

Warner Bros. Discovery Reports First-Quarter 2026 Results

	Three Months Ended March 31,			
	2026	2025	% Change	
			Reported	Ex-FX ^(*)
<i>\$ in millions</i>				
Distribution	\$ 4,906	\$ 4,886	— %	(1)%
Advertising	1,847	1,980	(7)%	(8)%
Content	1,887	1,866	1 %	(2)%
Other	253	247	2 %	(1)%
Total revenues	\$ 8,893	\$ 8,979	(1)%	(3)%
Net (loss) income available to Warner Bros. Discovery, Inc.	(2,916)	(453)	NM	NM
Adjusted EBITDA^(*)	2,203	2,105	5 %	— %
Cash provided by operating activities	(208)	553	NM	
Free cash flow^(*)	(476)	302	NM	

NM - Not Meaningful

(*) A non-GAAP financial measure; see the section starting on page 11 titled Definitions & Sources for additional details.

Q1 2026 Highlights

- Total revenues were \$8.9 billion, a 3% ex-FX⁽¹⁾ decrease from the prior year quarter.
 - Distribution revenues were relatively unchanged compared to the prior year quarter, as dynamic underlying growth in global streaming subscribers was offset by continued domestic linear pay TV subscriber declines and the impact of the HBO Max domestic distribution deal renewal with a former related party, previously disclosed in the second quarter of 2025.
 - Advertising revenues decreased 8% ex-FX, as ad-lite streaming subscriber growth was more than offset by the absence of the NBA along with continued domestic linear audience declines. The absence of the NBA in the current year negatively impacted the year-over-year growth rate by 7% ex-FX.
 - Content revenues were relatively unchanged compared to the prior year quarter as higher intercompany content revenues at the Studios segment were offset by higher intercompany eliminations.
- Net loss available to Warner Bros. Discovery, Inc. was \$2.9 billion, which includes \$1.3 billion of pre-tax acquisition-related amortization of intangibles, content fair value step-up, and restructuring expenses. Additionally net loss available to Warner Bros. Discovery, Inc. includes the \$2.8 billion termination fee paid to Netflix.
 - PSKY paid Netflix the \$2.8 billion on WBD's behalf under the terms of the merger agreement. The amount is refundable to PSKY in certain circumstances, such as the termination of the PSKY merger agreement by WBD for a superior proposal or the violation of interim operating covenants, resulting in an obligation for WBD.
- Total Adjusted EBITDA^{(2)(*)} of \$2.2 billion was relatively unchanged ex-FX compared to the prior year quarter, as growth in the Streaming and Studios segments was offset by a decline in the Global Linear Networks segment.
- Cash provided by operating activities was \$(208) million. Free cash flow^{(3)(*)} was \$(476) million. Free cash flow was unfavorably impacted by approximately \$100 million of separation & transaction-related items.
- Ended the first quarter with \$30.1 billion of net debt^{(4)(*)} and 3.4x net leverage^{(5)(*)}.

Streaming Segment

	Three Months Ended March 31,			
	2026	2025	% Change	
			Reported	Ex-FX ^(*)
<i>\$ in millions</i>				
Distribution	\$ 2,533	\$ 2,329	9 %	7 %
Advertising	284	237	20 %	19 %
Subscriber-related revenues^(*)	2,817	2,566	10 %	8 %
Content	68	88	(23)%	(27)%
Other	2	2	— %	— %
Total revenues	2,887	2,656	9 %	7 %
Costs of revenues (excluding depreciation & amortization)	1,864	1,824	2 %	2 %
Selling, general and administrative	585	493	19 %	17 %
Adjusted EBITDA	\$ 438	\$ 339	29 %	17 %

(*) A non-GAAP financial measure; see the section starting on page 11 titled Definitions & Sources for additional details.

Q1 2026 Highlights

- Streaming revenues increased 7% ex-FX to \$2,887 million compared to the prior year quarter. Subscriber-related revenues^{(6)(*)} increased 8% ex-FX compared to the prior year quarter.
 - Distribution revenue increased 7% ex-FX, as a result of the continued growth in existing markets and global expansion of HBO Max, including new distribution deals, partially offset by the domestic distribution deal renewal with a former related party previously disclosed in the second quarter of 2025.
 - Advertising revenue increased 19% ex-FX, primarily driven by an increase in global ad-lite subscribers. The absence of the NBA in the current year negatively impacted the year-over-year growth rate by 5% ex-FX.
 - Content revenue decreased 27% ex-FX, due to the timing of third-party licensing deals.
- Streaming operating expenses increased 6% ex-FX to \$2,449 million compared to the prior year quarter.
 - Costs of revenues increased 2% ex-FX primarily driven by higher international content costs to support HBO Max launches, partially offset by shifts in the overall mix of programming.
 - SG&A increased 17% ex-FX, due to higher marketing tied to HBO Max international launches.
- Streaming Adjusted EBITDA increased 17% ex-FX to \$438 million compared to the prior year quarter.

