



Shark Week Discovery

WB
WARNER BROS.
DISCOVERY

Q3

Trending Schedule
&
Non-GAAP
Reconciliations

Penguin HBO

A presentation slide for Warner Bros. Discovery Q3. The slide features a dark blue background with a central white box containing the text. On the left, there is a vertical image of a man in a dark, textured jacket. On the right, there is a vertical image of a shark with its mouth open, showing sharp teeth. The text "Shark Week Discovery" is at the top right of the shark image. The Warner Bros. Discovery logo is at the top center. Below the logo, the text "Q3" is written in large, bold, blue letters. Below "Q3", the text "Trending Schedule & Non-GAAP Reconciliations" is written in white. At the bottom left, the logos for Penguin and HBO are visible.



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 Networks, DTC (as defined below), Studios and Corporate and Intersegment-eliminations pro forma financial information is based on the historical operating results 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.

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.

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) third-party transaction and integration costs, (vii) amortization of purchase accounting fair value step-up for content, (viii) amortization of capitalized interest for content, and (ix) 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.

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					
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24			
Revenues:																
Distribution	\$ 1,352	\$ 4,838	\$ 4,990	\$ 4,962	\$ 16,142	\$ 5,163	\$ 5,135	\$ 5,026	\$ 4,913	\$ 20,237	\$ 4,985	\$ 4,879	\$ 4,920			
Advertising	1,476	2,721	2,042	2,285	8,524	2,298	2,519	1,796	2,087	8,700	2,148	2,430	1,682			
Content	323	2,064	2,531	3,442	8,360	2,954	2,446	2,840	2,963	11,203	2,558	2,109	2,721			
Other	8	204	260	319	791	285	258	317	321	1,181	267	295	300			
Total revenues	3,159	9,827	9,823	11,008	33,817	10,700	10,358	9,979	10,284	41,321	9,958	9,713	9,623			
Costs and expenses:																
Costs of revenues, excluding depreciation and amortization	1,236	6,625	5,627	6,954	20,442	6,685	6,636	5,309	5,896	24,526	6,058	6,204	5,181			
Selling, general and administrative	1,040	3,538	2,589	2,511	9,678	2,388	2,562	2,291	2,455	9,696	2,232	2,461	2,385			
Depreciation and amortization	525	2,266	2,233	2,169	7,193	2,058	1,914	1,989	2,024	7,985	1,888	1,744	1,762			
Restructuring and other charges	5	1,033	1,521	1,198	3,757	95	146	269	75	585	35	117	9			
Impairments and loss on dispositions	—	4	43	70	117	31	6	24	16	77	12	9,395	5			
Total costs and expenses	2,806	13,466	12,013	12,902	41,187	11,257	11,264	9,882	10,466	42,869	10,225	19,921	9,342			
Operating income (loss)	353	(3,639)	(2,190)	(1,894)	(7,370)	(557)	(906)	97	(182)	(1,548)	(267)	(10,208)	281			
Interest expense, net	(153)	(511)	(555)	(558)	(1,777)	(571)	(574)	(574)	(502)	(2,221)	(515)	(518)	(494)			
Other income (expense), net	490	(51)	(28)	(64)	347	(73)	27	(63)	81	(28)	(14)	172	30			
(Loss) from equity investments, net	(14)	(43)	(78)	(25)	(160)	(37)	(22)	(14)	(9)	(82)	(48)	(23)	(18)			
(Loss) gain on extinguishment of debt	—	—	—	—	—	—	(5)	22	(1)	16	25	542	23			
Income (loss) before income taxes	676	(4,244)	(2,851)	(2,541)	(8,960)	(1,238)	(1,480)	(532)	(613)	(3,863)	(819)	(10,035)	(178)			
Income tax (expense) benefit	(201)	836	566	462	1,663	178	260	125	221	784	(136)	7	319			
Net income (loss)	475	(3,408)	(2,285)	(2,079)	(7,297)	(1,060)	(1,220)	(407)	(392)	(3,079)	(955)	(10,028)	141			
Net income attributable to noncontrolling interests	(19)	(10)	(23)	(22)	(74)	(9)	(20)	(10)	(8)	(47)	(11)	42	(6)			
Net income (loss) available to Warner Bros. Discovery, Inc.	\$ 456	\$ (3,418)	\$ (2,308)	\$ (2,101)	\$ (7,371)	\$ (1,069)	\$ (1,240)	\$ (417)	\$ (400)	\$ (3,126)	\$ (966)	\$ (9,986)	\$ 135			

