

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 5, 2023



**WARNER BROS.
DISCOVERY**

Warner Bros. Discovery, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: 001-34177

Delaware
(State or other jurisdiction of incorporation)

35-2333914
(IRS Employer Identification No.)

230 Park Avenue South
New York, New York 10003
(Address of principal executive offices, including zip code)

212-548-5555
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Series A Common Stock	WBD	Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

Earnings Press Release

On May 5, 2023 Warner Bros. Discovery, Inc. ("Warner Bros. Discovery" or the "Company") released its earnings for the quarter ended March 31, 2023. A copy of Warner Bros. Discovery's press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

Trending Schedules

As previously disclosed, on April 8, 2022, Warner Bros. Discovery, formerly known as Discovery, Inc. ("Discovery"), completed the combination (the "Merger") of Discovery and the WarnerMedia business (the "WarnerMedia Business") of AT&T Inc. In connection with the completion of the Merger, the Company reevaluated and changed its reportable segments during the quarter ended June 30, 2022. On August 4, 2022, to assist investors in assessing the Company's historical performance on a basis that reflected the completion of the Merger and change in reportable segments, the Company issued trending schedules (the "Trending Schedules") which summarized certain unaudited supplemental financial information, including unaudited pro forma combined financial information reflecting the combined results of the Company and the WarnerMedia Business for the periods reflected therein.

During the three months ended March 31, 2023, WBD updated the previously issued Trending Schedules to reflect the following change related to Average Revenue Per Subscriber ("ARPU"): Global and International ARPUs reflect a change in methodology. Prior to the period ended March 31, 2023, ARPU was calculated on a constant currency basis using the 2022 Baseline Rate, as defined in note 10 of the Trending Schedules. Beginning with the period ended March 31, 2023, ARPU is calculated on an as-reported basis. Prior periods have been recast to reflect the change in methodology.

A copy of the updated Trending Schedules is furnished herewith as Exhibit 99.2, and incorporated herein by reference.

The information in this Item 2.02, including Exhibits 99.1 and 99.2 attached hereto, is being furnished pursuant to Item 2.02 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of such section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits

99.1 [Press Release dated May 5, 2023](#)

99.2 [Trending Schedules and Non-GAAP Reconciliations through Q1 2023](#)

101 Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Warner Bros. Discovery, Inc.

Date: May 5, 2023

By: /s/ Gunnar Wiedenfels
Gunnar Wiedenfels
Chief Financial Officer

Warner Bros. Discovery, Inc. Reports First Quarter 2023 Earnings Results

It is an important time for Warner Bros. Discovery. We've come through some major restructurings and have repositioned our businesses with greater precision and focus. And we see a number of positive proof points emerging, with DTC perhaps the most prominent. We made a meaningful turn this quarter with \$50 million in segment EBITDA and 1.6 million net adds, and we feel great about the trajectory we are on. In fact, we now expect our U.S. DTC business to be profitable for 2023 – a year ahead of our guidance. Even in today's challenging marketplace, we are positioned to drive free cash flow and deleverage our balance sheet, and we remain confident in our strategy and ability to achieve our financial targets.

– David Zaslav, President & CEO

Q1 Financial Summary & Operational Highlights

- Q1 total revenues were \$10,700 million. Revenues decreased 5% ex-FX^{(1)(*)}, or decreased 3% ex-FX excluding the impact of the 2022 Winter Olympic Games^{(2)(*)}, compared to the prior year quarter, on a combined basis⁽³⁾.
- Net loss available to Warner Bros. Discovery, Inc. was \$(1,069) million, and included \$1,810 million of pre-tax amortization from acquisition-related intangible assets and \$95 million of pre-tax restructuring expenses.
- Q1 total Adjusted EBITDA^{(4)(*)} was \$2,611 million. Adjusted EBITDA increased 12% ex-FX compared to the prior year quarter, on a combined basis.
- Q1 cash provided by operating activities and reported free cash flow are not directly comparable to the prior year quarter due to the acquisition of the WarnerMedia business.
 - Cash provided by operating activities was \$(631) million, which includes \$836 million of semi-annual interest payments largely attributable to merger-related debt.
 - Reported free cash flow^{(5)(*)} was \$(930) million.
- Ended Q1 with \$2.6 billion of cash on hand, \$49.5 billion of gross debt^{(6)(*)}, and 5.0x net leverage^{(7)(*)}.
- Global DTC subscribers⁽⁸⁾ increased 1.6 million to 97.6 million at the end of Q1 vs. 96.1 million subscribers at the end of Q4.
- In Q1, WBD was the #1 most-watched Total TV linear portfolio among P25-54 viewers, driven by the broadcast of the *NCAA March Madness* tournament⁽⁹⁾, and had 6 of the top 10 cable networks in Prime⁽¹⁰⁾.
- Celebrated CNN's first ever Oscar[®] with *Navalny* winning best documentary feature film⁽¹¹⁾.
- The Q1 launch of *Hogwarts Legacy* was the largest release of all time for Warner Bros. Games and is the best selling game year-to-date with over \$1 billion in retail sales.

Three Months Ended March 31,	2023		2022		% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Combined (ex-FX) ⁽¹⁾
<i>\$ in millions</i>							
Total revenues	\$ 10,700	\$ 3,159	\$ 8,282	\$ 11,441	NM	(6)%	(5)%
Net (loss) income available to Warner Bros. Discovery, Inc.	(1,069)	456	(755)	(299)	NM	NM	NM
Adjusted EBITDA⁽¹⁾	2,611	1,027	1,354	2,381	NM	10 %	12 %
Cash provided by operating activities	(631)	323			NM		
Reported free cash flow⁽⁷⁾	(930)	238			NM		

Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the transaction whereby the Company acquired the WarnerMedia business (the "Merger") had been completed on January 1, 2021. Pro forma adjustments for Q1 2022 represent the WarnerMedia business's results for Q1 2022. Refer to page 13 for more information.

NM - Not meaningful

Numbers presented in the following materials are on a rounded basis using actual amounts. Minor differences in totals and percentages may exist due to rounding

(*) A non-GAAP financial measure; see the section starting on page 13 titled Definitions & Sources for additional details.

Studios Segment



Three Months Ended March 31,

\$ in millions

	2023		2022		% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ⁽¹⁾
Distribution	\$ 3	\$ —	\$ 5	\$ 5	NM	(40)%	(40)%
Advertising	3	—	9	9	NM	(67)%	(67)%
Content	3,027	5	3,347	3,352	NM	(10)%	(8)%
Other	179	—	138	138	NM	30 %	30 %
Total revenues	3,212	5	3,499	3,504	NM	(8)%	(7)%
Costs of revenues (excluding depreciation & amortization)	1,959	1	2,064	2,065	NM	(5)%	(4)%
Selling, general and administrative	646	1	628	629	NM	3 %	6 %
Adjusted EBITDA	\$ 607	\$ 3	\$ 807	\$ 810	NM	(25)%	(23)%

Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the Merger had been completed on January 1, 2021. Pro forma adjustments for Q1 2022 represent the WarnerMedia business's results for full Q1 2022. Refer to page 13 for more information.
 NM - Not meaningful

Q1 2023 Highlights

- Studios revenues were \$3,212 million. Revenues decreased 7% ex-FX compared to the prior year quarter, on a pro forma combined basis.
 - Content revenue decreased 8% ex-FX, as higher games revenue from the release of *Hogwarts Legacy* was more than offset by lower TV licensing, theatrical film rental, and to a lesser extent, home entertainment revenues.
 - TV licensing declined primarily due to certain large TV licensing deals in the prior year quarter as well as fewer theatrical availabilities.
 - Theatrical film rental was lower due to the strong performance of *The Batman* in the prior year quarter.
 - Home entertainment declined due to fewer new releases of theatrical product and lower library sales.
 - Other revenue increased 30% ex-FX, due to higher studio production services and continued strong attendance at Warner Bros. Studio Tours in London and Hollywood.
- Studios operating expenses were \$2,605 million. Operating expenses decreased 2% ex-FX compared to the prior year quarter, on a pro forma combined basis.
 - Costs of revenues decreased 4% ex-FX, primarily driven by lower content expense for TV licensing and theatrical products, partially offset by higher expense for games.
 - SG&A expenses increased 6% ex-FX, primarily driven by marketing costs to support the release of *Hogwarts Legacy*, partially offset by lower theatrical marketing expense.
- Studios Adjusted EBITDA was \$607 million. Adjusted EBITDA decreased 23% ex-FX compared to the prior year quarter, on a pro forma combined basis.



Hogwarts Legacy
Warner Bros. Games



YOU
Warner Bros.



Young Sheldon
Warner Bros.



