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, 2023

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** **(Address of principal executive offices)**	**10003** **(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

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

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

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

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

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

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

Total number of shares outstanding of each class of the Registrant's common stock as of October 25, 2023:

Series A Common Stock, par value $0.01 per share	2,438,565,638

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

ITEM 1. Unaudited Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues:				
Distribution	$ 5,026	$ 4,990	$ 15,324	$ 11,180
Advertising	1,796	2,042	6,613	6,239
Content	2,840	2,531	8,240	4,918
Other	317	260	860	472
Total revenues	9,979	9,823	31,037	22,809
Costs and expenses:				
Costs of revenues, excluding depreciation and amortization	5,309	5,627	18,630	13,488
Selling, general and administrative	2,291	2,589	7,241	7,167
Depreciation and amortization	1,989	2,233	5,961	5,024
Restructuring and other charges	269	1,521	510	2,559
Impairments and loss on dispositions	24	43	61	47
Total costs and expenses	9,882	12,013	32,403	28,285
Operating income (loss)	97	(2,190)	(1,366)	(5,476)
Interest expense, net	(574)	(555)	(1,719)	(1,219)
Gain on extinguishment of debt	22	—	17	—
Loss from equity investees, net	(14)	(78)	(73)	(135)
Other (expense) income, net	(63)	(28)	(109)	411
Loss before income taxes	(532)	(2,851)	(3,250)	(6,419)
Income tax benefit	125	566	563	1,201
Net loss	(407)	(2,285)	(2,687)	(5,218)
Net income attributable to noncontrolling interests	(8)	(21)	(32)	(44)
Net income attributable to redeemable noncontrolling interests	(2)	(2)	(7)	(8)
Net loss available to Warner Bros. Discovery, Inc.	$ (417)	$ (2,308)	$ (2,726)	$ (5,270)
Net loss per share allocated to Warner Bros. Discovery, Inc. Series A common stockholders:				
Basic	$ (0.17)	$ (0.95)	$ (1.12)	$ (3.00)
Diluted	$ (0.17)	$ (0.95)	$ (1.12)	$ (3.00)
Weighted average shares outstanding:				
Basic	2,438	2,428	2,436	1,775
Diluted	2,438	2,428	2,436	1,775

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,	
	2023	2022	2023	2022
Net loss	$ (407)	$ (2,285)	$ (2,687)	$ (5,218)
Other comprehensive income (loss):				
Currency translation				
Change in net unrealized gains (losses)	(393)	(690)	93	(1,275)
Less: Reclassification adjustment for net (gains) losses included in net income	—	—	—	(2)
Net change, net of income tax benefit (expense) of $(22), $(11), $(32) and $(50)	(393)	(690)	93	(1,277)
Pension plan and SERP liability, net of income tax benefit (expense) of $(2), $0, $(8) and $0	(1)	—	(14)	—
Derivatives				
Change in net unrealized gains (losses)	15	28	29	9
Less: Reclassification adjustment for net (gains) losses included in net income	(6)	(4)	(12)	(21)
Net change, net of income tax benefit (expense) of $3, $0, $(1) and $5	9	24	17	(12)
Comprehensive loss	(792)	(2,951)	(2,591)	(6,507)
Comprehensive income attributable to noncontrolling interests	(8)	(21)	(32)	(44)
Comprehensive income attributable to redeemable noncontrolling interests	(2)	(2)	(7)	(8)
Comprehensive loss attributable to Warner Bros. Discovery, Inc.	$ (802)	$ (2,974)	$ (2,630)	$ (6,559)

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, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,383	$ 3,731
Receivables, net	6,312	6,380
Prepaid expenses and other current assets	4,136	3,888
Total current assets	12,831	13,999
Film and television content rights and games	22,454	26,652
Property and equipment, net	5,810	5,301
Goodwill	34,727	34,438
Intangible assets, net	39,874	44,982
Other noncurrent assets	8,053	8,629
Total assets	$ 123,749	$ 134,001
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 1,329	$ 1,454
Accrued liabilities	10,040	11,504
Deferred revenues	1,917	1,694
Current portion of debt	1,302	365
Total current liabilities	14,588	15,017
Noncurrent portion of debt	43,498	48,634
Deferred income taxes	9,098	11,014
Other noncurrent liabilities	10,423	10,669
Total liabilities	77,607	85,334
Commitments and contingencies (See Note 16)		
Redeemable noncontrolling interests	281	318
Warner Bros. Discovery, Inc. stockholders' equity:		
Series A common stock: $0.01 par value; 10,800 and 10,800 shares authorized; 2,668 and 2,660 shares issued; and 2,438 and 2,430 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	54,944	54,630
Treasury stock, at cost: 230 and 230 shares	(8,244)	(8,244)
(Accumulated deficit) retained earnings	(526)	2,205
Accumulated other comprehensive loss	(1,427)	(1,523)
Total Warner Bros. Discovery, Inc. stockholders' equity	44,774	47,095
Noncontrolling interests	1,087	1,254
Total equity	45,861	48,349
Total liabilities and equity	$ 123,749	$ 134,001

