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

# FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2024**

**OR** ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 001-34177**

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

| | |
|---|---|
| **Delaware** | **35-2333914** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **230 Park Avenue South New York, New York** | **10003** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

**N/A**
**(Former name, former address and former fiscal year, if changed since last report)**

Securities Registered Pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbols | Name of Each Exchange on Which Registered |
|---|---|---|
| Series A Common Stock | WBD | The Nasdaq Global Select Market |
| 4.302% Senior Notes due 2030 | WBDI30 | Nasdaq Global Market |
| 4.693% Senior Notes due 2033 | WBDI33 | Nasdaq Global Market |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Total number of shares outstanding of each class of the Registrant's common stock as of July 24, 2024:

| | |
|---|---|
| Series A Common Stock, par value $0.01 per share | 2,451,908,345 |

**WARNER BROS. DISCOVERY, INC.**
**FORM 10-Q**
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**PART I. FINANCIAL INFORMATION**

**ITEM 1. Unaudited Financial Statements.**

**WARNER BROS. DISCOVERY, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(unaudited; in millions, except per share amounts)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2024** | **2023** | **2024** | **2023** |
| Revenues: | | | | |
| Distribution | $ 4,879 | $ 5,135 | $ 9,864 | $ 10,298 |
| Advertising | 2,430 | 2,519 | 4,578 | 4,817 |
| Content | 2,109 | 2,446 | 4,667 | 5,400 |
| Other | 295 | 258 | 562 | 543 |
| Total revenues | 9,713 | 10,358 | 19,671 | 21,058 |
| Costs and expenses: | | | | |
| Costs of revenues, excluding depreciation and amortization | 6,204 | 6,636 | 12,262 | 13,321 |
| Selling, general and administrative | 2,461 | 2,562 | 4,693 | 4,950 |
| Depreciation and amortization | 1,744 | 1,914 | 3,632 | 3,972 |
| Restructuring and other charges | 117 | 146 | 152 | 241 |
| Impairments and loss on dispositions | 9,395 | 6 | 9,407 | 37 |
| Total costs and expenses | 19,921 | 11,264 | 30,146 | 22,521 |
| Operating loss | (10,208) | (906) | (10,475) | (1,463) |
| Interest expense, net | (518) | (574) | (1,033) | (1,145) |
| Gain (loss) on extinguishment of debt | 542 | (5) | 567 | (5) |
| Loss from equity investees, net | (23) | (22) | (71) | (59) |
| Other income (expense), net | 172 | 27 | 158 | (46) |
| Loss before income taxes | (10,035) | (1,480) | (10,854) | (2,718) |
| Income tax benefit (expense) | 7 | 260 | (129) | 438 |
| Net loss | (10,028) | (1,220) | (10,983) | (2,280) |
| Net income attributable to noncontrolling interests | (10) | (16) | (17) | (24) |
| Net loss (income) attributable to redeemable noncontrolling interests | 52 | (4) | 48 | (5) |
| Net loss available to Warner Bros. Discovery, Inc. | $ (9,986) | $ (1,240) | $ (10,952) | $ (2,309) |
| Net loss per share available to Warner Bros. Discovery, Inc. Series A common stockholders: | | | | |
| Basic | $ (4.07) | $ (0.51) | $ (4.48) | $ (0.95) |
| Diluted | $ (4.07) | $ (0.51) | $ (4.48) | $ (0.95) |
| Weighted average shares outstanding: | | | | |
| Basic | 2,451 | 2,437 | 2,447 | 2,434 |
| Diluted | 2,451 | 2,437 | 2,447 | 2,434 |

The accompanying notes are an integral part of these consolidated financial statements.

**WARNER BROS. DISCOVERY, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
**(unaudited; in millions)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Net loss | $ (10,028) | $ (1,220) | $ (10,983) | $ (2,280) |
| Other comprehensive loss: | | | | |
| Currency translation, net of income tax benefit of $(9), $(5), $(2), and $(10) | 9 | 60 | (167) | 486 |
| Pension plan and SERP liability, net of income tax benefit of $— and $(3), $—, and $(6) | — | (4) | — | (13) |
| Derivatives | | | | |
| Change in net unrealized gains | 12 | 11 | 25 | 14 |
| Less: Reclassification adjustment for net gains included in net income | 2 | (4) | (7) | (6) |
| Net change, net of income tax benefit of $(4), $(6), $(4), and $(4) | 14 | 7 | 18 | 8 |
| Comprehensive loss | (10,005) | (1,157) | (11,132) | (1,799) |
| Comprehensive income attributable to noncontrolling interests | (7) | (16) | (13) | (24) |
| Comprehensive loss (income) attributable to redeemable noncontrolling interests | 52 | (4) | 48 | (5) |
| Comprehensive loss attributable to Warner Bros. Discovery, Inc. | $ (9,960) | $ (1,177) | $ (11,097) | $ (1,828) |

The accompanying notes are an integral part of these consolidated financial statements.

**WARNER BROS. DISCOVERY, INC.**
**CONSOLIDATED BALANCE SHEETS**
**(unaudited; in millions, except par value)**

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 3,613 | $ 3,780 |
| Receivables, net | 6,166 | 6,047 |
| Prepaid expenses and other current assets | 3,651 | 4,391 |
| Total current assets | 13,430 | 14,218 |
| Film and television content rights and games | 20,010 | 21,229 |
| Property and equipment, net | 6,043 | 5,957 |
| Goodwill | 25,740 | 34,969 |
| Intangible assets, net | 35,157 | 38,285 |
| Other noncurrent assets | 7,649 | 8,099 |
| Total assets | $ 108,029 | $ 122,757 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 1,151 | $ 1,260 |
| Accrued liabilities | 10,926 | 10,368 |
| Deferred revenues | 2,022 | 1,924 |
| Current portion of debt | 3,669 | 1,780 |
| Total current liabilities | 17,768 | 15,332 |
| Noncurrent portion of debt | 37,289 | 41,889 |
| Deferred income taxes | 7,806 | 8,736 |
| Other noncurrent liabilities | 9,751 | 10,328 |
| Total liabilities | 72,614 | 76,285 |
| Commitments and contingencies (See Note 15) | | |
| Redeemable noncontrolling interests | 118 | 165 |
| Warner Bros. Discovery, Inc. stockholders' equity: | | |
| Series A common stock: $0.01 par value; 10,800 and 10,800 shares authorized; 2,681 and 2,669 shares issued; and 2,451 and 2,439 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 | 55,332 | 55,112 |
| Treasury stock, at cost: 230 and 230 shares | (8,244) | (8,244) |
| Accumulated deficit | (11,880) | (928) |
| Accumulated other comprehensive loss | (890) | (741) |
| Total Warner Bros. Discovery, Inc. stockholders' equity | 34,345 | 45,226 |
| Noncontrolling interests | 952 | 1,081 |
| Total equity | 35,297 | 46,307 |
| Total liabilities and equity | $ 108,029 | $ 122,757 |

The accompanying notes are an integral part of these consolidated financial statements.

**WARNER BROS. DISCOVERY, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(unaudited; in millions)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2024** | **2023** |
| **Operating Activities** | | |
| Net loss | $ (10,983) | $ (2,280) |
| Adjustments to reconcile net income to cash provided by (used in) operating activities: | | |
| Content rights amortization and impairment | 7,747 | 9,361 |
| Depreciation and amortization | 3,632 | 3,972 |
| Deferred income taxes | (889) | (1,426) |
| Share-based compensation expense | 260 | 248 |
| Equity in losses of equity method investee companies and cash distributions | 83 | 112 |
| Gain on sale of investments | (203) | — |
| (Gain) loss on extinguishment of debt | (567) | 5 |
| Impairments and loss on dispositions | 9,407 | 37 |
| Gain from derivative instruments, net | (33) | (111) |
| Other, net | 58 | 129 |
| Changes in operating assets and liabilities, net of acquisitions and dispositions: | | |
| Receivables, net | (191) | (433) |
| Film and television content rights, games, and production payables, net | (6,351) | (7,656) |
| Accounts payable, accrued liabilities, deferred revenues and other noncurrent liabilities | (132) | (859) |
| Foreign currency, prepaid expenses and other assets, net | (25) | 284 |
| Cash provided by operating activities | 1,813 | 1,383 |
| **Investing Activities** | | |
| Purchases of property and equipment | (447) | (591) |
| Proceeds from sales of investments | 324 | — |
| Investments in and advances to equity investments | (68) | (45) |
| Other investing activities, net | 54 | 69 |
| Cash used in investing activities | (137) | (567) |
| **Financing Activities** | | |
| Principal repayments of term loans | — | (2,600) |
| Principal repayments of debt, including premiums and discounts to par value | (3,703) | (660) |
| Borrowings from debt, net of discount and issuance costs | 1,617 | 1,500 |
| Distributions to noncontrolling interests and redeemable noncontrolling interests | (161) | (269) |
| Securitization receivables collected but not remitted | — | 405 |
| Borrowings under commercial paper program and revolving credit facility | 11,605 | 2,599 |
| Repayments under commercial paper program and revolving credit facility | (11,605) | (2,602) |
| Other financing activities, net | (27) | (56) |
| Cash used in financing activities | (2,274) | (1,683) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (104) | 14 |
| Net change in cash, cash equivalents, and restricted cash | (702) | (853) |
| Cash, cash equivalents, and restricted cash, beginning of period | 4,319 | 3,930 |
| Cash, cash equivalents, and restricted cash, end of period | $ 3,617 | $ 3,077 |

The accompanying notes are an integral part of these consolidated financial statements.

WARNER BROS. DISCOVERY, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(unaudited; in millions)

| | Warner Bros. Discovery, Inc. Common Stock | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Additional Paid-In Capital | Treasury Stock | Accumulated Deficit | Accumulated Other Comprehensive Loss | Warner Bros. Discovery, Inc. Stockholders' Equity | Noncontrolling Interests | Total Equity |
| December 31, 2023 | 2,669 | $ 27 | $ 55,112 | $ (8,244) | $ (928) | $ (741) | $ 45,226 | $ 1,081 | $ 46,307 |
| Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests | — | — | — | — | (966) | — | (966) | 7 | (959) |
| Other comprehensive loss | — | — | — | — | — | (172) | (172) | (1) | (173) |
| Share-based compensation | — | — | 108 | — | — | — | 108 | — | 108 |
| Tax settlements associated with share-based plans | — | — | (53) | — | — | — | (53) | — | (53) |
| Dividends paid to noncontrolling interests | — | — | — | — | — | — | — | (123) | (123) |
| Issuance of stock in connection with share-based plans | 10 | — | 30 | — | — | — | 30 | — | 30 |
| Redeemable noncontrolling interest adjustments to redemption value | — | — | (22) | — | — | — | (22) | — | (22) |
| March 31, 2024 | 2,679 | $ 27 | $ 55,175 | $ (8,244) | $ (1,894) | $ (913) | $ 44,151 | $ 964 | $ 45,115 |
| Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests | — | — | — | — | (9,986) | — | (9,986) | 10 | (9,976) |
| Other comprehensive income (loss) | — | — | — | — | — | 23 | 23 | (3) | 20 |
| Share-based compensation | — | — | 151 | — | — | — | 151 | — | 151 |
| Tax settlements associated with share-based plans | — | — | (2) | — | — | — | (2) | — | (2) |
| Dividends paid to noncontrolling interests | — | — | — | — | — | — | — | (19) | (19) |
| Issuance of stock in connection with share-based plans | 2 | — | 6 | — | — | — | 6 | — | 6 |
| Redeemable noncontrolling interest adjustments to redemption value | — | — | 2 | — | — | — | 2 | — | 2 |
| June 30, 2024 | 2,681 | $ 27 | $ 55,332 | $ (8,244) | $ (11,880) | $ (890) | $ 34,345 | $ 952 | $ 35,297 |

The accompanying notes are an integral part of these consolidated financial statements.

## WARNER BROS. DISCOVERY, INC.
## CONSOLIDATED STATEMENTS OF EQUITY
**(unaudited; in millions)**

| | Warner Bros. Discovery, Inc. Common Stock Shares | Warner Bros. Discovery, Inc. Common Stock Par Value | Additional Paid-In Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Loss | Warner Bros. Discovery, Inc. Stockholders' Equity | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| December 31, 2022 | 2,660 | $ 27 | $ 54,630 | $ (8,244) | $ 2,205 | $ (1,523) | $ 47,095 | $ 1,254 | $ 48,349 |
| Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests | — | — | — | — | (1,069) | — | (1,069) | 8 | (1,061) |
| Other comprehensive income | — | — | — | — | — | 418 | 418 | — | 418 |
| Share-based compensation | — | — | 101 | — | — | — | 101 | — | 101 |
| Tax settlements associated with share-based plans | — | — | (53) | — | — | — | (53) | — | (53) |
| Dividends paid to noncontrolling interests | — | — | — | — | — | — | — | (225) | (225) |
| Issuance of stock in connection with share-based plans | 6 | — | 9 | — | — | — | 9 | — | 9 |
| Redeemable noncontrolling interest adjustments to redemption value | — | — | — | — | (3) | — | (3) | — | (3) |
| Other adjustments to stockholders' equity | — | — | (2) | — | — | — | (2) | — | (2) |
| March 31, 2023 | 2,666 | $ 27 | $ 54,685 | $ (8,244) | $ 1,133 | $ (1,105) | $ 46,496 | $ 1,037 | $ 47,533 |
| Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests | — | — | — | — | (1,240) | — | (1,240) | 16 | (1,224) |
| Other comprehensive income | — | — | — | — | — | 63 | 63 | — | 63 |
| Share-based compensation | — | — | 130 | — | — | — | 130 | — | 130 |
| Tax settlements associated with share-based plans | — | — | (7) | — | — | — | (7) | — | (7) |
| Dividends paid to noncontrolling interests | — | — | — | — | — | — | — | (26) | (26) |
| Issuance of stock in connection with share-based plans | 1 | — | 8 | — | — | — | 8 | — | 8 |
| Redeemable noncontrolling interest adjustments to redemption value | — | — | — | — | 2 | — | 2 | — | 2 |
| June 30, 2023 | 2,667 | $ 27 | $ 54,816 | $ (8,244) | $ (105) | $ (1,042) | $ 45,452 | $ 1,027 | $ 46,479 |

The accompanying notes are an integral part of these consolidated financial statements.

## NOTE 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

**Description of Business**

Warner Bros. Discovery, Inc. ("Warner Bros. Discovery", "WBD", the "Company", "we", "us" or "our") is a leading global media and entertainment company that creates and distributes a 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, Max, discovery+, CNN, DC, TNT Sports, Eurosport, HBO, HGTV, Food Network, OWN, Investigation Discovery, TLC, Magnolia Network, TNT, TBS, truTV, Travel Channel, MotorTrend, 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.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries in which a controlling interest is maintained, including variable interest entities ("VIE") for which the Company is the primary beneficiary. Intercompany accounts and transactions between consolidated entities have been eliminated.

**Unaudited Interim Financial Statements**

These consolidated financial statements are unaudited; however, in the opinion of management, they reflect all adjustments consisting only of normal recurring adjustments necessary to state fairly the financial position, results of operations and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods. The results of operations for the interim periods presented are not necessarily indicative of results for the full year or future periods. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Form 10-K").