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 period ended 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			
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24	
Net income (loss) available to Warner Bros. Discovery, Inc.	\$ 456	\$ (3,418)	\$ (2,308)	\$ (2,101)	\$ (7,371)	\$ (1,069)	\$ (1,240)	\$ (417)	\$ (400)	\$ (3,126)	\$ (966)	\$ (9,986)	\$ 135	
Net income attributable to noncontrolling interests	19	10	23	22	74	9	20	10	8	47	11	(42)	6	
Net income	475	(3,408)	(2,285)	(2,079)	(7,297)	(1,060)	(1,220)	(407)	(392)	(3,079)	(955)	(10,028)	141	
Income tax expense (benefit)	201	(836)	(566)	(462)	(1,663)	(178)	(260)	(125)	(221)	(784)	136	(7)	(319)	
Loss (gain) on extinguishment of debt	—	—	—	—	—	—	5	(22)	1	(16)	(25)	(542)	(23)	
Loss from equity investments, net	14	43	78	25	160	37	22	14	9	82	48	23	18	
Other (income) expense, net	(490)	51	28	64	(347)	73	(27)	63	(81)	28	14	(172)	(30)	
Interest expense, net	153	511	555	558	1,777	571	574	574	502	2,221	515	518	494	
Operating income (loss)	353	(3,639)	(2,190)	(1,894)	(7,370)	(557)	(906)	97	(182)	(1,548)	(267)	(10,208)	281	
Depreciation and amortization	525	2,266	2,233	2,169	7,193	2,058	1,914	1,989	2,024	7,985	1,888	1,744	1,762	
Impairment and amortization of fair value step-up for content	—	870	645	901	2,416	831	762	393	387	2,373	235	522	156	
Restructuring and other charges	5	1,033	1,521	1,198	3,757	95	146	269	75	585	35	117	9	
Employee share-based compensation	57	147	113	93	410	106	135	140	107	488	99	156	157	
Transaction and integration costs	87	983	59	66	1,195	47	47	31	37	162	81	51	33	
Impairments and loss on dispositions	—	4	43	70	117	31	6	24	16	77	12	9,395	5	
Amortization of capitalized interest for content	—	—	—	—	—	—	22	12	12	46	17	13	8	
Facility consolidation costs	—	—	—	—	—	—	23	14	(5)	32	2	5	2	
Adjusted EBITDA^(*)	\$ 1,027	\$ 1,664	\$ 2,424	\$ 2,603	\$ 7,718	\$ 2,611	\$ 2,149	\$ 2,969	\$ 2,471	\$ 10,200	\$ 2,102	\$ 1,795	\$ 2,413	

(*) 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 period ended 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				12 Months Ending	3 Months Ending				12 Months Ending	3 Months Ending		
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24
Revenues:													
Distribution	\$ 5	\$ 5	\$ 4	\$ 4	\$ 18	\$ 3	\$ 3	\$ 13	\$ (2)	\$ 17	\$ 5	\$ 3	\$ 6
Advertising	9	10	8	(3)	24	3	4	4	4	15	4	—	1
Content	3,352	3,187	2,884	3,631	13,054	3,027	2,398	3,000	2,933	11,358	2,623	2,237	2,463
Other	138	162	192	210	702	179	176	209	238	802	189	209	210
Total revenues	3,504	3,364	3,088	3,842	13,798	3,212	2,581	3,226	3,173	12,192	2,821	2,449	2,680
Costs of revenues, excluding depreciation and amortization	2,065	2,334	1,756	2,547	8,702	1,959	1,645	1,794	1,898	7,296	2,019	1,601	1,736
Selling, general and administrative	629	621	570	527	2,347	646	630	705	732	2,713	618	638	636
Adjusted EBITDA⁽¹⁾	\$ 810	\$ 409	\$ 762	\$ 768	\$ 2,749	\$ 607	\$ 306	\$ 727	\$ 543	\$ 2,183	\$ 184	\$ 210	\$ 308

