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 September 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

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 ý No o

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 ý 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	ý	Accelerated filer	☐
Non-accelerated filer	o	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 ý

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

Series A Common Stock, par value $0.01 per share	2,453,165,097

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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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues:				
Distribution	$ 4,920	$ 5,026	$ 14,784	$ 15,324
Advertising	1,682	1,796	6,260	6,613
Content	2,721	2,840	7,388	8,240
Other	300	317	862	860
Total revenues	9,623	9,979	29,294	31,037
Costs and expenses:				
Costs of revenues, excluding depreciation and amortization	5,181	5,309	17,443	18,630
Selling, general and administrative	2,385	2,291	7,078	7,241
Depreciation and amortization	1,762	1,989	5,394	5,961
Restructuring and other charges	9	269	161	510
Impairments and loss on dispositions	5	24	9,412	61
Total costs and expenses	9,342	9,882	39,488	32,403
Operating income (loss)	281	97	(10,194)	(1,366)
Interest expense, net	(494)	(574)	(1,527)	(1,719)
Gain on extinguishment of debt	23	22	590	17
Loss from equity investees, net	(18)	(14)	(89)	(73)
Other income (expense), net	30	(63)	188	(109)
Loss before income taxes	(178)	(532)	(11,032)	(3,250)
Income tax benefit	319	125	190	563
Net income (loss)	141	(407)	(10,842)	(2,687)
Net income attributable to noncontrolling interests	(3)	(8)	(20)	(32)
Net (income) loss attributable to redeemable noncontrolling interests	(3)	(2)	45	(7)
Net income (loss) available to Warner Bros. Discovery, Inc.	$ 135	$ (417)	$ (10,817)	$ (2,726)
Net income (loss) per share available to Warner Bros. Discovery, Inc. Series A common stockholders:				
Basic	$ 0.06	$ (0.17)	$ (4.42)	$ (1.12)
Diluted	$ 0.05	$ (0.17)	$ (4.42)	$ (1.12)
Weighted average shares outstanding:				
Basic	2,453	2,438	2,449	2,436
Diluted	2,470	2,438	2,449	2,436

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	$ 141	$ (407)	$ (10,842)	$ (2,687)
Other comprehensive income (loss):				
Currency translation, net of income tax benefit (expense) of $ 15 , $(22), $ 13 , and $(32)	482	(393)	315	93
Pension plan and SERP liability, net of income tax (expense) of $ — and $(2), $ — , and $(8)	—	(1)	—	(14)
Derivatives				
Change in net unrealized gains	15	15	40	29
Less: Reclassification adjustment for net gains included in net income	(8)	(6)	(15)	(12)
Net change, net of income tax (expense) benefit of $(1), $ 3 , $(5), and $(1)	7	9	25	17
Comprehensive income (loss)	630	(792)	(10,502)	(2,591)
Comprehensive income attributable to noncontrolling interests	(10)	(8)	(23)	(32)
Comprehensive (income) loss attributable to redeemable noncontrolling interests	(3)	(2)	45	(7)
Comprehensive income (loss) attributable to Warner Bros. Discovery, Inc.	$ 617	$ (802)	$ (10,480)	$ (2,630)

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)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 3,336	$ 3,780
Receivables, net	5,534	6,047
Prepaid expenses and other current assets	3,635	4,391
Total current assets	12,505	14,218
Film and television content rights and games	20,039	21,229
Property and equipment, net	6,158	5,957
Goodwill	25,869	34,969
Intangible assets, net	33,767	38,285
Other noncurrent assets	7,995	8,099
Total assets	$ 106,333	$ 122,757
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,120	$ 1,260
Accrued liabilities	10,002	10,368
Deferred revenues	1,530	1,924
Current portion of debt	3,043	1,780
Total current liabilities	15,695	15,332
Noncurrent portion of debt	37,166	41,889
Deferred income taxes	7,339	8,736
Other noncurrent liabilities	9,959	10,328
Total liabilities	70,159	76,285
Commitments and contingencies (See Note 15)		
Redeemable noncontrolling interests	117	165
Warner Bros. Discovery, Inc. stockholders' equity:		
Series A common stock: $ 0.01 par value; 10,800 and 10,800 shares authorized; 2,683 and 2,669 shares issued; and 2,452 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	55,463	55,112
Treasury stock, at cost: 230 and 230 shares	(8,244)	(8,244)
Accumulated deficit	(11,745)	(928)
Accumulated other comprehensive loss	(401)	(741)
Total Warner Bros. Discovery, Inc. stockholders' equity	35,100	45,226
Noncontrolling interests	957	1,081
Total equity	36,057	46,307
Total liabilities and equity	$ 106,333	$ 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)

	Nine Months Ended September 30,	
	2024	**2023**
Operating Activities		
Net loss	$ (10,842)	$ (2,687)
Adjustments to reconcile net income to cash provided by (used in) operating activities:		
Content rights amortization and impairment	10,879	12,547
Depreciation and amortization	5,394	5,961
Deferred income taxes	(1,351)	(2,071)
Share-based compensation expense	419	391
Equity in losses of equity method investee companies and cash distributions	130	136
Gain on sale of investments	(204)	—
Gain on extinguishment of debt	(590)	(17)
Impairments and loss on dispositions	9,412	61
Gain from derivative instruments, net	(41)	(100)
Other, net	96	186
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables, net	517	(33)
Film and television content rights, games, and production payables, net	(9,506)	(9,853)
Accounts payable, accrued liabilities, deferred revenues and other noncurrent liabilities	(1,493)	(1,245)
Foreign currency, prepaid expenses and other assets, net	(160)	623
Cash provided by operating activities	2,660	3,899
Investing Activities		
Purchases of property and equipment	(662)	(1,048)
Proceeds from sales of investments	324	—
Investments in and advances to equity investments	(104)	(91)
Other investing activities, net	87	114
Cash used in investing activities	(355)	(1,025)
Financing Activities		
Principal repayments of term loans	—	(2,850)
Principal repayments of debt, including premiums and discounts to par value	(4,550)	(2,818)
Borrowings from debt, net of discount and issuance costs	1,617	1,496
Distributions to noncontrolling interests and redeemable noncontrolling interests	(172)	(282)
Securitization receivables collected but not remitted	13	238
Borrowings under commercial paper program and revolving credit facility	14,203	4,298
Repayments under commercial paper program and revolving credit facility	(14,203)	(4,304)
Other financing activities, net	(57)	(86)
Cash used in financing activities	(3,149)	(4,308)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	15	(66)
Net change in cash, cash equivalents, and restricted cash	(829)	(1,500)
Cash, cash equivalents, and restricted cash, beginning of period	4,319	3,930
Cash, cash equivalents, and restricted cash, end of period	$ 3,490	$ 2,430

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
Net income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests	—	—	—	—	135	—	135	3	138
Other comprehensive income	—	—	—	—	—	489	489	7	496
Share-based compensation	—	—	135	—	—	—	135	—	135
Tax settlements associated with share-based compensation	—	—	(5)	—	—	—	(5)	—	(5)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(5)	(5)
Issuance of stock in connection with share-based plans	2	—	4	—	—	—	4	—	4
Redeemable noncontrolling interest adjustments to redemption value	—	—	(3)	—	—	—	(3)	—	(3)
September 30, 2024	2,683	$ 27	$ 55,463	$ (8,244)	$ (11,745)	$ (401)	$ 35,100	$ 957	$ 36,057

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**	**Retained Earnings (Accumulated Deficit)**	**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
Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests	—	—	—	—	(417)	—	(417)	8	(409)
Other comprehensive loss	—	—	—	—	—	(385)	(385)	—	(385)
Share-based compensation	—	—	126	—	—	—	126	—	126
Reclassification of redeemable noncontrolling interest to noncontrolling interest (See Note 13)	—	—	2	—	—	—	2	60	62
Tax settlements associated with share-based plans	—	—	(5)	—	—	—	(5)	—	(5)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(8)	(8)
Issuance of stock in connection with share-based plans	1	—	5	—	—	—	5	—	5
Redeemable noncontrolling interest adjustments to redemption value	—	—	—	—	(4)	—	(4)	—	(4)
September 30, 2023	2,668	$ 27	$ 54,944	$ (8,244)	$ (526)	$ (1,427)	$ 44,774	$ 1,087	$ 45,861

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 of this guidance and will update its segment disclosures upon adoption.