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

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

	Nine Months Ended September 30,	
	2023	2022
Operating Activities		
Net loss	$ (2,687)	$ (5,218)
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Content rights amortization and impairment	12,547	11,441
Depreciation and amortization	5,961	5,024
Deferred income taxes	(2,071)	(2,105)
Preferred stock conversion premium	—	789
Share-based compensation expense	391	317
Equity in losses of equity method investee companies and cash distributions	136	178
Gain on sale of investments	—	(144)
Gain from derivative instruments, net	(100)	(479)
Other, net	230	187
Changes in operating assets and liabilities, net of acquisitions and dispositions:		
Receivables, net	(33)	(139)
Film and television content rights, games and payables, net	(9,853)	(8,612)
Accounts payable, accrued liabilities, deferred revenues and other noncurrent liabilities	(1,245)	(182)
Foreign currency, prepaid expenses and other assets, net	623	401
Cash provided by operating activities	3,899	1,458
Investing Activities		
Purchases of property and equipment	(1,048)	(623)
Cash acquired from business acquisition and working capital settlement	—	3,609
Proceeds from sales and maturities of investments	—	162
Investments in and advances to equity investments	(91)	(137)
Proceeds from derivative instruments, net	38	722
Other investing activities, net	76	9
Cash (used in) provided by investing activities	(1,025)	3,742
Financing Activities		
Principal repayments of term loans	(2,850)	(6,000)
Principal repayments of debt, including premiums and discounts to par value	(2,818)	(327)
Borrowings from debt, net of discount and issuance costs	1,496	—
Distributions to noncontrolling interests and redeemable noncontrolling interests	(282)	(286)
Securitization receivables collected but not remitted	238	236
Borrowings under commercial paper program and revolving credit facility	4,298	885
Repayments under commercial paper program and revolving credit facility	(4,304)	(885)
Other financing activities, net	(86)	(93)
Cash used in financing activities	(4,308)	(6,470)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(66)	(122)
Net change in cash, cash equivalents, and restricted cash	(1,500)	(1,392)
Cash, cash equivalents, and restricted cash, beginning of period	3,930	3,905
Cash, cash equivalents, and restricted cash, end of period	$ 2,430	$ 2,513

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

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

	Warner Bros. Discovery, Inc. Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Warner Bros. Discovery, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
	Shares	Par Value							
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 14)	—	—	2	—	—	—	2	60	62
Tax settlements associated with share-based compensation	—	—	(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.

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

	Discovery, Inc. Preferred Stock		Discovery, Inc. Common Stock		Warner Bros. Discovery, Inc. Common Stock								
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Warner Bros. Discovery, Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity
December 31, 2021	12	$ —	736	$ 7	—	$ —	$ 11,086	$ (8,244)	$ 9,580	$ (830)	$ 11,599	$ 1,434	$ 13,033
Net income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests	—	—	—	—	—	—	—	—	456	—	456	16	472
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(117)	(117)	—	(117)
Share-based compensation	—	—	—	—	—	—	53	—	—	—	53	—	53
Tax settlements associated with share-based plans	—	—	—	—	—	—	(38)	—	—	—	(38)	—	(38)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(192)	(192)
Issuance of stock in connection with share-based plans	—	—	3	—	—	—	19	—	—	—	19	—	19
Redeemable noncontrolling interest adjustments to redemption value	—	—	—	—	—	—	—	—	(3)	—	(3)	—	(3)
March 31, 2022	12	$ —	739	$ 7	—	$ —	$ 11,120	$ (8,244)	$ 10,033	$ (947)	$ 11,969	$ 1,258	$ 13,227
Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(3,418)	—	(3,418)	7	(3,411)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(506)	(506)	—	(506)
Share-based compensation	—	—	—	—	—	—	143	—	—	—	143	—	143
Conversion and issuance of common stock and noncontrolling interest in connection with the acquisition of the WarnerMedia Business	(12)	—	(739)	(7)	2,658	27	43,173	—	—	—	43,193	2	43,195
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(31)	(31)
Issuance of stock in connection with share-based plans	—	—	—	—	—	—	3	—	—	—	3	—	3
Redeemable noncontrolling interest adjustments to redemption value	—	—	—	—	—	—	—	—	(1)	—	(1)	—	(1)
June 30, 2022	—	$ —	—	$ —	2,658	$ 27	$ 54,439	$ (8,244)	$ 6,614	$ (1,453)	$ 51,383	$ 1,236	$ 52,619
Net (loss) income available to Warner Bros. Discovery, Inc. and attributable to noncontrolling interests	—	—	—	—	—	—	—	—	(2,308)	—	(2,308)	21	(2,287)
Other comprehensive loss	—	—	—	—	—	—	—	—	—	(666)	(666)	—	(666)
Share-based compensation	—	—	—	—	—	—	111	—	—	—	111	—	111
Tax settlements associated with share-based plans	—	—	—	—	—	—	(5)	—	—	—	(5)	—	(5)
Dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	(12)	(12)
Issuance of stock in connection with share-based plans	—	—	—	—	—	—	2	—	—	—	2	—	2
September 30, 2022	—	$ —	—	$ —	2,658	$ 27	$ 54,547	$ (8,244)	$ 4,306	$ (2,119)	$ 48,517	$ 1,245	$ 49,762

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 premier global media and entertainment company that combines the WarnerMedia Business’s premium entertainment, sports and news assets with Discovery’s leading non-fiction and international entertainment and sports businesses, thus offering audiences a differentiated portfolio of content, brands and franchises across television, film, streaming and gaming. Some of our iconic brands and franchises include Warner Bros. Pictures Group, Warner Bros. Television Group, DC, HBO, Max, Discovery Channel, discovery+, CNN, HGTV, Food Network, TNT, TBS, TLC, OWN, Warner Bros. Games, Batman, Superman, Wonder Woman, Harry Potter, Looney Tunes, Hanna-Barbera, Game of Thrones, and The Lord of the Rings.

Merger with the WarnerMedia Business of AT&T

On April 8, 2022 (the “Closing Date”), Discovery, Inc. (“Discovery”) completed its merger (the “Merger”) with the WarnerMedia business (the “WarnerMedia Business”, “WM Business” or “WM”) of AT&T Inc. (“AT&T”) and changed its name to “Warner Bros. Discovery, Inc.”. On April 11, 2022, the Company’s shares started trading on the Nasdaq Global Select Market (the “Nasdaq”) under the trading symbol WBD.

The Merger was executed through a Reverse Morris Trust type transaction, under which WM was distributed to AT&T’s shareholders via a pro rata distribution, and immediately thereafter, combined with Discovery. (See Note 2 and Note 3.) Prior to the Merger, WarnerMedia Holdings, Inc. (“WMH”) distributed $40.5 billion to AT&T (subject to working capital and other adjustments) in a combination of cash, debt securities, and WM's retention of certain debt. Discovery transferred purchase consideration of $42.4 billion in equity to AT&T shareholders in the Merger. In August 2022, the Company and AT&T finalized the post-closing working capital settlement process, pursuant to section 1.3 of the Separation and Distribution Agreement, which resulted in the Company receiving a $1.2 billion payment from AT&T in the third quarter of 2022 in lieu of adjusting the equity issued as purchase consideration in the Merger. AT&T shareholders received shares of WBD Series A common stock (“WBD common stock”) in the Merger representing 71% of the combined Company and the Company's pre-Merger shareholders continued to own 29% of the combined Company, in each case on a fully diluted basis.