Networks Segment



Three Months Ended March 31,

	2023		2022		% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ⁽¹⁾
<i>\$ in millions</i>							
Distribution	\$ 2,995	\$ 1,120	\$ 2,012	\$ 3,132	NM	(4)%	(3)%
Advertising	2,237	1,430	1,202	2,632	56 %	(15)%	(14)%
Content	245	316	199	515	(22)%	(52)%	(51)%
Other	104	7	46	53	NM	96 %	96 %
Total revenues	5,581	2,873	3,459	6,332	94 %	(12)%	(10)%
Costs of revenues (excluding depreciation & amortization)	2,594	1,055	1,895	2,950	NM	(12)%	(10)%
Selling, general and administrative	694	463	333	796	50 %	(13)%	(11)%
Adjusted EBITDA	\$ 2,293	\$ 1,355	\$ 1,231	\$ 2,586	69 %	(11)%	(10)%

*Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the Merger had been completed on January 1, 2021. Pro forma adjustments for Q1 2022 represent the WarnerMedia business's results for full Q1 2022. Refer to page 13 for more information.
NM - Not meaningful*

Q1 2023 Highlights

- Networks revenues were \$5,581 million. Revenues decreased 10% ex-FX, or decreased 7% ex-FX excluding the impact of the 2022 Winter Olympic Games⁽¹⁾, compared to the prior year quarter, on a pro forma combined basis.
 - Distribution revenue decreased 3% ex-FX, primarily driven by increases in U.S. contractual affiliate rates, which were more than offset by declines in U.S. pay-TV subscribers.
 - Advertising revenue decreased 14% ex-FX, primarily driven by audience declines in domestic general entertainment and news networks and soft advertising markets mainly in the U.S. and, to a lesser extent, certain international markets. The broadcast of the 2022 Winter Olympic Games in Europe negatively impacted the year-over-year growth rate in the quarter by approximately 100 bps. The decline was partially offset by higher domestic sports advertising driven by the *NCAA March Madness* tournament.
 - Content revenue decreased 51% ex-FX, primarily driven by the sublicensing of Olympic sports rights to European broadcast networks in 2022.
 - Other revenue increased 96% ex-FX, primarily due to services provided to the unconsolidated BT Sport joint venture.
- Networks operating expenses were \$3,288 million. Operating expenses decreased 10% ex-FX compared to the prior year quarter, on a pro forma combined basis.
 - Costs of revenues decreased 10% ex-FX, primarily driven by costs related to the 2022 Olympics in the prior year quarter and lower domestic general entertainment content expense, partially offset by higher domestic sports rights and costs associated with the unconsolidated BT Sport joint venture.
 - SG&A expenses decreased 11% ex-FX, primarily due to lower marketing expenses.
- Networks Adjusted EBITDA was \$2,293 million. Adjusted EBITDA decreased 10% ex-FX compared to the prior year quarter, on a pro forma combined basis.



NCAA March Madness
TBS | TNT | truTV



Navalny
CNN Films



Ghost Adventures
Travel Channel



2023 NBA All-Star Game
TNT

Direct-to-Consumer Segment



Three Months Ended March 31,

	2023		2022		% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ⁽⁷⁾
<i>\$ in millions</i>							
Distribution	\$ 2,165	\$ 232	\$ 1,979	\$ 2,211	NM	(2)%	(1)%
Advertising	103	46	35	81	NM	27 %	29 %
Content	185	2	219	221	NM	(16)%	(16)%
Other	2	1	1	2	NM	— %	NM
Total revenues	2,455	281	2,234	2,515	NM	(2)%	(1)%
Costs of revenues (excluding depreciation & amortization)	1,815	180	1,814	1,994	NM	(9)%	(8)%
Selling, general and administrative	590	328	847	1,175	80 %	(50)%	(50)%
Adjusted EBITDA	\$ 50	\$ (227)	\$ (427)	\$ (654)	NM	NM	NM

Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the Merger had been completed on January 1, 2021. Pro forma adjustments for Q1 2022 represent the WarnerMedia business's results for full Q1 2022. Refer to page 13 for more information.
 NM - Not meaningful

Q1 2023 Highlights

- *The Last of Us* is now averaging nearly 32 million cross-platform viewers per episode in the U.S., and is the most-watched show in the history of HBO Max in both Europe and Latin America⁽¹²⁾.
- Total DTC subscribers⁽⁸⁾ were 97.6 million, an increase of 1.6 million global subscribers since the end of Q4. Global DTC ARPU⁽¹³⁾ was \$7.48.
- DTC revenues were \$2,455 million. Revenues decreased 1% ex-FX compared to the prior year quarter, on a pro forma combined basis.
 - Distribution revenue decreased 1% ex-FX, as global retail subscriber gains were more than offset by a decline in wholesale revenues.
 - Advertising revenue increased 29% ex-FX, primarily driven by subscriber growth on our DTC ad-supported tiers.
 - Content revenue decreased 16% ex-FX, primarily driven by lower third-party licensing of HBO content.
- DTC operating expenses were \$2,405 million. Operating expenses decreased 24% ex-FX compared to the prior year quarter, on a pro forma combined basis.
 - Costs of revenues decreased 8% ex-FX, primarily driven by lower content amortization and the shutdown of CNN+.
 - SG&A decreased 50% ex-FX, primarily driven by more efficient marketing spend.
- DTC Adjusted EBITDA was \$50 million, a \$704 million year-over-year improvement on a pro forma combined basis.

DTC Subscribers

<i>In millions, except ARPU</i>		Q1 2023	Q4 2022	Q1 2022
Domestic	Total subscribers⁽⁸⁾	55.3	54.6	53.4
	ARPU⁽¹³⁾	\$ 10.82	\$ 10.83	
International	Total subscribers⁽⁸⁾	42.3	41.5	37.2
	ARPU⁽¹³⁾	\$ 3.48	\$ 3.28	
Total DTC subscribers⁽⁸⁾		97.6	96.1	90.6
Global ARPU⁽¹³⁾		\$ 7.48	\$ 7.39	

Note: Global and International ARPUs reflect a change in methodology. Prior to Q1 2023, ARPU was calculated on a constant currency basis using the 2022 Baseline Rate, as defined in the ex-FX definition⁽¹⁾. Beginning in Q1 2023, ARPU is calculated on an as-reported basis. Prior periods have been recast to reflect the change in methodology.

Subscriber counts in the above table are rounded and minor differences in totals may exist. Refer to page 14 for more information.



The Last of Us
HBO



Succession
HBO



Corporate

Three Months Ended March 31,

	2023		2022		% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ⁽¹⁾
<i>\$ in millions</i>							
Adjusted EBITDA	\$ (355)	\$ (104)	\$ (253)	\$ (357)	NM	1 %	1 %

Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the Merger had been completed on January 1, 2021. Pro forma adjustments for Q1 2022 represent the WarnerMedia business's results for full Q1 2022. Refer to page 13 for more information.

NM - Not meaningful

- Increases in fees related to the Company's securitization facility, which are captured in SG&A, as a result of higher interest rates, were largely offset by lower personnel and technology-related overhead costs.

Inter-segment Eliminations

Three Months Ended March 31,

	2023		2022		% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ⁽¹⁾
<i>\$ in millions</i>							
Inter-segment revenue eliminations	\$ (548)	\$ —	\$ (926)	\$ (926)	NM	41 %	41 %
Inter-segment expense eliminations	(564)	—	(922)	(922)	NM	39 %	39 %
Adjusted EBITDA	\$ 16	\$ —	\$ (4)	\$ (4)	NM	NM	NM

Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the Merger had been completed on January 1, 2021. Pro forma adjustments for Q1 2022 represent the WarnerMedia business's results for full Q1 2022. Refer to page 13 for more information.

NM - Not meaningful

Leverage & Liquidity

Q1 2023 Leverage Highlights

- Ended Q1 with \$2.6 billion of cash on hand, \$49.5 billion of gross debt^(*), and 5.0x net leverage^(*).
- In Q1 2023, the Company issued \$1.5 billion of senior notes and used the proceeds to pay \$1.5 billion of aggregate principal outstanding of the term loan prior to the due date of April 2025. The Company also repaid \$106 million of aggregate principal amount outstanding of its senior notes due February 2023.
- As of March 31, 2023, the average duration of the Company's outstanding debt was 14.2 years, with an average cost of debt of 4.6%.

Reported Free Cash Flow

Three Months Ended March 31,

	Reported Financial Results		
	2023	2022	% Change
<i>\$ in millions</i>			
Cash (used in) provided by operating activities	\$ (631)	\$ 323	NM
Purchases of property and equipment	(299)	(85)	NM
Reported free cash flow ^(*)	\$ (930)	\$ 238	NM

The above free cash flow reconciliation shows "as reported" financials, which represent the combined Company's financial results since the closing of the Merger with the WarnerMedia business on April 8, 2022. Financials for the three months ended March 31, 2022 include Discovery, Inc. standalone results only, and do not include the WarnerMedia business.

NM - Not meaningful

(*) A non-GAAP financial measure; see the section starting on page 12 titled Definitions & Sources for additional details.

Q1 2023 Free Cash Flow Highlights

- Q1 2023 cash provided by operating activities and reported free cash flow are not directly comparable to Q1 2022 cash provided by operating activities and free cash flow. Q1 2022 cash provided by operating activities and free cash flow represent standalone Discovery, Inc., and excludes negative standalone WarnerMedia cash provided by operating activities and free cash flow.
- Q1 2023 cash provided by operating activities includes \$920 million of cash interest payments, of which \$836 million are semi-annual interest payments and largely attributable to merger-related debt.
- Q1 2023 cash provided by operating activities of \$(631) million was primarily impacted by working capital timing, the above mentioned interest payments on debt, and cash paid for restructuring costs, offset by operating profits net of taxes.
- Reported free cash flow was \$(930) million due to cash provided by operating activities of \$(631) million and capital expenditures of \$(299) million.
- As of March 31, 2023, the Company had \$5,300 million drawn on its revolving receivables program, a \$66 million decrease from Q4's balance of \$5,366 million.



