



Trending Schedules and
Non-GAAP Reconciliations

Q2





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) adjustments for transaction costs and other one-time non-recurring costs, (v) changes to align accounting policies, and (vi) adjustments to eliminate intercompany activity. 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 conjunction with the Merger, the Company reevaluated and changed its segment presentation during the quarter ending 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, facility consolidation, and other charges, (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.

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. Reconciliations between the non-GAAP financial measures and the closest GAAP financial measures are available in the trending schedules and on 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.

Consolidated statement of operations (GAAP)



Unaudited; in millions

	Pro Forma Combined									
	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			
Revenues:										
Advertising	\$ 2,660	\$ 2,825	\$ 2,343	\$ 2,773	\$ 10,601	\$ 2,710	\$ 2,899			
Distribution	5,084	5,268	5,313	5,116	20,781	5,348	5,181			
Content	2,835	2,942	3,108	4,307	13,192	3,174	2,510			
Other	143	176	216	217	752	209	233			
Total revenues	10,722	11,211	10,980	12,413	45,326	11,441	10,823			
Costs and expenses:										
Costs of revenues, excluding depreciation and amortization	6,258	6,674	5,955	7,070	25,957	6,509	7,292			
Selling, general and administrative	3,690	2,817	2,991	3,455	12,953	3,326	2,985			
Depreciation and amortization	2,158	2,066	1,994	2,118	8,336	1,937	1,841			
Restructuring and other charges	106	7	7	2	122	4	944			
(Gain) loss on disposition	—	(72)	(223)	1	(294)	—	4			
Total costs and expenses	12,212	11,492	10,724	12,646	47,074	11,776	13,066			
Operating (loss) income	(1,490)	(281)	256	(233)	(1,748)	(335)	(2,243)			
Interest expense, net	(620)	(695)	(645)	(592)	(2,552)	(586)	(553)			
Other income (expense), net	138	277	(470)	(223)	(278)	577	(76)			
(Loss) before income taxes	(1,972)	(699)	(859)	(1,048)	(4,578)	(344)	(2,872)			
Income tax benefit	451	405	255	249	1,360	77	732			
Net (loss)	(1,521)	(294)	(604)	(799)	(3,218)	(267)	(2,140)			
Net income attributable to noncontrolling interests	(50)	(47)	(41)	(53)	(191)	(19)	(11)			
Net (loss) available to Warner Bros. Discovery, Inc.	\$ (1,571)	\$ (341)	\$ (645)	\$ (852)	\$ (3,409)	\$ (286)	\$ (2,151)			

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	
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22
Net (loss) income available to Warner Bros. Discovery, Inc.	\$ (1,571)	\$ (341)	\$ (645)	\$ (852)	\$ (3,409)	\$ (286)	\$ (2,151)
Net income attributable to noncontrolling interests	50	47	41	53	191	19	11
Net income	(1,521)	(294)	(604)	(799)	(3,218)	(267)	(2,140)
Income tax (benefit)	(451)	(405)	(255)	(249)	(1,360)	(77)	(732)
Other (income) expense, net	(138)	(277)	470	223	278	(577)	76
Interest expense, net	620	695	645	592	2,552	586	553
Operating (loss) income	(1,490)	(281)	256	(233)	(1,748)	(335)	(2,243)
(Gain) loss on disposition	—	(72)	(223)	1	(294)	—	4
Restructuring and other charges	106	7	7	2	122	4	944
Depreciation and amortization	2,158	2,066	1,994	2,118	8,336	1,937	1,841
Employee share-based compensation	200	112	86	88	486	113	115
Transaction and integration costs	793	36	124	280	1,233	305	201
Amortization of fair value step-up for content	823	708	498	534	2,563	513	902
Adjusted EBITDA⁽¹⁾	\$ 2,590	\$ 2,576	\$ 2,742	\$ 2,790	\$ 10,698	\$ 2,537	\$ 1,764

Consolidated segment results (non-GAAP)

Unaudited; in millions



	Pro Forma Combined									
	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			
Revenues:										
Advertising	\$ 2,660	\$ 2,825	\$ 2,343	\$ 2,773	\$ 10,601	\$ 2,710	\$ 2,899			
Distribution	5,084	5,268	5,313	5,116	20,781	5,348	5,181			
Content	2,835	2,942	3,108	4,307	13,192	3,174	2,510			
Other	143	176	216	217	752	209	233			
Total revenues	10,722	11,211	10,980	12,413	45,326	11,441	10,823			
Costs of revenues, excluding depreciation and amortization	5,435	5,966	5,457	6,536	23,394	5,996	6,390			
Selling, general and administrative ⁽²⁾	2,697	2,669	2,781	3,087	11,234	2,908	2,669			
Adjusted EBITDA	2,590	2,576	2,742	2,790	10,698	2,537	1,764			
(Gain) loss on disposition	—	(72)	(223)	1	(294)	—	4			
Restructuring and other charges	106	7	7	2	122	4	944			
Depreciation and amortization	2,158	2,066	1,994	2,118	8,336	1,937	1,841			
Employee share-based compensation	200	112	86	88	486	113	115			
Transaction and integration costs	793	36	124	280	1,233	305	201			
Amortization of fair value step-up for content	823	708	498	534	2,563	513	902			
Operating (loss) income	\$ (1,490)	\$ (281)	\$ 256	\$ (233)	\$ (1,748)	\$ (335)	\$ (2,243)			