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 of this guidance and will update its tax disclosures upon adoption.

Disaggregation of Income Statement Expenses

In November 2024, the FASB issued guidance updating the disclosure requirements for income statement expenses, primarily through disaggregation of certain types of expenses presented on the income statement. The amendments are effective for fiscal years beginning after December 15, 2026 and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments may be applied either: (1) prospectively to financial statements issued for reporting periods after the effective date, or (2) retrospectively to all prior periods presented in the financial statements. 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.

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, 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. 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 during the three months ended June 30, 2024 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 September 30, 2024 and December 31, 2023, respectively.

During the three months ended September 30, 2024, the Company performed goodwill and intangible assets impairment monitoring procedures for all of its reporting units and identified no indicators of impairment or triggering events. The Company continues to monitor its reporting units for triggers that could impact recoverability of goodwill. Long-term trends and risks the Company is monitoring in its ongoing assessment include, but are not limited to, the following:

- the delta between market capitalization and book value;
- uncertainty related to affiliate 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 and volatility related to the performance of theatrical film and game slates in our Studios reporting unit; and
- risks in executing the projected growth strategies of the Company’s DTC reporting unit.

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.

Intangible Assets

During the three months ended September 30, 2024, as a result of the goodwill impairment charge recorded in the second quarter of 2024 and the long-term trends and risks associated with the Company’s Networks reporting unit, the Company reassessed and shortened the useful lives for certain of its linear networks trade names. This change was considered a change in estimate, was accounted for prospectively, and resulted in incremental amortization expense of $ 94 million during the three months ended September 30, 2024.

During the three months ended September 30, 2023, the Company reassessed the useful lives and amortization methods for its linear networks and HBO trademarks and trade names and concluded the pattern of amortization should be accelerated. Accordingly, the Company changed the amortization method for these assets from the straight-line method to the sum-of-the months' digits method effective July 1, 2023. This change was considered a change in estimate, was accounted for prospectively, and resulted in incremental amortization expense of $ 171 million during the three months ended September 30, 2023.

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Studios	$ 2	$ 134	$ 32	$ 220
Networks	5	48	58	161
DTC	(16)	34	1	61
Corporate and inter-segment eliminations	18	53	70	68
Total restructuring and other charges	$ 9	$ 269	$ 161	$ 510

During the three months ended September 30, 2024, restructuring and other charges were primarily related to organization restructuring costs. During the three months ended September 30, 2023, restructuring and other charges primarily included content impairments and other content developments costs and write-offs of $ 112 million, contract terminations and facility consolidation activities of $ 31 million, organization restructuring costs of $ 125 million, and other charges of $ 1 million.

During the nine months ended September 30, 2024, restructuring and other charges were primarily related to organization restructuring costs. During the nine months ended September 30, 2023, restructuring and other charges primarily included content impairments and other content development costs and write-offs of $ 123 million, contract terminations and facility consolidation activities of $ 102 million, organization restructuring of $ 284 million, and other charges of $ 1 million. Facility consolidation impairment charges of $ 234 million were recorded in impairment and loss on dispositions in the consolidated statements of operations during the nine months ended September 30, 2024.

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
Contract termination accruals, net	—	1	—	2	3
Employee termination accruals, net	31	56	22	61	170
Other accruals and adjustments	—	—	(20)	—	(20)
Cash paid	(80)	(151)	(46)	(78)	(355)
September 30, 2024	$ 49	$ 108	$ 36	$ 65	$ 258

NOTE 4. REVENUES

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

	Three Months Ended September 30, 2024				
	Studios	Networks	DTC	Corporate and Inter-segment Eliminations	Total
Revenues:					
Distribution	$ 6	$ 2,598	$ 2,320	$ (4)	$ 4,920
Advertising	1	1,490	205	(14)	1,682
Content	2,463	833	107	(682)	2,721
Other	210	89	2	(1)	300
Total	$ 2,680	$ 5,010	$ 2,634	$ (701)	$ 9,623

	Three Months Ended September 30, 2023				
	Studios	Networks	DTC	Corporate and Inter-segment Eliminations	Total
Revenues:					
Distribution	$ 13	$ 2,833	$ 2,179	$ 1	$ 5,026
Advertising	4	1,709	138	(55)	1,796
Content	3,000	215	120	(495)	2,840
Other	209	111	1	(4)	317
Total	$ 3,226	$ 4,868	$ 2,438	$ (553)	$ 9,979

	Nine Months Ended September 30, 2024				
	Studios	Networks	DTC	Corporate and Inter-segment Eliminations	Total
Revenues:					
Distribution	$ 14	$ 8,070	$ 6,707	$ (7)	$ 14,784
Advertising	5	5,691	620	(56)	6,260
Content	7,323	1,396	329	(1,660)	7,388
Other	608	250	6	(2)	862
Total	$ 7,950	$ 15,407	$ 7,662	$ (1,725)	$ 29,294

	Nine Months Ended September 30, 2023				
	Studios	Networks	DTC	Corporate and Inter-segment Eliminations	Total
Revenues:					
Distribution	$ 19	$ 8,769	$ 6,536	$ —	$ 15,324
Advertising	11	6,394	362	(154)	6,613
Content	8,425	744	715	(1,644)	8,240
Other	564	300	12	(16)	860
Total	$ 9,019	$ 16,207	$ 7,625	$ (1,814)	$ 31,037

Contract Liabilities and Contract Assets

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

Category	Balance Sheet Location	September 30, 2024	December 31, 2023
Contract liabilities	Deferred revenues	$ 1,530	$ 1,924
Contract liabilities	Other noncurrent liabilities	190	160

For the nine months ended September 30, 2024 and 2023, respectively, revenues of $ 1,542 million and $ 1,202 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 September 30, 2024 and December 31, 2023.

Remaining Performance Obligations

As of September 30, 2024, $ 10,202 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	September 30, 2024	Duration
Distribution - fixed price or minimum guarantee	$ 2,802	Through 2031
Content licensing and sports sublicensing	4,673	Through 2030
Brand licensing	2,096	Through 2043
Advertising	631	Through 2027
Total	$ 10,202	

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 sheet was $ 4,761 million as of September 30, 2024.

The Company recognized $ 33 million and $ 121 million for the three and nine months ended September 30, 2024, respectively, and $ 36 million and $ 78 million for the three and nine months ended September 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gross receivables sold/cash proceeds received	$ 3,528	$ 3,381	$ 11,024	$ 9,797
Collections reinvested under revolving receivables program	(3,834)	(3,487)	(11,464)	(9,974)
Net cash proceeds remitted	$ (306)	$ (106)	$ (440)	$ (177)
Net receivables sold	$ 3,524	$ 3,352	$ 10,967	$ 9,656
Obligations recorded (Level 3)	$ 31	$ 114	$ 270	$ 374

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).

	September 30, 2024	December 31, 2023
Gross receivables pledged as collateral	$ 2,453	$ 3,088
Restricted cash pledged as collateral	$ 150	$ 500
Balance sheet classification:		
Receivables, net	$ 2,036	$ 2,780
Prepaid expenses and other current assets	$ 150	$ 500
Other noncurrent assets	$ 417	$ 308

Accounts Receivable Factoring

Total trade accounts receivable sold under the Company's factoring arrangement were $ 57 million and $ 72 million for the nine months ended September 30, 2024 and 2023, respectively. The impact to the consolidated statements of operations was immaterial for the three and nine months ended September 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).