2023 Outlook⁽¹⁴⁾

Warner Bros. Discovery, Inc. ("Warner Bros. Discovery", the "Company", "we", "us", or "our") may provide forward-looking commentary in connection with this earnings announcement on its quarterly earnings conference call. Details on how to access the audio webcast are included below.

Q1 2023 Earnings Conference Call Information

Warner Bros. Discovery will host a conference call today, May 5, 2023 at 8:00 a.m. ET, to discuss its first quarter 2023 financial results. To access the webcast of the earnings call, please visit the Investor Relations section of the Company's website at www.wbd.com.

Cautionary Statement Concerning Forward-Looking Statements

Information set forth in this communication contains certain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations, forecasts, and assumptions that involve risks and uncertainties and on information available to Warner Bros. Discovery as of the date hereof. The Company's actual results could differ materially from those stated or implied due to risks and uncertainties associated with its business, which include the risk factors disclosed in the Company's filings with the U.S. Securities and Exchange Commission, including but not limited to the Company's most recent Annual Report on Form 10-K and reports on Form 10-Q and Form 8-K.

Forward-looking statements include statements regarding the Company's expectations, beliefs, intentions or strategies regarding the future, and can be identified by forward-looking words such as "anticipate," "believe," "could," "continue," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words. Forward-looking statements include, without limitation, statements regarding future financial and operating results, the Company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Warner Bros. Discovery expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), this communication may also contain certain non-GAAP financial measures, identified with an "*". Reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the financial schedules in this release and in the "Quarterly Results" section of the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

About Warner Bros. Discovery

Warner Bros. Discovery (NASDAQ: WBD) is a leading global media and entertainment company that creates and distributes the world's most differentiated and complete portfolio of content and brands across television, film and streaming. Available in more than 220 countries and territories and 50 languages, Warner Bros. Discovery inspires, informs and entertains audiences worldwide through its iconic brands and products including: Discovery Channel, discovery+, CNN, DC, Eurosport, HBO, HBO Max, HGTV, Food Network, OWN, Investigation Discovery, TLC, Magnolia Network, TNT, TBS, truTV, Travel Channel, MotorTrend, Animal Planet, Science Channel, Warner Bros. Pictures, Warner Bros. Television, Warner Bros. Games, New Line Cinema, Cartoon Network, Adult Swim, Turner Classic Movies, Discovery en Español, Hogar de HGTV and others. For more information, please visit www.wbd.com.

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Warner Bros. Discovery, Inc.

Consolidated Statements of Operations

Unaudited; in millions, except per share amounts	Actual Financial Results	
	Three Months Ended March 31,	
	2023	2022
Distribution	\$ 5,163	\$ 1,352
Advertising	2,298	1,476
Content	2,954	323
Other	285	8
Total revenues	10,700	3,159
Costs of revenues, excluding depreciation and amortization	6,685	1,236
Selling, general and administrative	2,388	1,040
Depreciation and amortization	2,058	525
Restructuring	95	5
Impairments and loss on dispositions	31	—
Total costs and expenses	11,257	2,806
Operating (loss) income	(557)	353
Interest expense, net	(571)	(153)
Loss from equity investees, net	(37)	(14)
Other (expense) income, net	(73)	490
(Loss) income before income taxes	(1,238)	676
Income tax benefit (expense)	178	(201)
Net (loss) income	(1,060)	475
Net income attributable to noncontrolling interests	(8)	(16)
Net income attributable to redeemable noncontrolling interests	(1)	(3)
Net (loss) income available to Warner Bros. Discovery, Inc.	\$ (1,069)	\$ 456
Net (loss) income per share allocated to Warner Bros. Discovery, Inc. Series A common stockholders:		
Basic	\$ (0.44)	\$ 0.69
Diluted	\$ (0.44)	\$ 0.69
Weighted average shares outstanding:		
Basic	2,432	591
Diluted	2,432	665

The above income statement shows "actual" financials, which represent the combined Company's financial results since the closing of the Merger with the WarnerMedia business on April 8, 2022. Financials for the three months ended March 31, 2022 include Discovery, Inc. standalone results only, and do not include the WarnerMedia business.

Warner Bros. Discovery, Inc.

Consolidated Balance Sheets

Unaudited; in millions, except par value	Actual Financial Results	
	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,594	\$ 3,731
Receivables, net	6,833	6,380
Prepaid expenses and other current assets	4,300	3,888
Total current assets	13,727	13,999
Film and television content rights and games	25,473	26,652
Property and equipment, net	5,325	5,301
Goodwill	34,658	34,438
Intangible assets, net	43,239	44,982
Other noncurrent assets	8,162	8,629
Total assets	\$ 130,584	\$ 134,001
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,123	\$ 1,454
Accrued liabilities	10,158	11,504
Deferred revenues	1,603	1,694
Current portion of debt	3,496	365
Total current liabilities	16,380	15,017
Noncurrent portion of debt	45,434	48,634
Deferred income taxes	10,211	11,014
Other noncurrent liabilities	10,717	10,669
Total liabilities	82,742	85,334
Commitments and contingencies		
Redeemable noncontrolling interests	309	318
Warner Bros. Discovery, Inc. stockholders' equity:		
Series A common stock: \$0.01 par value; 10,800 and 10,800 shares authorized; 2,666 and 2,660 shares issued; and 2,436 and 2,430 shares outstanding	27	27
Preferred stock: \$0 par value; 1,200 and 1,200 shares authorized, 0 shares issued and outstanding	—	—
Additional paid-in capital	54,685	54,630
Treasury stock, at cost: 230 and 230 shares	(8,244)	(8,244)
Retained earnings	1,133	2,205
Accumulated other comprehensive loss	(1,105)	(1,523)
Total Warner Bros. Discovery, Inc. stockholders' equity	46,496	47,095
Noncontrolling interests	1,037	1,254
Total equity	47,533	48,349
Total liabilities and equity	\$ 130,584	\$ 134,001

The above balance sheet shows "actual" financials, which represent the combined Company's financial results since the closing of the Merger with the WarnerMedia business on April 8, 2022. Financials for the three months ended March 31, 2022 include Discovery, Inc. standalone results only, and do not include the WarnerMedia business.



Warner Bros. Discovery, Inc.

Consolidated Statements of Cash Flows

	Actual Financial Results	
	Three Months Ended March 31,	
	2023	2022
<i>Unaudited; in millions</i>		
Operating Activities		
Net (loss) income	\$ (1,060)	\$ 475
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Content rights amortization and impairment	4,723	973
Depreciation and amortization	2,058	525
Deferred income taxes	(669)	(118)
Share-based compensation expense	111	60
Equity in losses of equity method investee companies and cash distributions	62	21
Gain from derivative instruments, net	(23)	(514)
Other, net	97	33
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables, net	(486)	(5)
Film and television content rights, games and payables, net	(4,051)	(993)
Accounts payable, accrued liabilities, deferred revenues and other noncurrent liabilities	(1,652)	(124)
Foreign currency, prepaid expenses and other assets, net	259	(10)
Cash (used in) provided by operating activities	(631)	323
Investing Activities		
Purchases of property and equipment	(299)	(85)
Investments in and advances to equity investments	(13)	(42)
Proceeds from derivative instruments, net	20	639
Other investing activities, net	35	17
Cash (used in) provided by investing activities	(257)	529
Financing Activities		
Principal repayments of debt, including premiums to par value	(1,606)	(327)
Borrowings from debt, net of discount and issuance costs	1,500	—
Distributions to noncontrolling interests and redeemable noncontrolling interests	(237)	(224)
Borrowings under commercial paper program	932	—
Repayments under commercial paper program	(933)	—
Other financing activities, net	(88)	(36)
Cash used in financing activities	(432)	(587)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	29	(5)
Net change in cash, cash equivalents, and restricted cash	(1,291)	260
Cash, cash equivalents, and restricted cash, beginning of period	3,930	3,905
Cash, cash equivalents, and restricted cash, end of period	\$ 2,639	\$ 4,165

The above statement of cash flows shows "actual" financials, which represent the combined Company's financial results since the closing of the Merger with the WarnerMedia business on April 8, 2022. Financials for the three months ended March 31, 2022 include Discovery, Inc. standalone results only, and do not include the WarnerMedia business.

Reconciliation of Revenues Excluding 2022 Winter Olympic Games

Combined Company Revenues

Three Months Ended March 31, <i>\$ in millions</i>	2023	2022	% Change	
	Actual	Pro Forma Combined	Pro Forma Combined (Actual)	Combined (ex-FX) ^(*)
Total revenues	\$ 10,700	\$ 11,441	(6)%	(5)%
2022 Winter Olympic Games	—	238	NM	NM
Total revenues excluding 2022 Winter Olympic Games ^(*)	\$ 10,700	\$ 11,203	(4)%	(3)%

Networks Segment Revenues

Three Months Ended March 31, <i>\$ in millions</i>	2023	2022	% Change	
	Actual	Pro Forma Combined	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ^(*)
Total revenues	\$ 5,581	\$ 6,332	(12)%	(10)%
2022 Winter Olympic Games	—	238	NM	NM
Total revenues excluding 2022 Winter Olympic Games ^(*)	\$ 5,581	\$ 6,094	(8)%	(7)%

Three Months Ended March 31, <i>\$ in millions</i>	2023	2022	% Change	
	Actual	Pro Forma Combined	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX) ^(*)
Advertising revenues	\$ 2,237	\$ 2,632	(15)%	(14)%
2022 Winter Olympic Games	—	28	NM	NM
Total advertising revenues excluding 2022 Winter Olympic Games ^(*)	\$ 2,237	\$ 2,604	(14)%	(13)%

Pro forma combined results represent the combined results of the Company and the WarnerMedia business as if the Merger had been completed on January 1, 2021. Refer to page 13 for more information.