The information in the above table for the three months ended March 31, 2022 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		
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24
Revenues:													
Distribution	\$ 3,132	\$ 3,012	\$ 2,924	\$ 2,874	\$ 11,942	\$ 2,995	\$ 2,941	\$ 2,833	\$ 2,752	\$ 11,521	\$ 2,797	\$ 2,675	\$ 2,598
Advertising	2,632	2,802	1,944	2,226	9,604	2,237	2,448	1,709	1,948	8,342	1,987	2,214	1,490
Content	515	241	277	307	1,340	245	284	215	261	1,005	264	299	833
Other	53	66	69	112	300	104	85	111	76	376	77	84	89
Total revenues	6,332	6,121	5,214	5,519	23,186	5,581	5,758	4,868	5,037	21,244	5,125	5,272	5,010
Costs of revenues, excluding depreciation and amortization	2,950	3,020	1,906	2,278	10,154	2,594	2,849	1,800	2,099	9,342	2,372	2,531	2,185
Selling, general and administrative	796	744	678	763	2,981	694	743	672	730	2,839	634	743	710
Adjusted EBITDA⁽¹⁾	\$ 2,586	\$ 2,357	\$ 2,630	\$ 2,478	\$ 10,051	\$ 2,293	\$ 2,166	\$ 2,396	\$ 2,208	\$ 9,063	\$ 2,119	\$ 1,998	\$ 2,115

The information in the above table for the three months ended March 31, 2022 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				12 Months Ending	3 Months Ending				12 Months Ending	3 Months Ending		
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24
Revenues:													
Distribution	\$ 2,211	\$ 2,164	\$ 2,062	\$ 2,084	\$ 8,521	\$ 2,165	\$ 2,192	\$ 2,179	\$ 2,167	\$ 8,703	\$ 2,185	\$ 2,202	\$ 2,320
Advertising	81	97	106	123	407	103	121	138	186	548	175	240	205
Content	221	143	145	243	752	185	410	120	171	886	99	123	107
Other	2	6	4	1	13	2	9	1	5	17	1	3	2
Total revenues	2,515	2,410	2,317	2,451	9,693	2,455	2,732	2,438	2,529	10,154	2,460	2,568	2,634
Costs of revenues, excluding depreciation and amortization	1,994	2,065	2,118	2,011	8,188	1,815	1,951	1,874	1,983	7,623	1,895	2,028	1,776
Selling, general and administrative	1,175	903	833	657	3,568	590	784	453	601	2,428	479	647	569
Adjusted EBITDA⁽¹⁾	\$ (654)	\$ (558)	\$ (634)	\$ (217)	\$ (2,063)	\$ 50	\$ (3)	\$ 111	\$ (55)	\$ 103	\$ 86	\$ (107)	\$ 289