Discovery was deemed to be the accounting acquirer of the WM Business for accounting purposes under U.S. generally accepted accounting principles (“U.S. GAAP”); therefore, Discovery is considered the Company’s predecessor and the historical financial statements of Discovery prior to April 8, 2022, are reflected in this Quarterly Report on Form 10-Q as the Company’s historical financial statements. Accordingly, the financial results of the Company as of and for any periods prior to April 8, 2022 do not include the financial results of the WM Business and current results will not be comparable to historical results.

Labor Disruption

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 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 remains on strike. As a result of the strikes, we have paused and may continue to pause certain theatrical and television productions, which has resulted in delayed production spending.

The strikes have had, and are expected to continue to have, a material impact on the operations and results of the Company. This includes 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 remainder of the 2023 film slate, as well as the Company’s ability to produce, license, and deliver content. We continue to closely monitor the ongoing impact 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.

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, 2022 (the "2022 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.

Summary of Significant Accounting Policies

There have been no changes to the Company's significant accounting policies described in the 2022 Form 10-K.

Accounting and Reporting Pronouncements Adopted

Supplier Finance Programs

In September 2022, the Financial Accounting Standards Board issued guidance updating the disclosure requirements for supplier finance program obligations. This guidance provides specific authoritative guidance for disclosure of supplier finance programs, including key terms of such programs, amounts outstanding, and where the obligations are presented in the statement of financial position. The guidance is effective for annual periods beginning after December 15, 2022, including interim periods, except for the disclosure of roll forward information, which is effective for annual periods beginning after December 15, 2023. Certain components of this guidance must be applied retrospectively, while others may be applied prospectively. The Company adopted the guidance effective January 1, 2023 and has provided the required disclosures in Note 14.

NOTE 2. EQUITY AND EARNINGS PER SHARE

Common Stock Issued in Connection with the WarnerMedia Merger

In connection with the Merger, each issued and outstanding share of Discovery Series A common stock, Discovery Series B convertible common stock, and Discovery Series C common stock, was reclassified and automatically converted into one share of WBD common stock, and each issued and outstanding share of Discovery Series A-1 convertible preferred stock ("Series A-1 Preferred Stock") and Series C-1 convertible preferred stock was reclassified and automatically converted into 13.1135 and 19.3648 shares of WBD common stock, respectively.

The Merger required the consent of Advance/Newhouse Programming Partnership under Discovery's certificate of incorporation as the sole holder of the Series A-1 Preferred Stock. In connection with Advance/Newhouse Programming Partnership's entry into the consent agreement and related forfeiture of the significant rights attached to the Series A-1 Preferred Stock in the reclassification of the shares of Series A-1 Preferred Stock into common stock, it received an increase to the number of shares of common stock of the Company into which the Series A-1 Preferred Stock converted. The impact of the issuance of such additional shares of common stock was $789 million and was recorded as a transaction expense in selling, general and administrative expense upon the closing of the Merger in the three months ended June 30, 2022.

On April 8, 2022, the Company issued 1.7 billion shares of WBD common stock as consideration paid for the acquisition of WM. (See Note 3.)

Earnings Per Share

All share and per share amounts have been retrospectively adjusted to reflect the reclassification and automatic conversion into WBD common stock, except for Series A-1 Preferred Stock, which has not been recast because the conversion of Series A-1 Preferred Stock into WBD common stock in connection with the Merger was considered a discrete event and treated prospectively.

The table below sets forth the Company's calculated earnings per share (in millions). Earnings per share amounts may not recalculate due to rounding.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	$ (407)	$ (2,285)	$ (2,687)	$ (5,218)
Less:				
Allocation of undistributed income to Series A-1 convertible preferred stock	—	—	—	(49)
Net income attributable to noncontrolling interests	(8)	(21)	(32)	(44)
Net income attributable to redeemable noncontrolling interests	(2)	(2)	(7)	(8)
Net loss allocated to Warner Bros. Discovery, Inc. Series A common stockholders for basic and diluted net loss per share	$ (417)	$ (2,308)	$ (2,726)	$ (5,319)
Denominator — weighted average:				
Common shares outstanding — basic and diluted	2,438	2,428	2,436	1,775
Basic net loss per share allocated to common stockholders	$ (0.17)	$ (0.95)	$ (1.12)	$ (3.00)
Diluted net loss per share allocated to common stockholders	$ (0.17)	$ (0.95)	$ (1.12)	$ (3.00)

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,	
	2023	2022	2023	2022
Anti-dilutive share-based awards	73	59	68	48

NOTE 3. ACQUISITIONS AND DISPOSITIONS

Acquisitions

WarnerMedia

On April 8, 2022, the Company completed its Merger with the WarnerMedia Business of AT&T. The Merger was executed through a Reverse Morris Trust type transaction, under which WM was distributed to AT&T's shareholders via a pro-rata distribution, and immediately thereafter, combined with Discovery. Discovery was deemed to be the accounting acquirer of WM.

The Merger combined WM's content library of popular and valuable intellectual property with Discovery's global footprint, collection of local-language content and deep regional expertise across more than 220 countries and territories. The Company expects this broad, worldwide portfolio of brands, coupled with its DTC potential and the attractiveness of the combined assets, to result in increased market penetration globally. The Merger is also expected to create significant cost synergies for the Company.

Purchase Price

The following table summarizes the components of the aggregate purchase consideration paid to acquire WM (in millions).

Fair value of WBD common stock issued to AT&T shareholders (1)	$ 42,309
Fair value of share-based compensation awards attributable to pre-combination services (2)	94
Settlement of preexisting relationships (3)	(27)
Purchase consideration	$ 42,376

(1) The fair value of WBD common stock issued to AT&T shareholders represents approximately 1,732 million shares of WBD common stock multiplied by the closing share price for Discovery Series A common stock of $24.43 on Nasdaq on the Closing Date. The number of shares of WBD common stock issued in the Merger was determined based on the number of fully diluted shares of Discovery, Inc. common stock immediately prior to the closing of the Merger, multiplied by the quotient of 71%/29%.