NM - Not meaningful

(*) A non-GAAP financial measure; see the section starting on page 13 titled Definitions & Sources for additional details

Reconciliation of Net (Loss) Income to Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization

Unaudited; in millions	Actual Financial Results	
	Three Months Ended March 31,	
	2023	2022
Net (loss) income available to Warner Bros. Discovery, Inc.	\$ (1,069)	\$ 456
Net income attributable to redeemable noncontrolling interests	1	3
Net income attributable to noncontrolling interests	8	16
Income tax (benefit) expense	(178)	201
(Loss) income before income taxes	(1,238)	676
Other expense (income), net	73	(490)
Loss from equity investees, net	37	14
Interest expense, net	571	153
Operating (loss) income	(557)	353
Restructuring	95	5
Impairments and loss on dispositions	31	—
Depreciation and amortization	2,058	525
Employee share-based compensation	106	57
Transaction and integration costs	47	87
Amortization of fair value step-up for content	831	—
Adjusted EBITDA^(*)	\$ 2,611	\$ 1,027

The above reconciliation shows "actual" financials, which represent the combined Company's financial results since the closing of the Merger with the WarnerMedia business on April 8, 2022. Financials for the three months ended March 31, 2022 include Discovery, Inc. standalone results only, and do not include the WarnerMedia business.

(*) A non-GAAP financial measure; see the section starting on page 13 titled Definitions & Sources for additional details

Definitions and Sources for Warner Bros. Discovery, Inc.

(1) Foreign Exchange Impacting Comparability: In addition to the Merger (as defined below), the impact of exchange rates on our business is an important factor in understanding period-to-period comparisons of our results. For example, our international revenues are favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S. dollar strengthens relative to other foreign currencies. We believe the presentation of results on a constant currency basis ("ex-FX"), in addition to results reported in accordance with U.S. GAAP provides useful information about our operating performance because the presentation ex-FX excludes the effects of foreign currency volatility and highlights our core operating results. The presentation of results on a constant currency basis should be considered in addition to, but not a substitute for, measures of financial performance reported in accordance with U.S. GAAP.

The ex-FX change represents the percentage change on a period-over-period basis adjusted for foreign currency impacts. The ex-FX change is calculated as the difference between the current year amounts translated at a baseline rate, which is a spot rate for each of our currencies determined early in the fiscal year as part of our forecasting process (the "Baseline Rate"), and the prior year amounts translated at the 2023 Baseline Rate. In addition, consistent with the assumption of a constant currency environment, our ex-FX results exclude the impact of our foreign currency hedging activities, as well as realized and unrealized foreign currency transaction gains and losses. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies.

(2) Revenues Excluding 2022 Winter Olympic Games: The Company defines revenues excluding the 2022 Winter Olympic Games as total revenues less revenues from the 2022 Winter Olympic Games. The Company may exclude revenues from the 2022 Winter Olympic Games at the consolidated level, segment level, or both. The Company believes this measure is relevant to investors because it allows them to analyze our operating performance in years in which we have Olympic coverage to years in which we do not have Olympic coverage.

(3) Pro Forma Combined Financial Information: The unaudited pro forma combined financial information in this press release presents the combined results of the Company and the WarnerMedia business as if the transaction whereby the Company acquired the WarnerMedia business (the "Merger") had been completed on January 1, 2021. Management believes reviewing our actual operating results in addition to pro forma combined results is useful in identifying trends in, or reaching conclusions regarding, the overall operating performance of our businesses. Our combined Networks, DTC, Studios, Corporate, and inter-segment eliminations pro forma combined financial information is based on the historical operating results of the respective segments and includes adjustments in accordance with Article 11 of Regulation S-X to illustrate the effects of the Merger as if it had occurred on January 1, 2021. The unaudited pro forma financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the Merger had occurred on January 1, 2021, nor is it indicative of future results. The unaudited pro forma combined financial information includes, where applicable, adjustments for (i) additional costs of revenues from the fair value step-up of film and television library, (ii) additional amortization expense related to acquired intangible assets, (iii) additional depreciation expense from the fair value of property and equipment, (iv) transaction costs and other one-time non-recurring costs, (v) additional interest expense for borrowings related to the Merger and amortization associated with fair value adjustments of debt assumed, (vi) changes to align accounting policies, (vii) elimination of intercompany activity, and (viii) associated tax-related impacts of adjustments. These pro forma adjustments are based on available information as of the date hereof and upon assumptions that the Company believes are reasonable to reflect the impact of the Merger with the WarnerMedia business on the Company's historical financial information on a supplemental pro forma basis.

Adjustments do not include costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined business.

We may refer to total company results (ex. Revenues, Adj. EBITDA) as "combined basis."

For historical pro forma financial information including segment level detail and reconciliations of non-GAAP metrics to their GAAP equivalent, please refer to the Trending Schedules and Non-GAAP Reconciliations posted in the "Quarterly Results" section of the Company's investor relations website (<https://ir.wbd.com>).

(4) Adjusted EBITDA: The Company evaluates the operating performance of its operating segments based on financial measures such as revenues and Adjusted EBITDA. Adjusted EBITDA is defined as operating income excluding: (i) employee share-based compensation, (ii) depreciation and amortization, (iii) restructuring and facility consolidation, (iv) certain impairment charges, (v) gains and losses on business and asset dispositions, (vi) certain inter-segment eliminations, (vii) third-party transaction and integration costs, (viii) amortization of purchase accounting fair value step-up for content, (ix) amortization of capitalized interest for content, and (x) other items impacting comparability.

The Company uses this measure to assess the operating results and performance of its segments, perform analytical comparisons, identify strategies to improve performance, and allocate resources to each segment. The Company believes Adjusted EBITDA is relevant to investors because it allows them to analyze the operating performance of each segment using the same metric management uses. The Company excludes employee share-based compensation, restructuring, certain impairment charges, gains and losses on business and asset dispositions, and transaction and integration costs from the calculation of Adjusted EBITDA due to their impact on comparability between periods.

The Company also excludes the depreciation of fixed assets and amortization of intangible assets, amortization of purchase accounting fair value step-up for content, and amortization of capitalized interest for content, as these amounts do not represent cash payments in the current reporting period. Certain corporate expenses and inter-segment eliminations related to production studios are excluded from segment results to enable executive management to evaluate segment performance based upon the decisions of segment executives. Adjusted EBITDA should be considered in addition to, but not a substitute for, operating income, net income, and other measures of financial performance reported in accordance with U.S. GAAP.

Definitions and Sources for Warner Bros. Discovery, Inc. Continued

(5) Free cash flow: The Company defines free cash flow as cash flow from operations less acquisitions of property and equipment. The Company believes free cash flow is an important indicator for management and investors of the Company's liquidity, including its ability to reduce debt, make strategic investments, and return capital to stockholders.

(6) Gross debt: The Company defines gross debt of \$49.5 billion as total debt of \$49.2 billion, plus finance leases of \$251 million. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

(7) Net leverage: The Company defines net leverage as the calculation where net debt (gross debt of \$49.5 billion, less cash, cash equivalents, and restricted cash of \$2.6 billion) is divided by the sum of the most recent four quarters Adjusted EBITDA of \$9,404 million. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

Please refer to the Trending Schedules and Non-GAAP Reconciliations posted in the "Quarterly Results" section of the Company's investor relations website (<https://ir.wbd.com>) for the full reconciliation of net leverage.

(8) Direct-to-Consumer ("DTC") Subscriber: The Company defines a "DTC Subscription" as: (i) a retail subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue, whether directly or through a third party, from a direct-to-consumer platform; (ii) a wholesale subscription to discovery+, HBO, or HBO Max for which we have recognized subscription revenue from a fixed-fee arrangement with a third party and where the individual user has activated their subscription; (iii) a wholesale subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue on a per subscriber basis; and (iv) users on free trials who convert to a subscription for which we have recognized subscription revenue within the first seven days of the calendar month immediately following the month in which their free trial expires.

We may refer to the aggregate number of DTC Subscriptions as "subscribers."

We define a Domestic subscriber as a subscription based either in the United States of America or Canada. We define an International subscriber as a subscription based outside of the United States of America or Canada.

The reported number of "subscribers" included herein and the definition of "DTC Subscription" as used herein excludes: (i) individuals who subscribe to DTC products, other than discovery+, HBO and HBO Max, that may be offered by us or by certain joint venture partners or affiliated parties from time to time; (ii) a limited number of international discovery+ subscribers that are part of non-strategic partnerships or short-term arrangements as may be identified by the Company from time to time; (iii) domestic and international Cinemax subscribers, and international basic HBO subscribers; and (iv) users on free trials except for those users on free trial that convert to a DTC Subscription within the first seven days of the next month as noted above.