	September 30, 2024		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Theatrical film production costs:			
Released, less amortization	$ 1,629	$ —	$ 1,629
Completed and not released	369	—	369
In production and other	1,474	—	1,474
Television production costs:			
Released, less amortization	1,480	5,804	7,284
Completed and not released	561	717	1,278
In production and other	375	2,213	2,588
Total theatrical film and television production costs	$ 5,888	$ 8,734	$ 14,622
Licensed content and advances, net			4,316
Live programming and advances, net			1,347
Game development costs, less amortization			442
Total film and television content rights and games			20,727
Less: Current content rights and prepaid license fees, net			(688)
Total noncurrent film and television content rights and games			$ 20,039

	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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Predominantly monetized individually	$ 1,624	$ 631	$ 3,300	$ 3,193
Predominantly monetized as a group	1,363	2,364	7,256	9,039
Total content amortization	$ 2,987	$ 2,995	$ 10,556	$ 12,232

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 $ 145 million and $ 323 million, for the three and nine months ended September 30, 2024, respectively, and were $ 191 million and $ 315 million for the three and nine months ended September 30, 2023, 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	September 30, 2024	December 31, 2023
Equity method investments:				
The Chernin Group (TCG) 2.0-A, LP	Other noncurrent assets	44 %	$ 227	$ 249
nC+	Other noncurrent assets	32 %	136	142
TNT Sports	Other noncurrent assets	50 %	102	102
Other	Other noncurrent assets		352	503
Total equity method investments			817	996
Investments with readily determinable fair values	Other noncurrent assets		37	53
Investments without readily determinable fair values	Other noncurrent assets[a]		420	438
Total investments			$ 1,274	$ 1,487

[a] Investments without readily determinable fair values included $ 17 million as of September 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 September 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 $ 644 million. The Company's maximum estimated exposure excludes the non-contractual future funding of VIEs. The aggregate carrying values of these VIE investments were $ 624 million and $ 697 million as of September 30, 2024 and December 31, 2023, respectively. VIE gains and losses are recorded in loss from equity investees, net on the consolidated statements of operations. VIE losses were $ 8 million and $ 6 million for the three months ended September 30, 2024 and 2023, respectively, and $ 46 million and $ 59 million for nine months ended September 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 September 30, 2024	September 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	4.10 %	14,088	13,664
Senior notes with maturities between 5 and 10 years	4.37 %	7,974	8,607
Senior notes with maturities greater than 10 years	5.20 %	18,170	21,644
Total debt		40,232	43,955
Unamortized discount, premium, debt issuance costs, and fair value adjustments for acquisition accounting, net		(23)	(286)
Debt, net of unamortized discount, premium, debt issuance costs, and fair value adjustments for acquisition accounting		40,209	43,669
Current portion of debt		(3,043)	(1,780)
Noncurrent portion of debt		$ 37,166	$ 41,889

During the three months ended September 30, 2024, the Company repaid in full at maturity £ 400 million ($ 529 million equivalent at repayment) of aggregate principal amount outstanding of its senior notes due September 2024 and completed open market repurchases for $ 361 million of aggregate principal amount outstanding of its senior notes.

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) Discovery Communications, LLC's ("DCL") 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 Interactive, Inc.'s ("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) WarnerMedia Holdings, Inc.'s ("WMH") 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 September 30, 2023, the Company's wholly-owned subsidiaries, Warner Media, LLC ("WML"), Historic TW Inc. ("TWI"), DCL, and WMH, commenced cash tender offers to purchase for cash any and all of (i) WML's outstanding 4.050 % Senior Notes due 2023 and 3.550 % Senior Notes due 2024, (ii) TWI's outstanding 7.570 % Senior Notes due 2024, (iii) DCL's outstanding 3.800 % Senior Notes due 2024, and (iv) WMH's outstanding 3.528 % Senior Notes due 2024 and 3.428 % Senior Notes due 2024. The Company completed the tender offer in August 2023 by purchasing senior notes in the amount of $ 1.9 billion validly tendered and accepted for purchase pursuant to the offers. The Company also repaid $ 250 million of aggregate principal amount outstanding of its term loan prior to the due date of April 2025, repaid in full at maturity $ 178 million of aggregate principal amount outstanding of its senior notes due September 2023, and completed open market repurchases for $ 95 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 September 30, 2024, all senior notes are fully and unconditionally guaranteed by the Company, Scripps Networks, DCL (to the extent it is not the primary obligor on such senior notes), and WMH (to the extent it is not the primary obligor on such senior notes), except for $ 1,043 million 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

As of September 30, 2024, the Company had a multicurrency revolving credit agreement (the "Revolving Credit Agreement") and had the capacity to borrow up to $ 6.0 billion under the Revolving Credit Agreement (the "Credit Facility"). The Company could 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 September 30, 2024 and December 31, 2023, the Company had no outstanding borrowings under its Credit Facility or its commercial paper program. In October 2024, the Company replaced the Revolving Credit Agreement with a new multicurrency revolving credit agreement. (See Note 17.)

Credit Agreement Financial Covenants

The Revolving Credit Agreement included financial covenants that required the Company to maintain a minimum consolidated interest coverage ratio of 3.00 to 1.00 and a maximum adjusted consolidated leverage ratio of 4.50 to 1.00. As of September 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 September 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).

	September 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	$ 1,712	$ 43	$ 23	$ 25	$ 15	$ 1,484	$ 40	$ 8	$ 37	$ 8
Net investment hedges: [a]										
Cross-currency swaps	1,546	16	31	—	17	1,779	23	12	7	42
Fair value hedges:										
Interest rate swaps	—	—	—	—	—	1,500	7	—	—	5
No hedging designation:										
Foreign exchange	1,013	19	2	16	97	1,058	1	1	1	83
Interest rate swaps	3,000	1	—	2	—	—	—	—	—	—
Total return swaps	451	7	—	—	—	395	19	—	—	—
Total		$ 86	$ 56	$ 43	$ 129		$ 90	$ 21	$ 45	$ 138

[a] Excludes £ 402 million of sterling notes ($ 513 million equivalent at December 31, 2023), and € 1,275 million of euro notes ($ 1,427 million equivalent at September 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. During the three months ended September 30, 2024, the Company repaid the Sterling debt in full at maturity and settled the remaining £ 145 million designated as a net investment hedge.

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign exchange - derivative adjustments	$ 15	$ 15	$ 46	$ 35
Gains (losses) reclassified into income from accumulated other comprehensive loss:				
Foreign exchange - distribution revenue	9	(3)	12	(5)
Foreign exchange - advertising revenue	1	—	1	—
Foreign exchange - costs of revenues	(1)	12	6	3
Foreign exchange - other income (expense), net	—	—	—	18
Interest rate - interest expense, net	(2)	(1)	(4)	—
Interest rate - gain (loss) on extinguishment of debt	—	—	(4)	—
Interest rate - other income (expense), net	—	1	5	1

If current fair values of designated cash flow hedges as of September 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 € 1,500 million 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. The Company de-designated € 225 million of its Euro denominated debt during the three months ended September 30, 2024.

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.

During the three months ended September 30, 2023, the Company settled its Euro denominated debt that was designated as the hedging instrument in a net investment hedge.

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 nine months ended September 30, 2024 and 2023.

	Three Months Ended September 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	$ 23	$ 5	Interest expense, net	$ 6	$ 7
Euro-denominated notes (foreign denominated debt)	(71)	(2)	N/A	—	—
Sterling notes (foreign denominated debt)	(9)	17	N/A	—	—
Total	$ (57)	$ 20		$ 6	$ 7

	Nine Months Ended September 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	$ 62	$ 30	Interest expense, net	$ 18	$ 18
Euro-denominated notes (foreign denominated debt)	(50)	3	N/A	—	—
Sterling notes (foreign denominated debt)	(5)	11	N/A	—	—
Total	$ 7	$ 44		$ 18	$ 18

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 were recorded in interest expense, net. The fair value hedge was subsequently settled during the three months ended September 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest rate swaps	$ (29)	$ 18	$ (1)	$ 80
Total return swaps	21	(19)	41	12
Total in selling, general and administrative expense	(8)	(1)	40	92
Interest rate swaps	—	(1)	(3)	(1)
Cross-currency swaps	—	—	—	1
Foreign exchange derivatives	(6)	(1)	(31)	1
Total in other income (expense), net	(6)	(2)	(34)	1
Total	$ (14)	$ (3)	$ 6	$ 93

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).

		September 30, 2024			
Category	**Balance Sheet Location**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Cash equivalents:					
Time deposits	Cash and cash equivalents	$ —	$ 129	$ —	$ 129
Equity securities:					
Money market fund	Cash and cash equivalents	30	—	—	30
Mutual funds	Prepaid expenses and other current assets	17	—	—	17
Company-owned life insurance contracts	Prepaid expenses and other current assets	—	2	—	2
Mutual funds	Other noncurrent assets	217	—	—	217
Company-owned life insurance contracts	Other noncurrent assets	—	101	—	101
Total		$ 264	$ 232	$ —	$ 496
Liabilities					
Deferred compensation plan	Accrued liabilities	$ 64	$ —	$ —	$ 64
Deferred compensation plan	Other noncurrent liabilities	656	—	—	656
Total		$ 720	$ —	$ —	$ 720

		December 31, 2023			
Category	**Balance Sheet Location**	**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 September 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 $ 35.7 billion and $ 40.5 billion as of September 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).