(2) This amount represents the value of AT&T restricted stock unit awards that were not vested and were replaced by WBD restricted stock unit awards with similar terms and conditions as the original AT&T awards. The conversion was based on the ratio of the volume-weighted average per share closing price of AT&T common stock on the ten trading days prior to the Closing Date and the volume-weighted average per share closing price of WBD common stock on the ten trading days following the Closing Date. The fair value of replacement equity-based awards attributable to pre-Merger service was recorded as part of the consideration transferred in the Merger.

(3) The amount represents the effective settlement of outstanding payables and receivables between the Company and WM. No gain or loss was recognized upon settlement as amounts were determined to be reflective of fair market value.

Balances reflect rounding of dollar and share amounts to millions, which may result in differences for recalculated standalone amounts compared with the amounts presented above. In August 2022, the Company and AT&T finalized the post-closing working capital settlement process, pursuant to section 1.3 of the Separation and Distribution Agreement, which resulted in the Company receiving a $1.2 billion payment from AT&T in the third quarter of 2022.

Purchase Price Allocation

The Company applied the acquisition method of accounting to WM, whereby the excess of the fair value of the purchase price paid over the fair value of identifiable net assets acquired and liabilities assumed was allocated to goodwill. Goodwill reflects the assembled workforce of WM as well as revenue enhancements, cost savings and operating synergies that are expected to result from the Merger. The goodwill recorded as part of the Merger has been allocated to the Studios, Networks and DTC reportable segments in the amount of $9,308 million, $7,074 million and $5,727 million, respectively, and is not deductible for tax purposes.

During the three months ended June 30, 2023, the Company finalized the fair value of assets acquired and liabilities assumed. Measurement period adjustments were reflected in the period in which the adjustments occurred. Adjustments recorded during the six months ended June 30, 2023 were $368 million, primarily related to taxes, and were recorded in other noncurrent assets, deferred income taxes, and other noncurrent liabilities, with an offset to goodwill. The allocation of the purchase price to the assets acquired and liabilities assumed, measurement period adjustments, and a reconciliation to total consideration transferred is presented in the table below (in millions).

	Preliminary April 8, 2022	Measurement Period Adjustments	Final April 8, 2022
Cash	$ 2,419	$ (10)	$ 2,409
Accounts receivable	4,224	(60)	4,164
Other current assets	4,619	(133)	4,486
Film and television content rights and games	28,729	(344)	28,385
Property and equipment	4,260	13	4,273
Goodwill	21,513	596	22,109
Intangible assets	44,889	100	44,989
Other noncurrent assets	5,206	283	5,489
Current liabilities	(10,544)	12	(10,532)
Debt assumed	(41,671)	(9)	(41,680)
Deferred income taxes	(13,264)	492	(12,772)
Other noncurrent liabilities	(8,004)	(940)	(8,944)
Total consideration paid	$ 42,376	$ —	$ 42,376

The fair values of the assets acquired and liabilities assumed were determined using several valuation approaches including, but not limited to, various cost approaches and income approaches, such as relief from royalty, multi-period excess earnings, and with-or-without methods.

The table below presents a summary of intangible assets acquired, exclusive of content assets, and the weighted average useful life of these assets.

	Fair Value	Weighted Average Useful Life in Years
Trade names	$ 21,084	34
Affiliate, advertising and subscriber relationships	14,800	6
Franchises	7,900	35
Other intangible assets	1,205	
Total intangible assets acquired	$ 44,989	

The Company incurred acquisition-related costs of $31 million and $125 million for the three and nine months ended September 30, 2023, respectively, and $59 million and $340 million for the three and nine months ended September 30, 2022, respectively. These costs were associated with legal and professional services and integration activities and were recognized as operating expenses on the consolidated statement of operations. Additionally, the expense related to the issuance of additional shares of common stock in connection with the conversion of Advance/Newhouse Programming's Series A-1 Preferred Stock was $789 million and was recorded as a transaction expense in selling, general and administrative expense upon the closing of the Merger. (See Note 2.)

As a result of the Merger, WM's assets, liabilities, and operations were included in the Company's consolidated financial statements from the Closing Date. The following table presents WM revenue and earnings as reported within the consolidated financial statements (in millions).

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Revenues:		
Distribution	$ 3,730	$ 7,256
Advertising	761	1,924
Content	3,147	5,982
Other	245	453
Total revenues	7,883	15,615
Inter-segment eliminations	(699)	(1,539)
Net revenues	$ 7,184	$ 14,076
Net loss available to Warner Bros. Discovery, Inc.	$ (2,135)	$ (5,155)

Pro Forma Combined Financial Information

The following unaudited pro forma combined financial information presents the combined results of the Company and WM as if the Merger had been completed on January 1, 2021. The unaudited pro forma combined financial information is presented for informational purposes and is not indicative of the results of operations that would have been achieved if the Merger had occurred on January 1, 2021, nor is it indicative of future results. The following table presents the Company's pro forma combined revenues and net income (in millions).

	Nine Months Ended September 30, 2022
Revenues	$ 32,087
Net loss available to Warner Bros. Discovery, Inc.	(3,951)

The unaudited pro forma combined financial information includes, where applicable, adjustments for (i) additional costs of revenues from the fair value step-up of film and television library, (ii) additional amortization expense related to acquired intangible assets, (iii) additional depreciation expense from the fair value of property and equipment, (iv) transaction costs and other one-time non-recurring costs, (v) additional interest expense for borrowings related to the Merger and amortization associated with fair value adjustments of debt assumed, (vi) changes to align accounting policies, (vii) elimination of intercompany activity, and (viii) associated tax-related impacts of adjustments. These pro forma adjustments are based on available information as of the date hereof and upon assumptions that the Company believes are reasonable to reflect the impact of the Merger with WM on the Company's historical financial information on a supplemental pro forma basis. Adjustments do not include costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined business.

Dispositions

In September and October 2023, the Company sold two of its three regional sports networks ("RSN"), and expects to exit its remaining RSN during the fourth quarter of 2023.