**Use of Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from these estimates.

**Accounting and Reporting Pronouncements Not Yet Adopted**

***Segment Reporting***

In November 2023, the Financial Accounting Standards Board ("FASB") issued guidance updating the disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The amendments are effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact this guidance will have on its disclosures.

***Income Taxes***

In December 2023, the FASB issued guidance updating the disclosure requirements for income taxes, primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments are effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is permitted. The Company is currently evaluating the impact this guidance will have on its disclosures.

## NOTE 2. GOODWILL AND INTANGIBLE ASSETS

We perform fair value-based impairment tests of goodwill and intangible assets with indefinite lives on an annual basis, and between annual tests if an event occurs or if circumstances change that would more likely than not reduce the fair value of a reporting unit or an indefinite-lived intangible asset below its carrying value.

The Company continues to monitor its reporting units for triggers that could impact recoverability of goodwill. These potential triggers include, but are not limited to, the following:

- the delta between market capitalization and book value;
- uncertainty related to affiliate and sports rights renewals associated with the Company's Networks and DTC reporting units;

- declining levels of global GDP growth and continued softness in the U.S. linear advertising market associated with the Company's Networks reporting unit;
- content licensing trends in our Studios reporting unit; and
- risks in executing the projected growth strategies of the Company's DTC reporting unit.

During the three months ended June 30, 2024, the Company performed goodwill and intangible assets impairment monitoring procedures for all of its reporting units and concluded the delta between market capitalization and book value, continued softness in the U.S. linear advertising market, and uncertainty related to affiliate and sports rights renewals, including the NBA (see Note 17), represented a triggering event in the second quarter of 2024 for the Networks reporting unit.

As a result, the Company elected to perform a quantitative impairment assessment for all of its reporting units in the second quarter of 2024. Based on the results of the quantitative impairment test, the Studios reporting unit had fair value in excess of carrying value of 19% and the DTC reporting unit had fair value in excess of carrying value of greater than 20%.

For the Networks reporting unit, fair value was determined using a Discounted Cash Flow ("DCF") method. The key judgments and assumptions used in the DCF method to determine the fair value of the Networks reporting unit were as follows:

- The expected future cash flows in terms of their amount and timing. These cash flows, utilized in the DCF analysis, are derived from the reporting unit's budget and its strategic long-term plan, which reflect expectations based upon operating performance and assumptions consistent with those of a market participant with regards to affiliate revenue, sports rights, and continued softness in the U.S. linear advertising market.
- Long-term growth rate of negative 3%.
- A discount rate of 10.5%. This is reflective of the risks inherent in the future cash flows of the reporting unit and market conditions.

Given the inherent uncertainty in determining the assumptions underlying a DCF analysis, actual results may differ from those used in the valuations.

The carrying value of the Networks reporting unit exceeded its fair value and the Company recorded a pre-tax, non-cash goodwill impairment charge of $9.1 billion in impairments and loss on dispositions on the consolidated statements of operations. The goodwill impairment charge does not have an impact on the calculation of the Company's financial covenants under the Company's debt arrangements.

As of June 30, 2024, the carrying value of remaining goodwill assigned to the Networks reporting unit was $8.4 billion and the net assets of the reporting unit were approximately $25.6 billion. The Networks segment included accumulated impairments of $10.8 billion and $1.6 billion as of June 30, 2024 and December 31, 2023, respectively.

**Fair Value Measurements**

The determination of fair value of the Company's reporting units represents a Level 3 fair value measurement in the fair value hierarchy due to its use of internal projections and unobservable measurement inputs. Changes in significant judgments and estimates could significantly impact the determined fair value of the reporting unit or the valuation of intangible assets. Changes to assumptions that would decrease the fair value of the reporting unit may result in corresponding increases to the impairment of goodwill at the reporting unit.

**NOTE 3. RESTRUCTURING AND OTHER CHARGES**

In connection with the completion of its merger (the "Merger") with the WarnerMedia business (the "WarnerMedia Business") of AT&T Inc. on April 8, 2022, the Company has announced and has taken actions to implement projects to achieve cost synergies for the Company, which includes, among other things, strategic content programming assessments, organization restructuring, facility consolidation activities, and other contract termination costs. While the Company's restructuring efforts are ongoing, the merger-related restructuring program is expected to be substantially completed by the end of 2024. During the three months ended June 30, 2024, the Company initiated an organizational and personnel restructuring plan and, during 2023, initiated a strategic realignment plan associated with its Warner Bros. Pictures Animation group.

Restructuring and other charges by reportable segments and corporate and inter-segment eliminations were as follows (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Studios | $ 19 | $ 10 | $ 30 | $ 86 |
| Networks | 42 | 110 | 53 | 113 |
| DTC | 15 | 18 | 17 | 27 |
| Corporate and inter-segment eliminations | 41 | 8 | 52 | 15 |
| Total restructuring and other charges | $ 117 | $ 146 | $ 152 | $ 241 |

During the three months ended June 30, 2024, restructuring and other charges were primarily related to organization restructuring costs. During the three months ended June 30, 2023, restructuring and other charges primarily included contract terminations and facility consolidation activities of $15 million, organization restructuring costs of $124 million, and other charges of $7 million. Facility consolidation impairment charges of $231 million were recorded in impairment and loss on dispositions in the consolidated statements of operations during the three months ended June 30, 2024. (See Note 13.)

During the six months ended June 30, 2024, restructuring and other charges were primarily related to organization restructuring costs. During the six months ended June 30, 2023, restructuring and other charges primarily included contract terminations and facility consolidation activities of $71 million, organization restructuring of $159 million, and other charges of $11 million.

Changes in restructuring liabilities recorded in accrued liabilities and other noncurrent liabilities by major category and by reportable segment and corporate and inter-segment eliminations were as follows (in millions).

| | Studios | Networks | DTC | Corporate and Inter-Segment Eliminations | Total |
|---|---|---|---|---|---|
| December 31, 2023 | $ 98 | $ 202 | $ 80 | $ 80 | $ 460 |
| Employee termination accruals, net | 29 | 54 | 21 | 47 | 151 |
| Other accruals | — | (2) | (4) | 3 | (3) |
| Cash paid | (57) | (80) | (40) | (78) | (255) |
| June 30, 2024 | $ 70 | $ 174 | $ 57 | $ 52 | $ 353 |

## NOTE 4. REVENUES

The following tables present the Company’s revenues disaggregated by revenue source (in millions).

| | Three Months Ended June 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Studios | Networks | DTC | Corporate and Inter-segment Eliminations | Total |
| Revenues: | | | | | |
| Distribution | $ 3 | $ 2,675 | $ 2,202 | $ (1) | $ 4,879 |
| Advertising | — | 2,214 | 240 | (24) | 2,430 |
| Content | 2,237 | 299 | 123 | (550) | 2,109 |
| Other | 209 | 84 | 3 | (1) | 295 |
| Total | $ 2,449 | $ 5,272 | $ 2,568 | $ (576) | $ 9,713 |

| | Three Months Ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Studios | Networks | DTC | Corporate and Inter-segment Eliminations | Total |
| Revenues: | | | | | |
| Distribution | $ 3 | $ 2,941 | $ 2,192 | $ (1) | $ 5,135 |
| Advertising | 4 | 2,448 | 121 | (54) | 2,519 |
| Content | 2,398 | 284 | 410 | (646) | 2,446 |
| Other | 176 | 85 | 9 | (12) | 258 |
| Total | $ 2,581 | $ 5,758 | $ 2,732 | $ (713) | $ 10,358 |

| | Six Months Ended June 30, 2024 | | | | |
|---|---|---|---|---|---|
| | Studios | Networks | DTC | Corporate and Inter-segment Eliminations | Total |
| Revenues: | | | | | |
| Distribution | $ 8 | $ 5,472 | $ 4,387 | $ (3) | $ 9,864 |
| Advertising | 4 | 4,201 | 415 | (42) | 4,578 |
| Content | 4,860 | 563 | 222 | (978) | 4,667 |
| Other | 398 | 161 | 4 | (1) | 562 |
| Total | $ 5,270 | $ 10,397 | $ 5,028 | $ (1,024) | $ 19,671 |

| | Six Months Ended June 30, 2023 | | | | |
|---|---|---|---|---|---|
| | Studios | Networks | DTC | Corporate and Inter-segment Eliminations | Total |
| Revenues: | | | | | |
| Distribution | $ 6 | $ 5,936 | $ 4,357 | $ (1) | $ 10,298 |
| Advertising | 7 | 4,685 | 224 | (99) | 4,817 |
| Content | 5,425 | 529 | 595 | (1,149) | 5,400 |
| Other | 355 | 189 | 11 | (12) | 543 |
| Total | $ 5,793 | $ 11,339 | $ 5,187 | $ (1,261) | $ 21,058 |

**Contract Liabilities and Contract Assets**

The following table presents contract liabilities on the consolidated balance sheets (in millions).

| Category | Balance Sheet Location | June 30, 2024 | December 31, 2023 |
|---|---|---|---|
| Contract liabilities | Deferred revenues | $ 2,022 | $ 1,924 |
| Contract liabilities | Other noncurrent liabilities | 215 | 160 |

For the six months ended June 30, 2024 and 2023, respectively, revenues of $1,046 million and $1,102 million were recognized that were included in deferred revenues as of December 31, 2023 and December 31, 2022, respectively. Contract assets were not material as of June 30, 2024 and December 31, 2023.

**Remaining Performance Obligations**

As of June 30, 2024, $11,456 million of revenue is expected to be recognized from remaining performance obligations under our long-term contracts. The following table presents a summary of remaining performance obligations by contract type (in millions).

| Contract Type | June 30, 2024 | | Duration |
|---|---|---|---|
| Distribution - fixed price or minimum guarantee | $ | 3,301 | Through 2031 |
| Content licensing and sports sublicensing | | 5,421 | Through 2030 |
| Brand licensing | | 2,121 | Through 2043 |
| Advertising | | 613 | Through 2027 |
| Total | $ | 11,456 | |

The value of unsatisfied performance obligations disclosed above does not include: (i) contracts involving variable consideration for which revenues are recognized in accordance with the sales or usage-based royalty exception, and (ii) contracts with an original expected length of one year or less, such as most advertising contracts; however for content licensing revenues, including revenues associated with the licensing of theatrical and television product for television and streaming services, the Company has included all contracts regardless of duration.

## NOTE 5. SALES OF RECEIVABLES

**Revolving Receivables Program**

During the three months ended June 30, 2024, the Company amended its revolving receivables program to reduce the facility limit to $5,200 million and extend the program to June 2025. The outstanding portfolio of receivables derecognized from our consolidated balance sheets was $5,068 million as of June 30, 2024.

The Company recognized $37 million and $88 million for the three and six months ended June 30, 2024, respectively, and $9 million and $42 million for the three and six months ended June 30, 2023, respectively, in selling, general and administrative expenses in the consolidated statements of operations from the revolving receivables program (net of non-designated derivatives). (See Note 9.)

The following table presents a summary of receivables sold (in millions).

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| Gross receivables sold/cash proceeds received | $ | 3,540 | $ | 3,637 | $ | 7,496 | $ | 6,416 |
| Collections reinvested under revolving agreement | | (3,643) | | (3,642) | | (7,630) | | (6,487) |
| Net cash proceeds remitted | $ | (103) | $ | (5) | $ | (134) | $ | (71) |
| Net receivables sold | $ | 3,529 | $ | 3,606 | $ | 7,443 | $ | 6,304 |
| Obligations recorded (Level 3) | $ | 86 | $ | 112 | $ | 239 | $ | 260 |

The following table presents a summary of the amounts transferred or pledged, which were held at the Company's bankruptcy-remote consolidated subsidiary (in millions).

| | June 30, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| Gross receivables pledged as collateral | $ | 2,883 | $ | 3,088 |
| Restricted cash pledged as collateral | $ | — | $ | 500 |
| **Balance sheet classification:** | | | | |
| Receivables, net | $ | 2,567 | $ | 2,780 |
| Prepaid expenses and other current assets | $ | — | $ | 500 |
| Other noncurrent assets | $ | 316 | $ | 308 |

**Accounts Receivable Factoring**

Total trade accounts receivable sold under the Company's factoring arrangement was $57 million for the six months ended June 30, 2024. Total trade accounts receivable sold under the Company's factoring arrangement was $72 million for the six months ended June 30, 2023. The impact to the consolidated statements of operations was immaterial for the three and six months ended June 30, 2024 and 2023. This accounts receivable factoring agreement is separate and distinct from the revolving receivables program.

## NOTE 6. CONTENT RIGHTS

For purposes of amortization and impairment, capitalized content costs are grouped based on their predominant monetization strategy: individually or as a group. Programming rights are presented as two separate captions: licensed content and advances and live programming and advances. Live programming includes licensed sports rights and related advances. The tables below present the components of content rights (in millions).

| | June 30, 2024 | | |
|---|---|---|---|
| | Predominantly Monetized Individually | Predominantly Monetized as a Group | Total |
| **Theatrical film production costs:** | | | |
| Released, less amortization | $ 1,927 | $ — | $ 1,927 |
| Completed and not released | 425 | — | 425 |
| In production and other | 1,380 | — | 1,380 |
| | | | |
| **Television production costs:** | | | |
| Released, less amortization | 1,365 | 5,552 | 6,917 |
| Completed and not released | 681 | 731 | 1,412 |
| In production and other | 325 | 2,011 | 2,336 |
| **Total theatrical film and television production costs** | $ 6,103 | $ 8,294 | $ 14,397 |
| Licensed content and advances, net | | | 4,455 |
| Live programming and advances, net | | | 1,317 |
| Game development costs, less amortization | | | 515 |
| **Total film and television content rights and games** | | | 20,684 |
| Less: Current content rights and prepaid license fees, net | | | (674) |
| **Total noncurrent film and television content rights and games** | | | $ 20,010 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Predominantly Monetized Individually | Predominantly Monetized as a Group | Total |
| **Theatrical film production costs:** | | | |
| Released, less amortization | $ 2,823 | $ — | $ 2,823 |
| Completed and not released | 107 | — | 107 |
| In production and other | 1,300 | — | 1,300 |
| | | | |
| **Television production costs:** | | | |
| Released, less amortization | 1,471 | 5,317 | 6,788 |
| Completed and not released | 380 | 606 | 986 |
| In production and other | 417 | 2,624 | 3,041 |
| **Total theatrical film and television production costs** | $ 6,498 | $ 8,547 | $ 15,045 |
| Licensed content and advances, net | | | 4,519 |
| Live programming and advances, net | | | 1,943 |
| Game development costs, less amortization | | | 565 |
| **Total film and television content rights and games** | | | 22,072 |
| Less: Current content rights and prepaid license fees, net | | | (843) |
| **Total noncurrent film and television content rights and games** | | | $ 21,229 |

Content amortization consisted of the following (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Predominantly monetized individually | $ 754 | $ 1,031 | $ 1,676 | $ 2,562 |
| Predominantly monetized as a group | 3,114 | 3,579 | 5,893 | 6,675 |
| **Total content amortization** | $ 3,868 | $ 4,610 | $ 7,569 | $ 9,237 |

Content expense includes amortization, impairments, and development expense and is generally a component of costs of revenues on the consolidated statements of operations. Content impairments were $52 million and $178 million, respectively, for the three and six months ended June 30, 2024. For the three and six months ended June 30, 2023, content impairments were $28 million and $124 million, respectively.