Studios Segment

	Three Months Ended March 31,			
	2026	2025	% Change	
			Reported	Ex-FX ^(*)
<i>\$ in millions</i>				
Distribution	\$ 1	\$ 1	— %	— %
Advertising	—	1	NM	NM
Content	2,934	2,139	37 %	33 %
Other	190	173	10 %	4 %
Total revenues	3,125	2,314	35 %	31 %
Costs of revenues (excluding depreciation & amortization)	1,679	1,413	19 %	17 %
Selling, general and administrative	671	642	5 %	3 %
Adjusted EBITDA	\$ 775	\$ 259	199 %	156 %

(*) A non-GAAP financial measure; see the section starting on page 11 titled *Definitions & Sources* for additional details.

Q1 2026 Highlights

- Studios revenues increased 31% ex-FX to \$3,125 million compared to the prior year quarter.
 - Content revenue increased 33% ex-FX.
 - TV revenue increased 58% ex-FX, primarily driven by higher intercompany content licensing due to the launch of HBO Max in international markets and higher third party licensing.
 - Theatrical revenue increased 21% ex-FX, driven by higher intercompany content licensing due to the launch of HBO Max in international markets.
 - Games revenue decreased 30% ex-FX, due to lower library revenues.
- Studios operating expenses increased 13% ex-FX to \$2,350 million compared to the prior year quarter.
 - Costs of revenues increased 17% ex-FX.
 - TV content expense increased 32% ex-FX primarily driven by higher intercompany content licensing.
 - Theatrical content expense increased 11% ex-FX due to higher intercompany content licensing and higher film impairments.
 - Games content expense decreased 43% ex-FX, primarily driven by lower library revenues.
 - SG&A increased 3% ex-FX, driven by higher marketing and overhead expenses.
- Studios Adjusted EBITDA increased by \$516 million, or 156% ex-FX, to \$775 million compared to the prior year quarter.

Global Linear Networks Segment

	Three Months Ended March 31,			
	2026	2025	% Change	
			Reported	Ex-FX ^(*)
<i>\$ in millions</i>				
Distribution	\$ 2,373	\$ 2,558	(7)%	(8)%
Advertising	1,570	1,758	(11)%	(12)%
Content	346	380	(9)%	(9)%
Other	88	78	13 %	13 %
Total revenues	4,377	4,774	(8)%	(9)%
Costs of revenues (excluding depreciation & amortization)	2,084	2,327	(10)%	(11)%
Selling, general and administrative	659	654	1 %	(1)%
Adjusted EBITDA	\$ 1,634	\$ 1,793	(9)%	(10)%

(*) A non-GAAP financial measure; see the section starting on page 11 titled *Definitions & Sources* for additional details.

Q1 2026 Highlights

- Global Linear Networks revenues decreased 9% ex-FX to \$4,377 million compared to the prior year quarter.
 - Distribution revenue decreased 8% ex-FX, primarily driven by a 10% decrease in domestic linear pay TV subscribers, partially offset by a 2% increase in domestic affiliate rates.
 - Advertising revenue decreased 12% ex-FX, primarily driven by the absence of the NBA in the current year quarter and 8% domestic audience declines. The absence of the NBA negatively impacted the year-over-year growth rate by 7% ex-FX.
 - Content revenue decreased 9% ex-FX, primarily due to the timing of third party licensing deals.
- Global Linear Networks operating expenses decreased 9% ex-FX to \$2,743 million compared to the prior year quarter.
 - Costs of revenues decreased 11% ex-FX, primarily driven by the absence of the NBA in the current year quarter. The absence of the NBA favorably impacted the year-over-year growth rate by 16% ex-FX.
 - SG&A remained relatively unchanged compared to the prior year quarter.
- Global Linear Networks Adjusted EBITDA decreased 10% ex-FX to \$1,634 million compared to the prior year quarter.