In September 2022, the Company sold 75% of its interest in The CW Network to Nexstar Media Inc. ("Nexstar"), in exchange for Nexstar agreeing to fund a majority of The CW Network's expenses and the retention of the Company's share of certain receivables that existed prior to the transaction. There was no cash consideration exchanged in the transaction. The Company recorded an immaterial gain and retained a 12.5% ownership interest in The CW Network, which is accounted for as an equity method investment.

In April 2022, the Company completed the sale of its minority interest in Discovery Education for a sale price of $138 million and recorded a gain of $133 million**.**

NOTE 4. RESTRUCTURING AND OTHER CHARGES

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 finalized the framework supporting its ongoing restructuring and transformation initiatives during the year ended December 31, 2022, which will 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, the restructuring program is expected to be substantially completed by the end of 2024. Additionally, the Company initiated a strategic realignment plan associated with its WB Theatrical Animation group during the three months ended September 30, 2023.

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,	
	2023	2022	2023	2022
Studios	$ 134	$ 562	$ 220	$ 762
Networks	48	354	161	666
DTC	34	517	61	992
Corporate and inter-segment eliminations	53	88	68	139
Total restructuring and other charges	$ 269	$ 1,521	$ 510	$ 2,559

During the three months ended September 30, 2023, restructuring and other charges primarily included content impairments and other content development 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 three months ended September 30, 2022, restructuring and other charges primarily included content impairments of $891 million, organization restructuring costs of $238 million, other content development costs and write-offs of $377 million, and contract termination costs of $15 million.

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 costs of $284 million, and other charges of $1 million. During the nine months ended September 30, 2022, restructuring and other charges primarily included content impairments of $1,392 million, organization restructuring costs of $446 million, other content development costs and write-offs of $706 million, and contract termination costs of $15 million.

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

	Studios	Networks	DTC	Corporate and Inter-Segment Eliminations	Total
December 31, 2022	$ 156	$ 361	$ 188	$ 159	$ 864
Contract termination accruals, net	41	15	2	16	74
Employee termination accruals, net	42	138	51	53	284
Other accruals	—	2	—	—	2
Cash paid	(132)	(300)	(150)	(128)	(710)
September 30, 2023	$ 107	$ 216	$ 91	$ 100	$ 514

NOTE 5. REVENUES

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

	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

	Three Months Ended September 30, 2022				
	Studios	Networks	DTC	Corporate and Inter-segment Eliminations	Total
Revenues:					
Distribution	$ 4	$ 2,924	$ 2,062	$ —	$ 4,990
Advertising	8	1,944	106	(16)	2,042
Content	2,884	277	145	(775)	2,531
Other	192	69	4	(5)	260
Total	$ 3,088	$ 5,214	$ 2,317	$ (796)	$ 9,823

	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

	Nine Months Ended September 30, 2022				
	Studios	Networks	DTC	Corporate and Inter-segment Eliminations	Total
Revenues:					
Distribution	$ 8	$ 6,885	$ 4,287	$ —	$ 11,180
Advertising	18	5,998	248	(25)	6,239
Content	5,525	813	279	(1,699)	4,918
Other	338	133	9	(8)	472
Total	$ 5,889	$ 13,829	$ 4,823	$ (1,732)	$ 22,809

Contract Liabilities and Contract Assets

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

Category	Balance Sheet Location	September 30, 2023	December 31, 2022
Contract liabilities	Deferred revenues	$ 1,917	$ 1,694
Contract liabilities	Other noncurrent liabilities	142	361

For the nine months ended September 30, 2023 and 2022, respectively, revenues of $1,202 million and $376 million were recognized that were included in deferred revenues as of December 31, 2022 and December 31, 2021, respectively. Contract assets were not material as of September 30, 2023 and December 31, 2022.

Remaining Performance Obligations

As of September 30, 2023, $12,508 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, 2023	Duration
Distribution - fixed price or minimum guarantee	$ 3,620	Through 2031
Content licensing and sports sublicensing	5,792	Through 2030
Brand licensing	2,279	Through 2043
Advertising	817	Through 2027
Total	$ 12,508	

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 6. SALES OF RECEIVABLES

Revolving Receivables Program

During the three months ended September 30, 2023, the Company amended its revolving receivables program to reduce the facility limit to $5,500 million and extend the program to August 2024. The Company's bankruptcy-remote consolidated subsidiary held $2,892 million of pledged receivables as of September 30, 2023 in connection with its revolving receivables program. For the three and nine months ended September 30, 2023, the Company has recognized $36 million and $78 million, respectively, in selling, general and administrative expenses, net of non-designated derivatives from the revolving receivables program in the consolidated statements of operations. (See Note 10.) For the three and nine months ended September 30, 2022, the Company recognized $93 million and $134 million in selling, general and administrative expenses in the consolidated statements of operations, respectively. The outstanding portfolio of receivables derecognized from our consolidated balance sheets was $5,190 million as of September 30, 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross receivables sold/cash proceeds received	$ 3,381	$ 3,283	$ 9,797	$ 6,488
Collections reinvested under revolving agreement	(3,487)	(3,792)	(9,974)	(7,297)
Net cash proceeds remitted [(a)]	$ (106)	$ (509)	$ (177)	$ (809)
Net receivables sold	$ 3,352	$ 3,272	$ 9,656	$ 6,470
Obligations recorded (Level 3)	$ 114	$ 129	$ 374	$ 227

[(a)] Includes the collection on receivables sold but not remitted of $238 million and $236 million as of September 30, 2023 and 2022, respectively.

The following table presents a summary of the amounts transferred or pledged (in millions).

	September 30, 2023	December 31, 2022
Gross receivables pledged as collateral	$ 2,892	$ 3,468
Restricted cash pledged as collateral	$ —	$ 150
Balance sheet classification:		
Receivables, net	$ 2,629	$ 3,015
Prepaid expenses and other current assets	$ —	$ 150
Other noncurrent assets	$ 263	$ 453

Accounts Receivable Factoring

Total trade accounts receivable sold under the Company’s factoring arrangement was $72 million for the nine months ended September 30, 2023. No amounts were sold under the Company’s factoring arrangement for the nine months ended September 30, 2022. The impact to the consolidated statements of operations was immaterial for the three and nine months ended September 30, 2023 and 2022. This accounts receivable factoring agreement is separate and distinct from the revolving receivables program.

