

AT&T Inc.
EIN: 43-1301883
Attachment to Form 8937

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”). This attachment includes a general summary regarding certain U.S. federal income tax laws and regulations relating to the effects of the Distribution and the Merger (each as defined below) on the tax basis of shares of AT&T Inc. (“AT&T”) common stock, the allocation of basis between shares of AT&T common stock and shares of Magallanes, Inc. (“SpinCo”) common stock pursuant to the Distribution, and the tax basis of shares of Warner Bros. Discovery, Inc. (f/k/a Discovery, Inc., “WBD”) common stock received in exchange for shares of SpinCo common stock pursuant to the Merger.

DISCLAIMER: The information provided on Form 8937 and within this attachment is based on the intended tax treatment of the Distribution as a distribution pursuant to Section 355 and of the Merger as a reorganization qualifying under Section 368(a), and does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of stockholders. Stockholders, including stockholders that hold different blocks of shares (i.e., shares acquired at different times or different prices), are urged to consult their own tax advisors regarding the Distribution and the Merger and the particular consequences to them, including the applicability and effect of all U.S. federal, state, local, and foreign tax laws.

Part II

Line 14. **Describe the organizational action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action.**

At the close of business on April 8, 2022, AT&T completed the previously announced transaction to combine AT&T’s WarnerMedia business with Discovery by distributing, on a pro rata basis, all of the outstanding common stock of SpinCo to AT&T common stockholders of record as of April 5, 2022 (the “**Distribution**”). Pursuant to the Distribution, each holder of AT&T common stock received one share of SpinCo common stock for every share of AT&T common stock held as of the record date.

Immediately following the Distribution, a wholly owned subsidiary of WBD merged with and into SpinCo, with SpinCo surviving as a wholly owned subsidiary of WBD (the “**Merger**”). In the Merger, each share of SpinCo common stock immediately prior to the Merger was automatically converted into the right to receive 0.241917 shares of WBD common stock.

No fractional shares of WBD common stock were issued in connection with the Merger. All fractional shares that a holder of SpinCo common stock would otherwise have been entitled to receive pursuant to the Merger were aggregated by

an exchange agent and sold in the open market or otherwise as reasonably directed by WBD. The exchange agent made available the net proceeds thereof, after deducting any required withholding taxes and brokerage charges, commissions and transfer taxes, on a pro rata basis, to the holders of shares of SpinCo common stock that would otherwise have been entitled to receive such fractional shares of WBD common stock pursuant to the Merger.

Line 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

AT&T stockholders must allocate their aggregate tax basis in their shares of AT&T common stock held immediately prior to the Distribution among the shares of SpinCo common stock distributed in the Distribution and the shares of AT&T common stock in respect of which such shares of SpinCo common stock were received in proportion to their respective fair market values immediately after the Distribution.

AT&T stockholders will then have an aggregate tax basis in the shares of WBD common stock received in the Merger, including any fractional share deemed issued and sold for cash as described below, which is equal to the aggregate tax basis allocated to the shares of SpinCo common stock described above. Each AT&T stockholder's aggregate tax basis in the shares of SpinCo common stock will be allocated among each share of WBD common stock based on the exchange ratio (1 : 0.241917 SpinCo to WBD). A SpinCo stockholder who receives cash in lieu of a fractional share of WBD common stock will be treated as having received the fractional share pursuant to the Merger and then as having sold that fractional share for cash. As a result, such stockholder will recognize gain or loss equal to the difference between the amount of the cash received for such fractional share and the tax basis allocated to such fractional share.

Line 16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

The U.S. federal income tax laws provide that the allocation of the aggregate tax basis discussed under Line 15 above is allocated based on the respective fair market values of the resulting shares of AT&T and SpinCo common stock received. However, the tax law does not provide any further guidance on the determination of fair market value. One approach to determine the fair market value of AT&T is to use the average of the opening and closing trading prices quoted on the New York Stock Exchange on April 11, 2022, the first trading day following the Distribution. With respect to the shares of SpinCo common stock, because there were no public trading prices for the stand-alone SpinCo entity (i.e., there were only trading prices quoted for the post-Merger WBD entity), one approach to determine the fair market value of shares of SpinCo common stock is to use the average of the opening and closing trading prices for shares of WBD common stock quoted on the

Nasdaq exchange on April 11, 2022, the first trading day following the Distribution, and adjust this share price to take into account the Merger exchange ratio (1 : 0.241917 SpinCo to WBD). Using the average of the opening and closing trading prices for shares of WBD common stock (\$24.43) and shares of AT&T common stock (\$19.26) on April 11, 2022, and taking into account the Merger exchange ratio (1 : 0.241917 SpinCo to WBD), approximately 23.48% of the aggregate tax basis held by the AT&T stockholders immediately prior to the Distribution would be allocated to the shares of SpinCo common stock received by such stockholders.