Corporate

<i>\$ in millions</i>	Three Months Ended March 31,			
	2026	2025	% Change	
			Reported	Ex-FX ^(*)
Adjusted EBITDA	\$ (269)	\$ (233)	(15)%	(13)%

(*) A non-GAAP financial measure; see the section starting on page 11 titled Definitions & Sources for additional details.

- Corporate Adjusted EBITDA decreased by \$36 million, primarily driven by a non-income tax reserve release in the prior year quarter.

Inter-segment Eliminations

<i>\$ in millions</i>	Three Months Ended March 31,	
	2026	2025
Total revenue eliminations	\$ (1,497)	\$ (765)
Total expense eliminations	(1,122)	(712)
Adjusted EBITDA	\$ (375)	\$ (53)

Leverage and Liquidity

- Ended Q1 with \$3.3 billion of cash on hand, \$33.4 billion of gross debt^{(7)(*)}, and 3.4x net leverage^{(5)(*)}.
- The Company repaid \$123 million of Senior Notes due during the first quarter.
- As of March 31, 2026, the weighted average maturity of the Company's outstanding debt was 5.6 years with a weighted average cost of 6.0%. Excluding the bridge loan facility, the weighted average maturity of the Company's outstanding debt was 9.8 years with a weighted average cost of 4.5%.
- As of March 31, 2026, the Company's \$4.0 billion revolving credit facility was undrawn.

Free Cash Flow

<i>\$ in millions</i>	Three Months Ended March 31,		
	2026	2025	% Change
Cash (used in) provided by operating activities	\$ (208)	\$ 553	NM
Purchases of property and equipment	(268)	(251)	7 %
Free cash flow^(*)	\$ (476)	\$ 302	NM

(*) A non-GAAP financial measure; see the section starting on page 11 titled Definitions & Sources for additional details.

- Q1 2026 cash provided by operating activities decreased to \$(208) million from \$553 million in the prior year quarter. Free cash flow^{(3)(*)} decreased to \$(476) million from \$302 million, primarily driven by higher net content investment, higher tax payments, and timing of working capital partially offset by lower interest payments. Free cash flow was unfavorably impacted by approximately \$100 million of separation & transaction-related items.
- As of March 31, 2026, the Company had \$3,850 million drawn on its revolving receivables program, a \$150 million increase vs. Q4.

Warner Bros. Discovery, Inc. Consolidated Statements of Operations

Unaudited; in millions, except per share amounts	Three Months Ended March 31,	
	2026	2025
Distribution	\$ 4,906	\$ 4,886
Advertising	1,847	1,980
Content	1,887	1,866
Other	253	247
Total revenues	8,893	8,979
Costs of revenues, excluding depreciation and amortization	4,643	5,131
Selling, general and administrative	2,475	2,194
Netflix Termination Fee	2,800	—
Depreciation and amortization	1,226	1,547
Restructuring and other charges	204	54
Impairments and loss on dispositions	14	90
Total costs and expenses	11,362	9,016
Operating loss	(2,469)	(37)
Interest expense, net	(581)	(468)
Loss on extinguishment of debt, net	(27)	(4)
Loss from equity investees, net	(5)	(7)
Other (expense) income, net	(38)	82
Loss before income taxes	(3,120)	(434)
Income tax benefit (expense)	214	(15)
Net loss	(2,906)	(449)
Net income attributable to noncontrolling interests	(10)	(8)
Net loss attributable to redeemable noncontrolling interests	—	4
Net loss available to Warner Bros. Discovery, Inc.	\$ (2,916)	\$ (453)
Net loss per share available to Warner Bros. Discovery, Inc. Series A common stockholders:		
Basic	\$ (1.17)	\$ (0.18)
Diluted	\$ (1.17)	\$ (0.18)
Weighted average shares outstanding:		
Basic	2,492	2,462
Diluted	2,492	2,462