## NOTE 7. INVESTMENTS

The Company's equity investments consisted of the following, net of investments recorded in other noncurrent liabilities (in millions).

| Category | Balance Sheet Location | Ownership | June 30, 2024 | December 31, 2023 |
|---|---|---|---|---|
| Equity method investments: | | | | |
| The Chernin Group (TCG) 2.0-A, LP | Other noncurrent assets | 44% | $ 218 | $ 249 |
| nC+ | Other noncurrent assets | 32% | 141 | 142 |
| TNT Sports | Other noncurrent assets | 50% | 100 | 102 |
| Other | Other noncurrent assets | | 397 | 503 |
| Total equity method investments | | | 856 | 996 |
| Investments with readily determinable fair values | Other noncurrent assets | | 45 | 53 |
| Investments without readily determinable fair values | Other noncurrent assets[(a)] | | 417 | 438 |
| Total investments | | | $ 1,318 | $ 1,487 |

[(a)] Investments without readily determinable fair values included $17 million as of June 30, 2024 and December 31, 2023, respectively that were included in prepaid expenses and other current assets.

### *Equity Method Investments*

Certain of the Company's other equity method investments are VIEs, for which the Company is not the primary beneficiary. As of June 30, 2024, the Company's maximum exposure for all of its unconsolidated VIEs, including the investment carrying values and unfunded contractual commitments made on behalf of VIEs, was approximately $675 million. The Company's maximum estimated exposure excludes the non-contractual future funding of VIEs. The aggregate carrying values of these VIE investments were $655 million as of June 30, 2024 and $697 million as of December 31, 2023. VIE gains and losses are recorded in loss from equity investees, net on the consolidated statements of operations. VIE losses were $11 million and $25 million for the three months ended June 30, 2024 and 2023, respectively, and $38 million and $53 million for six months ended June 30, 2024 and 2023, respectively.

In May 2024, the Company sold its 50% interest in All3Media, an equity method investment, for proceeds of $324 million and recorded a gain of $203 million in other income (expense), net in the consolidated statements of operations (in millions).

## NOTE 8. DEBT

The table below presents the components of outstanding debt (in millions).

| | Weighted-Average Interest Rate as of June 30, 2024 | June 30, 2024 | December 31, 2023 |
|---|---|---|---|
| Floating rate senior notes with maturities of 5 years or less | — % | $ — | $ 40 |
| Senior notes with maturities of 5 years or less | 4.04 % | 14,785 | 13,664 |
| Senior notes with maturities between 5 and 10 years | 4.37 % | 7,902 | 8,607 |
| Senior notes with maturities greater than 10 years | 5.19 % | 18,314 | 21,644 |
| Total debt | | 41,001 | 43,955 |
| Unamortized discount, premium, debt issuance costs, and fair value adjustments for acquisition accounting, net | | (43) | (286) |
| Debt, net of unamortized discount, premium, debt issuance costs, and fair value adjustments for acquisition accounting | | 40,958 | 43,669 |
| Current portion of debt | | (3,669) | (1,780) |
| Noncurrent portion of debt | | $ 37,289 | $ 41,889 |

During the three months ended June 30, 2024, the Company commenced a tender offer to purchase for cash up to $2.61 billion in aggregate purchase price (excluding accrued and unpaid interest) of (i) DCL's outstanding 3.900% Senior Notes due 2024, 4.000% Senior Notes due 2055, 4.650% Senior Notes due 2050, 4.950% Senior Notes due 2042, 4.875% Senior Notes due 2043, 5.200% Senior Notes due 2047, and 5.300% Senior Notes due 2049, (ii) Scripps Networks' outstanding 3.900% Senior Notes due 2024, (iii) the legacy WarnerMedia Business's outstanding 4.650% Senior Notes due 2044, 4.850% Senior Notes due 2045, 4.900% Senior Notes due 2042, and 5.350% Senior Notes due 2043, and (iv) WMH's outstanding 5.050% Senior Notes due 2042, which was funded using the aggregate net proceeds from debt financing transactions together with available cash on hand and other available sources of liquidity. The Company completed the tender offer in June 2024 by purchasing senior notes in the aggregate principal amount of $3,399 million validly tendered and accepted for purchase pursuant to the offer and recorded a gain on extinguishment of $542 million. The Company also repaid in full at maturity $48 million of aggregate principal amount outstanding of its senior notes due June 2024.

During the three months ended June 30, 2024, the Company issued €650 million of 4.302% fixed rate senior notes due January 2030 and €850 million of 4.693% fixed rate senior notes due May 2033, the proceeds of which were used to fund the tender offer. After December 2029 and February 2033, respectively, the senior notes are redeemable at par plus accrued and unpaid interest.

During the three months ended March 31, 2024, the Company repaid in full at maturity $726 million of aggregate principal amount outstanding of its senior notes due February and March 2024 and completed open market repurchases for $364 million of aggregate principal amount outstanding of its senior notes.

During the three months ended June 30, 2023, the Company commenced a tender offer to purchase for cash any and all of its outstanding Floating Rate Notes due in 2024. The Company completed the tender offer in June 2023, by purchasing Floating Rate Notes in the amount of $460 million validly tendered and accepted for purchase pursuant to the offer. The Company also repaid $1.1 billion of aggregate principal amount outstanding of its term loan prior to the due date of April 2025 and completed open market repurchases for $88 million of aggregate principal amount outstanding of its senior notes.

During the three months ended March 31, 2023, the Company issued $1.5 billion of 6.412% fixed rate senior notes due March 2026. After March 2024, the senior notes are redeemable at par plus accrued and unpaid interest. The proceeds were used to pay $1.5 billion of aggregate principal amount outstanding of the Company's term loan prior to the due date of April 2025. The Company also repaid $106 million of aggregate principal amount outstanding of its senior notes due February 2023.

As of June 30, 2024, all senior notes are fully and unconditionally guaranteed by the Company, Scripps Networks Interactive, Inc. ("Scripps Networks"), Discovery Communications, LLC ("DCL") (to the extent it is not the primary obligor on such senior notes), and WarnerMedia Holdings, Inc. ("WMH") (to the extent it is not the primary obligor on such senior notes), except for $1.0 billion of senior notes of the legacy WarnerMedia Business assumed by the Company in connection with the Merger and $22 million of un-exchanged senior notes issued by Scripps Networks.

**Revolving Credit Facility and Commercial Paper Programs**

The Company has a multicurrency revolving credit agreement (the "Revolving Credit Agreement") and has the capacity to borrow up to $6.0 billion under the Revolving Credit Agreement (the "Credit Facility"). The Company may also request additional commitments up to $1.0 billion from the lenders upon the satisfaction of certain conditions. The Company's commercial paper program is supported by the Credit Facility. Borrowing capacity under the Credit Facility is effectively reduced by any outstanding borrowings under the commercial paper program. As of June 30, 2024 and December 31, 2023, the Company had no outstanding borrowings under its Credit Facility or its commercial paper program.

***Credit Agreement Financial Covenants***

The Revolving Credit Agreement includes financial covenants that require the Company to maintain a minimum consolidated interest coverage ratio of 3.00 to 1.00 and a maximum adjusted consolidated leverage ratio of 5.75 to 1.00 following the closing of the Merger, with step-downs to 5.00 to 1.00 and 4.50 to 1.00 upon completion of the first full quarter following the first and second anniversaries of the closing, respectively. As of June 30, 2024, the Company was in compliance with all covenants and there were no events of default under the Revolving Credit Agreement.

## NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Company is exposed to foreign currency exchange rate market risk and interest rate fluctuations. As part of its risk management strategy, the Company uses derivative financial instruments, primarily foreign currency forward contracts, fixed-to-fixed currency swaps, total return swaps and interest rate swaps to hedge certain foreign currency, market value and interest rate exposures. The Company's objective is to reduce earnings volatility by offsetting gains and losses resulting from these exposures with losses and gains on the derivative contracts used to hedge them. The Company does not enter into or hold derivative financial instruments for speculative trading purposes.

There were no amounts eligible to be offset under master netting agreements as of June 30, 2024 and December 31, 2023. The fair value of the Company's derivative financial instruments was determined using a market-based approach (Level 2). The following table summarizes the impact of derivative financial instruments on the Company's consolidated balance sheets (in millions).

| | June 30, 2024 | | | | | December 31, 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | | Fair Value | | | |
| | Notional | Prepaid expenses and other current assets | Other non-current assets | Accounts payable and accrued liabilities | Other non-current liabilities | Notional | Prepaid expenses and other current assets | Other non-current assets | Accounts payable and accrued liabilities | Other non-current liabilities |
| Cash flow hedges: | | | | | | | | | | |
| Foreign exchange | $ 1,472 | $ 35 | $ 3 | $ 23 | $ 3 | $ 1,484 | $ 40 | $ 8 | $ 37 | $ 8 |
| Net investment hedges: [(a)] | | | | | | | | | | |
| Cross-currency swaps | 1,686 | 30 | 18 | 4 | 21 | 1,779 | 23 | 12 | 7 | 42 |
| Fair value hedges: | | | | | | | | | | |
| Interest rate swaps | 1,500 | 5 | — | — | 4 | 1,500 | 7 | — | — | 5 |
| No hedging designation: | | | | | | | | | | |
| Foreign exchange | 1,097 | 21 | 3 | 5 | 102 | 1,058 | 1 | 1 | 1 | 83 |
| Interest rate swaps | 3,000 | 28 | — | — | — | — | — | — | — | — |
| Total return swaps | 439 | 5 | — | — | — | 395 | 19 | — | — | — |
| Total | | $ 124 | $ 24 | $ 32 | $ 130 | | $ 90 | $ 21 | $ 45 | $ 138 |

[(a)] Excludes £145 million and £402 million of sterling notes ($183 million and $513 million equivalent at June 30, 2024 and December 31, 2023, respectively), and €1,500 million of euro notes ($1,608 million equivalent at June 30, 2024) designated as a net investment hedge. (See Note 8.)

### Derivatives Designated for Hedge Accounting

*Cash Flow Hedges*

The Company uses foreign exchange forward contracts to mitigate the foreign currency risk related to revenues, production rebates and production expenses. As production spend occurs or when rebate receivables are recognized, foreign forward exchange contracts designated as cash flow hedges are de-designated. Upon de-designation, gains and losses on these derivatives directly impact earnings in the same line and same period as the hedged risk.

In April 2023, the Company unwound cross-currency swaps related to its Sterling debt and recognized a gain of $76 million as an adjustment to other comprehensive income. The Sterling debt was subsequently re-designated as a net investment hedge effective May 2023, and in May 2024, the Company de-designated £255 million of the Sterling debt.

The following table presents the pre-tax impact of derivatives designated as cash flow hedges on income and other comprehensive loss (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Gains (losses) recognized in accumulated other comprehensive loss: | | | | |
| Foreign exchange - derivative adjustments | $ 15 | $ 19 | $ 31 | $ 20 |
| Gains (losses) reclassified into income from accumulated other comprehensive loss: | | | | |
| Foreign exchange - distribution revenue | 1 | (1) | 3 | (2) |
| Foreign exchange - costs of revenues | (4) | (11) | 7 | (9) |
| Foreign exchange - other income (expense), net | — | 18 | — | 18 |
| Interest rate - interest expense, net | (1) | — | (2) | 1 |
| Interest rate - gain (loss) on extinguishment of debt | (4) | — | (4) | — |
| Interest rate - other income (expense), net | 5 | — | 5 | — |

If current fair values of designated cash flow hedges as of June 30, 2024 remained static over the next twelve months, the amount the Company would reclassify from accumulated other comprehensive loss into income in the next twelve months would not be material for the current fiscal year. The maximum length of time the Company is hedging exposure to the variability in future cash flows is 31 years.

*Net Investment Hedges*

The Company uses fixed-to-fixed cross currency swaps to mitigate foreign currency risk associated with the net assets of non-USD functional entities.

During the three months ended June 30, 2024, to mitigate the currency risk associated with the net assets of non-USD functional entities, the Company designated its Euro denominated debt issued in May 2024 as a net investment hedge (See Note 8) and designated an additional €300 million of fixed-to-fixed cross currency swaps as a net investment hedge. During the three months ended June 30, 2023, to mitigate the currency risk associated with the net assets of non-USD functional entities, the Company re-designated its Sterling denominated debt due in 2024 as a net investment hedge after the unwind of the cash flow hedge previously noted.

The following table presents the pre-tax impact of derivatives designated as net investment hedges on other comprehensive loss (in millions). Other than amounts excluded from effectiveness testing, there were no other material gains (losses) reclassified from accumulated other comprehensive loss to income during the three and six months ended June 30, 2024 and 2023.

| | Three Months Ended June 30, | | | | |
|---|---|---|---|---|---|
| | Amount of gain (loss) recognized in AOCI | | Location of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) | Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) | |
| | 2024 | 2023 | | 2024 | 2023 |
| Cross currency swaps | $ 14 | $ 3 | Interest expense, net | $ 6 | $ 6 |
| Euro-denominated notes (foreign denominated debt) | 21 | — | N/A | — | — |
| Sterling notes (foreign denominated debt) | — | (6) | N/A | — | — |
| Total | $ 35 | $ (3) | | $ 6 | $ 6 |

| | Six Months Ended June 30, | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amount of gain (loss) recognized in AOCI | | | | Location of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) | Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) | | | |
| | 2024 | | 2023 | | | 2024 | | 2023 | |
| Cross currency swaps | $ | 39 | $ | 25 | Interest expense, net | $ | 12 | $ | 11 |
| Euro-denominated notes (foreign denominated debt) | | 21 | | 5 | N/A | | — | | — |
| Sterling notes (foreign denominated debt) | | 4 | | (6) | N/A | | — | | — |
| Total | $ | 64 | $ | 24 | | $ | 12 | $ | 11 |

*Fair Value Hedges*

During the three months ended March 31, 2023, the Company issued $1.5 billion of 6.412% fixed rate senior notes due March 2026. Simultaneously, the Company entered into a fixed-to-floating interest rate swap designated as a fair value hedge to allow the Company to mitigate the variability in the fair value of its senior notes due to fluctuations in the benchmark interest rate. Changes in the fair value of the senior note and the interest rate swap are recorded in interest expense, net.

The following table presents fair value hedge adjustments to hedged borrowings (in millions).

| | Carrying Amount of Hedged Borrowings | | | | Cumulative Amount of Fair Value Hedging Adjustments Included in Hedged Borrowings | | | |
|---|---|---|---|---|---|---|---|---|
| **Balance Sheet Location** | June 30, 2024 | | December 31, 2023 | | June 30, 2024 | | December 31, 2023 | |
| Noncurrent portion of debt | $ | 1,501 | $ | 1,502 | $ | 1 | $ | 2 |

The following table presents the pretax impact of derivatives designated as fair value hedges on income, including offsetting changes in fair value of the hedged items (in millions).

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| Gain (loss) on changes in fair value of hedged fixed rate debt [(1)] | $ | 1 | $ | 11 | $ | 1 | $ | (1) |
| (Loss) gain on changes in the fair value of derivative contracts [(1)] | | (1) | | (11) | | (1) | | 1 |
| Total in interest expense, net | $ | — | $ | — | $ | — | $ | — |

[(1)] Accrued interest expense related to the hedged debt and derivative contracts is excluded from the amounts above and was $27 million as of June 30, 2024.

**Derivatives Not Designated for Hedge Accounting**

The Company has deferred compensation plans that have risk related to the fair value gains and losses on these investments and entered into total return swaps to mitigate this risk. The gains and losses associated with these swaps are recorded to selling, general and administrative expenses, offsetting the deferred compensation investment gains and losses.