	3 Months Ending					12 Months Ending	Subscriber Metrics					3 Months Ending		
	3 Months Ending				12 Months Ending	3 Months Ending				12 Months Ending	3 Months Ending			
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24	
Global Max, HBO Max, HBO, and Discovery+ Subscribers⁽³⁾	91.6	93.2	96.0	96.9	96.9	98.5	96.6	95.9	97.7	97.7	99.6	103.3	110.5	
Global ARPU	\$ 7.62	\$ 7.41	\$ 7.42	\$ 7.42	\$ 7.42	\$ 7.54	\$ 7.77	\$ 7.88	\$ 7.94	\$ 7.94	\$ 7.83	\$ 8.00	\$ 7.84	
Domestic Subscribers	53.4	53.1	53.6	54.6	54.6	55.3	54.0	52.6	52.0	52.0	52.7	52.4	52.6	
Domestic ARPU	\$ 10.54	\$ 10.66	\$ 10.83	\$ 10.83	\$ 10.83	\$ 10.82	\$ 11.09	\$ 11.29	\$ 11.65	\$ 11.65	\$ 11.72	\$ 12.08	\$ 11.99	
International Subscribers	38.2	40.1	42.4	42.3	42.3	43.2	42.6	43.3	45.6	45.6	46.9	50.8	57.9	
International ARPU	\$ 3.70	\$ 3.54	\$ 3.45	\$ 3.45	\$ 3.45	\$ 3.68	\$ 3.85	\$ 3.98	\$ 3.88	\$ 3.88	\$ 3.75	\$ 3.85	\$ 4.05	

The information in the above table for the three months ended March 31, 2022 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				12 Months Ending	3 Months Ending				12 Months Ending			
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24
Adjusted EBITDA⁽¹⁾	\$ (357)	\$ (405)	\$ (340)	\$ (451)	\$ (1,553)	\$ (355)	\$ (245)	\$ (328)	\$ (314)	\$ (1,242)	\$ (346)	\$ (285)	\$ (296)

Inter-segment Eliminations	Pro Forma Combined					Actual							
	3 Months Ending				12 Months Ending	3 Months Ending				12 Months Ending			
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24
Inter-segment revenue eliminations	\$ (926)	\$ (1,088)	\$ (785)	\$ (832)	\$ (3,631)	\$ (548)	\$ (712)	\$ (551)	\$ (458)	\$ (2,269)	\$ (449)	\$ (577)	\$ (705)
Inter-segment expense eliminations	(922)	(1,051)	(791)	(857)	(3,621)	(564)	(637)	(614)	(547)	(2,362)	(508)	(556)	(702)
Adjusted EBITDA⁽¹⁾	\$ (4)	\$ (37)	\$ 6	\$ 25	\$ (10)	\$ 16	\$ (75)	\$ 63	\$ 89	\$ 93	\$ 59	\$ (21)	\$ (9)

The information in the above table for the three months ended March 31, 2022 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		
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22	3/31/23	6/30/23	9/30/23	12/31/23	12/31/23	3/31/24	6/30/24	9/30/24
Reported Free Cash Flow:													
Cash provided by (used for) operating activities	\$ 323	\$ 1,011	\$ 124	\$ 2,846	\$ 4,304	\$ (631)	\$ 2,014	\$ 2,516	\$ 3,578	\$ 7,477	\$ 585	\$ 1,228	\$ 847
Less: Purchases of property and equipment	(85)	(222)	(316)	(364)	(987)	(299)	(292)	(457)	(268)	(1,316)	(195)	(252)	(215)
Reported Free Cash Flow⁽⁴⁾⁽⁷⁾	\$ 238	\$ 789	\$ (192)	\$ 2,482	\$ 3,317	\$ (930)	\$ 1,722	\$ 2,059	\$ 3,310	\$ 6,161	\$ 390	\$ 976	\$ 632
Reported Gross to Net Debt:													
Current portion of debt	\$ 794	\$ 1,097	\$ 1,257	\$ 365	\$ 365	\$ 3,496	\$ 3,001	\$ 1,302	\$ 1,780	\$ 1,780	\$ 3,430	\$ 3,669	\$ 3,043
Plus: Noncurrent portion of debt	14,030	51,662	48,887	48,911	48,911	45,719	44,563	43,785	42,175	42,175	39,415	37,332	37,189
Plus: Finance leases	249	284	268	268	268	251	246	258	265	265	325	429	452
Reported Gross Debt⁽⁶⁾⁽⁷⁾	\$ 15,073	\$ 53,043	\$ 50,412	\$ 49,544	\$ 49,544	\$ 49,466	\$ 47,810	\$ 45,345	\$ 44,220	\$ 44,220	\$ 43,170	\$ 41,430	\$ 40,684
Less: Cash and cash equivalents	4,165	3,896	2,513	3,930	3,930	2,639	3,077	2,430	4,319	4,319	3,386	3,617	3,490
Reported Net Debt⁽⁶⁾⁽⁷⁾	\$ 10,910	\$ 49,147	\$ 47,899	\$ 45,614	\$ 45,614	\$ 46,827	\$ 44,733	\$ 42,915	\$ 39,901	\$ 39,901	\$ 39,784	\$ 37,813	\$ 37,194
LTM EBITDA ⁽⁷⁾⁽⁷⁾	4,007	9,556	9,312	9,174	9,174	9,404	9,787	10,332	10,200	10,200	9,691	9,337	8,781
LTM Gross Leverage Ratio ⁽⁶⁾⁽⁷⁾	3.8x	5.6x	5.4x	5.4x	5.4x	5.3x	4.9x	4.4x	4.3x	4.3x	4.5x	4.4x	4.6x
LTM Net Leverage Ratio⁽⁶⁾⁽⁷⁾	2.7x	5.1x	5.1x	5.0x	5.0x	5.0x	4.6x	4.2x	3.9x	3.9x	4.1x	4.0x	4.2x