Other approaches to determine fair market value may also be possible. AT&T stockholders are not bound by the approach illustrated above and may, in consultation with their own tax advisor, use an alternative approach in determining fair market values for shares of AT&T common stock and shares of SpinCo common stock. AT&T stockholders should contact their tax advisor to determine the appropriate fair market values.

With respect to the Merger, AT&T stockholders will have an aggregate tax basis in the shares of WBD common stock received in the Merger (including basis allocated to any fractional shares deemed issued and sold for cash, as described above) which is equal to the aggregate tax basis allocated to the shares of SpinCo common stock as described above, with such basis allocated among each share of WBD common stock based on the applicable Merger exchange ratio (1 : 0.241917 SpinCo to WBD).

The following is an example illustrating how the methodology outlined above would be applied in determining tax basis allocation.

Example: Assume a U.S. stockholder owned 100 shares of AT&T common stock, 50 of which were acquired on Date 1 with an aggregate tax basis of \$1,500 (or \$30 per share), and 50 of which were acquired on Date 2 with an aggregate tax basis of \$1,000 (or \$20 per share), for a total aggregate basis of \$2,500 (\$1,500 + \$1,000).

Pursuant to the Distribution, such U.S. stockholder received 100 shares of SpinCo common stock. Taking into account the assumed relative fair market values noted above, the U.S. stockholder would have (i) 50 shares of SpinCo common stock with an aggregate tax basis of \$352.21 ($\$1,500 \times 23.48\%$) that is treated as having been acquired on Date 1 and (ii) 50 shares of SpinCo common stock with an aggregate tax basis of \$234.80 ($\$1,000 \times 23.48\%$) that is treated as having been acquired on Date 2. In addition, the U.S. stockholder's aggregate basis in the 50 shares of AT&T common stock that were acquired on Date 1 correspondingly would be reduced to \$1,147.79 ($\$1,500 \times 76.52\%$), and its aggregate basis in the 50 shares of AT&T common stock that were acquired on Date 2 correspondingly would be reduced to \$765.20 ($\$1,000 \times 76.52\%$).

Pursuant to the Merger, such U.S. stockholder received 24.1917 shares of WBD common stock (100 shares of SpinCo common stock \times 0.241917), including the

0.1917 fractional share of WBD common stock deemed received by the U.S. stockholder and sold for cash. As a result, prior to the deemed sale of the fractional share of WBD common stock, the U.S. stockholder would have (i) 12.09585 shares of WBD common stock (50 shares x 0.241917) with an aggregate tax basis of \$352.21, or \$29.12 per share (\$352.21 divided by 12.09585 shares) that are treated as having been acquired on Date 1 and (ii) 12.09585 shares of WBD common stock with an aggregate tax basis of \$234.80, or \$19.41 per share (\$234.80 divided by 12.09585 shares) that are treated as having been acquired on Date 2.

The 0.1917 fractional share of WBD common stock has one segment with a tax basis of \$2.79 (\$29.12 x 0.09585) that is treated as having been acquired on Date 1 and a second segment with a tax basis of \$1.86 (\$19.41 x 0.09585) that is treated as being acquired on Date 2, for an aggregate tax basis in the fractional share of \$4.65. The U.S. stockholder recognizes gain or loss with respect to the fractional share equal to the difference between the amount of the cash received for such fractional share and the \$4.65 tax basis in such fractional share.

The U.S. stockholder has an aggregate tax basis of \$349.42 (\$352.21 minus the \$2.79 tax basis allocated to the 0.09585 fractional share that is treated as having been acquired on Date 1), or \$29.12 per share, in the 12 shares of WBD common stock received in the Merger that are treated as having been acquired on Date 1.

The U.S. stockholder has an aggregate tax basis of \$232.94 (\$234.80 minus the \$1.86 tax basis allocated to the 0.09585 fractional share that is treated as having been acquired on Date 2), or \$19.41 per share, in the 12 shares of WBD common stock received in the Merger that are treated as having been acquired on Date 2.

Line 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

The applicable Code sections upon which the tax treatment is based are Sections 354, 355, 358, 368, 1001 and 1223.

Line 18. Can any resulting loss be recognized?

The Distribution is intended to qualify for non-recognition of gain or loss under Section 355 and the Merger is intended to qualify for non-recognition of gain or loss under Section 368(a). Accordingly, a U.S. stockholder should not recognize any gain or loss in the Distribution or Merger (except for any gain or loss attributable to the receipt of cash in lieu of fractional shares of WBD common stock in the Merger).

Line 19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The stock basis adjustments are taken into account in the taxable year of an AT&T stockholder during which the Distribution and the Merger occurred (e.g., 2022 for calendar year taxpayers).