(9) Source: U.S. Nielsen, 1Q23 (12/26/22-3/26/23), P25-54, Prime & Total Day, L+7, Exact Program 1/4 Hours, Duration-Weighted Delivery: "Most Watched".

(10) Source: U.S. Nielsen, 1Q23 (12/26/22-3/26/23), Live+3 program-based data (000)s, Primetime, Ad-supported cable, excl. breakouts and nets with less than 38% duration per day. Actual rankings were: #2 TBS, TNT #3, TLC #5-t (tied with Fox News), Food Network #8, Discovery Channel #9, HGTV #10.

(11) Source: Academy Awards® 2023 winners and nominees list (<https://www.oscars.org/oscars/ceremonies/2023>).

(12) Source: Average viewers per episode across the series' first 90 days of availability based on a combination of Nielsen, and first party data.

(13) ARPU: The Company defines DTC Average Revenue Per User ("ARPU") as total subscription revenue plus net advertising revenue for the period divided by the daily-average number of paying subscribers for the period. Where daily values are not available, the sum of beginning of period and end of period divided by two is used.

Excluded from the ARPU calculation are: (i) HBO Max/HBO Hotel and Bulk Institution subscription revenue and subscribers (i.e., subscribers billed on a bulk basis); (ii) Cinemax subscription revenue and subscribers; (iii) HBO Basic subscription revenue and subscribers (International-only); (iv) Non-discovery+ DTC revenue and subscribers; and (v) Non-Core discovery+ revenue and subscribers, and (vi) users on free trials who convert to a subscription for which we have recognized subscription revenue within the first seven days of the calendar month.

(14) 2023 outlook: Warner Bros. Discovery is not able to provide a reconciliation of the non-GAAP forward-looking commentary to comparable GAAP measures as, at this time, the Company cannot determine the occurrence or impact of the adjustments, such as the effect of future changes in foreign currency exchange rates or future acquisitions or divestitures that would be excluded from such GAAP measures. Accordingly, the Company is relying on the exception provided by Item 10(e)(1)(i)(B) of Regulation S-K to exclude these reconciliations.

Source: Warner Bros. Discovery, Inc.



Hogwarts Legacy, WB Games

WB
WARNER BROS.
DISCOVERY

Q1

Trending Schedule
&
Non-GAAP Reconciliations

Navalny, CNN Films





Merger with the WarnerMedia Business of AT&T

On April 8, 2022, Discovery, Inc. ("Discovery") completed its merger (the "Merger") with the WarnerMedia business of AT&T Inc. (the "WarnerMedia Business") and changed its name to "Warner Bros. Discovery, Inc." ("Warner Bros. Discovery", "WBD", the "Company", "we", "us" or "our").

Purpose of Trending Schedules

The trending schedules summarize unaudited pro forma combined financial information to facilitate your review and understanding of the Company's operating results. The trending schedules set forth important financial measures utilized by the Company defined by U.S. generally accepted accounting principles ("GAAP"). The Company uses non-GAAP financial measures, among other measures, to evaluate the operating performance of our business. These non-GAAP financial measures are in addition to, not a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

Pro Forma Combined Financial Information

The unaudited pro forma combined financial information in the trending schedules presents the combined results of the Company and the WarnerMedia Business as if the Merger had been completed on January 1, 2021. Our combined Networks, DTC (as defined below), Studios and Corporate and Intersegment-eliminations pro forma financial information is based on the historical operating results of the respective segments and includes adjustments in accordance with Article 11 of Regulation S-X to illustrate the effects of the Merger as if it had occurred on January 1, 2021. The unaudited pro forma combined financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the Merger had occurred on January 1, 2021, nor is it indicative of future results.

The unaudited pro forma financial information includes, where applicable, adjustments for (i) additional costs of revenues from the fair value step-up of film and television library, (ii) additional amortization expense related to acquired intangible assets, (iii) additional depreciation expense from the fair value of property and equipment, (iv) transaction costs and other one-time non-recurring costs, (v) additional interest expense for borrowings related to the Merger and amortization associated with fair value adjustments of debt assumed, (vi) changes to align accounting policies, (vii) elimination of intercompany activity, and (viii) associated tax-related impacts of adjustments. These pro forma adjustments are based on available information as of the date hereof and upon assumptions that the Company believes are reasonable to reflect the impact of the Merger with the WarnerMedia Business on the Company's historical financial information on a supplemental pro forma basis. Adjustments do not include costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined business.

New Reporting Segments

In connection with the Merger, the Company reevaluated and changed its segment presentation during the quarter ended June 30, 2022. Accordingly, beginning in the quarter ended June 30, 2022, and for all periods presented, we are reporting results based on the following segments:

Networks, consisting primarily of our domestic and international television networks

Direct-to-Consumer ("DTC"), consisting primarily of our premium pay TV and digital content services

Studios, consisting primarily of the production and release of feature films for initial exhibition in theaters and/or on our DTC services, production and initial licensing of television programs to third party and our networks/DTC services, distribution of our films and television programs to various third party and internal television and streaming services, distribution through the home entertainment market (physical and digital), related consumer products and themed experience licensing, and interactive gaming.

New Financial Measures

Warner Bros. Discovery previously used the non-GAAP measure of Adjusted OIBDA as an important financial measure, among other measures, to evaluate the operating performance of our business. Adjusted OIBDA was defined as operating income excluding: (i) employee share-based compensation, (ii) depreciation and amortization, (iii) restructuring and other charges, (iv) certain impairment charges, (v) gains and losses on business and asset dispositions, (vi) certain inter-segment eliminations related to production studios, (vii) third-party transaction and integration costs, and (viii) other items impacting comparability.

Beginning with the period ended June 30, 2022, and for all periods presented, Warner Bros. Discovery will utilize the non-GAAP measure of Adjusted EBITDA, as defined below and in the Notes & Definitions section as an important financial measure, among other measures, to evaluate the operating performance of our business.

The Company defines Adjusted EBITDA as operating income excluding: (i) employee share-based compensation, (ii) depreciation and amortization, (iii) restructuring and facility consolidation, (iv) certain impairment charges, (v) gains and losses on business and asset dispositions, (vi) certain inter-segment eliminations, (vii) third-party transaction and integration costs, (viii) amortization of purchase accounting fair value step-up for content, (ix) amortization of capitalized interest for content, and (x) other items impacting comparability. Adjusted EBITDA should be considered in addition to, but not a substitute for, operating income, net income and other measures of financial performance reported in accordance with U.S. GAAP.

Trending Schedule Updates

During the three months ended March 31, 2023, WBD updated the previously issued Trending Schedule to reflect the following change: Global and International ARPUs reflect a change in methodology. Prior to the period ended March 31, 2023, ARPU was calculated on a constant currency basis using the 2022 Baseline Rate, as defined in the ex-FX definition⁽¹⁰⁾. Beginning with the period ended March 31, 2023, ARPU is calculated on an as-reported basis. Prior periods have been recast to reflect the change in methodology.

Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with U.S. GAAP, this communication may also contain certain non-GAAP financial measures, identified with an "(*)". Reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the trending schedules and in the "Quarterly Results" section of the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

Rounding

Numbers presented in the following materials are on a rounded basis using actual amounts. Minor differences in totals and percentages may exist due to rounding.

**Actual consolidated statement of operations
(GAAP income statement)**



Unaudited; in millions

	3 Months Ending					12 Months Ending	Actual					3 Months Ending
	3 Months Ending				12 Months Ending	3 Months Ending				12 Months Ending	3 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	
Revenues:												
Distribution	\$ 1,258	\$ 1,312	\$ 1,328	\$ 1,304	\$ 5,202	\$ 1,352	\$ 4,838	\$ 4,990	\$ 4,962	\$ 16,142	\$ 5,163	
Advertising	1,409	1,634	1,453	1,698	6,194	1,476	2,721	2,042	2,285	8,524	2,298	
Content	112	100	352	173	737	323	2,064	2,531	3,442	8,360	2,954	
Other	13	16	17	12	58	8	204	260	319	791	285	
Total revenues	2,792	3,062	3,150	3,187	12,191	3,159	9,827	9,823	11,008	33,817	10,700	
Costs and expenses:												
Costs of revenues, excluding depreciation and amortization	969	1,055	1,529	1,067	4,620	1,236	6,625	5,627	6,954	20,442	6,685	
Selling, general and administrative	1,051	952	944	1,069	4,016	1,040	3,538	2,589	2,511	9,678	2,388	
Depreciation and amortization	361	341	341	539	1,582	525	2,266	2,233	2,169	7,193	2,058	
Restructuring	15	7	7	3	32	5	1,033	1,521	1,198	3,757	95	
Impairments and (gain) loss on dispositions	—	(72)	—	1	(71)	—	4	43	70	117	31	
Total costs and expenses	2,396	2,283	2,821	2,679	10,179	2,806	13,466	12,013	12,902	41,187	11,257	
Operating income (loss)	396	779	329	508	2,012	353	(3,639)	(2,190)	(1,894)	(7,370)	(557)	
Interest expense, net	(163)	(157)	(159)	(154)	(633)	(153)	(511)	(555)	(558)	(1,777)	(571)	
Other income (expense), net	64	98	63	(171)	54	476	(94)	(106)	(89)	187	(110)	
Income (loss) before income taxes	297	720	233	183	1,433	676	(4,244)	(2,851)	(2,541)	(8,960)	(1,238)	
Income tax (expense) benefit	(106)	(2)	(36)	(92)	(236)	(201)	836	566	462	1,663	178	
Net income (loss)	191	718	197	91	1,197	475	(3,408)	(2,285)	(2,079)	(7,297)	(1,060)	
Net income attributable to noncontrolling interests	(51)	(46)	(41)	(53)	(191)	(19)	(10)	(23)	(22)	(74)	(9)	
Net income (loss) available to Warner Bros. Discovery, Inc.	\$ 140	\$ 672	\$ 156	\$ 38	\$ 1,006	\$ 456	\$ (3,418)	\$ (2,308)	\$ (2,101)	\$ (7,371)	\$ (1,069)	

The information in the above table presents WBD's financial results based on its Merger with the WarnerMedia Business completed on 4/8/22.