NOTE 7. CONTENT RIGHTS

For purposes of amortization and impairment, capitalized content costs are grouped based on their predominant monetization strategy: individually or as a group. Beginning this quarter, 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 table below presents the components of content rights (in millions).

	September 30, 2023		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Theatrical film production costs:			
Released, less amortization	$ 2,867	$ —	$ 2,867
Completed and not released	555	—	555
In production and other	1,188	—	1,188
Television production costs:			
Released, less amortization	1,590	5,834	7,424
Completed and not released	354	720	1,074
In production and other	425	2,653	3,078
Total theatrical film and television production costs	$ 6,979	$ 9,207	$ 16,186
Licensed content and advances, net			4,499
Live programming and advances, net			2,038
Game development costs, less amortization			630
Total film and television content rights and games			23,353
Less: Current content rights and prepaid license fees, net			(899)
Total noncurrent film and television content rights and games			$ 22,454

	December 31, 2022		
	Predominantly Monetized Individually	Predominantly Monetized as a Group	Total
Theatrical film production costs:			
Released, less amortization	$ 3,544	$ —	$ 3,544
Completed and not released	507	—	507
In production and other	1,795	—	1,795
Television production costs:			
Released, less amortization	2,200	6,143	8,343
Completed and not released	939	401	1,340
In production and other	457	3,386	3,843
Total theatrical film and television production costs	$ 9,442	$ 9,930	$ 19,372
Licensed content and advances, net			4,961
Live programming and advances, net			2,214
Game development costs, less amortization			650
Total film and television content rights and games			27,197
Less: Current content rights and prepaid license fees, net			(545)
Total noncurrent film and television content rights and games			$ 26,652

Content amortization consisted of the following (in millions).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Predominately monetized individually	$ 631	$ 1,357	$ 3,193	$ 3,534
Predominately monetized as a group	2,364	2,584	9,039	6,492
Total content amortization	$ 2,995	$ 3,941	$ 12,232	$ 10,026

Content expense includes amortization, impairments, and development expense and is generally a component of costs of revenues on the consolidated statements of operations. For the three and nine months ended September 30, 2023, total content impairments were $191 million and $315 million, respectively. Content impairments and other content development costs and write-offs of $112 million and $123 million, respectively, for the three and nine months ended September 30, 2023 were primarily due to the abandonment of certain films in connection with the third quarter 2023 strategic realignment plan associated with the WB Theatrical Animation group and are reflected in restructuring and other charges in the Studios segment. For the three and nine months ended September 30, 2022, total content impairments were $909 million and $1,415 million, respectively. Content impairments of $891 million and $1,392 million, respectively, and content development write-offs of $234 million and $563 million, respectively, for the three and nine months ended September 30, 2022 were due to the abandonment of certain content categories in connection with the strategic realignment of content following the Merger and are reflected in restructuring and other charges in the Studios, Networks and DTC segments.

NOTE 8. 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, 2023	December 31, 2022
Equity method investments:				
The Chernin Group (TCG) 2.0-A, LP	Other noncurrent assets	44%	$ 274	$ 313
nC+	Other noncurrent assets	32%	125	135
TNT Sports	Other noncurrent assets	50%	102	96
Other	Other noncurrent assets		470	518
Total equity method investments			971	1,062
Investments with readily determinable fair values	Other noncurrent assets		41	28
Investments without readily determinable fair values	Other noncurrent assets[a]		434	498
Total investments			$ 1,446	$ 1,588

[a] Investments without readily determinable fair values included $17 million as of September 30, 2023 and $10 million as of December 31, 2022 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, 2023, 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 $767 million. The Company's maximum estimated exposure excludes the non-contractual future funding of VIEs. The aggregate carrying values of these VIE investments were $708 million as of September 30, 2023 and $720 million as of December 31, 2022. VIE gains and losses are recorded in loss from equity investees, net on the consolidated statements of operations. VIE losses were $6 million and $59 million for the three and nine months ended September 30, 2023, respectively, and $15 million and $35 million for the three and nine months ended September 30, 2022, respectively.

Equity Investments Without Readily Determinable Fair Values Assessed Under the Measurement Alternative

During the three and nine months ended September 30, 2023, the Company concluded that its other equity investments without readily determinable fair values had decreased $2 million and $73 million, respectively, in fair value as a result of observable price changes in orderly transactions for the identical or similar investment of the same issuer. The decrease in fair value is recorded in other (expense) income, net on the consolidated statements of operations. (See Note 14.) As of September 30, 2023, the Company had recorded cumulative impairments of $302 million for its equity investments without readily determinable fair values.

NOTE 9. DEBT

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

	Weighted-Average Interest Rate as of September 30, 2023	September 30, 2023	December 31, 2022
Term loans with maturities of 3 years or less	6.82 %	$ 1,150	$ 4,000
Floating rate senior notes with maturities of 5 years or less	7.00 %	40	500
Senior notes with maturities of 5 years or less	4.00 %	13,646	12,759
Senior notes with maturities between 5 and 10 years	4.28 %	8,607	10,373
Senior notes with maturities greater than 10 years	5.11 %	21,644	21,644
Total debt		45,087	49,276
Unamortized discount, premium, debt issuance costs, and fair value adjustments for acquisition accounting, net		(287)	(277)
Debt, net of unamortized discount, premium, debt issuance costs, and fair value adjustments for acquisition accounting		44,800	48,999
Current portion of debt		(1,302)	(365)
Noncurrent portion of debt		$ 43,498	$ 48,634

During the three months ended September 30, 2023, the Company's wholly-owned subsidiaries, Warner Media, LLC ("WML"), Historic TW Inc. ("TWI"), Discovery Communications, LLC ("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.

During the three months ended September 30, 2022, the Company repaid $2.5 billion of aggregate principal amount outstanding of its term loan prior to its due date of April 2025.