The Company is exposed to risk of secured overnight financing rate changes in connection with securitization interest paid on the receivables securitization program. To mitigate this risk, the Company entered into $3.0 billion notional of non-designated interest rate swaps. The gains and losses on these derivatives are recorded to selling, general and administrative expenses, offsetting securitization interest expense.

The following table presents the pretax gains (losses) on derivatives not designated as hedges and recognized in selling, general and administrative expense and other income (expense), net in the consolidated statements of operations (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Interest rate swaps | $ 7 | $ 62 | $ 28 | $ 62 |
| Total return swaps | 1 | 13 | 20 | 31 |
| Total in selling, general and administrative expense | 8 | 75 | 48 | 93 |
| | | | | |
| Interest rate swaps | (5) | — | (3) | — |
| Cross-currency swaps | — | 1 | — | 1 |
| Foreign exchange derivatives | (17) | (1) | (25) | 2 |
| Total in other income (expense), net | (22) | — | (28) | 3 |
| Total | $ (14) | $ 75 | $ 20 | $ 96 |

## NOTE 10. FAIR VALUE MEASUREMENTS

Fair value is defined as the amount that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities carried at fair value are classified in the following three categories:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3 – Valuations derived from techniques in which one or more significant inputs are unobservable.

The tables below present assets and liabilities measured at fair value on a recurring basis (in millions).

| | | June 30, 2024 | | | |
|---|---|---|---|---|---|
| Category | Balance Sheet Location | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | | |
| Cash equivalents: | | | | | |
| Time deposits | Cash and cash equivalents | $ — | $ 412 | $ — | $ 412 |
| Equity securities: | | | | | |
| Money market fund | Cash and cash equivalents | 35 | — | — | 35 |
| Mutual funds | Prepaid expenses and other current assets | 18 | — | — | 18 |
| Company-owned life insurance contracts | Prepaid expenses and other current assets | — | 1 | — | 1 |
| Mutual funds | Other noncurrent assets | 216 | — | — | 216 |
| Company-owned life insurance contracts | Other noncurrent assets | — | 101 | — | 101 |
| Total | | $ 269 | $ 514 | $ — | $ 783 |
| **Liabilities** | | | | | |
| Deferred compensation plan | Accrued liabilities | $ 63 | $ — | $ — | $ 63 |
| Deferred compensation plan | Other noncurrent liabilities | 635 | — | — | 635 |
| Total | | $ 698 | $ — | $ — | $ 698 |

| Category | Balance Sheet Location | December 31, 2023 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash equivalents: | | | | | |
| Time deposits | Cash and cash equivalents | $ — | $ 105 | $ — | $ 105 |
| Equity securities: | | | | | |
| Money market funds | Cash and cash equivalents | 1 | — | — | 1 |
| Mutual funds | Prepaid expenses and other current assets | 42 | — | — | 42 |
| Company-owned life insurance contracts | Prepaid expenses and other current assets | — | 1 | — | 1 |
| Mutual funds | Other noncurrent assets | 233 | — | — | 233 |
| Company-owned life insurance contracts | Other noncurrent assets | — | 97 | — | 97 |
| Total | | $ 276 | $ 203 | $ — | $ 479 |
| **Liabilities** | | | | | |
| Deferred compensation plan | Accrued liabilities | $ 67 | $ — | $ — | $ 67 |
| Deferred compensation plan | Other noncurrent liabilities | 614 | — | — | 614 |
| Total | | $ 681 | $ — | $ — | $ 681 |

In addition to the financial instruments listed in the tables above, the Company holds other financial instruments, including cash deposits, accounts receivable, accounts payable, and senior notes. The carrying values for such financial instruments, other than the senior notes, each approximated their fair values as of June 30, 2024 and December 31, 2023. The estimated fair value of the Company's outstanding senior notes, including accrued interest, using quoted prices from over-the-counter markets, considered Level 2 inputs, was $36.4 billion and $40.5 billion as of June 30, 2024 and December 31, 2023, respectively.

The Company's derivative financial instruments are discussed in Note 9, its investments with readily determinable fair value are discussed in Note 7, and the obligation for its revolving receivable program is discussed in Note 5.

**NOTE 11. SHARE-BASED COMPENSATION**

The Company has various incentive plans under which performance based restricted stock units ("PRSUs"), service based restricted stock units ("RSUs"), and stock options have been issued. The table below presents awards granted (in millions, except weighted-average grant price).

| | Six Months Ended June 30, 2024 Awards | Weighted-Averag Grant Price |
|---|---|---|
| Awards granted: | | |
| PRSUs | 6.1 | $ 8 |
| RSUs | 53.2 | $ 8 |
| Stock options | 4.1 | $ 8 |

The table below presents unrecognized compensation cost related to non-vested share-based awards and the weighted-average amortization period over which these expenses will be recognized as of June 30, 2024 (in millions, except years).

| | Unrecognized Compensation Cost | Weighted-Average Amortization Period (years) |
|---|---|---|
| PRSUs | $ 81 | |
| RSUs | 696 | |
| Stock options | 106 | |
| Total unrecognized compensation cost | $ 883 | |

## NOTE 12. INCOME TAXES

Income tax benefit was $7 million and $260 million for the three months ended June 30, 2024 and 2023, respectively, and income tax (expense) benefit was $(129) million and $438 million for the six months ended June 30, 2024 and 2023, respectively. During the three months ended June 30, 2024, the Company recorded a non-cash goodwill impairment charge of $9.1 billion, the majority of which was not deductible for tax purposes. (See Note 2.) The increase in income tax expense for the three and six months ended June 30, 2024 compared to the same periods in 2023 was primarily attributable to an increase in pre-tax book income excluding the non-cash goodwill impairment charge, the effect of foreign operations, including the tax attribute carryforwards in jurisdictions for which no tax benefit can be recognized, and an increase in uncertain tax positions, primarily attributable to a one-time favorable audit resolution reserve release included in the 2023 income tax benefit for the three and six months ended June 30, 2023.

Income tax expense for the three and six months ended June 30, 2024 reflects an effective income tax rate that differs from the federal statutory tax rate primarily attributable to the non-deductible goodwill impairment charge and the effect of foreign operations.

As of June 30, 2024 and December 31, 2023, the Company's reserves for uncertain tax positions totaled $2,366 million and $2,147 million, respectively. It is reasonably possible that the total amount of unrecognized tax benefits related to certain of the Company's uncertain tax positions could decrease by as much as $91 million within the next twelve months as a result of ongoing audits, lapses of statutes of limitations or regulatory developments.

As of June 30, 2024 and December 31, 2023, the Company had accrued $652 million and $571 million, respectively, of total interest and penalties payable related to unrecognized tax benefits. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The Organization for Economic Co-operation and Development's ("OECD") Pillar Two Global Anti-Base Erosion ("GloBE") model rules, issued under the OECD Inclusive Framework on Base Erosion and Profit Shifting, introduce a global minimum tax of 15% applicable to multinational enterprise groups with consolidated financial statement revenue in excess of €750 million. Numerous foreign jurisdictions have already enacted tax legislation based on the GloBE rules, with some effective as early as January 1, 2024. As of June 30, 2024, we recognized a nominal income tax expense for Pillar Two GloBE minimum tax. The Company is continuously monitoring the evolving application of this legislation and assessing its potential impact on our future tax liability.

## NOTE 13. SUPPLEMENTAL DISCLOSURES

The following tables present supplemental information related to the consolidated financial statements (in millions).

### Other Income (Expense), net

Other income (expense), net, consisted of the following (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Foreign currency losses, net | $ (54) | $ (4) | $ (191) | $ (97) |
| (Losses) gains on derivative instruments, net | (17) | — | (23) | 3 |
| Change in the value of investments with readily determinable fair value | (1) | (8) | (2) | 21 |
| Gain on sale of equity method investments | 203 | — | 203 | — |
| Change in fair value of equity investments without readily determinable fair value | (13) | (3) | (27) | (71) |
| Interest income | 63 | 40 | 123 | 85 |
| Indemnification receivable accrual | 6 | — | 96 | 5 |
| Other (loss) income, net | (15) | 2 | (21) | 8 |
| Total other income (expense), net | $ 172 | $ 27 | $ 158 | $ (46) |

**Supplemental Cash Flow Information**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| Cash paid for taxes, net | $ 484 | $ 830 |
| Cash paid for interest, net | 1,061 | 1,137 |
| Non-cash investing and financing activities: | | |
| Accrued purchases of property and equipment | 38 | 72 |
| Assets acquired under finance lease and other arrangements | 224 | 72 |
| Assets held for sale | — | 25 |
| Settlement of PRSU awards | 40 | 13 |

**Cash, Cash Equivalents, and Restricted Cash**

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 3,613 | $ 3,780 |
| Restricted cash - recorded in prepaid expenses and other current assets [1] | 4 | 539 |
| Total cash, cash equivalents, and restricted cash | $ 3,617 | $ 4,319 |

[1] Restricted cash at December 31, 2023 primarily includes cash posted as collateral related to the Company's revolving receivables and hedging programs. (See Note 5 and Note 9.)

**Earnings Per Share**

The table below presents a reconciliation of net loss available to Warner Bros. Discovery, Inc. Series A common stockholders for basic and diluted earnings per share (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Numerator: | | | | |
| Net loss | $ (10,028) | $ (1,220) | $ (10,983) | $ (2,280) |
| Less: | | | | |
| Net income attributable to noncontrolling interests | (10) | (16) | (17) | (24) |
| Net income attributable to redeemable noncontrolling interests | 52 | (4) | 48 | (5) |
| Redeemable noncontrolling interest adjustments of carrying value to redemption value (redemption value does not equal fair value) | — | — | (4) | — |
| Net loss available to Warner Bros. Discovery, Inc. Series A common stockholders for basic and diluted earnings per share | $ (9,986) | $ (1,240) | $ (10,956) | $ (2,309) |

The table below presents the details of share-based awards that were excluded from the calculation of diluted earnings per share (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Anti-dilutive share-based awards | 106 | 73 | 73 | 67 |

**Supplier Finance Programs**

As of June 30, 2024 and December 31, 2023, the Company has confirmed $384 million and $338 million, respectively, of accrued content producer liabilities. These amounts were outstanding and unpaid by the Company and were recorded in accrued liabilities on the consolidated balance sheets.

**Leases**

In May 2024, the Company subleased two separate portions of its Hudson Yards, New York office. As a result of executing the subleases, recoverability tests were performed and the Company recorded a combined right-of-use ("ROU") asset impairment charge of $231 million. The ROU asset impairment charge was recorded in impairment and loss on dispositions in the consolidated statements of operations.

Other than the item disclosed above, no other material changes have occurred to the Company's lease portfolio for the periods presented. Refer to the Company's 2023 Form 10-K for more information on the Company's leases.

**Accumulated Other Comprehensive Loss**

The table below presents the changes in the components of accumulated other comprehensive loss, net of taxes (in millions).

| | Three Months Ended June 30, 2024 | | | |
|---|---|---|---|---|
| | Currency Translation | Derivatives | Pension Plan and SERP Liability | Accumulated Other Comprehensive Loss |
| Beginning balance | $ (875) | $ 22 | $ (60) | $ (913) |
| Other comprehensive income (loss) before reclassifications | 9 | 12 | — | 21 |
| Reclassifications from accumulated other comprehensive loss to net income | — | 2 | — | 2 |
| Other comprehensive income (loss) | 9 | 14 | — | 23 |
| Ending balance | $ (866) | $ 36 | $ (60) | $ (890) |

| | Three Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | Currency Translation | Derivatives | Pension Plan and SERP Liability | Accumulated Other Comprehensive Loss |
| Beginning balance | $ (1,072) | $ 15 | $ (48) | $ (1,105) |
| Other comprehensive income (loss) before reclassifications | 60 | 11 | (4) | 67 |
| Reclassifications from accumulated other comprehensive loss to net income | — | (4) | — | (4) |
| Other comprehensive income (loss) | 60 | 7 | (4) | 63 |
| Ending balance | $ (1,012) | $ 22 | $ (52) | $ (1,042) |

| | Six Months Ended June 30, 2024 | | | |
|---|---|---|---|---|
| | Currency Translation | Derivatives | Pension Plan and SERP Liability | Accumulated Other Comprehensive Loss |
| Beginning balance | $ (699) | $ 18 | $ (60) | $ (741) |
| Other comprehensive income (loss) before reclassifications | (167) | 25 | — | (142) |
| Reclassifications from accumulated other comprehensive loss to net income | — | (7) | — | (7) |
| Other comprehensive income (loss) | (167) | 18 | — | (149) |
| Ending balance | $ (866) | $ 36 | $ (60) | $ (890) |

| | Six Months Ended June 30, 2023 | | | |
|---|---|---|---|---|
| | Currency Translation | Derivatives | Pension Plan and SERP Liability | Accumulated Other Comprehensive Loss |
| Beginning balance | $ (1,498) | $ 14 | $ (39) | $ (1,523) |
| Other comprehensive income (loss) before reclassifications | 486 | 14 | (13) | 487 |
| Reclassifications from accumulated other comprehensive loss to net income | — | (6) | — | (6) |
| Other comprehensive income (loss) | 486 | 8 | (13) | 481 |
| Ending balance | $ (1,012) | $ 22 | $ (52) | $ (1,042) |

## NOTE 14. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company enters into transactions with related parties. Related parties include entities that share common directorship, such as Liberty Global plc (“Liberty Global”), Liberty Broadband Corporation (“Liberty Broadband”) and their subsidiaries (collectively the “Liberty Group”). The Company’s Board of Directors includes Dr. John Malone, who is Chairman of the Board of Liberty Global and Liberty Broadband and beneficially owns approximately 30% and 48% of the aggregate voting power with respect to the election of directors of Liberty Global and Liberty Broadband, respectively. The majority of the revenue earned from the Liberty Group relates to multi-year network distribution arrangements. Related party transactions also include revenues and expenses for content and services provided to or acquired from equity method investees, or minority partners of consolidated subsidiaries.

The table below presents a summary of the transactions with related parties (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Revenues and service charges: | | | | |
| Liberty Group | $ 34 | $ 456 | $ 479 | $ 974 |
| Equity method investees | 154 | 118 | 300 | 293 |
| Other | 51 | 47 | 113 | 94 |
| Total revenues and service charges | $ 239 | $ 621 | $ 892 | $ 1,361 |
| Expenses | $ 83 | $ 93 | $ 160 | $ 192 |
| Distributions to noncontrolling interests and redeemable noncontrolling interests | $ 31 | $ 32 | $ 161 | $ 269 |

The table below presents receivables due from and payables due to related parties (in millions).

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Receivables | $ 223 | $ 363 |
| Payables | $ 20 | $ 18 |

## NOTE 15. COMMITMENTS AND CONTINGENCIES

### *Put Rights*

The Company has granted put rights to non-controlling interest holders in certain consolidated subsidiaries, but the Company is unable to reasonably predict the ultimate amount or timing of any payment.

