

DISCOVERY, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	December 31,	
	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,552	\$ 986
Receivables, net	2,633	2,620
Content rights, net	579	313
Prepaid expenses and other current assets	453	312
Total current assets	5,217	4,231
Noncurrent content rights, net	3,129	3,069
Property and equipment, net	951	800
Goodwill	13,050	13,006
Intangible assets, net	8,667	9,674
Equity method investments, including note receivable	568	935
Other noncurrent assets	2,153	835
Total assets	<u>\$ 33,735</u>	<u>\$ 32,550</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 463	\$ 325
Accrued liabilities	1,678	1,604
Deferred revenues	489	249
Current portion of debt	609	1,819
Total current liabilities	3,239	3,997
Noncurrent portion of debt	14,810	14,974
Deferred income taxes	1,691	1,811
Other noncurrent liabilities	2,029	1,251
Total liabilities	21,769	22,033
Commitments and contingencies (See Note 22)		
Redeemable noncontrolling interests	442	415
Equity:		
Discovery, Inc. stockholders' equity:		
Series A-1 convertible preferred stock: \$0.01 par value; 8 shares authorized, issued, and outstanding	—	—
Series C-1 convertible preferred stock: \$0.01 par value; 6 shares authorized; 5 and 6 shares issued and outstanding	—	—
Series A common stock: \$0.01 par value; 1,700 shares authorized; 161 and 160 shares issued; and 158 and 157 shares outstanding	2	2
Series B convertible common stock: \$0.01 par value; 100 shares authorized; 7 shares issued and outstanding	—	—
Series C common stock: \$0.01 par value; 2,000 shares authorized; 547 and 524 shares issued; and 360 shares outstanding	5	5
Additional paid-in capital	10,747	10,647
Treasury stock, at cost: 190 and 167 shares	(7,374)	(6,737)
Retained earnings	7,333	5,254
Accumulated other comprehensive loss	(822)	(785)
Total Discovery, Inc. stockholders' equity	9,891	8,386
Noncontrolling interests	1,633	1,716
Total equity	11,524	10,102
Total liabilities and equity	<u>\$ 33,735</u>	<u>\$ 32,550</u>

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

DISCOVERY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Advertising	\$ 6,044	\$ 5,514	\$ 3,073
Distribution	4,835	4,538	3,474
Other	265	501	326
Total revenues	11,144	10,553	6,873
Costs and expenses:			
Costs of revenues, excluding depreciation and amortization	3,819	3,935	2,656
Selling, general and administrative	2,788	2,620	1,768
Depreciation and amortization	1,347	1,398	330
Impairment of goodwill	155	—	1,327
Restructuring and other charges	26	750	75
(Gain) loss on disposition	—	(84)	4
Total costs and expenses	8,135	8,619	6,160
Operating income	3,009	1,934	713
Interest expense, net	(677)	(729)	(475)
Loss on extinguishment of debt	(28)	—	(54)
Loss from equity investees, net	(2)	(63)	(211)
Other expense, net	(8)	(120)	(110)
Income (loss) before income taxes	2,294	1,022	(137)
Income tax expense	(81)	(341)	(176)
Net income (loss)	2,213	681	(313)
Net income attributable to noncontrolling interests	(128)	(67)	—
Net income attributable to redeemable noncontrolling interests	(16)	(20)	(24)
Net income (loss) available to Discovery, Inc.	\$ 2,069	\$ 594	\$ (337)
Net income (loss) per share available to Discovery, Inc. Series A, B and C common stockholders:			
Basic	\$ 2.90	\$ 0.86	\$ (0.59)
Diluted	\$ 2.88	\$ 0.86	\$ (0.59)
Weighted average shares outstanding:			
Basic	529	498	384
Diluted	711	688	576

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DISCOVERY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2019	2018	2017
Operating Activities			
Net income (loss)	\$ 2,213	\$ 681	\$ (313)
Adjustments to reconcile net income (loss) to cash provided by operating activities:			
Content rights amortization and impairment	2,853	3,288	1,910
Depreciation and amortization	1,347	1,398	330
Deferred income taxes	(504)	(131)	(199)
Impairment of goodwill	155	—	1,327
Share-based compensation expense	142	80	39
Equity in losses of equity method investee companies, net of cash distributions	62	138	223
Unrealized loss (gain) from derivative instruments, net	62	(15)	—
Loss on extinguishment of debt	28	—	54
Remeasurement gain on previously held equity interests	(14)	—	(34)
Realized (gain) loss from derivative instruments, net	(14)	—	98
(Gain) loss on disposition	—	(84)	4
Other, net	42	141	85
Changes in operating assets and liabilities, net of acquisitions and dispositions:			
Receivables, net	(7)	(84)	(258)
Content rights and payables, net	(3,060)	(2,883)	(1,947)
Accounts payable and accrued liabilities	122	(74)	265
Prepaid income taxes and income taxes receivable	4	57	20
Foreign currency and other, net	(32)	64	25
Cash provided by operating activities	3,399	2,576	1,629
Investing Activities			
Business acquisitions, net of cash acquired	(73)	(8,565)	(60)
Investments in and advances to equity investments	(254)	(61)	(444)
Purchases of property and equipment	(289)	(147)	(135)
Proceeds from dissolution of joint venture and sale of investments	125	—	—
Proceeds from (payments for) derivative instruments, net	54	(2)	(101)
Proceeds from sale of assets	4	68	—
Proceeds from dispositions, net of cash disposed	—	107	29
Distributions from equity method investees	—	1	77
Other investing activities, net	(5)	6	1
Cash used in investing activities	(438)	(8,593)	(633)
Financing Activities			
Principal repayments of debt, including discount payment and premiums to par value	(2,658)	(16)	(650)
Borrowings from debt, net of discount and including premiums	1,479	—	7,488
Borrowings under term loan facilities	—	2,000	—
Principal repayments of term loans	—	(2,000)	—
Repurchases of stock	(633)	—	(603)
Distributions to noncontrolling interests and redeemable noncontrolling interests	(250)	(76)	(30)
Principal repayments of revolving credit facility	(225)	(200)	(475)
Principal repayments of finance lease obligations	(44)	(50)	(33)
Hedge of borrowings from debt instruments	(18)	—	—
(Repayments) borrowings under program financing line of credit, net	(12)	22	—
Share-based plan (payments) proceeds, net	(2)	54	16
Commercial paper repayments, net	—	(5)	(48)
Borrowings under revolving credit facility	—	—	350
Other financing activities, net	6	(12)	(64)
Cash (used in) provided by financing activities	(2,357)	(283)	5,951
Effect of exchange rate changes on cash and cash equivalents	(38)	(23)	62
Net change in cash and cash equivalents	566	(6,323)	7,009
Cash and cash equivalents, beginning of period	986	7,309	300
Cash and cash equivalents, end of period	\$ 1,552	\$ 986	\$ 7,309

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