	Nine Months Ended September 30, 2024		
	Awards	Weighted-Average Gr Price	
Awards granted:			
PRSUs	6.1	$	8.6
RSUs	55.0	$	8.6
Stock options	4.1	$	8.6

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 September 30, 2024 (in millions, except years).

	Unrecognized Compensation Cost		Weighted-Average Amortization Period (years)
PRSUs	$	65	
RSUs		582	
Stock options		92	
Total unrecognized compensation cost	$	739	

NOTE 12. INCOME TAXES

Income tax benefit was $ 319 million and $ 125 million for the three months ended September 30, 2024 and 2023, respectively, and income tax benefit was $ 190 million and $ 563 million for the nine months ended September 30, 2024 and 2023, respectively. During the nine months ended September 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.) For the three months ended September 30, 2024, the increase in income tax benefit compared to the same period in 2023 was primarily attributable to the effect of foreign operations, including a net tax benefit related to prior year tax positions finalized in tax returns filed during the three months ended September 30, 2024. The increase in income tax benefit was partially offset by a decrease in pre-tax book loss. For the nine months ended September 30, 2024, the decrease in income tax benefit compared to the same period in 2023 was primarily attributed to a decrease in pre-tax book loss (excluding the non-cash goodwill impairment charge), 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 nine months ended September 30, 2023. The decrease was partially offset by an increase in tax benefits associated with the foreign operations.

Income tax benefit for the three and nine months ended September 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 September 30, 2024 and December 31, 2023, the Company’s reserves for uncertain tax positions totaled $ 2,443 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 $ 99 million within the next twelve months as a result of ongoing audits, lapses of statutes of limitations or regulatory developments.

As of September 30, 2024 and December 31, 2023, the Company had accrued $ 707 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 September 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Foreign currency losses, net	$ (15)	$ (83)	$ (206)	$ (180)
(Losses) gains on derivative instruments, net	(6)	(2)	(29)	1
Change in the value of investments with readily determinable fair value	(5)	—	(7)	21
Gain on sale of equity method investments	—	—	203	—
Change in fair value of equity investments without readily determinable fair value	—	(2)	(27)	(73)
Interest income	49	43	172	128
Indemnification receivable accrual	4	(14)	100	(9)
Other (loss) income, net	3	(5)	(18)	3
Total other income (expense), net	$ 30	$ (63)	$ 188	$ (109)

Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2024	2023
Cash paid for income taxes, net	$ 832	$ 1,191
Cash paid for interest, net	1,873	2,065
Non-cash investing and financing activities:		
Non-cash consideration related to the sale of the Ranch Lot	—	175
Non-cash consideration related to the purchase of the Burbank Studios Lot	—	175
Non-cash consideration transferred related to transaction agreements with JCOM	—	68
Non-cash consideration paid related to transaction agreements with JCOM	—	2
Accrued purchases of property and equipment	32	33
Assets acquired under finance lease and other arrangements	384	94
Settlement of PRSU awards	50	22

Cash, Cash Equivalents, and Restricted Cash

	September 30, 2024	December 31, 2023
Cash and cash equivalents	$ 3,336	$ 3,780
Restricted cash - recorded in prepaid expenses and other current assets [1]	154	539
Total cash, cash equivalents, and restricted cash	$ 3,490	$ 4,319

[1] Restricted cash at September 30, 2024 primarily includes cash posted as collateral related to the Company's revolving receivables program. 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 income (loss) available to Warner Bros. Discovery, Inc. Series A common stockholders for basic and diluted earnings per share (in millions).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss)	$ 141	$ (407)	$ (10,842)	$ (2,687)
Less:				
Net income attributable to noncontrolling interests	(3)	(8)	(20)	(32)
Net (income) loss attributable to redeemable noncontrolling interests	(3)	(2)	45	(7)
Redeemable noncontrolling interest adjustments of carrying value to redemption value (redemption value does not equal fair value)	—	—	(4)	—
Net income (loss) available to Warner Bros. Discovery, Inc. Series A common stockholders for basic and diluted earnings per share	$ 135	$ (417)	$ (10,821)	$ (2,726)
Denominator — weighted average:				
Common shares outstanding — basic	2,453	2,438	2,449	2,436
Dilutive effect of share-based awards	17	—	—	—
Common shares outstanding — diluted	2,470	2,438	2,449	2,436
Basic net income (loss) per share allocated to common stockholders	$ 0.06	$ (0.17)	$ (4.42)	$ (1.12)
Diluted net income (loss) per share allocated to common stockholders	$ 0.05	$ (0.17)	$ (4.42)	$ (1.12)

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Anti-dilutive share-based awards	57	73	73	68

Supplier Finance Programs

As of September 30, 2024 and December 31, 2023, the Company has confirmed $ 427 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

During the three months ended June 30, 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.

Assets Held for Sale

In 2022, the Company classified its Ranch Lot and Knoxville office building and land as assets held for sale. The Knoxville office building and land was sold during the three months ended March 31, 2023 and the Ranch Lot was sold during the three months ended September 30, 2023. The Burbank Studios Lot was purchased during the three months ended September 30, 2023 in exchange for the Ranch Lot and cash.

Noncontrolling Interest

In August 2023, the Company and JCOM Co., Ltd. ("JCOM") executed a series of transaction agreements to which the Company and JCOM each contributed to Discovery Japan, Inc. ("JVCo"), an existing 80 / 20 joint venture between the Company and JCOM, certain rights, liabilities, or rights via license agreements in exchange for new common shares of JVCo, resulting in the Company and JCOM owning 51 % and 49 % of JVCo, respectively. Retaining controlling financial interest subsequent to the transaction, the Company continues to consolidate the joint venture. As the terms of the agreement no longer incorporate JCOM's option to put its noncontrolling interest to the Company, JCOM's noncontrolling interest was reclassified from redeemable noncontrolling interest to noncontrolling interest outside of stockholders' equity on the Company's consolidated balance sheet.

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 September 30, 2024			
	Currency Translation	Derivatives	Pension Plan and SERP Liability	Accumulated Other Comprehensive Loss
Beginning balance	$ (866)	$ 36	$ (60)	$ (890)
Other comprehensive income (loss) before reclassifications	482	15	—	497
Reclassifications from accumulated other comprehensive loss to net income	—	(8)	—	(8)
Other comprehensive income (loss)	482	7	—	489
Ending balance	$ (384)	$ 43	$ (60)	$ (401)

	Three Months Ended September 30, 2023			
	Currency Translation	Derivatives	Pension Plan and SERP Liability	Accumulated Other Comprehensive Loss
Beginning balance	$ (1,012)	$ 22	$ (52)	$ (1,042)
Other comprehensive income (loss) before reclassifications	(393)	15	(1)	(379)
Reclassifications from accumulated other comprehensive loss to net income	—	(6)	—	(6)
Other comprehensive income (loss)	(393)	9	(1)	(385)
Ending balance	$ (1,405)	$ 31	$ (53)	$ (1,427)

	Nine Months Ended September 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	315	40	—	355
Reclassifications from accumulated other comprehensive loss to net income	—	(15)	—	(15)
Other comprehensive income (loss)	315	25	—	340
Ending balance	$ (384)	$ 43	$ (60)	$ (401)

	Nine Months Ended September 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	93	29	(14)	108
Reclassifications from accumulated other comprehensive loss to net income	—	(12)	—	(12)
Other comprehensive income (loss)	93	17	(14)	96
Ending balance	$ (1,405)	$ 31	$ (53)	$ (1,427)

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 31 % and 49 % 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues and service charges:				
Liberty Group	$ 18	$ 469	$ 497	$ 1,443
Equity method investees	122	161	422	560
Other	97	63	210	157
Total revenues and service charges	$ 237	$ 693	$ 1,129	$ 2,160
Expenses	$ 58	$ 79	$ 218	$ 271
Distributions to noncontrolling interests and redeemable noncontrolling interests	$ 11	$ 13	$ 172	$ 282

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

	September 30, 2024	December 31, 2023
Receivables	$ 273	$ 363
Payables	$ 8	$ 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 September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Studios	$ 2,680	$ 3,226	$ 7,950	$ 9,019
Networks	5,010	4,868	15,407	16,207
DTC	2,634	2,438	7,662	7,625
Corporate	4	(2)	6	(3)
Inter-segment eliminations	(705)	(551)	(1,731)	(1,811)
Total revenues	$ 9,623	$ 9,979	$ 29,294	$ 31,037