### *Legal Matters*

From time to time, in the normal course of its operations, the Company is subject to various litigation matters and claims, including claims related to employees, stockholders, vendors, other business partners, government regulations, or intellectual property, as well as disputes and matters involving counterparties to contractual agreements, such as disputes arising out of definitive agreements entered into in connection with the Merger. A determination as to the amount of the accrual required for such contingencies is highly subjective and requires judgment about future events. In connection with a contract dispute arising out of definitive agreements entered into in connection with the Merger, the Company established an immaterial accrual in the first quarter of 2024. At this time, the Company is not able to estimate the reasonably possible range of loss or any loss in excess of the accrual associated with such matter. There can be no assurance that any settlement of such dispute will be reached and, if a settlement is reached, what the total dollar amount will be of any such settlement.

The Company may not currently be able to estimate the reasonably possible loss or range of loss for certain matters until developments in such matters have provided sufficient information to support an assessment of such loss. In the absence of sufficient information to support an assessment of the reasonably possible loss or range of loss, no accrual for such contingencies is made and no loss or range of loss is disclosed. Although the outcome of these matters cannot be predicted with certainty and the impact of the final resolution of these matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not currently believe that the resolution of these matters will have a material adverse effect on the Company's future consolidated financial position, future results of operations, or cash flows.

## NOTE 16. REPORTABLE SEGMENTS

The Company's operating segments are determined based on: (i) financial information reviewed by its chief operating decision maker, the Chief Executive Officer ("CEO"), (ii) internal management and related reporting structure, and (iii) the basis upon which the CEO makes resource allocation decisions.

The accounting policies of the reportable segments are the same as the Company's, except that certain inter-segment transactions that are eliminated for consolidation are not eliminated at the segment level. Inter-segment transactions primarily include advertising and content licenses. The Company records inter-segment transactions of content licenses at market value. The Company does not report assets by segment because it is not used to allocate resources or evaluate segment performance.

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:

- employee share-based compensation;
- depreciation and amortization;
- restructuring and facility consolidation;
- certain impairment charges;
- gains and losses on business and asset dispositions;
- third-party transaction and integration costs;
- amortization of purchase accounting fair value step-up for content;
- amortization of capitalized interest for content; and
- 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 (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. 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.

The tables below present summarized financial information for each of the Company's reportable segments, corporate, and inter-segment eliminations (in millions).

**Revenues**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Studios | $ 2,449 | $ 2,581 | $ 5,270 | $ 5,793 |
| Networks | 5,272 | 5,758 | 10,397 | 11,339 |
| DTC | 2,568 | 2,732 | 5,028 | 5,187 |
| Corporate | 1 | (1) | 2 | (1) |
| Inter-segment eliminations | (577) | (712) | (1,026) | (1,260) |
| Total revenues | $ 9,713 | $ 10,358 | $ 19,671 | $ 21,058 |

**Reconciliation of segment adjusted EBITDA to loss before income taxes:**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Studios | $ 210 | $ 306 | $ 394 | $ 913 |
| Networks | 1,998 | 2,166 | 4,117 | 4,459 |
| DTC | (107) | (3) | (21) | 47 |
| Segment Adjusted EBITDA | 2,101 | 2,469 | 4,490 | 5,419 |
| Depreciation and amortization | 1,744 | 1,914 | 3,632 | 3,972 |
| Employee share-based compensation | 156 | 135 | 255 | 241 |
| Restructuring and other charges | 117 | 146 | 152 | 241 |
| Transaction and integration costs | 51 | 47 | 132 | 94 |
| Facility consolidation costs | 5 | 23 | 7 | 23 |
| Impairment and amortization of fair value step-up for content | 522 | 762 | 757 | 1,593 |
| Amortization of capitalized interest for content | 13 | 22 | 30 | 22 |
| Impairments and loss on dispositions | 9,395 | 6 | 9,407 | 37 |
| Corporate | 285 | 245 | 631 | 600 |
| Inter-segment eliminations | 21 | 75 | (38) | 59 |
| Other (income) expense, net | (172) | (27) | (158) | 46 |
| Loss from equity investees, net | 23 | 22 | 71 | 59 |
| (Gain) loss on extinguishment of debt | (542) | 5 | (567) | 5 |
| Interest expense, net | 518 | 574 | 1,033 | 1,145 |
| Loss before income taxes | $ (10,035) | $ (1,480) | $ (10,854) | $ (2,718) |

**NOTE 17. SUBSEQUENT EVENTS**

As of August 7, 2024, the NBA has not renewed its existing license agreement with the Company to distribute NBA games, which will expire at the end of the 2024-2025 NBA season. In July 2024, the Company exercised its contractual right under the license agreement to match any third-party offer to distribute NBA games received by the NBA and made an offer that was subsequently rejected by the NBA. On July 26, 2024, the Company filed a complaint against the NBA in the Supreme Court of the State of New York to enforce its contractual rights under the license agreement.

## ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Management’s discussion and analysis of financial condition and results of operations is a supplement to and should be read in conjunction with the accompanying consolidated financial statements and related notes. This section provides additional information regarding our businesses, current developments, results of operations, cash flows and financial condition. Additional context can also be found in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”).

### INDUSTRY TRENDS

The Writers Guild of America (“WGA”) and Screen Actors Guild-American Federation of Television and Radio Artists (“SAG-AFTRA”) went on strike in May and July 2023, respectively, following the expiration of their respective collective bargaining agreements with the Alliance of Motion Picture and Television Producers (“AMPTP”). The WGA strike ended on September 27, 2023, and a new collective bargaining agreement was ratified on October 9, 2023. The SAG-AFTRA strike ended on November 9, 2023, and a new collective bargaining agreement was ratified on December 5, 2023.

The strikes had a material impact on the operations and results of the Company in 2023, including a pause on certain theatrical and television productions. Effects included a positive impact on cash flow from operations attributed to delayed production spend, and a negative impact on the results of operations attributed to timing and performance of the 2023 film slate, as well as the Company’s ability to produce, license, and deliver content. The Company experienced content delivery delays in the first quarter of 2024 due to the pause in television productions in 2023, but does not expect any material impacts for the remainder of 2024.

Other headwinds in the industry, such as continued pressures on linear distribution and continued softness in the U.S. linear advertising market, have had, and are expected to continue to have, a material impact on the operations and results of the Company, including a negative impact on the results of operations attributed to declines in linear advertising revenue. In addition, declines in linear subscribers are expected to continue throughout 2024. The increase of digital advertising available in the marketplace has also resulted in, and is expected to continue to result in, increased competition for advertising expenditures for both traditional linear networks and ad-supported tiers in streaming services.

We continue to closely monitor the ongoing impact of industry trends to our business; however, the full effects on our operations and results will depend on future developments, which are highly uncertain and cannot be predicted.

### BUSINESS OVERVIEW

Warner Bros. Discovery is a leading global media and entertainment company that creates and distributes a 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, Max, discovery+, CNN, DC, TNT Sports, Eurosport, HBO, HGTV, Food Network, OWN, Investigation Discovery, TLC, Magnolia Network, TNT, TBS, truTV, Travel Channel, MotorTrend, 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.

We are home to powerful creative engines and one of the largest collections of owned content in the world. WBD has one of the strongest hands in the industry in terms of the completeness and quality of assets and intellectual property across sports, news, lifestyle, and entertainment in virtually every region of the globe and in most languages. We serve audiences and consumers around the world with content that informs, entertains, and, when at its best, inspires.

Our asset mix positions us to drive a balanced approach to creating long-term value for shareholders. It represents the full entertainment ecosystem, and the ability to serve consumers across the entire spectrum of offerings from domestic and international networks, premium pay-TV, streaming, production and release of feature films and original series, related consumer products and themed experience licensing, and interactive gaming.

In connection with the Merger, the Company has announced and has taken actions to implement projects to achieve cost synergies for the Company. The Company’s ongoing restructuring and transformation initiatives includes, among other things, strategic content programming assessments, organization restructuring, facility consolidation activities, and other contract termination costs. While the Company’s restructuring efforts are ongoing, this restructuring program is expected to be substantially completed by the end of 2024. We expect to incur up to $5.3 billion in pre-tax charges, of which we have incurred $4.5 billion as of June 30, 2024 related to this plan. Of the total expected pre-tax charges, we expect total cash expenditures to be $1.0 - $ 1.5 billion.

As of June 30, 2024, we classified our operations in three reportable segments:

- **Studios -** Our Studios segment primarily consists of the production and release of feature films for initial exhibition in theaters, production and initial licensing of television programs to third parties 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.
- **Networks -** Our Networks segment primarily consists of our domestic and international television networks.
- **DTC -** Our DTC segment primarily consists of our premium pay-TV and streaming services.

Our segment presentation is aligned with our management structure and the financial information management uses to make decisions about operating matters, such as the allocation of resources and business performance assessments.

## RESULTS OF OPERATIONS

### Foreign Exchange Impacting Comparability

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

The ex-FX change represents the percentage change on a period-over-period basis adjusted for foreign currency impacts. The ex-FX change is calculated as the difference between the current year amounts translated at a baseline rate, which is a spot rate for each of our currencies determined early in the fiscal year as part of our forecasting process (the "2024 Baseline Rate"), and the prior year amounts translated at the same 2024 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.

### Consolidated Results of Operations

The table below presents our consolidated results of operations (in millions).

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 4,879 | $ 5,135 | (5) % | (4) % |
| Advertising | 2,430 | 2,519 | (4) % | (3) % |
| Content | 2,109 | 2,446 | (14) % | (13) % |
| Other | 295 | 258 | 14 % | 16 % |
| Total revenues | 9,713 | 10,358 | (6) % | (5) % |
| Costs of revenues, excluding depreciation and amortization | 6,204 | 6,636 | (7) % | (6) % |
| Selling, general and administrative | 2,461 | 2,562 | (4) % | (3) % |
| Depreciation and amortization | 1,744 | 1,914 | (9) % | (9) % |
| Restructuring and other charges | 117 | 146 | (20) % | (19) % |
| Impairments and loss on dispositions | 9,395 | 6 | NM | NM |
| Total costs and expenses | 19,921 | 11,264 | 77 % | 78 % |
| Operating loss | (10,208) | (906) | NM | NM |
| Interest expense, net | (518) | (574) | | |
| Gain (loss) on extinguishment of debt | 542 | (5) | | |
| Loss from equity investees, net | (23) | (22) | | |
| Other income, net | 172 | 27 | | |
| Loss before income taxes | (10,035) | (1,480) | | |
| Income tax benefit | 7 | 260 | | |
| Net loss | (10,028) | (1,220) | | |
| Net income attributable to noncontrolling interests | (10) | (16) | | |
| Net loss (income) attributable to redeemable noncontrolling interests | 52 | (4) | | |
| Net loss available to Warner Bros. Discovery, Inc. | $ (9,986) | $ (1,240) | | |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 9,864 | $ 10,298 | (4) % | (3) |
| Advertising | 4,578 | 4,817 | (5) % | (5) |
| Content | 4,667 | 5,400 | (14) % | (13) |
| Other | 562 | 543 | 3 % | 3 |
| Total revenues | 19,671 | 21,058 | (7) % | (6) |
| Costs of revenues, excluding depreciation and amortization | 12,262 | 13,321 | (8) % | (7) |
| Selling, general and administrative | 4,693 | 4,950 | (5) % | (5) |
| Depreciation and amortization | 3,632 | 3,972 | (9) % | (9) |
| Restructuring and other charges | 152 | 241 | (37) % | (37) |
| Impairments and loss on dispositions | 9,407 | 37 | NM | |
| Total costs and expenses | 30,146 | 22,521 | 34 % | 34 |
| Operating loss | (10,475) | (1,463) | NM | |
| Interest expense, net | (1,033) | (1,145) | | |
| Gain (loss) on extinguishment of debt | 567 | (5) | | |
| Loss from equity investees, net | (71) | (59) | | |
| Other income (expense), net | 158 | (46) | | |
| Loss before income taxes | (10,854) | (2,718) | | |
| Income tax (expense) benefit | (129) | 438 | | |
| Net loss | (10,983) | (2,280) | | |
| Net income attributable to noncontrolling interests | (17) | (24) | | |
| Net loss (income) attributable to redeemable noncontrolling interests | 48 | (5) | | |
| Net loss available to Warner Bros. Discovery, Inc. | $ (10,952) | $ (2,309) | | |

NM - Not meaningful

Unless otherwise indicated, the discussion of percent changes below is on an ex-FX basis. The ex-FX percent changes of line items below operating loss in the table above are not included as the activity is principally in U.S. dollars.

*Revenues*

Distribution revenue decreased 4% and 3% for the three and six months ended June 30, 2024, respectively, primarily attributable to 9% and 8% declines in Networks domestic linear subscribers for the three and six months ended June 30, 2024, respectively, and lower domestic subscribers at DTC largely resulting from continued linear wholesale subscriber declines in the U.S., partially offset by 5% and 6% increases in domestic contractual affiliate rates for the three and six months ended June 30, 2024, respectively.

Advertising revenue decreased 3% and 5% for the three and six months ended June 30, 2024, respectively, primarily attributable to audience declines in domestic networks of 13% for both the three and six months ended June 30, 2024, respectively, and continued softness in the U.S. linear advertising market, partially offset by higher Max U.S. engagement and ad-lite subscriber growth.

Content revenue decreased 13% for both the three and six months ended June 30, 2024. The decrease for the three months ended June 30, 2024 was primarily attributable to lower volume of third-party licensing deals at DTC and a 27% decrease in television product revenue attributable to the timing of initial telecast productions and lower licensing revenue, partially offset by a 19% increase in theatrical product revenue attributable to higher home entertainment revenue due to the performance of *Dune: Part Two* and higher film rental revenue due to the performance of *Godzilla x Kong: The New Empire*.

The decrease for the six months ended June 30, 2024 was primarily attributable to a 66% decrease in games revenue due to the performance of *Suicide Squad: Kill the Justice League* compared to *Hogwarts Legacy* in the prior year, a 26% decrease in television product revenue attributable to lower initial telecast revenue, as well as fewer television series resulting in lower licensing revenue, and lower volume of third-party licensing deals at DTC, partially offset by a 30% increase in theatrical product revenue attributable to higher film rental revenue due to the performance of *Dune: Part Two* and *Godzilla x Kong: The New Empire*.

Other revenue increased 16% and 3% for the three and six months ended June 30, 2024, respectively, primarily attributable to the opening of Warner Bros. Studio Tour Tokyo in June 2023.

*Costs of Revenues*

Our principal component of costs of revenues is content expense. Content expense includes television/digital series, specials, films, games, and sporting events. Amortization related to both historical cost basis and any fair value adjustments to content arising from business combinations is included in costs of revenues. The costs of producing a content asset and bringing that asset to market consist of production costs, participation costs, and exploitation costs.

Costs of revenues decreased 6% and 7% for the three and six months ended June 30, 2024, respectively, primarily attributable to lower content expense related to the amortization of purchase accounting fair value step-up for content.

*Selling, General and Administrative*

Selling, general and administrative expenses decreased 3% and 5% for the three and six months ended June 30, 2024, respectively, primarily attributable to lower overhead expenses and lower marketing costs due to the prior year launch of Max in the U.S.

*Depreciation and Amortization*

Depreciation and amortization decreased 9% for both the three and six months ended June 30, 2024, primarily attributable to intangible assets acquired during the Merger that are being amortized using the sum of the months' digits method.

*Restructuring and other charges*

Restructuring and other charges decreased 19% and 37% for the three and six months ended June 30, 2024, respectively. Restructuring and other charges primarily includes contract terminations, facility consolidation activities, organizational restructuring, and other charges. (See Note 3 to the accompanying consolidated financial statements.)