Warner Bros. Discovery, Inc. Consolidated Balance Sheets

Unaudited; in millions, except par value	March 31, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,264	\$ 4,566
Receivables, net	5,009	5,294
Prepaid expenses and other current assets	3,468	3,346
Total current assets	11,741	13,206
Film and television content rights and games	19,312	19,114
Property and equipment, net	6,642	6,685
Goodwill	25,874	25,933
Intangible assets, net	26,803	27,764
Other noncurrent assets	7,465	7,383
Total assets	\$ 97,837	\$ 100,085
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 1,110	\$ 1,093
Accrued liabilities	11,920	9,626
Deferred revenues	1,592	1,642
Current portion of debt	1,493	139
Total current liabilities	16,115	12,500
Noncurrent portion of debt	30,973	32,428
Deferred income taxes	5,873	6,383
Other noncurrent liabilities	11,169	11,608
Total liabilities	64,130	62,919
Commitments and contingencies		
Redeemable noncontrolling interests	—	19
Warner Bros. Discovery, Inc. stockholders' equity:		
Series A common stock: \$0.01 par value; 10,800 and 10,800 shares authorized; 2,737 and 2,710 shares issued; and 2,507 and 2,480 shares outstanding	27	27
Preferred stock: \$0.01 par value; 1,200 and 1,200 shares authorized, 0 shares issued and outstanding	—	—
Additional paid-in capital	55,865	56,055
Treasury stock, at cost: 230 and 230 shares	(8,244)	(8,244)
Accumulated deficit	(14,428)	(11,512)
Accumulated other comprehensive loss	(642)	(407)
Total Warner Bros. Discovery, Inc. stockholders' equity	32,578	35,919
Noncontrolling interests	1,129	1,228
Total equity	33,707	37,147
Total liabilities and equity	\$ 97,837	\$ 100,085

Warner Bros. Discovery, Inc. Consolidated Statements of Cash Flows

Unaudited; in millions	Three Months Ended March 31,	
	2026	2025
Operating Activities		
Net loss	\$ (2,906)	\$ (449)
Adjustments to reconcile net income to cash provided by operating activities:		
Content rights amortization and impairment	2,499	3,145
Depreciation and amortization	1,226	1,547
Deferred income taxes	(513)	(312)
Share-based compensation expense	152	123
Impairments and loss on dispositions	14	90
Netflix Termination Fee accrual	2,800	—
Other, net	119	17
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables, net	246	288
Film and television content rights, games, and production payables, net	(2,603)	(2,846)
Accounts payable, accrued liabilities, deferred revenues and other noncurrent liabilities	(1,033)	(1,026)
Foreign currency, prepaid expenses and other assets, net	(209)	(24)
Cash (used in) provided by operating activities	(208)	553
Investing Activities		
Purchases of property and equipment	(268)	(251)
Proceeds from sales of investments	—	11
Investments in and advances to equity investees	(25)	(14)
Proceeds from asset dispositions	—	66
Other investing activities, net	11	(7)
Cash used in investing activities	(282)	(195)
Financing Activities		
Principal repayments of debt, including premiums and discounts to par value	(123)	(3,665)
Borrowings from debt, net of discount and issuance costs	(16)	1,500
Distributions to noncontrolling interests and redeemable noncontrolling interests	(129)	(157)
Proceeds from the formation of music catalog joint venture	—	601
Borrowings under commercial paper program and revolving credit facility	261	695
Repayments under commercial paper program and revolving credit facility	(261)	(695)
Cash paid to settle share-based awards, net	(422)	(117)
Other financing activities, net	(66)	(57)
Cash used in financing activities	(756)	(1,895)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(56)	95
Net change in cash, cash equivalents, and restricted cash	(1,302)	(1,442)
Cash, cash equivalents, and restricted cash, beginning of period	4,570	5,416
Cash, cash equivalents, and restricted cash, end of period	\$ 3,268	\$ 3,974

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

Unaudited; in millions	Three Months Ended March 31,	
	2026	2025
Net loss available to Warner Bros. Discovery, Inc.	\$ (2,916)	\$ (453)
Net loss attributable to redeemable noncontrolling interests	—	(4)
Net income attributable to noncontrolling interests	10	8
Income tax (benefit) expense	(214)	15
Loss before income taxes	(3,120)	(434)
Other expense (income), net	38	(82)
Loss from equity investees, net	5	7
Loss on extinguishment of debt, net	27	4
Interest expense, net	581	468
Operating Loss	(2,469)	(37)
Depreciation and amortization	1,226	1,547
Impairment and amortization of fair value step-up for content	102	240
Restructuring and other charges	204	54
Employee share-based compensation	150	120
Netflix Termination Fee	2,800	—
Transaction and integration costs	173	80
Impairments and loss on dispositions	14	90
Amortization of capitalized interest for content	3	6
Facility consolidation costs	—	5
Adjusted EBITDA^(*)	\$ 2,203	\$ 2,105

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

[2026 Outlook](#)

Warner Bros. Discovery, Inc. ("Warner Bros. Discovery", "WBD", 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 2026 Prepared Earnings Remarks Conference Call Information](#)

In conjunction with this release, Warner Bros. Discovery will post a Shareholder Letter and host a conference call today, May 6, 2026 at 4:30 p.m. ET, to discuss its first quarter 2026 financial results. To access the Shareholder Letter and 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 constitute forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, without limitation, 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. 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.