Reconciliation of segment adjusted EBITDA to loss before income taxes:

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Studios	$ 308	$ 727	$ 702	$ 1,640
Networks	2,115	2,396	6,232	6,855
DTC	289	111	268	158
Segment Adjusted EBITDA	2,712	3,234	7,202	8,653
Depreciation and amortization	1,762	1,989	5,394	5,961
Employee share-based compensation	157	140	412	381
Restructuring and other charges	9	269	161	510
Transaction and integration costs	33	31	165	125
Facility consolidation costs	2	14	9	37
Impairment and amortization of fair value step-up for content	156	393	913	1,986
Amortization of capitalized interest for content	8	12	38	34
Impairments and loss on dispositions	5	24	9,412	61
Corporate	296	328	927	928
Inter-segment eliminations	3	(63)	(35)	(4)
Operating income (loss)	281	97	(10,194)	(1,366)
Other (income) expense, net	(30)	63	(188)	109
Loss from equity investees, net	18	14	89	73
Gain on extinguishment of debt	(23)	(22)	(590)	(17)
Interest expense, net	494	574	1,527	1,719
Loss before income taxes	$ (178)	$ (532)	$ (11,032)	$ (3,250)

NOTE 17. SUBSEQUENT EVENTS

Revolving Credit Facility

In October 2024, DCL entered into a multicurrency revolving credit agreement (the "Credit Agreement"), replacing the existing $ 6.0 billion credit agreement dated June 9, 2021. The Credit Agreement provides for a senior revolving credit facility with aggregate commitments of $ 6.0 billion and includes a $ 150 million sublimit for the issuance of standby letters of credit. DCL may also request additional commitments up to $ 1.0 billion from the lenders upon satisfaction of certain conditions. Obligations under the Credit Agreement are unsecured and are guaranteed by WBD, Scripps Networks and WMH. The Credit Agreement is available on a revolving basis until October 2029, with an option for up to two additional 364-day renewal periods subject to the lenders' consent. The Credit Agreement contains customary representations and warranties as well as affirmative and negative covenants, and requires DCL to maintain a minimum consolidated interest coverage ratio of 3.00 to 1.00 and a maximum consolidated leverage ratio of 4.50 to 1.00.

Dispositions

In October 2024, the Company completed the sale of a minority interest in Formula E to Liberty Global, a related party, and expects to record a gain of $ 61 million.

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 include, 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 September 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 September 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 September 30,				Nine Months Ended September 30,			
	2024	2023	% Change	% Change (ex-FX)	2024	2023	% Change	% Change (ex-FX)
Revenues:								
Distribution	$ 4,920	$ 5,026	(2) %	(1) %	$ 14,784	$ 15,324	(4) %	(2) %
Advertising	1,682	1,796	(6) %	(7) %	6,260	6,613	(5) %	(5) %
Content	2,721	2,840	(4) %	(4) %	7,388	8,240	(10) %	(10) %
Other	300	317	(5) %	(7) %	862	860	— %	(1) %
Total revenues	9,623	9,979	(4) %	(3) %	29,294	31,037	(6) %	(5) %
Costs of revenues, excluding depreciation and amortization	5,181	5,309	(2) %	(2) %	17,443	18,630	(6) %	(6) %
Selling, general and administrative	2,385	2,291	4 %	4 %	7,078	7,241	(2) %	(2) %
Depreciation and amortization	1,762	1,989	(11) %	(11) %	5,394	5,961	(10) %	(9) %
Restructuring and other charges	9	269	(97) %	(97) %	161	510	(68) %	(69) %
Impairments and loss on dispositions	5	24	(79) %	NM	9,412	61	NM	NM
Total costs and expenses	9,342	9,882	(5) %	(5) %	39,488	32,403	22 %	22 %
Operating income (loss)	281	97	NM	NM	(10,194)	(1,366)	NM	NM
Interest expense, net	(494)	(574)			(1,527)	(1,719)		
Gain on extinguishment of debt	23	22			590	17		
Loss from equity investees, net	(18)	(14)			(89)	(73)		
Other income (expense), net	30	(63)			188	(109)		
Loss before income taxes	(178)	(532)			(11,032)	(3,250)		
Income tax benefit	319	125			190	563		
Net income (loss)	141	(407)			(10,842)	(2,687)		
Net income attributable to noncontrolling interests	(3)	(8)			(20)	(32)		
Net (income) loss attributable to redeemable noncontrolling interests	(3)	(2)			45	(7)		
Net income (loss) available to Warner Bros. Discovery, Inc.	$ 135	$ (417)			$ (10,817)	$ (2,726)		

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 1% and 2% for the three and nine months ended September 30, 2024, respectively, primarily attributable to a 9% and 8% decline in Networks domestic linear subscribers for the three and nine months ended September 30, 2024, respectively, and lower domestic subscribers at DTC largely resulting from continued linear wholesale subscriber declines in the U.S., partially offset by a 5% increase in domestic, linear contractual affiliate rates for both the three and nine months ended September 30, 2024, respectively, and a 15% increase in subscribers and an increase in pricing for both the three and nine months ended September 30, 2024, following the launch of Max in Latin America in the first quarter of 2024 and in Europe in the second quarter of 2024.

Advertising revenue decreased 7% and 5% for the three and nine months ended September 30, 2024, respectively, primarily attributable to audience declines in domestic linear networks of 21% and 15% for the three and nine months ended September 30, 2024, respectively, partially offset by an increase in domestic Max ad-lite subscribers.

Content revenue decreased 4% and 10% for the three and nine months ended September 30, 2024, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to a 40% decrease in theatrical product revenue attributable to lower film rental revenue due to the strong prior year performance of *Barbie*, which was released in the third quarter of 2023, partially offset by the sublicensing of Olympic sports rights in Europe in the current year, which had a favorable impact of $578 million for the three months ended September 30, 2024.

The decrease for the nine months ended September 30, 2024 was primarily attributable to a 60% decrease in games revenue due to the strong performance of the 2023 slate, including *Hogwarts Legacy*, compared to the 2024 slate and a 10% decrease in television product revenue attributable to fewer television series availabilities resulting in lower licensing revenue, partially offset by the sublicensing of Olympic sports rights in Europe in the current year which had a favorable impact of $578 million for the nine months ended September 30, 2024.

Other revenue decreased 7% and 1% for the three and nine months ended September 30, 2024, respectively, primarily attributable to the timing of services provided to the unconsolidated TNT Sports UK joint venture. In addition, the decrease for the nine months ended September 30, 2024 was also attributable to lower studio production services due to the impact of the WGA and SAG-AFTRA strikes, partially offset by 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 2% and 6% for the three and nine months ended September 30, 2024, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to a 37% decrease in theatrical product content expense as a result of lower revenues, lower content expense related to the amortization of purchase accounting fair value step-up for content, and lower Networks and DTC content expense, including our exit from the AT&T SportsNet business, partially offset by the broadcast of the Olympics in Europe in the current year.

The decrease for the nine months ended September 30, 2024 was primarily due to lower content expense related to the amortization of purchase accounting fair value step-up for content, a 14% decrease in television product expense commensurate with lower television revenue, and lower Networks content expense, including our exit from the AT&T SportsNet business, partially offset by the broadcast of the Olympics in Europe in the current year. The exit from the AT&T SportsNet business had favorable impacts to costs of revenues of $97 million and $276 million for the three and nine months ended September 30, 2024, respectively. The broadcast of the Olympics in Europe in the current year had unfavorable impacts to costs of revenues of $663 million and $665 million for the three and nine months ended September 30, 2024, respectively.

Selling, General and Administrative

Selling, general and administrative expenses increased 4% and decreased 2% for the three and nine months ended September 30, 2024, respectively. The increase for the three months ended September 30, 2024 was primarily attributable to higher overhead expenses. The decrease for the nine months ended September 30, 2024 was primarily attributable to lower marketing costs due to the prior year launch of Max in the U.S. and lower overhead expenses.

Depreciation and Amortization

Depreciation and amortization decreased 11% and 9% for the three and nine months ended September 30, 2024, respectively, primarily attributable to intangible assets acquired during the Merger that are being amortized using the sum of the months' digits method, partially offset by the shortening of the useful lives of certain intangible assets. (See Note 2 to the accompanying consolidated financial statements.)