Studios segment

Unaudited; in millions



	Pro Forma Combined									
	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			
Revenues:										
Advertising	\$ 21	\$ 27	\$ 35	\$ 40	\$ 123	\$ 9	\$ 10			
Distribution	3	5	2	4	14	5	5			
Content	3,069	3,197	3,173	4,917	14,356	3,352	3,187			
Other	81	104	143	188	516	138	162			
Total revenues	3,174	3,333	3,353	5,149	15,009	3,504	3,364			
Costs of revenues, excluding depreciation and amortization	2,092	2,244	2,050	3,206	9,592	2,065	2,334			
Selling, general and administrative ⁽²⁾	652	650	747	723	2,772	629	621			
Adjusted EBITDA	430	439	556	1,220	2,645	810	409			
Depreciation and amortization	173	172	173	173	691	136	137			
Employee share-based compensation	50	11	12	12	85	25	1			
Restructuring and other charges	38	—	—	—	38	—	162			
Transaction and integration costs	—	—	—	—	—	—	—			
Amortization of fair value step-up for content	652	380	451	415	1,898	344	325			
Operating (loss) income	\$ (483)	\$ (124)	\$ (80)	\$ 620	\$ (67)	\$ 305	\$ (216)			

Networks segment

Unaudited; in millions



	Pro Forma Combined						
	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
Revenues:							
Advertising	\$ 2,646	\$ 2,796	\$ 2,268	\$ 2,695	\$ 10,405	\$ 2,632	\$ 2,802
Distribution	3,162	3,087	3,065	3,015	12,329	3,132	3,012
Content	307	219	456	292	1,274	515	241
Other	46	62	81	33	222	53	66
Total revenues	6,161	6,164	5,870	6,035	24,230	6,332	6,121
Costs of revenues, excluding depreciation and amortization	2,516	2,722	2,392	2,493	10,123	2,904	3,020
Selling, general and administrative ⁽²⁾	770	760	766	873	3,169	784	744
Adjusted EBITDA	2,875	2,682	2,712	2,669	10,938	2,644	2,357
Depreciation and amortization	1,384	1,323	1,269	1,373	5,349	1,282	1,199
Employee share-based compensation	9	8	11	13	41	9	—
Restructuring and other charges	19	7	7	2	35	4	303
Transaction and integration costs	4	—	—	—	4	(1)	1
Amortization of fair value step-up for content	121	280	1	74	476	126	294
Inter-segment eliminations	—	—	—	—	—	—	(2)
(Gain) on disposition	—	(72)	—	(1)	(73)	—	—
Operating income	\$ 1,338	\$ 1,136	\$ 1,424	\$ 1,208	\$ 5,106	\$ 1,224	\$ 562

DTC segment



Unaudited; in millions, except for ARPU⁽³⁾

	Pro Forma Combined						
	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
Revenues:							
Advertising	\$ 19	\$ 37	\$ 54	\$ 70	\$ 180	\$ 81	\$ 97
Distribution	1,919	2,176	2,246	2,097	8,438	2,211	2,164
Content	112	136	194	191	633	221	143
Other	6	3	3	2	14	2	6
Total revenues	2,056	2,352	2,497	2,360	9,265	2,515	2,410
Costs of revenues, excluding depreciation and amortization	1,423	1,579	1,694	1,840	6,536	1,896	2,067
Selling, general and administrative ⁽²⁾	1,077	1,008	1,038	1,150	4,273	1,175	903
Adjusted EBITDA	(444)	(235)	(235)	(630)	(1,544)	(556)	(560)
Depreciation and amortization	532	499	483	499	2,013	470	447
Employee share-based compensation	5	3	6	2	16	1	(1)
Restructuring and other charges	4	1	—	—	5	—	472
Transaction and integration costs	—	—	—	1	1	1	—
Amortization of fair value step-up for content	50	48	46	45	189	43	42
Inter-segment eliminations	—	—	—	—	—	—	10
Loss on disposition	—	—	—	1	1	—	4
Operating loss	\$ (1,035)	\$ (786)	\$ (770)	\$ (1,178)	\$ (3,769)	\$ (1,071)	\$ (1,534)

