moving forward with its plans to spin or split off WarnerMedia and combine it with Discovery to form a new entertainment company, Warner Bros. Discovery.

Desroches said this strategy is about unlocking the value of AT&T's assets and matching the video and entertainment businesses with the right capital structure and partners. This will help AT&T focus on growth in wireless and fiber while also giving shareholders future optionality with WarnerMedia and allowing the company to benefit from potential upside with DIRECTV. Following completion of the WarnerMedia/Discovery transaction, which Desroches continues to expect in mid-2022, AT&T expects to significantly reduce debt and to increase investment in 5G and fiber.

Desroches reiterated the benefits of AT&T's wireless network strength and performance. AT&T currently covers 250 million people in the U.S. with 5G using sub-6 MHz spectrum across nearly 500 markets. The company plans to begin C-Band deployment by the end of 2021 and expects to cover approximately 200M POPs with C-Band by the end of 2023.

¹Gross capital investment includes capital expenditures and cash payments for vendor financing and excludes FirstNet reimbursements. In 2021, vendor financing payments are expected to be in the \$4 billion range and FirstNet reimbursements are expected to be about \$1 billion.



In discussing the company's expectations for the second half of 2021, Desroches noted that in most cases AT&T has long-term supply agreements that provide for priority access and committed pricing for materials and equipment. He also noted, like many other companies, AT&T is now seeing some disruption in its supply chain, including for fiber and related components. Given these impacts over the next few months, Desroches indicated that the company is seeing a slower-than-anticipated ramp within its fiber ecosystem and the fiber locations buildout for 2021 is now expected to be in the 2.5 million range. Management does not expect any impact to its financial guidance as a result of this shift. In addition, in working closely with the broader fiber ecosystem to address this near-term dislocation, AT&T has better line of sight in its ability to ramp its fiber deployment activities in the coming quarters and is confident it will achieve the company's target of 30 million customer locations passed by the end of 2025.

AT&T also continues to experience healthy demand for HBO Max in both domestic and international markets and therefore reiterated its recently raised global HBO Max and HBO 2021 subscriber guidance of 70 million to 73 million.² During the third quarter, HBO will cease to be offered as a subscription on Amazon Channels. This was a strategic decision made by WarnerMedia. It is anticipated that there will be an impact on HBO Max / HBO domestic subscribers in the third quarter, but this has already been considered into the company's global subscriber guidance for the full year.

***About AT&T**

AT&T Inc. ([NYSE:T](#)) is a diversified, global leader in telecommunications, media and entertainment, and technology. Consumers and businesses have more than 225 million monthly subscriptions to our services. AT&T Communications provides more than 100 million U.S. consumers with entertainment and communications experiences across mobile and broadband. Plus, it serves high-speed, highly secure connectivity and smart solutions to nearly 3 million business customers. WarnerMedia is a leading media and entertainment company that creates and distributes premium and popular content to global audiences through its consumer brands, including: HBO, HBO Max, Warner Bros., TNT, TBS, truTV, CNN, DC Entertainment, New Line, Cartoon Network, Adult Swim and Turner Classic Movies. Xandr, now part of WarnerMedia, provides marketers with innovative and relevant advertising solutions for consumers around premium video content and digital advertising through its platform. AT&T Latin America provides pay-TV services across 10 countries and territories in Latin America and the Caribbean and wireless services to consumers and businesses in Mexico.

²Global HBO Max and HBO subscribers consist of domestic and international HBO Max and HBO subscribers, and exclude free trials, basic and Cinemax subscribers.



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Cautionary Language Concerning Forward-Looking Statements

Information set forth in this news release contains financial estimates and other forward-looking statements that are subject to risks and uncertainties, and actual results might 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 and revise statements contained in this news release based on new information or otherwise.

This news release 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 <https://investors.att.com>.