During the three months ended June 30, 2022, the Company repaid $3.5 billion of aggregate principal amount outstanding of its term loans prior to the due dates of October 2023 and April 2025. The Company also assumed $41.5 billion of senior notes (at par value) and term loans in connection with the Merger.

During the three months ended March 31, 2022, the Company repaid in full at maturity $327 million aggregate principal amount outstanding of its 2.375% Euro Denominated Senior Notes due March 2022.

As of September 30, 2023, all senior notes are fully and unconditionally guaranteed by the Company, Scripps Networks Interactive, Inc. (“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 $1.2 billion of senior notes of the legacy WarnerMedia Business assumed by the Company in connection with the Merger and $23 million of un-exchanged senior notes issued by Scripps Networks. Additionally, the term loans of WMH, made under the $10.0 billion term loan credit agreement (the “Term Loan Credit Agreement”), are fully and unconditionally guaranteed by the Company, Scripps Networks, and DCL.

Revolving Credit Facility and Commercial Paper Programs

The Company has a multicurrency revolving credit agreement (the “Revolving Credit Agreement”) and has the capacity to borrow up to $6.0 billion under the Revolving Credit Agreement (the “Credit Facility”). The Company may also request additional commitments up to $1.0 billion from the lenders upon the satisfaction of certain conditions. The Company’s commercial paper program is supported by the Credit Facility. Borrowing capacity under the Credit Facility is effectively reduced by any outstanding borrowings under the commercial paper program. As of September 30, 2023 and December 31, 2022, the Company had no outstanding borrowings under its Credit Facility or its commercial paper program.

Credit Agreement Financial Covenants

The Revolving Credit Agreement and the Term Loan Credit Agreement (together, the “Credit Agreements”) include financial covenants that require the Company to maintain a minimum consolidated interest coverage ratio of 3.00 to 1.00 and a maximum adjusted consolidated leverage ratio of 5.75 to 1.00 following the closing of the Merger, with step-downs to 5.00 to 1.00 and 4.50 to 1.00 on the first and second anniversaries of the closing, respectively. As of September 30, 2023, DCL and WMH were in compliance with all covenants and there were no events of default under the Credit Agreements.

NOTE 10. 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.

The following table summarizes the impact of derivative financial instruments on the Company's consolidated balance sheets (in millions). There were no amounts eligible to be offset under master netting agreements as of September 30, 2023 and December 31, 2022. The fair value of the Company's derivative financial instruments was determined using a market-based approach (Level 2).

	September 30, 2023					December 31, 2022				
		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	$ 1,653	$ 69	$ 27	$ 33	$ 9	$ 1,382	$ 49	$ 35	$ 42	$ 25
Cross-currency swaps	—	—	—	—	—	482	3	58	—	—
Net investment hedges: [(a)]										
Cross-currency swaps	1,700	21	7	8	43	1,778	20	12	—	73
Fair value hedges:										
Interest rate swaps	1,500	3	—	—	6	—	—	—	—	—
No hedging designation:										
Foreign exchange	1,017	3	1	2	97	976	5	1	3	96
Cross-currency swaps	—	—	—	—	—	139	3	—	—	3
Interest rate swaps	6,000	66	14	—	—	—	—	—	—	—
Total return swaps	388	—	—	17	—	291	—	—	13	—
Total		$ 162	$ 49	$ 60	$ 155		$ 80	$ 106	$ 58	$ 197

[(a)] Excludes €164 million of euro-denominated notes ($174 million equivalent at December 31, 2022) designated as a net investment hedge and £400 million of sterling notes ($487 million equivalent at September 30, 2023) designated as a net investment hedge. (See Note 9.)

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 and fixed-to-fixed cross-currency swaps to mitigate foreign currency risk associated with its British Pound Sterling denominated debt. 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.

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,	
	2023	2022	2023	2022
Gains (losses) recognized in accumulated other comprehensive loss:				
Foreign exchange - derivative adjustments	$ 15	$ 30	$ 35	$ 10
Gains (losses) reclassified into income from accumulated other comprehensive loss:				
Foreign exchange - distribution revenue	(3)	(2)	(5)	—
Foreign exchange - advertising revenue	—	—	—	1
Foreign exchange - costs of revenues	12	8	3	27
Foreign exchange - other (expense) income, net	—	—	18	—
Interest rate - interest expense, net	(1)	—	—	(1)
Interest rate - other (expense) income, net	1	—	1	—

If current fair values of designated cash flow hedges as of September 30, 2023 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 32 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 September 30, 2023, the Company settled its Euro denominated debt that was designated as the hedging instrument in a net investment hedge.

During the three months ended June 30, 2023, to mitigate the currency risk associated with the net assets of non-USD functional entities, the Company re-designated its Sterling denominated debt due in 2024 as a net investment hedge after the unwind of the cash flow hedge previously noted.

The following table presents the pre-tax impact of derivatives designated as net investment hedges on other comprehensive loss (in millions). Other than amounts excluded from effectiveness testing, there were no other material gains (losses) reclassified from accumulated other comprehensive loss to income during the three and nine months ended September 30, 2023 and 2022.

	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)	
	2023	2022		2023	2022
Cross currency swaps	$ 5	$ (63)	Interest expense, net	$ 7	$ 5
Euro-denominated notes (foreign denominated debt)	(2)	13	N/A	—	—
Sterling notes (foreign denominated debt)	17	58	N/A	—	—
Total	$ 20	$ 8		$ 7	$ 5

	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)	
	2023	2022		2023	2022
Cross currency swaps	$ 30	$ 8	Interest expense, net	$ 18	$ 27
Euro-denominated notes (foreign denominated debt)	3	19	N/A	—	—
Sterling notes (foreign denominated debt)	11	112	N/A	—	—
Total	$ 44	$ 139		$ 18	$ 27

Fair Value Hedges

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

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

	Carrying Amount of Hedged Borrowings		Cumulative Amount of Fair Value Hedging Adjustments Included in Hedged Borrowings	
Balance Sheet Location	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Noncurrent portion of debt	$ 1,497	$ —	$ (3)	$ —

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gain (loss) on changes in fair value of hedged fixed rate debt [1]	$ 4	$ —	$ 3	$ —
(Loss) gain on changes in the fair value of derivative contracts [1]	(4)	—	(3)	—
Total in interest expense, net	$ —	$ —	$ —	$ —

[1] Accrued interest expense related to the hedged debt and derivative contracts is excluded from the amounts above and was not material as of September 30, 2023.