For the periods ended 3/31/21 through 3/31/22, the table represents Discovery, Inc. financial results.

For the period ended 6/30/22, the table represents Discovery, Inc. financial results for 4/1/22 - 4/8/22, and the combined business's financial results for 4/9/22 - 6/30/22.

For the periods ended 9/30/22 and beyond, the table represents Warner Bros. Discovery.



Actual reconciliation of net income to adjusted earnings before interest, taxes, depreciation and amortization (non-GAAP)



Unaudited; in millions

	3 Months Ending					12 Months Ending	Actual					3 Months Ending
	3 Months Ending				12 Months Ending	3 Months Ending				12 Months Ending	3 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	
Net (loss) income available to Warner Bros. Discovery, Inc.	\$ 140	\$ 672	\$ 156	\$ 38	\$ 1,006	\$ 456	\$ (3,418)	\$ (2,308)	\$ (2,101)	\$ (7,371)	\$ (1,069)	
Net income attributable to noncontrolling interests	51	46	41	53	191	19	10	23	22	74	9	
Net income	191	718	197	91	1,197	475	(3,408)	(2,285)	(2,079)	(7,297)	(1,060)	
Income tax expense (benefit)	106	2	36	92	236	201	(836)	(566)	(462)	(1,663)	(178)	
Other (income) expense, net	(64)	(98)	(63)	171	(54)	(476)	94	106	89	(187)	110	
Interest expense, net	163	157	159	154	633	153	511	555	558	1,777	571	
Operating income (loss)	396	779	329	508	2,012	353	(3,639)	(2,190)	(1,894)	(7,370)	(557)	
Impairments and (gain) loss on dispositions	—	(72)	—	1	(71)	—	4	43	70	117	31	
Restructuring	15	7	7	3	32	5	1,033	1,521	1,198	3,757	95	
Depreciation and amortization	361	341	341	539	1,582	525	2,266	2,233	2,169	7,193	2,058	
Employee share-based compensation	61	27	36	43	167	57	147	113	93	410	106	
Transaction and integration costs	4	35	13	43	95	87	983	59	66	1,195	47	
Amortization of fair value step-up for content	—	—	—	—	—	—	870	645	901	2,416	831	
Adjusted EBITDA^(*)	\$ 837	\$ 1,117	\$ 726	\$ 1,137	\$ 3,817	\$ 1,027	\$ 1,664	\$ 2,424	\$ 2,603	\$ 7,718	\$ 2,611	

(*) A non-GAAP financial measure; see the Notes and Definitions section for additional details.

The information in the above table presents WBD's financial results based on its Merger with the WarnerMedia Business completed on 4/8/22.

For the periods ended 3/31/21 through 3/31/22, the table represents Discovery, Inc. financial results.

For the period ended 6/30/22, the table represents Discovery, Inc. financial results for 4/1/22 - 4/8/22, and the combined business's financial results for 4/9/22 - 6/30/22.

For the periods ended 9/30/22 and beyond, the table represents Warner Bros. Discovery.



Studios segment

Unaudited, in millions



	Pro Forma Combined										Actual 3 Months Ending 3/31/23		
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22			
Revenues:													
Distribution	\$ 3	\$ 5	\$ 2	\$ 4	\$ 14	\$ 5	\$ 5	\$ 4	\$ 4	\$ 18	\$ 3		
Advertising	21	27	35	40	123	9	10	8	(3)	24	3		
Content	3,069	3,197	3,173	4,917	14,356	3,352	3,187	2,884	3,631	13,054	3,027		
Other	81	104	143	188	516	138	162	192	210	702	179		
Total revenues	3,174	3,333	3,353	5,149	15,009	3,504	3,364	3,088	3,842	13,798	3,212		
Costs of revenues, excluding depreciation and amortization	2,092	2,244	2,050	3,206	9,592	2,065	2,334	1,756	2,547	8,702	1,959		
Selling, general and administrative	652	650	747	723	2,772	629	621	570	527	2,347	646		
Adjusted EBITDA⁽¹⁾	\$ 430	\$ 439	\$ 556	\$ 1,220	\$ 2,645	\$ 810	\$ 409	\$ 762	\$ 768	\$ 2,749	\$ 607		

The information in the above table for the three months ended March 31, 2021 through the three months ended December 31, 2022 present WBD's financial results as if the Merger had been completed on 1/1/21 rather than on 4/8/22.

Items impacted by this pro forma presentation are primarily related to Purchase Price Amortization, included within depreciation and amortization, and Amortization of Fair Value Step-up for Content.

For the three months ended March 31, 2023 and subsequent periods, the above table presents WBD's actual financial results based on the Merger completion date of 4/8/22.

Networks segment

Unaudited, in millions



	Pro Forma Combined										Actual		
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	3 Months Ending
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23		
Revenues:													
Distribution	\$ 3,162	\$ 3,087	\$ 3,065	\$ 3,015	\$ 12,329	\$ 3,132	\$ 3,012	\$ 2,924	\$ 2,874	\$ 11,942	\$ 2,995		
Advertising	2,646	2,796	2,268	2,683	10,393	2,632	2,802	1,944	2,226	9,604	2,237		
Content	307	219	456	292	1,274	515	241	277	307	1,340	245		
Other	46	62	81	45	234	53	66	69	112	300	104		
Total revenues	6,161	6,164	5,870	6,035	24,230	6,332	6,121	5,214	5,519	23,186	5,581		
Costs of revenues, excluding depreciation and amortization	2,492	2,727	2,380	2,425	10,024	2,950	3,020	1,906	2,278	10,154	2,594		
Selling, general and administrative	794	755	778	892	3,219	796	744	678	763	2,981	694		
Adjusted EBITDA⁽¹⁾	\$ 2,875	\$ 2,682	\$ 2,712	\$ 2,718	\$ 10,987	\$ 2,586	\$ 2,357	\$ 2,630	\$ 2,478	\$ 10,051	\$ 2,293		

The information in the above table for the three months ended March 31, 2021 through the three months ended December 31, 2022 present WBD's financial results as if the Merger had been completed on 1/1/21 rather than on 4/8/22.

Items impacted by this pro forma presentation are primarily related to Purchase Price Amortization, included within depreciation and amortization, and Amortization of Fair Value Step-up for Content.

For the three months ended March 31, 2023 and subsequent periods, the above table presents WBD's actual financial results based on the Merger completion date of 4/8/22.

DTC segment

Unaudited; in millions, except for ARPU⁽²⁾



	Pro Forma Combined										Actual 3 Months Ending 3/31/23		
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22			
Revenues:													
Distribution	\$ 1,919	\$ 2,176	\$ 2,246	\$ 2,097	\$ 8,438	\$ 2,211	\$ 2,164	\$ 2,062	\$ 2,084	\$ 8,521	\$ 2,165		
Advertising	19	37	54	70	180	81	97	106	123	407	103		
Content	112	136	194	191	633	221	143	145	243	752	185		
Other	6	3	3	2	14	2	6	4	1	13	2		
Total revenues	2,056	2,352	2,497	2,360	9,265	2,515	2,410	2,317	2,451	9,693	2,455		
Costs of revenues, excluding depreciation and amortization	1,496	1,655	1,768	1,938	6,857	1,994	2,065	2,118	2,011	8,188	1,815		
Selling, general and administrative	1,077	1,008	1,038	1,150	4,273	1,175	903	833	657	3,568	590		
Adjusted EBITDA⁽¹⁾	\$ (517)	\$ (311)	\$ (309)	\$ (728)	\$ (1,865)	\$ (654)	\$ (558)	\$ (634)	\$ (217)	\$ (2,063)	\$ 50		

	Subscriber Metrics										3 Months Ending 3/31/23		
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22			
Global HBO Max, HBO, and Discovery+ Subscribers⁽³⁾													
		76.1	80.0	86.2	86.2	90.6	92.2	95.0	96.1	96.1	97.6		
Global ARPU													
						\$ 7.58	\$ 7.38	\$ 7.39			\$ 7.48		
Domestic Subscribers		49.8	48.9	51.2	51.2	53.4	53.1	53.6	54.6	54.6	55.3		
Domestic ARPU						\$ 10.54	\$ 10.66	\$ 10.83			\$ 10.82		
International Subscribers		26.3	31.1	34.9	34.9	37.2	39.2	41.4	41.5	41.5	42.3		
International ARPU						\$ 3.51	\$ 3.37	\$ 3.28			\$ 3.48		

The information in the above table for the three months ended March 31, 2021 through the three months ended December 31, 2022 present WBD's financial results as if the Merger had been completed on 1/1/21 rather than on 4/8/22.