Cautionary Statement 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 transaction between AT&T, Magallanes, Inc. ("Spinco"), and Discovery, Inc. ("Discovery") 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 transaction, including future financial and operating results, the combined Spinco and Discovery 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 Discovery 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: the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed transaction; the risk that Discovery stockholders may not approve the transaction proposals; the risk that the necessary regulatory approvals may not be obtained or may be obtained subject to conditions that are not anticipated; risks that any of the other closing conditions to the proposed transaction may not be satisfied in a timely manner; risks that the anticipated tax treatment of the proposed transaction is not obtained; risks related to potential litigation brought in connection with the proposed transaction; uncertainties as to the timing of the consummation of the proposed transaction; risks and costs related to the implementation of the separation of Spinco, including timing anticipated to complete the separation, any changes to the configuration of the businesses included in the separation if



implemented; the risk that the integration of Discovery and Spinco being more difficult, time consuming or costly than expected; risks related to financial community and rating agency perceptions of each of AT&T and Discovery and its business, operations, financial condition and the industry in which it operates; risks related to disruption of management time from ongoing business operations due to the proposed merger; failure to realize the benefits expected from the proposed merger; effects of the announcement, pendency or completion of the proposed merger on the ability of AT&T, Spinco or Discovery to retain customers and retain and hire key personnel and maintain relationships with their suppliers, and on their operating results and businesses generally; and risks related to the potential impact of general economic, political and market factors on the companies or the proposed transaction. The effects of the COVID-19 pandemic may give rise to risks that are currently unknown or amplify the risks associated with the foregoing factors.

These risks, as well as other risks associated with the proposed transaction, will be more fully discussed in the proxy statement/prospectus that will be included in the registration statements that will be filed with the SEC in connection with the proposed transaction. Discussions of additional risks and uncertainties are contained in AT&T's and Discovery's filings with the Securities and Exchange Commission. Neither AT&T nor Discovery 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 announcement are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

Additional Information and Where to Find It

This communication may be deemed to be solicitation material in respect of the proposed transaction between AT&T, Spinco, and Discovery. In connection with the proposed transaction, AT&T, Spinco and Discovery intend to file relevant materials with the Securities and Exchange Commission ("SEC"), including a registration statement on Form S-4 by Discovery that will contain a prospectus of Discovery and Spinco that also constitutes a proxy statement of Discovery, and a registration statement by Spinco. This communication is not a substitute for the registration statements, proxy statement/prospectus or any other document which AT&T, Spinco or Discovery may file with the SEC. STOCKHOLDERS OF AT&T AND DISCOVERY ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE REGISTRATION STATEMENT AND PROXY STATEMENT/PROSPECTUS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Investors and security holders will be able to obtain copies of the proxy statement/prospectus (when available) as well as other filings containing information about AT&T, Spinco and Discovery, without charge, at the SEC's website, <http://www.sec.gov>. Copies of documents filed with the SEC by AT&T or Spinco will be made available free of charge on AT&T's investor relations website at <https://investors.att.com>. Copies of documents filed with the SEC by Discovery will be made available free of charge on



Discovery's investor relations website at <https://ir.corporate.discovery.com/investor-relations>.

No Offer or Solicitation

This communication is for informational purposes only and is not intended to and does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, or a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in which such offer, sale or solicitation 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, and otherwise in accordance with applicable law.

Participants in Solicitation

AT&T and its directors and executive officers, and Discovery and its directors and executive officers, may be deemed to be participants in the solicitation of proxies from the holders of Discovery capital stock and/or the offering of Discovery securities in respect of the proposed transaction. Information about the directors and executive officers of AT&T is set forth in the proxy statement for AT&T's 2021 Annual Meeting of Stockholders, which was filed with the SEC on March 11, 2021. Information about the directors and executive officers of Discovery is set forth in the proxy statement for Discovery's 2021 Annual Meeting of Stockholders, which was filed with the SEC on April 30, 2021. Investors may obtain additional information regarding the interest of such participants by reading the proxy statement/prospectus regarding the proposed transaction when it becomes available.

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