Restructuring and other charges

Restructuring and other charges decreased 97% and 69% for the three and nine months ended September 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 $5 million and $9,412 million for the three and nine months ended September 30, 2024, respectively. Impairments and loss on dispositions for the nine months ended September 30, 2024 was primarily attributable to a $9.1 billion pre-tax, non-cash goodwill impairment charge related to the Networks reporting unit during the three months ended June 30, 2024 (see Note 2 to the accompanying consolidated financial statements) and a $231 million 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 $80 million and $192 million for the three and nine months ended September 30, 2024, respectively, primarily attributable to lower debt during the period. (See Note 8 and Note 9 to the accompanying consolidated financial statements.)

Gain on extinguishment of debt

During the nine months ended September 30, 2024, we repaid in full at maturity $40 million of aggregate principal amount outstanding of our floating rate notes due March 2024 and we repurchased or repaid $5,387 million of aggregate principal amount outstanding of our senior notes. (See Note 8 to the accompanying consolidated financial statements.)

Loss From Equity Investees, net

Losses from our equity method investees were $18 million and $89 million for the three and nine months ended September 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 September 30,		**Nine Months Ended September 30,**	
	2024	**2023**	**2024**	**2023**
Foreign currency losses, net	$ (15)	$ (83)	$ (206)	$ (180)
(Losses) gains on derivative instruments, net	(6)	(2)	(29)	1
Change in the value of investments with readily determinable fair value	(5)	—	(7)	21
Gain on sale of equity method investments	—	—	203	—
Change in fair value of equity investments without readily determinable fair value	—	(2)	(27)	(73)
Interest income	49	43	172	128
Indemnification receivable accrual	4	(14)	100	(9)
Other (loss) income, net	3	(5)	(18)	3
Total other income (expense), net	$ 30	$ (63)	$ 188	$ (109)

Income Tax Benefit

Income tax benefit was $319 million and $125 million for the three months ended September 30, 2024 and 2023, respectively, and income tax benefit was $190 million and $563 million for the nine months ended September 30, 2024 and 2023, respectively. During the nine months ended September 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.) For the three months ended September 30, 2024, the increase in income tax benefit compared to the same period in 2023 was primarily attributable to the effect of foreign operations, including a net tax benefit related to prior year tax positions finalized in tax returns filed during the three months ended September 30, 2024. The increase in income tax benefit was partially offset by a decrease in pre-tax book loss. For the nine months ended September 30, 2024, the decrease in income tax benefit compared to the same period in 2023 was primarily attributed to a decrease in pre-tax book loss (excluding the non-cash goodwill impairment charge), 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 nine months ended September 30, 2023. The decrease was partially offset by an increase in tax benefits associated with the foreign operations.

Income tax benefit for the three and nine months ended September 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 September 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 September 30,			Nine Months Ended September 30,		
	2024	2023	% Change	2024	2023	% Change
Studios	$ 308	$ 727	(58) %	$ 702	$ 1,640	(57) %
Networks	$ 2,115	$ 2,396	(12) %	$ 6,232	$ 6,855	(9) %
DTC	$ 289	$ 111	NM	$ 268	$ 158	70 %
Corporate	$ (296)	$ (328)	10 %	$ (927)	$ (928)	— %
Inter-segment eliminations	$ (3)	$ 63	NM	$ 35	$ 4	NM

Studios Segment

The following table presents, 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 September 30,				Nine Months Ended September 30,			
	2024	2023	% Change	% Change (ex-FX)	2024	2023	% Change	% Change (ex-FX)
Revenues:								
Distribution	$ 6	$ 13	(54) %	(54) %	$ 14	$ 19	(26) %	(26) %
Advertising	1	4	(75) %	(75) %	5	11	(55) %	(55) %
Content	2,463	3,000	(18) %	(18) %	7,323	8,425	(13) %	(13) %
Other	210	209	— %	— %	608	564	8 %	7 %
Total revenues	2,680	3,226	(17) %	(17) %	7,950	9,019	(12) %	(12) %
Costs of revenues, excluding depreciation and amortization	1,736	1,794	(3) %	(3) %	5,356	5,398	(1) %	(1) %
Selling, general and administrative	636	705	(10) %	(10) %	1,892	1,981	(4) %	(5) %
Adjusted EBITDA	308	727	(58) %	(58) %	702	1,640	(57) %	(56) %
Depreciation and amortization	171	143			531	458		
Employee share-based compensation	—	—			(1)	—		
Restructuring and other charges	2	134			32	220		
Transaction and integration costs	—	1			2	5		
Facility consolidation costs	1	—			2	—		
Impairment and amortization of fair value step-up for content	34	173			45	886		
Amortization of capitalized interest for content	8	12			38	34		
Inter-segment eliminations	—	—			—	1		
Impairments and loss on dispositions	(5)	—			(6)	(1)		
Operating income	$ 97	$ 264			$ 59	$ 37		

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 less than 3% of total revenues and operating expenses for this segment for the three and nine months ended September 30, 2024. Intra-segment revenue and expense are eliminated at the Studios segment level.

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 18% for the three months ended September 30, 2024, primarily attributable to a 40% decrease in theatrical product revenue and a 31% decrease in games revenue, partially offset by a 30% increase in television product revenue.

- The decrease in theatrical product revenue was attributable to lower film rental revenue due to the strong prior year performance of *Barbie*, which was released in the third quarter of 2023.
- The decrease in games revenue was attributable to the better prior year performance of *Mortal Kombat 1,* which was released in September 2023 compared to less significant releases in the third quarter of 2024.
- The increase in television product revenue was attributable to higher initial telecast revenue due to the impact of the WGA and SAG-AFTRA strikes in the prior year.

Content revenue decreased 13% for the nine months ended September 30, 2024, primarily attributable to a 60% decrease in games revenue, a 10% decrease in television product revenue, and a 2% decrease in theatrical product revenue.

- The decrease in theatrical product revenue was attributable to lower film rental revenue and intra-segment licensing revenue, partially offset by higher home entertainment revenue. Film rental revenue decreased due to the strong prior year performance of *Barbie*, which was released in the third quarter of 2023, partially offset by higher carryover releases from the fourth quarter of 2023 compared to the fourth quarter of 2022. Home entertainment revenue increased due to the performance of *Dune: Part Two, Wonka,* and *Godzilla x Kong: The New Empire* .

- The decrease in games revenue was attributable to the strong performance of the 2023 slate, including *Hogwarts Legacy*, compared to the 2024 slate.
- The decrease in television product revenue was attributable to fewer television series availabilities in 2024 resulting in lower licensing revenue.

Other revenue was flat and increased 7% for the three and nine months ended September 30, 2024, respectively. The increase for the nine months ended September 30, 2024 was primarily attributable to the opening of Warner Bros. Studio Tour Tokyo in June 2023, partially offset by lower studio production services due to the impact of the WGA and SAG-AFTRA strikes.

Costs of Revenues

Costs of revenues decreased 3% and 1% for the three and nine months ended September 30, 2024, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to a 37% decrease in theatrical product content expense as a result of lower revenues and lower average cost per title, partially offset by 31% higher television product content expense commensurate with higher television product revenue, and 47% higher games content expense due to impairments of $122 million. For the nine months ended September 30, 2024, a 14% decrease in television product expense commensurate with lower television product revenue was partially offset by a 6% increase in theatrical product content expense due to product mix, and a 9% increase in games content expense due to impairments of $335 million. The increase in games content expense was partially offset by lower intra-segment licensing costs.

Selling, General and Administrative

Selling, general and administrative expenses decreased 10% and 5% for the three and nine months ended September 30, 2024, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to lower theatrical and games marketing expenses. The decrease for the nine months ended September 30, 2024 was primarily attributable to lower overhead expenses and lower games marketing expenses.

Adjusted EBITDA

Adjusted EBITDA decreased 58% and 56% for the three and nine months ended September 30, 2024, respectively.