Items impacted by this pro forma presentation are primarily related to Purchase Price Amortization, included within depreciation and amortization, and Amortization of Fair Value Step-up for Content.

For the three months ended March 31, 2023 and subsequent periods, the above table presents WBD's actual financial results based on the Merger completion date of 4/8/22.



Corporate, and Inter-segment Eliminations



Unaudited; in millions

Corporate Segment	Pro Forma Combined										Actual 3 Months Ending 3/31/23		
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22			
Adjusted EBITDA⁽¹⁾	\$ (278)	\$ (341)	\$ (326)	\$ (406)	\$ (1,351)	\$ (357)	\$ (405)	\$ (340)	\$ (451)	\$ (1,553)	\$ (355)		

Inter-segment Eliminations	Pro Forma Combined										Actual 3 Months Ending 3/31/23		
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22			
Inter-segment revenue eliminations	\$ (675)	\$ (648)	\$ (751)	\$ (1,145)	\$ (3,219)	\$ (926)	\$ (1,088)	\$ (785)	\$ (832)	\$ (3,631)	\$ (548)		
Inter-segment expense eliminations	(682)	(679)	(786)	(1,082)	(3,229)	(922)	(1,051)	(791)	(857)	(3,621)	(564)		
Adjusted EBITDA⁽¹⁾	\$ 7	\$ 31	\$ 35	\$ (63)	\$ 10	\$ (4)	\$ (37)	\$ 6	\$ 25	\$ (10)	\$ 16		

The information in the above table for the three months ended March 31, 2021 through the three months ended December 31, 2022 present WBD's financial results as if the Merger had been completed on 1/1/21 rather than on 4/8/22.

Items impacted by this pro forma presentation are primarily related to Purchase Price Amortization, included within depreciation and amortization.

For the three months ended March 31, 2023 and subsequent periods, the above table presents WBD's actual financial results based on the Merger completion date of 4/8/22.

Free Cash Flow (non-GAAP); Net debt (non-GAAP)



Reported unless where otherwise noted; unaudited; in millions

	Reported														
	3 Months Ending					12 Months Ending	3 Months Ending					12 Months Ending	3 Months Ending		
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	12/31/22	3/31/23			
Reported Free Cash Flow:															
Cash provided by (used for) operating activities	\$ 269	\$ 834	\$ 811	\$ 884	\$ 2,798	\$ 323	\$ 1,011	\$ 124	\$ 2,846	\$ 4,304	\$ (631)				
Less: Purchases of property and equipment	(90)	(77)	(106)	(100)	(373)	(85)	(222)	(316)	(364)	(987)	(299)				
Reported Free Cash Flow⁽⁹⁾⁽⁷⁾	\$ 179	\$ 757	\$ 705	\$ 784	\$ 2,425	\$ 238	\$ 789	\$ (192)	\$ 2,482	\$ 3,317	\$ (930)				
Reported Gross to Net Debt:															
Current portion of debt	\$ 351	\$ 585	\$ 349	\$ 339	\$ 339	\$ 794	\$ 1,097	\$ 1,257	\$ 365	\$ 365	\$ 3,496				
Plus: Noncurrent portion of debt	15,115	14,899	14,868	14,848	14,848	14,030	51,662	48,887	48,911	48,911	45,719				
Plus: Finance leases	222	217	266	255	255	249	284	268	268	268	251				
Reported Gross Debt⁽⁹⁾⁽⁷⁾	\$ 15,688	\$ 15,701	\$ 15,483	\$ 15,442	\$ 15,442	\$ 15,073	\$ 53,043	\$ 50,412	\$ 49,544	\$ 49,544	\$ 49,466				
Less: Cash and cash equivalents	2,008	2,834	3,126	3,905	3,905	4,165	3,896	2,513	3,930	3,930	2,639				
Reported Net Debt⁽⁹⁾⁽⁷⁾	\$ 13,680	\$ 12,866	\$ 12,358	\$ 11,544	\$ 11,544	\$ 10,910	\$ 49,147	\$ 47,899	\$ 45,614	\$ 45,614	\$ 46,827				
LTM EBITDA ⁽⁹⁾⁽⁷⁾	3,920	3,910	3,682	3,817	3,817	4,007	9,556	9,312	9,174	9,174	9,404				
LTM Gross Leverage Ratio ⁽⁹⁾⁽⁷⁾	4.0x	4.0x	4.2x	4.0x	4.0x	3.8x	5.6x	5.4x	5.4x	5.4x	5.3x				
LTM Net Leverage Ratio⁽⁹⁾⁽⁷⁾	3.5x	3.3x	3.4x	3.0x	3.0x	2.7x	5.1x	5.1x	5.0x	5.0x	5.0x				

(*) A non-GAAP financial measure; see the Notes and Definitions section for additional details and the below reconciliations.

For the periods ending 3/31/21 through 3/31/22, LTM EBITDA is based on historical Discovery, Inc. standalone Adjusted OIBDA.

For the periods ending 6/30/22 through 12/31/22, LTM EBITDA is based on pro forma combined Adjusted EBITDA contained in this trending schedule.

For the period ending 3/31/23, LTM EBITDA is based on pro forma combined Adjusted EBITDA for the periods ending 6/30/22 through 12/31/22 and actual Adjusted EBITDA for the period ending 3/31/23.

For more information, please refer note seven (7) in the Notes and Definitions as well as the *New Financial Measures* disclosure.



2021 & 2022 Pro forma combined consolidated statement of operations (GAAP income statement)



Unaudited; in millions

	Pro Forma Combined									
	3 Months Ending				12 Months Ending	3 Months Ending				12 Months Ending
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22
Revenues:										
Distribution	\$ 5,084	\$ 5,268	\$ 5,313	\$ 5,116	\$ 20,781	\$ 5,348	\$ 5,181	\$ 4,990	\$ 4,962	\$ 20,481
Advertising	2,660	2,825	2,343	2,761	10,589	2,710	2,899	2,042	2,285	9,936
Content	2,835	2,942	3,108	4,307	13,192	3,174	2,510	2,531	3,442	11,657
Other	143	176	216	229	764	209	233	260	319	1,021
Total revenues	10,722	11,211	10,980	12,413	45,326	11,441	10,823	9,823	11,008	43,095
Costs and expenses:										
Costs of revenues, excluding depreciation and amortization	6,275	6,715	6,073	6,910	25,973	6,497	7,145	5,399	6,526	25,567
Selling, general and administrative	3,714	2,812	3,003	3,474	13,003	3,338	2,985	2,589	2,511	11,423
Depreciation and amortization	2,163	2,071	1,999	2,123	8,356	1,942	1,846	1,768	1,671	7,227
Restructuring	106	7	7	2	122	4	944	1,521	1,198	3,667
Impairments and (gain) loss on dispositions	—	(72)	223	1	152	—	4	43	70	117
Total costs and expenses	12,258	11,533	11,305	12,510	47,606	11,781	12,924	11,320	11,976	48,001
Operating (loss) income	(1,536)	(322)	(325)	(97)	(2,280)	(340)	(2,101)	(1,497)	(968)	(4,906)
Interest expense, net	(678)	(720)	(657)	(604)	(2,659)	(598)	(565)	(568)	(561)	(2,292)
Other income (expense), net	138	277	(24)	(223)	168	577	(76)	(106)	(89)	306
(Loss) before income taxes	(2,076)	(765)	(1,006)	(924)	(4,771)	(361)	(2,742)	(2,171)	(1,618)	(6,892)
Income tax benefit	280	421	291	220	1,212	81	896	398	232	1,607
Net (loss)	(1,796)	(344)	(715)	(704)	(3,559)	(280)	(1,846)	(1,773)	(1,386)	(5,285)
Net income attributable to noncontrolling interests	(50)	(47)	(41)	(53)	(191)	(19)	(11)	(22)	(22)	(74)
Net (loss) available to Warner Bros. Discovery, Inc.	\$ (1,846)	\$ (391)	\$ (756)	\$ (757)	\$ (3,750)	\$ (299)	\$ (1,857)	\$ (1,795)	\$ (1,408)	\$ (5,359)

The information in the above table presents WBD's financial results as if the Merger had been completed on 1/1/21 rather than on 4/8/22. Items impacted by this pro forma presentation are primarily related to Purchase Price Amortization, included within depreciation and amortization, and Amortization of Fair Value Step-up for Content, included within Cost of Revenues.