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

For the period ending 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 the period ending 6/30/23, LTM EBITDA is based on pro forma combined Adjusted EBITDA for the periods ending 9/30/22 through 12/31/22 and actual Adjusted EBITDA for the periods ending 3/31/23 through 6/30/23.

For the period ending 9/30/23, LTM EBITDA is based on pro forma combined Adjusted EBITDA for the period ending 12/31/22 and actual Adjusted EBITDA for the periods ending 3/31/23 through 9/30/23.

For the period ending 12/31/23 and subsequent periods, LTM EBITDA is based on actual Adjusted EBITDA.

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

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



Unaudited; in millions

	Pro Forma Combined				
	3 Months Ending				12 Months Ending
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22
Revenues:					
Distribution	\$ 5,348	\$ 5,181	\$ 4,990	\$ 4,962	\$ 20,481
Advertising	2,710	2,899	2,042	2,285	9,936
Content	3,174	2,510	2,531	3,442	11,657
Other	209	233	260	319	1,021
Total revenues	11,441	10,823	9,823	11,008	43,095
Costs and expenses:					
Costs of revenues, excluding depreciation and amortization	6,497	7,145	5,399	6,526	25,567
Selling, general and administrative	3,338	2,985	2,589	2,511	11,423
Depreciation and amortization	1,942	1,846	1,768	1,671	7,227
Restructuring and other charges	4	944	1,521	1,198	3,667
Impairments and (gain) loss on dispositions	—	4	43	70	117
Total costs and expenses	11,781	12,924	11,320	11,976	48,001
Operating income (loss)	(340)	(2,101)	(1,497)	(968)	(4,906)
Interest expense, net	(598)	(565)	(568)	(561)	(2,292)
Other income (expense), net	604	(26)	(28)	(64)	486
(Loss) from equity investments, net	(27)	(50)	(78)	(25)	(180)
(Loss) gain on extinguishment of debt	—	—	—	—	—
(Loss) before income taxes	(361)	(2,742)	(2,171)	(1,618)	(6,892)
Income tax benefit	81	896	398	232	1,607
Net (loss)	(280)	(1,846)	(1,773)	(1,386)	(5,285)
Net income attributable to noncontrolling interests	(19)	(11)	(22)	(22)	(74)
Net (loss) available to Warner Bros. Discovery, Inc.	\$ (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.