Networks Segment

The table below presents, 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 September 30,				Nine Months Ended September 30,			
	2024	2023	% Change	% Change (ex-FX)	2024	2023	% Change	% Change (ex-FX)
Revenues:								
Distribution	$ 2,598	$ 2,833	(8) %	(7) %	$ 8,070	$ 8,769	(8) %	(7) %
Advertising	1,490	1,709	(13) %	(13) %	5,691	6,394	(11) %	(11) %
Content	833	215	NM	NM	1,396	744	88 %	87 %
Other	89	111	(20) %	(21) %	250	300	(17) %	(18) %
Total revenues	5,010	4,868	3 %	3 %	15,407	16,207	(5) %	(4) %
Costs of revenues, excluding depreciation and amortization	2,185	1,800	21 %	22 %	7,088	7,243	(2) %	(1) %
Selling, general and administrative	710	672	6 %	6 %	2,087	2,109	(1) %	— %
Adjusted EBITDA	2,115	2,396	(12) %	(11) %	6,232	6,855	(9) %	(9) %
Depreciation and amortization	1,048	1,202			3,205	3,768		
Restructuring and other charges	5	48			58	161		
Transaction and integration costs	3	(8)			3	3		
Impairment and amortization of fair value step-up for content	—	—			419	400		
Inter-segment eliminations	—	(10)			—	5		
Impairments and loss on dispositions	5	11			9,159	16		
Operating income (loss)	$ 1,054	$ 1,153			$ (6,612)	$ 2,502		

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

Revenues

Distribution revenue decreased 7% for the three and nine months ended September 30, 2024, primarily attributable to a 9% and 8% decline in domestic linear subscribers for the three and nine months ended September 30, 2024, respectively, partially offset by a 5% increase in domestic contractual affiliate rates for both periods. In addition, the exit from the AT&T SportsNet business had unfavorable impacts of $68 million and $215 million for the three and nine months ended September 30, 2024, respectively. Declines in linear subscribers are expected to continue throughout 2024.

Advertising revenue decreased 13% and 11% for the three and nine months ended September 30, 2024, respectively, primarily attributable to audience declines in domestic networks of 21% and 15% for the three and nine months ended September 30, 2024, respectively, and continued softness in the U.S. linear advertising market, partially offset by the broadcast of the Olympics in Europe in the current year.

Content revenue increased $618 million and $652 million for the three and nine months ended September 30, 2024, respectively, primarily attributable to the sublicensing of Olympic sports rights in Europe in the current year, which had a favorable impact of $578 million on content revenue.

Other revenue decreased 21% and 18% for the three and nine months ended September 30, 2024, respectively, primarily attributable to the timing of services provided to the unconsolidated TNT Sports UK joint venture.

Costs of Revenues

Costs of revenues increased 22% and decreased 1% for the three and nine months ended September 30, 2024, respectively. The increase for the three months ended September 30, 2024 was primarily attributable to the broadcast of the Olympics in Europe in the current year, partially offset by lower content expense, including our exit from the AT&T SportsNet business. The decrease for the nine months ended September 30, 2024 was primarily attributable to our exit from the AT&T SportsNet business and lower content expense, including the allocation of U.S. sports costs to DTC, partially offset by the broadcast of the Olympics in Europe in the current year. The exit from the AT&T SportsNet business had favorable impacts to costs of revenues of $97 million and $276 million for the three and nine months ended September 30, 2024, respectively. The broadcast of the Olympics in Europe in the current year had unfavorable impacts to costs of revenues of $663 million and $665 million for the three and nine months ended September 30, 2024, respectively.

Selling, General and Administrative

Selling, general and administrative expenses increased 6% and was flat for the three and nine months ended September 30, 2024, respectively. The increase for the three months ended September 30, 2024 was primarily attributable to higher overhead expenses and marketing expenses related to the broadcast of the Olympics in Europe. For the nine months ended September 30, 2024, lower overhead expenses were offset by higher marketing expenses related to the broadcast of the Olympics in Europe.

Adjusted EBITDA

Adjusted EBITDA decreased 11% and 9% for the three and nine months ended September 30, 2024, respectively. The broadcast of the Olympics in Europe negatively impacted Adjusted EBITDA by $65 million and $66 million for the three and nine months ended September 30, 2024, respectively.

DTC Segment

The following table presents, 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 September 30,				Nine Months Ended September 30,			
	2024	2023	% Change	% Change (ex-FX)	2024	2023	% Change	% Change (ex-FX)
Revenues:								
Distribution	$ 2,320	$ 2,179	6 %	8 %	$ 6,707	$ 6,536	3 %	3 %
Advertising	205	138	49 %	51 %	620	362	71 %	73 %
Content	107	120	(11) %	(11) %	329	715	(54) %	(54) %
Other	2	1	NM	NM	6	12	(50) %	(50) %
Total revenues	2,634	2,438	8 %	9 %	7,662	7,625	— %	1 %
Costs of revenues, excluding depreciation and amortization	1,776	1,874	(5) %	(5) %	5,699	5,640	1 %	2 %
Selling, general and administrative	569	453	26 %	27 %	1,695	1,827	(7) %	(6) %
Adjusted EBITDA	289	111	NM	NM	268	158	70 %	72 %
Depreciation and amortization	450	590			1,425	1,520		
Restructuring and other charges	(16)	34			1	61		
Transaction and integration costs	(1)	1			(1)	2		
Facility consolidation costs	—	—			5	—		
Impairment and amortization of fair value step-up for content	57	111			230	349		
Inter-segment eliminations	—	8			—	10		
Impairments and loss on dispositions	1	3			17	4		
Operating loss	$ (202)	$ (636)			$ (1,409)	$ (1,788)		

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

Revenues

Subscriber information consisted of the following (in millions).

	September 30, 2024	September 30, 2023	% Change
Total Domestic subscribers[1]	52.6	52.6	— %
Total International subscribers[1]	57.9	43.3	34 %
Total DTC subscribers[1]	110.5	95.9	15 %

[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 8% and 3% for the three and nine months ended September 30, 2024, respectively, primarily attributable to a 15% increase in subscribers and an increase in pricing 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 51% and 73% for the three and nine months ended September 30, 2024, respectively, primarily attributable to an increase in domestic ad-lite subscribers.

Global ARPU consisted of the following.

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2024	2023	(ex-FX)	2024	2023	(ex-FX)
Domestic ARPU	$ 11.99	$ 11.29	6 %	$ 11.93	$ 11.06	8 %
International ARPU	$ 4.05	$ 3.98	7 %	$ 3.89	$ 3.84	5 %
Global ARPU[2]	$ 7.84	$ 7.88	1 %	$ 7.89	$ 7.73	3 %

Global ARPU increased 1% and 3% for the three and nine months ended September 30, 2024, respectively, primarily attributable to subscriber growth of the ad-lite tier domestically, higher pricing, and a continuing subscriber mix shift from linear wholesale, partially offset by growth in lower ARPU international markets.

Content revenue decreased 11% and 54% for the three and nine months ended September 30, 2024, respectively, primarily attributable to fewer third-party licensing deals.

Costs of Revenues

Costs of revenues decreased 5% and increased 2% for the three and nine months ended September 30, 2024, respectively. The decrease for the three months ended September 30, 2024 was primarily attributable to lower content expense due to timing of programming releases, partially offset by the broadcast of the Olympics in Europe. The increase for the nine months ended September 30, 2024 was primarily attributable to higher sports related expenses driven by the allocation of U.S. sports from the Networks segment and the broadcast of the Olympics in Europe, partially offset by decreased non-sports content expense.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses increased 27% and decreased 6% for the three and nine months ended September 30, 2024, respectively. The increase for the three months ended September 30, 2024 was primarily attributable to higher overhead expenses, higher marketing expenses due to the continuation of Max launches, and the broadcast of the Olympics in Europe in the current year. The decrease for the nine months ended September 30, 2024 was primarily attributable to lower marketing costs due to the prior year launch of Max in the U.S. and lower overhead expenses, partially offset by the continuation of Max launches internationally.

Adjusted EBITDA

Adjusted EBITDA increased $178 million and $110 million for the three and nine months ended September 30, 2024, respectively. The broadcast of the Olympics in Europe negatively impacted Adjusted EBITDA by $41 million and $42 million for the three and nine months ended September 30, 2024, respectively.

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[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.