Forward-looking statements include, without limitation, statements about the benefits of the proposed transaction between WBD and Paramount Skydance Corporation ("PSKY") (the "proposed transaction"), future financial and operating results, the combined company's plans, objectives, expectations and intentions, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of WBD's management and are subject to significant risks and uncertainties outside of our control. Among the risks and uncertainties that could cause actual results to differ from those described in the forward-looking statements are the following: (1) the completion of the proposed transaction may not occur on the anticipated terms and timing or at all; (2) the occurrence of any event, change or other circumstances that could give rise to the termination of the proposed transaction; (3) the risk that the necessary regulatory approvals for the proposed transaction may not be obtained or may be obtained subject to conditions that are not anticipated; (4) risks that any of the closing conditions to the proposed transaction may not be satisfied in a timely manner; (5) risks related to litigation brought in connection with the proposed transaction; (6) risks related to disruption of management time from ongoing business operations due to the proposed transaction; (7) effects of the announcement, pendency or completion of the proposed transaction on the ability of WBD to retain customers and retain and hire key personnel and maintain relationships with suppliers, distributors, advertisers, content providers, vendors and other business partners, and on its operating results and business generally; (8) negative effects of the announcement or the consummation of the proposed transaction on the market price of WBD common stock; (9) risks related to the potential impact of general economic, political and market factors on the companies or the proposed transaction; (10) inherent uncertainties involved in the estimates and assumptions used in the preparation of financial projections; (11) the ability to obtain or consummate financing or refinancing related to the proposed transaction; and (12) the response of WBD or PSKY management to any of the aforementioned factors. WBD's actual results could differ materially from those stated or implied, due to risks and uncertainties associated with its business, which include the risks related to the proposed transaction. Discussions of additional risks and uncertainties are contained in WBD's filings with the Securities and Exchange Commission, including but not limited to WBD's most recent Annual Report on Form 10-K, reports on Form 10-Q and Form 8-K and the definitive proxy statement filed by WBD in connection with the proposed transaction. WBD is not under any obligation, and expressly disclaims any obligation, to update, alter, or otherwise revise any forward-looking statements, whether written or oral, that may be made from time to time, whether as a result of new information, future events, or otherwise, except to the extent required by applicable law. Persons reading this communication are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof.

[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 is a leading global media and entertainment company that creates and distributes the world's most differentiated and complete portfolio of branded content across television, film, streaming and gaming. Warner Bros. Discovery inspires, informs and entertains audiences worldwide through its iconic brands and products including: Discovery Channel, HBO Max, discovery+, CNN, DC, TNT Sports, Eurosport, HBO, HGTV, Food Network, OWN, Investigation Discovery, TLC, Magnolia Network, TNT, TBS, truTV, Travel Channel, Animal Planet, Science Channel, Warner Bros. Motion Picture Group, Warner Bros. Television Group, Warner Bros. Pictures Animation, 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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Definitions and Sources for Warner Bros. Discovery, Inc.

(1) 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. For the 2026 period, 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 "2026 Baseline Rate"), and the prior year amounts translated at the same 2026 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) 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 the 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 (which is included in consolidated costs of revenues), and amortization of capitalized interest for content, as these amounts do not represent cash payments in the current reporting period. We prospectively updated certain corporate allocations at the beginning of 2025. The impact to prior periods was immaterial.

(3) 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.

(4) Net debt: The Company defines net debt as gross debt of \$33.4 billion, less cash, cash equivalents, and restricted cash of \$3.3 billion. The Company believes this measure is relevant to investors as it is a financial measure frequently used in evaluating a company's financial condition.

(5) Net leverage: The Company defines net leverage as the calculation where net debt (gross debt of \$33.4 billion, less cash, cash equivalents, and restricted cash of \$3.3 billion) is divided by the sum of the most recent four quarters Adjusted EBITDA of \$8.8 billion. 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) Subscriber-related revenues: The Company defines subscriber-related revenues as the sum of distribution and advertising revenues in the Streaming segment. The Company uses subscriber-related revenues to monitor and evaluate the Company's streaming revenue performance. The Company believes this measure is relevant to investors as it highlights the revenue generation tied to the Company's streaming products.

(7) Gross debt: The Company defines gross debt of \$33.4 billion as total debt of \$32.7 billion, plus finance leases of \$654 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.

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.

Source: Warner Bros. Discovery, Inc.