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
	3/31/22	6/30/22	9/30/22	12/31/22	12/31/22
Net loss available to Warner Bros. Discovery, Inc.	\$ (299)	\$ (1,857)	\$ (1,795)	\$ (1,408)	\$ (5,359)
Net income attributable to noncontrolling interests	19	11	22	22	74
Net income	(280)	(1,846)	(1,773)	(1,386)	(5,285)
Income tax (benefit)	(81)	(896)	(398)	(232)	(1,607)
Loss (gain) on extinguishment of debt	—	—	—	—	—
Loss from equity investments, net	27	50	78	25	180
Other (income) expense, net	(604)	26	28	64	(486)
Interest expense, net	598	565	568	561	2,292
Operating loss	(340)	(2,101)	(1,497)	(968)	(4,906)
Depreciation and amortization	1,942	1,846	1,768	1,671	7,227
Restructuring and other charges	4	944	1,521	1,198	3,667
Impairment and amortization of fair value step-up for content	357	757	417	473	2,004
Transaction and integration costs	305	201	59	66	631
Employee share-based compensation	113	115	113	93	434
Impairments and loss on dispositions	—	4	43	70	117
Facility consolidation costs	—	—	—	—	—
Amortization of capitalized interest for content	—	—	—	—	—
Adjusted EBITDA^{(1)(*)}	\$ 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) third-party transaction and integration costs, (vii) amortization of purchase accounting fair value step-up for content, (viii) amortization of capitalized interest for content, and (ix) 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. Integration costs include transformative system implementations and integrations, such as Enterprise Resource Planning systems, and may take several years to complete. 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. We prospectively updated certain corporate allocations at the beginning of 2024. The impact to prior periods was immaterial.

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 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) Revenue and subscribers for DTC products, other than discovery+, HBO, HBO Max, Max, a Premium Sports Product, and independently-branded, regional products (currently consisting of TVN/Player and BluTV), that may be offered by us or by certain joint venture partners or affiliated parties from time to time; (ii) A limited amount of international discovery+ revenue and subscribers that are part of non-strategic partnerships or short-term arrangements as may be identified by the Company from time to time; (iii) Cinemax, Max/HBO hotel and bulk institution (i.e., subscribers billed on a bulk basis), and international basic HBO revenue and subscribers; 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.

3) **Direct-to-Consumer ("DTC") subscriber** - The Company defines a "Core DTC Subscription" as: (i) a retail subscription to discovery+, HBO, HBO Max, Max, or a Premium Sports Product (defined below) 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, HBO Max, Max, or a Premium Sports Product 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, HBO Max, Max, or a Premium Sports Product for which we have recognized subscription revenue on a per subscriber basis; (iv) a retail or wholesale subscription to an independently-branded, regional product sold on a stand-alone basis that includes discovery+, HBO, HBO Max, Max, and/or a Premium Sports Product, for which we have recognized subscription revenue (as per (i)-(iii) above); and (v) 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.

The Company defines a "Premium Sports Product" as a strategically prioritized, sports-focused product sold on a stand-alone basis and made available directly to consumers.

The current "independently-branded, regional products" referred to in (iv) above consist of TVN/Player and BluTV.

Subscribers to multiple WBD DTC products (listed above) are counted as a paid subscriber for each individual WBD DTC product subscription.

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

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, HBO Max, Max, a Premium Sports Product, and independently-branded, regional products (currently consisting of TVN/Player and BluTV), 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 period ended 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 period ended 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>.

For the period ended June 30, 2023 (6/30/23), LTM EBITDA is calculated using a four period sum using: Pro forma combined Adjusted EBITDA for the periods ended September 30, 2022, and December 31, 2022, and Actual Adjusted EBITDA for the periods ended March 31, 2023, and June 30, 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>.

For the period ended September 30, 2023 (9/30/23), LTM EBITDA is calculated using a four period sum using: Pro forma combined Adjusted EBITDA for the period ended December 31, 2022, and Actual Adjusted EBITDA for the periods ended March 31, 2023, June 30, 2023, and September 30, 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>.

For the period ended December 31, 2023 (12/31/23) and subsequent periods, LTM EBITDA is calculated using a four period sum of actual 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.