2021 & 2022 Pro forma combined reconciliation of net income to adjusted earnings before interest, taxes, depreciation and amortization (non-GAAP)



Unaudited; in millions

	Pro Forma Combined									
	3 Months Ending				12 Months Ending	3 Months Ending				12 Months Ending
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22
Net (loss) income available to Warner Bros. Discovery, Inc.	\$ (1,846)	\$ (391)	\$ (756)	\$ (757)	\$ (3,750)	\$ (299)	\$ (1,857)	\$ (1,795)	\$ (1,408)	\$ (5,359)
Net income attributable to noncontrolling interests	50	47	41	53	191	19	11	22	22	74
Net income	(1,796)	(344)	(715)	(704)	(3,559)	(280)	(1,846)	(1,773)	(1,386)	(5,285)
Income tax (benefit)	(280)	(421)	(291)	(220)	(1,212)	(81)	(896)	(398)	(232)	(1,607)
Other (income) expense, net	(138)	(277)	24	223	(168)	(577)	76	106	89	(306)
Interest expense, net	678	720	657	604	2,659	598	565	568	561	2,292
Operating (loss) income	(1,536)	(322)	(325)	(97)	(2,280)	(340)	(2,101)	(1,497)	(968)	(4,906)
Impairments and (gain) loss on dispositions	—	(72)	223	1	152	—	4	43	70	117
Restructuring	106	7	7	2	122	4	944	1,521	1,198	3,667
Depreciation and amortization	2,163	2,071	1,999	2,123	8,356	1,942	1,846	1,768	1,671	7,227
Employee share-based compensation	200	112	86	88	486	113	115	113	93	434
Transaction and integration costs	793	36	124	280	1,233	305	201	59	66	631
Amortization of fair value step-up for content	791	668	554	344	2,357	357	757	417	473	2,004
Adjusted EBITDA^(*)	\$ 2,517	\$ 2,500	\$ 2,668	\$ 2,741	\$ 10,426	\$ 2,381	\$ 1,766	\$ 2,424	\$ 2,603	\$ 9,174

(*) A non-GAAP financial measure; see the Notes and Definitions section for additional details.

The information in the above table presents WBD's financial results as if the Merger had been completed on 1/1/21 rather than on 4/8/22.

Items impacted by this pro forma presentation are primarily related to Purchase Price Amortization, included within depreciation and amortization, and Amortization of Fair Value Step-up for Content.

Notes & Definitions



1). **Adjusted EBITDA** - The Company evaluates the operating performance of its operating segments based on financial measures such as revenues and Adjusted EBITDA. Adjusted EBITDA is defined as operating income excluding: (i) employee share-based compensation, (ii) depreciation and amortization, (iii) restructuring and facility consolidation, (iv) certain impairment charges, (v) gains and losses on business and asset dispositions, (vi) certain inter-segment eliminations, (vii) third-party transaction and integration costs, (viii) amortization of purchase accounting fair value step-up for content, (ix) amortization of capitalized interest for content, and (x) other items impacting comparability.

The Company uses this measure to assess the operating results and performance of its segments, perform analytical comparisons, identify strategies to improve performance, and allocate resources to each segment. The Company believes Adjusted EBITDA is relevant to investors because it allows them to analyze the operating performance of each segment using the same metric management uses. The Company excludes employee share-based compensation, restructuring, certain impairment charges, gains and losses on business and asset dispositions, and transaction and integration costs from the calculation of Adjusted EBITDA due to their impact on comparability between periods. The Company also excludes the depreciation of fixed assets and amortization of intangible assets, amortization of purchase accounting fair value step-up for content, and amortization of capitalized interest for content, as these amounts do not represent cash payments in the current reporting period. Certain corporate expenses and inter-segment eliminations related to production studios are excluded from segment results to enable executive management to evaluate segment performance based upon the decisions of segment executives. Adjusted EBITDA should be considered in addition to, but not a substitute for, operating income, net income, and other measures of financial performance reported in accordance with U.S. GAAP.

2). **Average Revenue Per Subscriber ("ARPU")** - The Company defines DTC Average Revenue Per User ("ARPU") as total subscription revenue plus net advertising revenue for the period using baseline FX rates divided by the daily-average number of paying subscribers for the period. Where daily values are not available, the sum of beginning of period and end of period divided by two is used.

Excluded from the ARPU calculation are: (i) HBO Max/HBO Hotel and Bulk Institution subscription revenue and subscribers (i.e., subscribers billed on a bulk basis); (ii) Cinemax subscription revenue and subscribers; (iii) HBO Basic subscription revenue and subscribers (International-only); (iv) Non-discovery+ DTC revenue and subscribers; and (v) Non-Core discovery+ revenue and subscribers, and (vi) users on free trials who convert to a subscription for which we have recognized subscription revenue within the first seven days of the calendar month.

3). **Direct-to-Consumer ("DTC") subscriber** - We define a "Core Direct-to-Consumer ("DTC") Subscription" as: (i) a retail subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue, whether directly or through a third party, from a direct-to-consumer platform; (ii) a wholesale subscription to discovery+, HBO, or HBO Max for which we have recognized subscription revenue from a fixed-fee arrangement with a third party and where the individual user has activated their subscription; (iii) a wholesale subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue on a per subscriber basis; and (iv) users on free trials who convert to a subscription for which we have recognized subscription revenue within the first seven days of the calendar month immediately following the month in which their free trial expires.

We may refer to the aggregate number of Core DTC Subscriptions as "subscribers."

The reported number of "subscribers" included herein and the definition of "Core DTC Subscription" as used herein excludes: (i) individuals who subscribe to DTC products, other than discovery+, HBO and HBO Max, that may be offered by us or by certain joint venture partners or affiliated parties from time to time; (ii) a limited number of international discovery+ subscribers that are part of non-strategic partnerships or short-term arrangements as may be identified by the Company from time to time; (iii) domestic, and international Cinemax subscribers, and international basic HBO subscribers; and (iv) users on free trials except for those users on free trial that convert to a DTC Subscription within the first seven days of the next month as noted above.

Domestic subscriber - We define a Domestic subscriber as a subscription based either in the United States of America or Canada.

International subscriber - We define an International subscriber as a subscription based outside of the United States of America or Canada.

4). **Free Cash Flow** - The Company defines free cash flow as cash flow from operations less acquisitions of property and equipment. The Company believes free cash flow is an important indicator for management and investors of the Company's liquidity, including its ability to reduce debt, make strategic investments, and return capital to stockholders.

For the periods ended March 31, 2021 (3/31/21) through March 31, 2022 (3/31/22), Reported Free Cash Flow represents standalone Discovery, Inc. Free Cash Flow.

For the period ended June 30, 2022 (6/30/22), Reported Free Cash Flow represents results for Discovery, Inc. for April 1 - June 30, 2022, and the WarnerMedia Business for April 9 - June 30, 2022.

For the periods ended September 30, 2022 (9/30/22) and beyond, Reported Free Cash Flow represents results for Warner Bros. Discovery

5). **Gross Debt** - The Company defines gross debt as total debt plus finance leases. The Company uses gross debt to monitor and evaluate the Company's overall liquidity, financial flexibility and leverage. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

6). **Net Debt** - The Company defines net debt as total debt plus finance leases less cash and cash equivalents, and restricted cash. The Company uses net debt to monitor and evaluate the Company's overall liquidity, financial flexibility and leverage. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

7). **LTM EBITDA** - LTM EBITDA is calculated by summing the most recent four quarters of Adjusted EBITDA.

For the periods ended March 31, 2021 (3/31/21) through March 31, 2022 (3/31/22), LTM EBITDA is calculated using a four period sum of standalone Discovery, Inc. Adjusted OIBDA, Historical Discovery, Inc. Adjusted OIBDA and reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the trending schedules and in the "Quarterly Results" section of the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

For the periods ended June 30, 2022 (6/30/22) through December 31, 2022 (12/31/22), LTM EBITDA is calculated using a four period sum of pro forma combined Adjusted EBITDA, Pro forma combined Adjusted EBITDA and reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the trending schedules and in the "Quarterly Results" section of the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

For the period ended March 31, 2023 (3/31/23), LTM EBITDA is calculated using a four period sum using: Pro forma combined Adjusted EBITDA for the periods ended June 30, 2022, September 30, 2022, and December 31, 2022; and Actual Adjusted EBITDA for the period ended March 31, 2023. Pro forma combined Adjusted EBITDA, Actual Adjusted EBITDA and reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the trending schedules and in the "Quarterly Results" section of the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

8). **LTM Gross Leverage Ratio** - The Company defines LTM Gross Leverage ratio as dividing gross debt by LTM EBITDA. The Company uses LTM gross leverage ratio to monitor and evaluate the Company's overall liquidity, financial flexibility and leverage. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

9). **LTM Net Leverage Ratio** - The Company defines LTM Net Leverage ratio as dividing net debt by LTM EBITDA. The Company uses LTM net leverage ratio to monitor and evaluate the Company's overall liquidity, financial flexibility and leverage. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

10). **Foreign Exchange Impacting Comparability** - The impact of exchange rates on our business is an important factor in understanding period-to-period comparisons of our results. For example, our international revenues are favorably impacted as the U.S. dollar weakens relative to other foreign currencies, and unfavorably impacted as the U.S. dollar strengthens relative to other foreign currencies. We believe the presentation of results on a constant currency basis ("ex-FX"), in addition to results reported in accordance with U.S. GAAP provides useful information about our operating performance because the presentation ex-FX excludes the effects of foreign currency volatility and highlights our core operating results. The presentation of results on a constant currency basis should be considered in addition to, but not a substitute for, measures of financial performance reported in accordance with U.S. GAAP.

The ex-FX change represents the percentage change on a period-over-period basis adjusted for foreign currency impacts. The ex-FX change is calculated as the difference between the current year amounts translated at a baseline rate, which is a spot rate for each of our currencies determined early in the fiscal year as part of our forecasting process (the "Baseline Rate"), and the prior year amounts translated at the 2023 Baseline Rate. In addition, consistent with the assumption of a constant currency environment, our ex-FX results exclude the impact of our foreign currency hedging activities, as well as realized and unrealized foreign currency transaction gains and losses. Results on a constant currency basis, as we present them, may not be comparable to similarly titled measures used by other companies.