*Impairments and Loss on Dispositions*

Impairments and loss on dispositions was $9,395 million and $9,407 million for the three and six months ended June 30, 2024, respectively, primarily attributable to a $9.1 billion pre-tax, non-cash goodwill impairment charge related to the Networks reporting unit (see Note 2 to the accompanying consolidated financial statements) and a $231 million right-of-use ("ROU") asset impairment charge related to the Hudson Yards, New York office lease. (See Note 13 to the accompanying consolidated financial statements.)

*Interest Expense, net*

Interest expense, net decreased $56 million and $112 million for the three and six months ended June 30, 2024, respectively, primarily attributable to lower debt during the period. (See Note 8 and Note 9 to the accompanying consolidated financial statements.)

*Gain (loss) on extinguishment of debt*

During the three months ended June 30, 2024, the Company commenced a tender offer to purchase for cash up to $2.61 billion in aggregate purchase price (excluding accrued and unpaid interest) of its senior notes. The Company completed the tender offer in June 2024 by purchasing senior notes in the aggregate principal amount of $3,399 million validly tendered and accepted for purchase pursuant to the offer and recorded a gain on extinguishment of $542 million. (See Note 8 to the accompanying consolidated financial statements.)

*Loss From Equity Investees, net*

Losses from our equity method investees were $23 million and $71 million for the three and six months ended June 30, 2024, respectively. The changes are attributable to our share of earnings and losses from our equity investees. (See Note 7 to the accompanying consolidated financial statements.)

*Other Income (Expense), net*

The table below presents the details of other income (expense), net (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Foreign currency losses, net | $ (54) | $ (4) | $ (191) | $ (97) |
| (Losses) gains on derivative instruments, net | (17) | — | (23) | 3 |
| Change in the value of investments with readily determinable fair value | (1) | (8) | (2) | 21 |
| Gain on sale of equity method investments | 203 | — | 203 | — |
| Change in fair value of equity investments without readily determinable fair value | (13) | (3) | (27) | (71) |
| Interest income | 63 | 40 | 123 | 85 |
| Indemnification receivable accrual | 6 | — | 96 | 5 |
| Other (loss) income, net | (15) | 2 | (21) | 8 |
| Total other income (expense), net | $ 172 | $ 27 | $ 158 | $ (46) |

*Income Tax Benefit*

Income tax benefit was $7 million and $260 million for the three months ended June 30, 2024 and 2023, respectively, and income tax (expense) benefit was $(129) million and $438 million for the six months ended June 30, 2024 and 2023, respectively. During the three months ended June 30, 2024, the Company recorded a non-cash goodwill impairment charge of $9.1 billion, the majority of which was not deductible for tax purposes. (See Note 2.) The increase in income tax expense for the three and six months ended June 30, 2024 compared to the same periods in 2023 was primarily attributable to an increase in pre-tax book income excluding the non-cash goodwill impairment charge, the effect of foreign operations, including the tax attribute carryforwards in jurisdictions for which no tax benefit can be recognized, and an increase in uncertain tax positions, primarily attributable to a one-time favorable audit resolution reserve release included in the 2023 income tax benefit for the three and six months ended June 30, 2023.

Income tax expense for the three and six months ended June 30, 2024 reflects an effective income tax rate that differs from the federal statutory tax rate primarily attributable to the non-deductible goodwill impairment charge and the effect of foreign operations.

The Organization for Economic Co-operation and Development's ("OECD") Pillar Two Global Anti-Base Erosion ("GloBE") model rules, issued under the OECD Inclusive Framework on Base Erosion and Profit Shifting, introduce a global minimum tax of 15% applicable to multinational enterprise groups with consolidated financial statement revenue in excess of €750 million. Numerous foreign jurisdictions have already enacted tax legislation based on the GloBE rules, with some effective as early as January 1, 2024. As of June 30, 2024, we recognized a nominal income tax expense for Pillar Two GloBE minimum tax. The Company is continuously monitoring the evolving application of this legislation and assessing its potential impact on our future tax liability.

**Segment Results of Operations**

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:

- employee share-based compensation;
- depreciation and amortization;
- restructuring and facility consolidation;
- certain impairment charges;
- gains and losses on business and asset dispositions;
- third-party transaction and integration costs;
- amortization of purchase accounting fair value step-up for content;
- amortization of capitalized interest for content; and
- 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 (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. 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.

The table below presents our Adjusted EBITDA for each of the Company's reportable segments, corporate, and inter-segment eliminations (in millions).

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | % Change | 2024 | 2023 | % Change |
| Studios | $ 210 | $ 306 | (31) % | $ 394 | $ 913 | (57) % |
| Networks | $ 1,998 | $ 2,166 | (8) % | $ 4,117 | $ 4,459 | (8) % |
| DTC | $ (107) | $ (3) | NM | $ (21) | $ 47 | NM |
| Corporate | $ (285) | $ (245) | (16) % | $ (631) | $ (600) | (5) % |
| Inter-segment eliminations | $ (21) | $ (75) | 72 % | $ 38 | $ (59) | NM |

**Studios Segment**

The following tables present, for our Studios segment, revenues by type, certain operating expenses, Adjusted EBITDA and a reconciliation of Adjusted EBITDA to operating income (loss) (in millions).

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 3 | $ 3 | — % | — % |
| Advertising | — | 4 | NM | NM |
| Content | 2,237 | 2,398 | (7) % | (6) % |
| Other | 209 | 176 | 19 % | 20 % |
| Total revenues | 2,449 | 2,581 | (5) % | (4) % |
| Costs of revenues, excluding depreciation and amortization | 1,601 | 1,645 | (3) % | (3) % |
| Selling, general and administrative | 638 | 630 | 1 % | 2 % |
| Adjusted EBITDA | 210 | 306 | (31) % | (24) % |
| Depreciation and amortization | 174 | 143 | | |
| Restructuring and other charges | 19 | 10 | | |
| Transaction and integration costs | 1 | 2 | | |
| Facility consolidation costs | 1 | — | | |
| Impairment and amortization of fair value step-up for content | 83 | 271 | | |
| Amortization of capitalized interest for content | 13 | 22 | | |
| Impairments and loss on dispositions | (1) | (1) | | |
| Operating loss | $ (80) | $ (141) | | |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 8 | $ 6 | 33 % | 33 % |
| Advertising | 4 | 7 | (43) % | (43) % |
| Content | 4,860 | 5,425 | (10) % | (10) % |
| Other | 398 | 355 | 12 % | 12 % |
| Total revenues | 5,270 | 5,793 | (9) % | (9) % |
| Costs of revenues, excluding depreciation and amortization | 3,620 | 3,604 | — % | — % |
| Selling, general and administrative | 1,256 | 1,276 | (2) % | (2) % |
| Adjusted EBITDA | 394 | 913 | (57) % | (55) % |
| Depreciation and amortization | 360 | 315 | | |
| Employee share-based compensation | (1) | — | | |
| Restructuring and other charges | 30 | 86 | | |
| Transaction and integration costs | 2 | 4 | | |
| Facility consolidation costs | 1 | — | | |
| Impairment and amortization of fair value step-up for content | 11 | 713 | | |
| Amortization of capitalized interest for content | 30 | 22 | | |
| Inter-segment eliminations | — | 1 | | |
| Impairments and loss on dispositions | (1) | (1) | | |
| Operating income (loss) | $ (38) | $ (227) | | |

Unless otherwise indicated, the discussion of percent changes below is on an ex-FX basis. The Studios discussion below also includes intra-segment revenue and expense between product lines, which represented 3% of total revenues and operating expenses for this segment for the three and six months ended June 30, 2024.

Fluctuations in results for our Studios segment may occur due to various factors, including (but not limited to) the timing and number of new film releases each quarter, the timing of marketing expenses recognized relative to (i.e., prior to) a film's release, and the mix of content distributed each period.

*Revenues*

Content revenue decreased 6% for the three months ended June 30, 2024, primarily attributable to a 27% decrease in television product revenue and a 41% decrease in games revenue, partially offset by a 19% increase in theatrical product revenue.

- The decrease in television product revenue was attributable to the timing of initial telecast productions and lower licensing revenue.
- The decrease in games revenue was attributable to the weak performance of *Suicide Squad: Kill the Justice League*, which was released in the first quarter of 2024 as compared to the strong performance of *Hogwarts Legacy,* which was released in the first quarter of 2023.
- The increase in theatrical product revenue was attributable to higher home entertainment revenue due to the performance of *Dune: Part Two* and higher film rental revenue due to the performance of *Godzilla x Kong: The New Empire,* which was released in the first quarter of 2024.

Content revenue decreased 10% for the six months ended June 30, 2024, primarily attributable to a 66% decrease in games revenue and a 26% decrease in television product revenue, partially offset by a 30% increase in theatrical product revenue.

- The decrease in games revenue was attributable to the weak performance of *Suicide Squad: Kill the Justice League*, which was released in the first quarter of 2024 as compared to the strong performance of *Hogwarts Legacy*, which was released in the first quarter of 2023.
- The decrease in television product revenue was attributable to lower initial telecast revenue, reflecting lower episode deliveries as a result of the WGA and SAG-AFTRA strikes in the prior year and the timing of television production, as well as fewer television series resulting in lower licensing revenue.
- The increase in theatrical product revenue was attributable to higher film rental revenue due to the performance of *Dune: Part Two* and *Godzilla x Kong: The New Empire,* which were released in the first quarter of 2024, as well as higher carryover from releases in the fourth quarter of 2023 compared to the fourth quarter of 2022, and higher home entertainment revenue due to the performance of *Dune: Part Two, Wonka,* and *Aquaman and the Lost Kingdom.*

Other revenue increased 20% and 12% for the three and six months ended June 30, 2024, respectively, primarily attributable to the opening of Warner Bros. Studio Tour Tokyo in June 2023.

*Costs of Revenues*

Costs of revenues decreased 3% and were flat for the three and six months ended June 30, 2024, respectively. The decrease for the three months ended June 30, 2024 was primarily attributable to a 35% decline in television product content expense commensurate with lower television revenue, partially offset by 38% higher theatrical product content expense commensurate with higher theatrical revenue. For the six months ended June 30, 2024, a 29% decrease in television product content expense commensurate with lower television revenue was offset by a 40% increase in theatrical product content expense commensurate with higher theatrical revenue.

*Selling, General and Administrative*

Selling, general and administrative expenses increased 2% and decreased 2% for the three and six months ended June 30, 2024, respectively. The increase for the three months ended June 30, 2024 was primarily attributable to higher marketing expense. The decrease for the six months ended June 30, 2024 was primarily attributable to lower overhead expenses, partially offset by higher marketing expense.

*Adjusted EBITDA*

Adjusted EBITDA decreased 24% and 55% for the three and six months ended June 30, 2024, respectively.

**Networks Segment**

The tables below present, for our Networks segment, revenues by type, certain operating expenses, Adjusted EBITDA and a reconciliation of Adjusted EBITDA to operating income (in millions).

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 2,675 | $ 2,941 | (9) % | (8) % |
| Advertising | 2,214 | 2,448 | (10) % | (9) % |
| Content | 299 | 284 | 5 % | 5 % |
| Other | 84 | 85 | (1) % | 1 % |
| Total revenues | 5,272 | 5,758 | (8) % | (8) % |
| Costs of revenues, excluding depreciation and amortization | 2,531 | 2,849 | (11) % | (10) % |
| Selling, general and administrative | 743 | 743 | — % | 1 % |
| Adjusted EBITDA | 1,998 | 2,166 | (8) % | (7) % |
| Depreciation and amortization | 1,052 | 1,262 | | |
| Restructuring and other charges | 42 | 110 | | |
| Transaction and integration costs | (1) | 8 | | |
| Impairment and amortization of fair value step-up for content | 294 | 279 | | |
| Inter-segment eliminations | — | 22 | | |
| Impairments and loss on dispositions | 9,154 | 4 | | |
| Operating (loss) income | $ (8,543) | $ 481 | | |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 5,472 | $ 5,936 | (8) % | (7) % |
| Advertising | 4,201 | 4,685 | (10) % | (10) % |
| Content | 563 | 529 | 6 % | 7 % |
| Other | 161 | 189 | (15) % | (16) % |
| Total revenues | 10,397 | 11,339 | (8) % | (8) % |
| Costs of revenues, excluding depreciation and amortization | 4,903 | 5,443 | (10) % | (9) % |
| Selling, general and administrative | 1,377 | 1,437 | (4) % | (3) % |
| Adjusted EBITDA | 4,117 | 4,459 | (8) % | (8) % |
| Depreciation and amortization | 2,157 | 2,566 | | |
| Restructuring and other charges | 53 | 113 | | |
| Transaction and integration costs | — | 11 | | |
| Impairment and amortization of fair value step-up for content | 419 | 400 | | |
| Inter-segment eliminations | — | 15 | | |
| Impairments and loss on dispositions | 9,154 | 5 | | |
| Operating (loss) income | $ (7,666) | $ 1,349 | | |

Unless otherwise indicated, the discussion of percent changes below is on an ex-FX basis.

*Revenues*

Distribution revenue decreased 8% and 7% for the three and six months ended June 30, 2024, respectively, primarily attributable to a 9% and 8% decline in domestic linear subscribers for the three and six months ended June 30, 2024, respectively, partially offset by a 5% and 6% increase in domestic contractual affiliate rates for the three and six months ended June 30, 2024, respectively. In addition, the exit from the AT&T SportsNet business had unfavorable impacts of $71 million and $148 million for the three and six months ended June 30, 2024, respectively. Declines in linear subscribers are expected to continue throughout 2024.

Advertising revenue decreased 9% and 10% for the three and six months ended June 30, 2024, respectively, primarily attributable to audience declines in domestic networks of 13% for both the three and six months ended June 30, 2024, and continued softness in the U.S. linear advertising market.

Content revenue increased 5% and 7% for the three and six months ended June 30, 2024, respectively, primarily attributable to timing of third party licensing deals, partially offset by lower inter-segment content licensing to DTC.

*Costs of Revenues*

Costs of revenues decreased 10% and 9% for the three and six months ended June 30, 2024, respectively, primarily attributable to lower content expense, including the allocation of U.S. sports costs to DTC, and our exit from the AT&T SportsNet business, which had a favorable impact to cost of revenues of $98 million and $179 million for the three and six months ended June 30, 2024, respectively.

*Selling, General and Administrative*

Selling, general and administrative expenses was relatively flat for the three months ended June 30, 2024 and decreased 3% for the six months ended June 30, 2024. The decrease for the six months ended June 30, 2024 was primarily attributable to lower overhead expenses.

*Adjusted EBITDA*

Adjusted EBITDA decreased 7% and 8% for the three and six months ended June 30, 2024, respectively.

**DTC Segment**

The following tables present, for our DTC segment, revenues by type, certain operating expenses, Adjusted EBITDA and a reconciliation of Adjusted EBITDA to operating loss (in millions).