	Subscriber Metrics						
	Quarter Ending				12 Months Ending	Quarter Ending	
	3/31/21	6/30/21	9/31/21	12/31/21	12/31/21	3/31/22	6/30/22
Global HBO Max, HBO, and Discovery+ Subscribers⁽⁴⁾		75.8	79.9	86.0	86.0	90.4	92.1
Global ARPU						\$ 7.66	
Domestic Subscribers		49.7	48.8	51.1	51.1	53.3	53.0
Domestic ARPU						\$ 10.54	
International Subscribers		26.1	31.1	34.9	34.9	37.1	39.1
International ARPU						\$ 3.69	

Corporate, and Inter-segment Eliminations



Unaudited; in millions

	Pro Forma Combined						3 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	
Corporate Segment								
Revenues	\$ 6	\$ 10	\$ 11	\$ 14	\$ 41	\$ 16	\$ 16	
Costs of revenues, excluding depreciation and amortization	80	97	103	74	354	44	17	
Selling, general and administrative ⁽²⁾	204	254	234	346	1,038	329	404	
Adjusted EBITDA	(278)	(341)	(326)	(406)	(1,351)	(357)	(405)	
Employee share-based compensation	136	90	57	61	344	78	115	
Depreciation and amortization	69	72	69	73	283	49	58	
Restructuring and other charges	45	(1)	—	—	44	—	25	
Transaction and integration costs	789	36	124	279	1,228	305	200	
Amortization of fair value step-up for content	—	—	—	—	—	—	—	
(Gain) loss on disposition	—	—	(223)	1	(222)	—	—	
Inter-segment eliminations	—	—	—	—	—	—	(8)	
Operating loss	\$ (1,317)	\$ (538)	\$ (353)	\$ (820)	\$ (3,028)	\$ (789)	\$ (795)	

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

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		
	3/31/21	6/30/21	9/30/21	12/31/21	12/31/21	3/31/22	6/30/22	
Reported Free Cash Flow:								
Cash provided by (used for) operating activities	\$ 269	\$ 834	\$ 811	\$ 884	\$ 2,798	\$ 323	\$ 1,011	
Less: Purchases of property and equipment	(90)	(77)	(106)	(100)	(373)	(85)	(222)	
Reported Free Cash Flow⁽⁵⁾	\$ 179	\$ 757	\$ 705	\$ 784	\$ 2,425	\$ 238	\$ 789	
Reported Gross to Net Debt:								
Current portion of debt	\$ 351	\$ 585	\$ 349	\$ 339	\$ 339	\$ 794	\$ 1,097	
Plus: Noncurrent portion of debt	15,115	14,899	14,868	14,848	14,848	14,030	51,662	
Plus: Finance leases	222	217	266	255	255	249	284	
Less: Cash and cash equivalents	2,008	2,834	3,126	3,905	3,905	4,165	3,896	
Reported Net Debt⁽⁶⁾	\$ 13,680	\$ 12,866	\$ 12,358	\$ 11,544	\$ 11,544	\$ 10,910	\$ 49,147	
LTM EBITDA ^{(7)(*)}	3,920	3,910	3,682	3,817	3,817	4,007	9,833	
LTM Leverage Ratio⁽⁸⁾	3.5x	3.3x	3.4x	3.0x	3.0x	2.7x	5.0x	

(*) For the periods ending 3/31/21 through 3/31/22, LTM EBITDA is based on historical Discovery, Inc. standalone Adjusted OIBDA. For the period ending 6/30/22, LTM EBITDA is based on pro forma combined Adjusted EBITDA contained in this trending schedule. For more information, please refer note seven (7) in the Notes and Definitions as well as the *New Financial Measures* disclosure.

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, facility consolidation, and other charges, (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 and other charges, 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, 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). **Selling, general and administrative (SG&A)** - SG&A expenses exclude employee share-based compensation, third-party transaction and integration costs, and amortization of fair value step-up for content.

3). **Average Revenue Per Subscriber ("ARPU")** - The Company defines ARPU as total subscription revenue plus advertising revenue (net of advertising and programmatic commissions) 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.

4). **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; and (iii) a wholesale subscription to discovery+, HBO or HBO Max for which we have recognized subscription revenue on a per subscriber basis.

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 (such subscribers may also be referred to as "non-core" subscribers); (iii) domestic and international Cinemax subscribers, and international basic HBO subscribers; and (iv) users on free trials.

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.

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.

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.

6). **Net Debt** - The Company defines net debt as total debt plus finance leases less cash and cash equivalents, and restricted cash

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 on the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

For the period ended June 30, 2022 (6/30/22), 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 on the Warner Bros. Discovery, Inc. investor relations website at: <https://ir.wbd.com>.

8). **LTM Leverage Ratio** - LTM Leverage ratio is calculated by dividing net debt by LTM EBITDA