Corporate

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	% Change	% Change (ex-FX)	2024	2023	% Change	% Change (ex-FX)
Adjusted EBITDA	$ (296)	$ (328)	10 %	10 %	$ (927)	$ (928)	— %	(1) %
Depreciation and amortization	93	54			233	215		
Employee share-based compensation	157	140			413	381		
Restructuring and other charges	18	53			70	70		
Transaction and integration costs	31	37			161	115		
Facility consolidation costs	1	14			2	37		
Impairment and amortization of fair value step-up for content	1	1			2	(7)		
Inter-segment eliminations	—	2			—	(16)		
Impairments and loss on dispositions	4	10			242	42		
Operating loss	$ (601)	$ (639)			$ (2,050)	$ (1,765)		

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 improved 10% and decreased 1% for the three and nine months ended September 30, 2024, respectively. The improvement for the three months ended September 30, 2024 was primarily attributable to lower facility costs and personnel costs, partially offset by higher overhead expenses. The decrease for the nine months ended September 30, 2024 was primarily attributable to higher overhead and securitization expenses, partially offset by lower facility costs.

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Inter-segment revenue eliminations	$ (705)	$ (551)	$ (1,731)	$ (1,811)
Inter-segment expense eliminations	(702)	(614)	(1,766)	(1,815)
Adjusted EBITDA	(3)	63	35	4
Restructuring and other charges	—	—	—	(2)
Impairment and amortization of fair value step-up for content	64	108	217	358
Operating loss	$ (67)	$ (45)	$ (182)	$ (352)

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 nine months ended September 30, 2024, we funded our working capital needs primarily through cash flows from operations. As of September 30, 2024, we had $3.3 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

  As of September 30, 2024, we had a multicurrency revolving credit agreement (the "Revolving Credit Agreement") and had the capacity to borrow up to $6.0 billion under the Revolving Credit Agreement (the "Credit Facility"). We could also request additional commitments up to $1.0 billion from the lenders upon the satisfaction of certain conditions. The Revolving Credit Agreement contained customary representations and warranties as well as affirmative and negative covenants. As of September 30, 2024, the Company was in compliance with all covenants and there were no events of default under the Revolving Credit Agreement. In October 2024, the Company replaced the Revolving Credit Agreement with a new multicurrency revolving credit agreement. (See Note 17 to the accompanying consolidated financial statements.)

  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 nine months ended September 30, 2024, we borrowed and repaid $14,203 million under our Credit Facility and commercial paper program. As of September 30, 2024, we had no outstanding borrowings under the Credit Facility or the commercial paper program.

  During the nine months ended September 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 $4,761 million as of September 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 nine months ended September 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 nine months ended September 30, 2024, we repaid $40 million of aggregate principal amount of our floating rate notes due March 2024.

  Senior Notes

  During the nine months ended September 30, 2024, we repurchased or repaid $5,387 million of aggregate principal amount outstanding of our senior notes. In addition, we have $296 million of senior notes coming due in November 2024, and an additional $2,749 million of senior notes coming due through September 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 $662 million during the nine months ended September 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 nine months ended September 30, 2024, we contributed $104 million for investments in and advances to our investees.

- *Redeemable Noncontrolling Interest and Noncontrolling Interest*

  We had redeemable equity balances of $117 million at September 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 $172 million and $282 million for the nine months ended September 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 nine months ended September 30, 2024, we made cash payments of $832 million and $1,873 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).

	Nine Months Ended September 30,	
	2024	2023
Cash, cash equivalents, and restricted cash, beginning of period	$ 4,319	$ 3,930
Cash provided by operating activities	2,660	3,899
Cash used in investing activities	(355)	(1,025)
Cash used in financing activities	(3,149)	(4,308)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	15	(66)
Net change in cash, cash equivalents, and restricted cash	(829)	(1,500)
Cash, cash equivalents, and restricted cash, end of period	$ 3,490	$ 2,430

Operating Activities

Cash provided by operating activities was $2,660 million and $3,899 million during the nine months ended September 30, 2024 and 2023, respectively. The decrease in cash provided by operating activities was primarily attributable to a decrease in net income, excluding non-cash items, partially offset by lower net content investment in 2024. Cash flow for the nine months ended September 30, 2023 was also positively impacted by the WGA and SAG-AFTRA strikes.

Investing Activities

Cash used in investing activities was $355 million and $1,025 million during the nine months ended September 30, 2024 and 2023, respectively. The decrease in cash used in investing activities was primarily attributable to fewer purchases of property and equipment and proceeds from the sale of investments during the nine months ended September 30, 2024.

Financing Activities

Cash used in financing activities was $3,149 million and $4,308 million during the nine months ended September 30, 2024 and 2023, respectively. The decrease in cash used in financing activities was primarily attributable to lower net debt activity and lower distributions to noncontrolling interests and redeemable noncontrolling interests, partially offset by a decrease in securitization receivables collected but not remitted during the nine months ended September 30, 2024.

Capital Resources

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

	September 30, 2024		
	Total Capacity	Outstanding Indebtedness	Unused Capacity
Cash and cash equivalents	$ 3,336	$ —	$ 3,336
Revolving credit facility and commercial paper program	6,000	—	6,000
Senior notes [(a)]	40,232	40,232	—
Total	$ 49,568	$ 40,232	$ 9,336

[(a)] Interest on the senior notes is paid annually or semi-annually. Our senior notes outstanding as of September 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. Credit rating agencies may continue to review and adjust our ratings or outlook. For example, in August 2024, S&P revised our ratings outlook from stable to negative primarily due to declines in our linear business, including as a result of the weak operating environment for linear networks.

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 September 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).

	September 30, 2024	December 31, 2023
Current assets	$ 786	$ 1,539
Non-guarantor intercompany trade receivables, net	259	336
Noncurrent assets	4,109	5,709
Current liabilities	3,771	2,847
Noncurrent liabilities	37,535	42,157

	Nine Months Ended September 30, 2024
Revenues	$ 1,433
Operating income	61
Net income	(619)
Net income available to Warner Bros. Discovery, Inc.	(573)

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 nine months ended September 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, including those 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;
- changes to our corporate or debt-specific credit ratings or outlook;
- 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, June 30, 2024, and September 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 September 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 September 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 September 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. On November 1, 2024, the United States Court of Appeals for the Second Circuit affirmed the February 5, 2024 judgment.

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 and Form 10-Q for the quarter-ended June 30, 2024. 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.

ITEM 6. Exhibits.

Exhibit No.	Description
10.1	Credit Agreement, dated as of October 4, 2024, among Discovery Communications, LLC, Warner Bros. Discovery, Inc. (“WBD”), as facility guarantor, certain wholly-owned subsidiaries of WBD, as borrowers, Scripps Networks Interactive, Inc. and WarnerMedia Holdings, Inc., as subsidiary guarantors, the lenders from time to time party thereto and Bank of America, N.A., as administrative agent, swing line lender and L/C issuer (incorporated by reference to Exhibit 10.1 to the Form 8-K filed on October 9, 2024 (SEC 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)

* Exhibits and schedules 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 September 30, 2024 and December 31, 2023, (ii) Consolidated Statements of Operations for the three and nine months ended September 30, 2024 and 2023, (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2024 and 2023, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023, (v) Consolidated Statements of Equity for the three and nine months ended September 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: November 7, 2024	By:	/s/ David M. Zaslav
		David M. Zaslav
		President and Chief Executive Officer
Date: November 7, 2024	By:	/s/ Gunnar Wiedenfels
		Gunnar Wiedenfels
		Chief Financial Officer

EXHIBIT 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

I, David M. Zaslav, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warner Bros. Discovery, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: /s/ David M. Zaslav
David M. Zaslav
President and Chief Executive Officer

EXHIBIT 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**

I, Gunnar Wiedenfels, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Warner Bros. Discovery, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: /s/ Gunnar Wiedenfels
Gunnar Wiedenfels
Chief Financial Officer

EXHIBIT 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

In connection with the Quarterly Report of Warner Bros. Discovery, Inc. (“Warner Bros. Discovery”), on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David M. Zaslav, President and Chief Executive Officer of Warner Bros. Discovery, certify that to my knowledge:

1 the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Warner Bros. Discovery.

Date: November 7, 2024

By: /s/ David M. Zaslav
David M. Zaslav
President and Chief Executive Officer

EXHIBIT 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

In connection with the Quarterly Report of Warner Bros. Discovery, Inc. (“Warner Bros. Discovery”), on Form 10-Q for the quarter ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gunnar Wiedenfels, Chief Financial Officer of Warner Bros. Discovery, certify that to my knowledge:

1 the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2 the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Warner Bros. Discovery.

Date: November 7, 2024

By: /s/ Gunnar Wiedenfels
Gunnar Wiedenfels
Chief Financial Officer