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 2,202 | $ 2,192 | — % | 1 % |
| Advertising | 240 | 121 | 98 % | 99 % |
| Content | 123 | 410 | (70) % | (70) % |
| Other | 3 | 9 | (67) % | (67) % |
| Total revenues | 2,568 | 2,732 | (6) % | (5) % |
| Costs of revenues, excluding depreciation and amortization | 2,028 | 1,951 | 4 % | 5 % |
| Selling, general and administrative | 647 | 784 | (17) % | (17) % |
| Adjusted EBITDA | (107) | (3) | NM | NM |
| Depreciation and amortization | 460 | 424 | | |
| Restructuring and other charges | 15 | 18 | | |
| Transaction and integration costs | — | 1 | | |
| Facility consolidation costs | 3 | — | | |
| Impairment and amortization of fair value step-up for content | 71 | 104 | | |
| Impairments and loss on dispositions | 11 | (4) | | |
| Operating loss | $ (667) | $ (546) | | |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Revenues: | | | | |
| Distribution | $ 4,387 | $ 4,357 | 1 % | 1 % |
| Advertising | 415 | 224 | 85 % | 86 % |
| Content | 222 | 595 | (63) % | (62) % |
| Other | 4 | 11 | (64) % | (64) % |
| Total revenues | 5,028 | 5,187 | (3) % | (3) % |
| Costs of revenues, excluding depreciation and amortization | 3,923 | 3,766 | 4 % | 5 % |
| Selling, general and administrative | 1,126 | 1,374 | (18) % | (17) % |
| Adjusted EBITDA | (21) | 47 | NM | NM |
| Depreciation and amortization | 975 | 930 | | |
| Restructuring and other charges | 17 | 27 | | |
| Transaction and integration costs | — | 1 | | |
| Facility consolidation costs | 5 | — | | |
| Amortization of fair value step-up for content | 173 | 238 | | |
| Inter-segment eliminations | — | 2 | | |
| Impairments and loss on dispositions | 16 | 1 | | |
| Operating loss | $ (1,207) | $ (1,152) | | |

Unless otherwise indicated, the discussion of percent changes below is on an ex-FX basis.

*Revenues*

Subscriber information consisted of the following (in millions).

| | June 30, 2024 | June 30, 2023 | % Change |
|---|---|---|---|
| Total Domestic subscribers[1] | 52.4 | 54.0 | (3) % |
| Total International subscribers[1] | 50.8 | 42.6 | 19 % |
| Total DTC subscribers[1] | 103.3 | 96.6 | 7 % |

[1]**Direct-to-Consumer subscriber** - We define 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 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.

Distribution revenue increased 1% for the three and six months ended June 30, 2024, primarily attributable to a 7% increase in subscribers following the launch of Max in Latin America in the first quarter of 2024 and in Europe in the second quarter of 2024, partially offset by continued domestic linear wholesale subscriber declines.

Advertising revenue increased 99% and 86% for the three and six months ended June 30, 2024, respectively, primarily attributable to higher Max domestic engagement and ad-lite subscriber growth.

Global ARPU consisted of the following.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | % Change (ex-FX) | 2024 | 2023 | % Change (ex-FX) |
| Domestic ARPU | $ 12.08 | $ 11.09 | 9 % | $ 11.90 | $ 10.95 | 9 % |
| International ARPU | $ 3.85 | $ 3.85 | 5 % | $ 3.80 | $ 3.76 | 4 % |
| Global ARPU[2] | $ 8.00 | $ 7.77 | 4 % | $ 7.91 | $ 7.65 | 4 % |

Global ARPU increased 4% for the three and six months ended June 30, 2024, primarily attributable to subscriber growth of the ad-lite tier domestically along with a continuing subscriber mix shift from linear wholesale, partially offset by growth in lower ARPU international markets.

Content revenue decreased 70% and 62% for the three and six months ended June 30, 2024, respectively, primarily attributable to lower volume of third-party licensing deals.

*Costs of Revenues*

Costs of revenues increased 5% for the three and six months ended June 30, 2024, primarily attributable to higher content expense driven by sports content, partially offset by decreased content licensing costs commensurate with lower content revenue.

*Selling, General, and Administrative Expenses*

Selling, general and administrative expenses decreased 17% for the three and six months ended June 30, 2024, primarily attributable to lower marketing costs due to the prior year launch of Max in the U.S. and lower overhead expenses.

*Adjusted EBITDA*

Adjusted EBITDA decreased $103 million and $69 million for the three and six months ended June 30, 2024, respectively.

**Corporate**

The following tables present our Adjusted EBITDA and a reconciliation of Adjusted EBITDA to operating loss (in millions).

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Adjusted EBITDA | $ (285) | $ (245) | (16) % | (19) % |
| Depreciation and amortization | 58 | 85 | | |
| Employee share-based compensation | 156 | 135 | | |
| Restructuring and other charges | 41 | 10 | | |
| Transaction and integration costs | 51 | 36 | | |
| Facility consolidation costs | 1 | 23 | | |
| Impairment and amortization of fair value step-up for content | 1 | (8) | | |
| Inter-segment eliminations | — | (22) | | |
| Impairments and loss on dispositions | 231 | 7 | | |
| Operating loss | $ (824) | $ (511) | | |

[2] **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.

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2024 | 2023 | % Change | % Change (ex-FX) |
| Adjusted EBITDA | $ (631) | $ (600) | (5) % | (6) % |
| Depreciation and amortization | 140 | 161 | | |
| Employee share-based compensation | 256 | 241 | | |
| Restructuring and other charges | 52 | 17 | | |
| Transaction and integration costs | 130 | 78 | | |
| Facility consolidation costs | 1 | 23 | | |
| Impairment and amortization of fair value step-up for content | 1 | (8) | | |
| Inter-segment eliminations | — | (18) | | |
| Impairments and loss on dispositions | 238 | 32 | | |
| Operating loss | $ (1,449) | $ (1,126) | | |

Corporate operations primarily consist of executive management and administrative support services, which are recorded in selling, general and administrative expense, as well as substantially all of our share-based compensation and third-party transaction and integration costs.

Adjusted EBITDA decreased 19% and 6% for the three and six months ended June 30, 2024, respectively, primarily attributable to higher securitization expense.

**Inter-segment Eliminations**

The following table presents our inter-segment eliminations by revenue and expense, Adjusted EBITDA and a reconciliation of Adjusted EBITDA to operating loss (in millions).

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Inter-segment revenue eliminations | $ (577) | $ (712) | $ (1,026) | $ (1,260) |
| Inter-segment expense eliminations | (556) | (637) | (1,064) | (1,201) |
| Adjusted EBITDA | (21) | (75) | 38 | (59) |
| Restructuring and other charges | — | (2) | — | (2) |
| Impairment and amortization of fair value step-up for content | 73 | 116 | 153 | 250 |
| Operating loss | $ (94) | $ (189) | $ (115) | $ (307) |

Inter-segment revenue and expense eliminations primarily represent inter-segment content transactions and marketing and promotion activity between reportable segments. In our current segment structure, in certain instances, production and distribution activities are in different segments. Inter-segment content transactions are presented at market value (i.e., the segment producing and/or licensing the content reports revenue and profit from inter-segment transactions in a manner similar to the reporting of third-party transactions, and the required eliminations are reported on the separate “Eliminations” line when presenting our summary of segment results). Generally, timing of revenue recognition is similar to the reporting of third-party transactions. The segment distributing the content, e.g., via our DTC or linear services, capitalizes the cost of inter-segment content transactions, including “mark-ups” and amortizes the costs over the shorter of the license term, if applicable, or the expected period of use. The content amortization expense related to the inter-segment profit is also eliminated on the separate “Eliminations” line when presenting our summary of segment results.

**LIQUIDITY AND CAPITAL RESOURCES**

**Liquidity**

***Sources of Cash***

Historically, we have generated a significant amount of cash from operations. During the six months ended June 30, 2024, we funded our working capital needs primarily through cash flows from operations. As of June 30, 2024, we had $3.6 billion of cash and cash equivalents on hand. We are a well-known seasoned issuer and have the ability to conduct registered offerings of securities, including debt securities, common stock and preferred stock, on short notice, subject to market conditions. Access to sufficient capital from the public market is not assured. We have a $6.0 billion revolving credit facility and a commercial paper program described below. We also participate in a revolving receivables program and an accounts receivable factoring program described below.

- *Debt*

  *Revolving Credit Facility and Commercial Paper*

  We have a multicurrency revolving credit agreement (the "Revolving Credit Agreement") and have the capacity to borrow up to $6.0 billion under the Revolving Credit Agreement (the "Credit Facility"). We may also request additional commitments up to $1.0 billion from the lenders upon the satisfaction of certain conditions. The Revolving Credit Agreement contains customary representations and warranties as well as affirmative and negative covenants. As of June 30, 2024, the Company was in compliance with all covenants and there were no events of default under the Revolving Credit Agreement.

  Additionally, our commercial paper program is supported by the Credit Facility. Under the commercial paper program, we may issue up to $1.5 billion, including up to $500 million of euro-denominated borrowings. Borrowing capacity under the Credit Facility is effectively reduced by any outstanding borrowings under the commercial paper program.

  During the six months ended June 30, 2024, we borrowed and repaid $11,605 million under our Credit Facility and commercial paper program. As of June 30, 2024, we had no outstanding borrowings under the Credit Facility or the commercial paper program.

  During the three months ended June 30, 2024, the Company issued €650 million of 4.302% fixed rate senior notes due January 2030 and €850 million of 4.693% fixed rate senior notes due May 2033. After December 2029 and February 2033, respectively, the senior notes are redeemable at par plus accrued and unpaid interest.

- *Revolving Receivables Program*

  We have a revolving agreement to transfer up to $5,200 million of certain receivables through our bankruptcy-remote subsidiary, Warner Bros. Discovery Receivables Funding, LLC, to various financial institutions on a recurring basis in exchange for cash equal to the gross receivables transferred. We service the sold receivables for the financial institution for a fee and pay fees to the financial institution in connection with this revolving agreement. As customers pay their balances, our available capacity under this revolving agreement increases and typically we transfer additional receivables into the program. In some cases, we may have collections that have not yet been remitted to the bank, resulting in a liability. The outstanding portfolio of receivables derecognized from our consolidated balance sheets was $5,068 million as of June 30, 2024.

- *Accounts Receivable Factoring*

  We have a factoring agreement to sell certain of our non-U.S. trade accounts receivable on a limited recourse basis to a third-party financial institution. Total trade accounts receivable sold under the Company's factoring arrangement was $57 million for the six months ended June 30, 2024.

- *Investments*

  In May 2024, we sold our 50% interest in All3Media, an equity method investment, for proceeds of $324 million.

***Uses of Cash***

Our primary uses of cash include the creation and acquisition of new content, business acquisitions, income taxes, personnel costs, costs to develop and market our enhanced streaming service Max, principal and interest payments on our outstanding senior notes, funding for various equity method and other investments, and repurchases of our capital stock.

- *Content Acquisition*

  We plan to continue to invest significantly in the creation and acquisition of new content, as well as certain sports rights. Contractual commitments to acquire content have not materially changed as set forth in “Material Cash Requirements from Known Contractual and Other Obligations” in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2023 Form 10-K.

- *Debt*

  *Floating Rate Notes*

  During the six months ended June 30, 2024, we repaid $40 million of aggregate principal amount of our floating rate notes due March 2024.

  *Senior Notes*

  During the six months ended June 30, 2024, we repurchased or repaid $4,497 million of aggregate principal amount outstanding of our senior notes. In addition, we have $506 million of senior notes coming due in September 2024, and an additional $3,165 million of senior notes coming due through June 30, 2025.

  We may from time to time seek to prepay, retire or purchase our other outstanding indebtedness through prepayments, redemptions, open market purchases, privately negotiated transactions, tender offers or otherwise. Any such repurchases or exchanges will be dependent upon several factors, including our liquidity requirements, contractual restrictions, general market conditions, as well as applicable regulatory, legal and accounting factors. Whether or not we repurchase or exchange any debt and the size and timing of any such repurchases or exchanges will be determined at our discretion.

- *Capital Expenditures*

  We effected capital expenditures of $447 million during the six months ended June 30, 2024, including amounts capitalized to support Max. In addition, we expect to continue to incur significant costs to develop and market Max.

- *Investments and Business Combinations*

  Our uses of cash have included investments in equity method investments and equity investments without readily determinable fair value. (See Note 7 to the accompanying consolidated financial statements.) We also provide funding to our investees from time to time. During the six months ended June 30, 2024, we contributed $68 million for investments in and advances to our investees.

- *Redeemable Noncontrolling Interest and Noncontrolling Interest*

  We had redeemable equity balances of $118 million at June 30, 2024, which may require the use of cash in the event holders of noncontrolling interests put their interests to us. Distributions to noncontrolling interests and redeemable noncontrolling interests totaled $161 million and $269 million for the six months ended June 30, 2024 and 2023, respectively.

- *Income Taxes and Interest*

  We expect to continue to make payments for income taxes and interest on our outstanding senior notes. During the six months ended June 30, 2024, we made cash payments of $484 million and $1,061 million for income taxes and interest on our outstanding debt, respectively.

**Cash Flows**

The following table presents changes in cash and cash equivalents (in millions).

| | Six Months Ended June 30, | |
|---|---|---|
| | 2024 | 2023 |
| Cash, cash equivalents, and restricted cash, beginning of period | $ 4,319 | $ 3,930 |
| Cash provided by operating activities | 1,813 | 1,383 |
| Cash used in investing activities | (137) | (567) |
| Cash used in financing activities | (2,274) | (1,683) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | (104) | 14 |
| Net change in cash, cash equivalents, and restricted cash | (702) | (853) |
| Cash, cash equivalents, and restricted cash, end of period | $ 3,617 | $ 3,077 |

***Operating Activities***

Cash provided by operating activities was $1,813 million and $1,383 million during the six months ended June 30, 2024 and 2023, respectively. The increase in cash provided by operating activities was primarily attributable to an improvement in working capital activity, due mainly to lower net content investment in 2024, partially offset by a decrease in net income, excluding non-cash items. Cash flow for the six months ended June 30, 2023 was also positively impacted by the WGA and SAG-AFTRA strikes.

***Investing Activities***

Cash used in investing activities was $137 million and $567 million during the six months ended June 30, 2024 and 2023, respectively. The decrease in cash used in investing activities was primarily attributable to proceeds from the sale of investments and fewer purchases of property and equipment during the six months ended June 30, 2024.

***Financing Activities***

Cash used in financing activities was $2,274 million and $1,683 million during the six months ended June 30, 2024 and 2023, respectively. The increase in cash used in financing activities was primarily attributable to increased principal repayments of debt, partially offset by a decrease in securitization receivables collected but not remitted and lower distributions to noncontrolling interests and redeemable noncontrolling interests during the six months ended June 30, 2024.

**Capital Resources**

As of June 30, 2024, capital resources were comprised of the following (in millions).

| | June 30, 2024 | | |
|---|---|---|---|
| | Total Capacity | Outstanding Indebtedness | Unused Capacity |
| Cash and cash equivalents | $ 3,613 | $ — | $ 3,613 |
| Revolving credit facility and commercial paper program | 6,000 | — | 6,000 |
| Senior notes [(a)] | 41,001 | 41,001 | — |
| Total | $ 50,614 | $ 41,001 | $ 9,613 |

[(a)] Interest on the senior notes is paid annually or semi-annually. Our senior notes outstanding as of June 30, 2024 had interest rates that ranged from 1.90% to 8.30% and will mature between 2024 and 2062.

We expect that our cash balance, cash generated from operations and availability under the Revolving Credit Agreement will be sufficient to fund our cash needs for both the short-term and the long-term. Our borrowing costs and access to capital markets can be affected by short and long-term debt ratings assigned by independent rating agencies which are based, in part, on our performance as measured by credit metrics such as interest coverage and leverage ratios.

The 2017 Tax Cuts and Jobs Act features a participation exemption regime with current taxation of certain foreign income and imposes a mandatory repatriation toll tax on unremitted foreign earnings. Notwithstanding the U.S. taxation of these amounts, we intend to continue to reinvest these funds outside of the U.S. Our current plans do not demonstrate a need to repatriate to the U.S. However, if these funds were to be needed in the U.S., we would be required to accrue and pay non-U.S. taxes to repatriate them. The determination of the amount of unrecognized deferred income tax liability with respect to these undistributed foreign earnings is not practicable.

**Summarized Guarantor Financial Information**

***Basis of Presentation***

As of June 30, 2024 and December 31, 2023, the Company had outstanding senior notes issued by DCL, a wholly owned subsidiary of the Company, and guaranteed by the Company, Scripps Networks, and WMH; senior notes issued by WMH and guaranteed by the Company, Scripps Networks, and DCL; senior notes issued by the legacy WarnerMedia Business (not guaranteed); and senior notes issued by Scripps Networks (not guaranteed). (See Note 8 to the accompanying consolidated financial statements.) DCL primarily includes the Discovery Channel and TLC networks in the U.S. DCL is a wholly owned subsidiary of the Company. Scripps Networks is also wholly owned by the Company.

The tables below present the summarized financial information as combined for Warner Bros. Discovery, Inc. (the “Parent”), Scripps Networks, DCL, and WMH (collectively, the “Obligors”). All guarantees of DCL and WMH’s senior notes (the “Note Guarantees”) are full and unconditional, joint and several and unsecured, and cover all payment obligations arising under the senior notes.

Note Guarantees issued by Scripps Networks, DCL or WMH, or any subsidiary of the Parent that in the future issues a Note Guarantee (each, a "Subsidiary Guarantor") may be released and discharged (i) concurrently with any direct or indirect sale or disposition of such Subsidiary Guarantor or any interest therein, (ii) at any time that such Subsidiary Guarantor is released from all of its obligations under its guarantee of payment, (iii) upon the merger or consolidation of any Subsidiary Guarantor with and into DCL, WMH or the Parent or another Subsidiary Guarantor, as applicable, or upon the liquidation of such Subsidiary Guarantor and (iv) other customary events constituting a discharge of the Obligors' obligations.

***Summarized Financial Information***

The Company has included the accompanying summarized combined financial information of the Obligors after the elimination of intercompany transactions and balances among the Obligors and the elimination of equity in earnings from and investments in any subsidiary of the Parent that is a non-guarantor (in millions).

| | June 30, 2024 | December 31, 2023 |
|---|---|---|
| Current assets | $ 867 | $ 1,539 |
| Non-guarantor intercompany trade receivables, net | 382 | 336 |
| Noncurrent assets | 4,152 | 5,709 |
| Current liabilities | 4,852 | 2,847 |
| Noncurrent liabilities | 37,577 | 42,157 |

| | Six Months Ended June 30, 2024 |
|---|---|
| Revenues | $ 1,038 |
| Operating income | 246 |
| Net income | (44) |
| Net income available to Warner Bros. Discovery, Inc. | (46) |

## MATERIAL CASH REQUIREMENTS FROM KNOWN CONTRACTUAL AND OTHER OBLIGATIONS

In the normal course of business, we enter into commitments for the purchase of goods or services that require us to make payments or provide funding in the event certain circumstances occur. Contractual commitments have not materially changed as set forth in "Material Cash Requirements from Known Contractual and Other Obligations" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Form 10-K.

## RELATED PARTY TRANSACTIONS

In the ordinary course of business, we enter into transactions with related parties, primarily the Liberty Group and our equity method investees. (See Note 14 to the accompanying consolidated financial statements.)

## CRITICAL ACCOUNTING ESTIMATES

Our critical accounting estimates have not changed since December 31, 2023. For a discussion of each of our critical accounting estimates, including information and analysis of estimates and assumptions involved in their application, see "Critical Accounting Estimates" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Form 10-K.

## NEW ACCOUNTING AND REPORTING PRONOUNCEMENTS

No new accounting and reporting standards were adopted during the six months ended June 30, 2024. (See Note 1 to the accompanying consolidated financial statements.)

## CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our business, marketing and operating strategies, integration of acquired businesses, new product and service offerings, financial prospects and anticipated sources and uses of capital. Words such as "anticipate," "assume," "believe," "continue," "estimate," "expect," "forecast," "future," "intend," "plan," "potential," "predict," "project," "strategy," "target" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would," among other terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be accomplished. The following is a list of some, but not all, of the factors that could cause actual results or events to differ materially from those anticipated:

- more intense competitive pressure from existing or new competitors in the industries in which we operate;
- reduced spending on domestic and foreign television advertising, due to macroeconomic, industry or consumer behavior trends or unexpected reductions in our number of subscribers;
- uncertainties associated with product and service development and market acceptance, including the development and provision of programming for new television and telecommunications technologies, and the success of our streaming services;
- market demand for foreign first-run and existing content libraries;
- negative publicity or damage to our brands, reputation or talent;
- realizing direct-to-consumer subscriber goals;
- industry trends, including the timing of, and spending on, sports programming, feature film, television and television commercial production;
- the possibility or duration of an industry-wide strike, such as the strikes of the WGA and SAG-AFTRA in 2023, player lock-outs or other job action affecting a major entertainment industry union, athletes or others involved in the development and production of our sports programming, television programming, feature films and interactive entertainment (e.g., games) who are covered by collective bargaining agreements;
- disagreements with our distributors or other business partners;
- continued consolidation of distribution customers and production studios;
- potential unknown liabilities, adverse consequences or unforeseen increased expenses associated with the WarnerMedia Business or our efforts to integrate the WarnerMedia Business;
- adverse outcomes of legal proceedings or disputes related to our acquisition of the WarnerMedia Business;
- changes in, or failure or inability to comply with, laws and government regulations, including, without limitation, regulations of the Federal Communications Commission and similar authorities internationally and data privacy regulations and adverse outcomes from regulatory proceedings;
- inherent uncertainties involved in the estimates and assumptions used in the preparation of financial forecasts;
- our level of debt, including the significant indebtedness incurred in connection with the acquisition of the WarnerMedia Business, and our future compliance with debt covenants;
- threatened or actual cyber-attacks and cybersecurity breaches;
- theft of our content and unauthorized duplication, distribution and exhibition of such content; and
- general economic and business conditions, fluctuations in foreign currency exchange rates, global events such as pandemics, and political unrest in the international markets in which we operate.

These risks have the potential to impact the recoverability of the assets recorded on our balance sheets, including goodwill and other intangibles. Management's expectations and assumptions, and the continued validity of any forward-looking statements we make, cannot be foreseen with certainty and are subject to change due to a broad range of factors affecting the U.S. and global economies and regulatory environments, factors specific to Warner Bros. Discovery, and other factors described under Part I, Item 1A, "Risk Factors," in our 2023 Form 10-K and Part II, Item 1A, "Risk Factors," in our Form 10-Q for the quarters-ended March 31, 2024 and June 30, 2024. These forward-looking statements and such risks, uncertainties, and other factors speak only as of the date of this Quarterly Report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions, or circumstances on which any such statement is based.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.**

Quantitative and qualitative disclosures about our existing market risk are set forth in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in the 2023 Form 10-K. Our exposures to market risk have not materially changed since December 31, 2023.

**ITEM 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2024. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

**Changes in Internal Control Over Financial Reporting**

During the three months ended June 30, 2024, there were no changes in our internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f), that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. Legal Proceedings

From time to time, in the normal course of its operations, the Company is subject to various litigation matters and claims, including claims related to employees, stockholders, vendors, other business partners, government regulations, or intellectual property, as well as disputes and matters involving counterparties to contractual agreements, such as disputes arising out of definitive agreements entered into in connection with the Merger. A determination as to the amount of the accrual required for such contingencies is highly subjective and requires judgment about future events. The Company may not currently be able to estimate the reasonably possible loss or range of loss for certain matters until developments in such matters have provided sufficient information to support an assessment of such loss. In the absence of sufficient information to support an assessment of the reasonably possible loss or range of loss, no accrual for such contingencies is made and no loss or range of loss is disclosed. (See Note 15 to the accompanying consolidated financial statements.) Although the outcome of these matters cannot be predicted with certainty and the impact of the final resolution of these matters on the Company's results of operations in a particular subsequent reporting period is not known, management does not currently believe that the resolution of these matters will have a material adverse effect on the Company's future consolidated financial position, future results of operations, or cash flows.

Between September 23, 2022 and October 24, 2022, two purported class action lawsuits (Collinsville Police Pension Board v. Discovery, Inc., et al., Case No. 1:22-cv-08171; Todorovski v. Discovery, Inc., et al., Case No. 1:22-cv-09125) were filed in the United States District Court for the Southern District of New York. The complaints named Warner Bros. Discovery, Inc., Discovery, Inc., David Zaslav, and Gunnar Wiedenfels as defendants. The complaints generally alleged that the defendants made false and misleading statements in SEC filings and in certain public statements relating to the Merger, in violation of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, and sought damages and other relief. On November 4, 2022, the court consolidated the Collinsville and Todorovski complaints under case number 1:22-CV-8171, and on December 12, 2022, the court appointed lead plaintiffs and lead counsel. On February 15, 2023, the lead plaintiffs filed an amended complaint adding Advance/Newhouse Partnership, Advance/Newhouse Programming Partnership, Steven A. Miron, Robert J. Miron, and Steven O. Newhouse as defendants. The amended complaint asserted violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, and sought damages and other relief. On February 5, 2024, the court dismissed the amended complaint with prejudice. On March 4, 2024, plaintiffs filed an appeal, which is currently pending.

On April 3, 2024, the Company was named as a nominal defendant in a lawsuit styled Davant Scarborough v. AT&T, et al., Case No. 1:24-cv-00420-JLH filed in the United States District Court for the District of Delaware. The lawsuit named AT&T Inc. and John Stankey as defendants and asserted claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 related to the merger between the Company and WarnerMedia. The suit was brought derivatively, on behalf of the Company, and sought damages in an unspecified amount on the Company's behalf. No claims were asserted against the Company. On June 7, 2024, the plaintiff filed an unopposed notice of voluntary dismissal, and on June 10, 2024, the court approved the requested voluntary dismissal without prejudice.

### ITEM 1A. Risk Factors

Investors should carefully review and consider the information regarding certain factors that could materially affect our business, results of operations, financial condition, and cash flows as set forth under Part I, Item 1A "Risk Factors" of the Company's 2023 Form 10-K and Part II, Item 1A "Risk Factors" of the Company's Form 10-Q for the quarter-ended March 31, 2024. Certain of the risks described in the Company's 2023 Form 10-K and Form 10-Q for the quarter-ended March 31, 2024 are amended and restated as set forth below. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely impact our business, results of operations, financial position, and cash flows.

**We invest significant resources to acquire and maintain licenses to produce sports programming and there can be no assurance that we will continue to be successful in our efforts to obtain or maintain licenses to recurring sports events or recoup our investment when the content is distributed.**

We face significant competition to acquire and maintain licenses to sports programming, which leads to significant expenditure of funds and resources. As a result of an increasing number of market entrants in the programming space, we have seen upward pressure on programming costs in recent years, particularly in connection with the licensing and acquisition of sports content from third parties. We may also be impacted by such upward pressures driven by increasing investment in programming by competitors. In certain international markets, regulations concerning content quotas or content investment requirements may be a further factor driving increasing programming costs. In addition, businesses, including ours, that offer multiple services or that may be vertically integrated and offer both video distribution and programming content, may face closer regulatory review from the competition authorities in the countries in which we currently have operations. If our distributors have to pay higher rates to other holders of sports broadcasting rights, it might be difficult for us to negotiate higher rates for the distribution of our networks. This difficulty could be amplified if we are unable to obtain or maintain licenses for sports programming that we can bundle with our other programming for distribution. There can be no assurance that we will be able to compete successfully in the future against existing or new competitors to obtain and/or maintain licenses to recurring sports events. For example, the NBA has declined to renew its existing license with the Company to distribute NBA games, which will expire at the end of the 2024-2025 NBA season. The Company is currently engaged in a legal dispute with the NBA regarding the license. If the license ultimately is not renewed, such nonrenewal could limit our ability to negotiate higher rates for the distribution of our networks. Increasing competition for programming licenses and regulatory review from competition authorities could have a material adverse effect on our business, financial condition or results of operations.

There can also be no assurance that we will recoup our investment in sports programming, including realizing any anticipated benefits of our joint ventures, or that revenue from our content distribution agreements will exceed our costs for the rights for sports programming, as well as the other costs of producing and distributing the programming. The impact of these licenses on our results of operations over the term of the licenses depends on a number of factors, including the strength of advertising markets and subscription levels and rates for programming. Our success with sports programming is highly dependent on consumer acceptance of this content and the size of our viewing audience. If viewers do not find our sports programming content acceptable, we could see low viewership, which could lead to low distribution and advertising revenues and adversely affect our business, financial condition and results of operations.

**ITEM 6. Exhibits.**

| Exhibit No. | Description |
|---|---|
| 4.1 | Second Supplemental Indenture, dated as of May 17, 2024, among WarnerMedia Holdings, Inc., Warner Bros. Discovery, Inc., Discovery Communications, LLC, Scripps Networks Interactive, Inc., Elavon Financial Services DAC, UK Branch, as paying agent, and U.S. Bank Trust Company, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Form 8-K filed on May 17, 2024 (File No. 001-34177)) |
| 10.1 | Second Amendment to the Employment Agreement, dated May 13, 2024, by and between Gerhard Zeiler and Turner International, Inc. (filed herewith)* |
| 10.2 | Second Amendment to the Fourth Amended and Restated Receivables Purchase Agreement, dated as of June 28, 2024 (filed herewith)** |
| 10.3 | Warner Bros. Discovery, Inc. 2024 RSU Grant Agreement for Non-Employee Directors (filed herewith)* |
| 10.4 | Amended and Restated Warner Bros. Discovery, Inc. Stock Incentive Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement on Schedule 14A filed on April 19, 2024 (File No. 001-34177))* |
| 22 | Table of Senior Notes, Issuer and Guarantors (incorporated by reference to Exhibit 22 to the Form 10-Q filed on August 3, 2023 (File No. 001-34177)) |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 31.2 | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as Amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document (filed herewith)† |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)† |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)† |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)† |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)† |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

* Indicates management contract or compensatory plan, contract or arrangement.

**Exhibits, schedules and annexes have been omitted pursuant to Item 601(a)(5) of Regulation S-K and will be supplementally provided to the SEC upon request.

† Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023, (ii) Consolidated Statements of Operations for the three and six months ended June 30, 2024 and 2023, (iii) Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2024 and 2023, (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2024 and 2023, (v) Consolidated Statements of Equity for the three and six months ended June 30, 2024 and 2023, and (vi) Notes to Consolidated Financial Statements.

## SIGNATURES

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

**WARNER BROS. DISCOVERY, INC.**
(Registrant)

| | | |
|---|---|---|
| Date: August 7, 2024 | By: | /s/ David M. Zaslav |
| | | David M. Zaslav |
| | | President and Chief Executive Officer |
| Date: August 7, 2024 | By: | /s/ Gunnar Wiedenfels |
| | | Gunnar Wiedenfels |
| | | Chief Financial Officer |