Derivatives Not Designated for Hedge Accounting

Prior to the Merger, the Company was exposed to interest rate risk associated with the expected issuance of debt related to the Merger. To mitigate this risk, the Company entered into interest rate swaps and subsequently unwound them prior to the Merger.

As part of the Merger, the Company acquired 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 $6.0 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.

Forward contracts designated as cash flow hedges are de-designated as production spend occurs or when rebate receivables are recognized. After de-designation, gains and losses on these derivatives directly impact earnings in the same line as the hedged risk.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest rate swaps	$ 18	$ —	$ 80	$ —
Total return swaps	(19)	—	12	—
Total in selling, general and administrative expense	(1)	—	92	—
Interest rate swaps	(1)	—	(1)	512
Cross-currency swaps	—	5	1	12
Foreign exchange derivatives	(1)	(24)	1	(70)
Total in other (expense) income, net	(2)	(19)	1	454
Total	$ (3)	$ (19)	$ 93	$ 454

NOTE 11. 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, 2023			
Category	**Balance Sheet Location**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Cash equivalents:					
Time deposits	Cash and cash equivalents	$ —	$ 99	$ —	$ 99
Equity securities:					
Money market fund	Cash and cash equivalents	4	—	—	4
Mutual funds	Prepaid expenses and other current assets	31	—	—	31
Company-owned life insurance contracts	Prepaid expenses and other current assets	—	2	—	2
Mutual funds	Other noncurrent assets	229	—	—	229
Company-owned life insurance contracts	Other noncurrent assets	—	95	—	95
Total		$ 264	$ 196	$ —	$ 460
Liabilities					
Deferred compensation plan	Accrued liabilities	$ 59	$ —	$ —	$ 59
Deferred compensation plan	Other noncurrent liabilities	579	—	—	579
Total		$ 638	$ —	$ —	$ 638

		December 31, 2022			
Category	**Balance Sheet Location**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets					
Cash equivalents:					
Time deposits	Cash and cash equivalents	$ —	$ 50	$ —	$ 50
Equity securities:					
Money market funds	Cash and cash equivalents	20	—	—	20
Mutual funds	Prepaid expenses and other current assets	14	—	—	14
Company-owned life insurance contracts	Prepaid expenses and other current assets	—	1	—	1
Mutual funds	Other noncurrent assets	243	—	—	243
Company-owned life insurance contracts	Other noncurrent assets	—	94	—	94
Time deposits	Other noncurrent assets	—	8	—	8
Total		$ 277	$ 153	$ —	$ 430
Liabilities					
Deferred compensation plan	Accrued liabilities	$ 73	$ —	$ —	$ 73
Deferred compensation plan	Other noncurrent liabilities	590	—	—	590
Total		$ 663	$ —	$ —	$ 663

In addition to the financial instruments listed in the tables above, the Company holds other financial instruments, including cash deposits, accounts receivable, accounts payable, term loans, and senior notes. The carrying values for such financial instruments, other than the senior notes, each approximated their fair values as of September 30, 2023 and December 31, 2022. The estimated fair value of the Company's outstanding senior notes, including accrued interest, using quoted prices from over-the-counter markets, considered Level 2 inputs, was $36.8 billion and $38.0 billion as of September 30, 2023 and December 31, 2022, respectively.

The Company's derivative financial instruments are discussed in Note 10, its investments with readily determinable fair value are discussed in Note 8, and the obligation for its revolving receivable program is discussed in Note 6.

NOTE 12. 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, 2023	
	Awards	Weighted-Average Grant Price
Awards granted:		
PRSUs	4.0	$ 15.41
RSUs	28.5	$ 14.89
Stock options	2.2	$ 15.02

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, 2023 (in millions, except years).

	Unrecognized Compensation Cost	Weighted-Average Amortization Period (years)
PRSUs	$ 37	1.6
RSUs	576	2.1
Stock options	128	2.7
Total unrecognized compensation cost	$ 741	

NOTE 13. INCOME TAXES

Income tax benefit was $125 million and $563 million for the three and nine months ended September 30, 2023, respectively, and income tax benefit was $566 million and $1,201 million for the three and nine months ended September 30, 2022, respectively. The decrease in income tax benefit for the three and nine months ended September 30, 2023 was primarily attributable to an increase in pre-tax book income. The decrease was partially offset by an unfavorable tax adjustment related to the preferred stock conversion transaction expense recorded in the nine months ended September 30, 2022 associated with the Merger.

Income tax benefit for the three and nine months ended September 30, 2023 reflects an effective income tax rate that differs from the federal statutory tax rate primarily attributable to the effect of foreign operations, changes in uncertain tax positions, and state and local income taxes.

As of September 30, 2023 and December 31, 2022, the Company's reserves for uncertain tax positions totaled $2,191 million and $1,929 million, respectively. The increase in the reserve for uncertain tax positions as of September 30, 2023 was primarily attributable to tax reserves that were recorded in 2023 through purchase accounting related to the Merger, partially offset by tax reserves released in 2023 upon audit resolutions. 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 $77 million within the next twelve months as a result of ongoing audits, lapses of statutes of limitations or regulatory developments.

As of September 30, 2023 and December 31, 2022, the Company had accrued $558 million and $413 million, respectively, of total interest and penalties payable related to unrecognized tax benefits. The increase in the interest and penalties accrual as of September 30, 2023 includes interest and penalty accruals recorded in 2023 through purchase accounting related to the Merger. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

NOTE 14. SUPPLEMENTAL DISCLOSURES

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

Other (Expense) Income, net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Foreign currency losses, net	$ (83)	$ (36)	$ (180)	$ (106)
(Losses) gains on derivative instruments, net	(2)	(19)	1	454
Change in the value of investments with readily determinable fair value	—	(16)	21	(106)
Gain on sale of equity method investments	—	8	—	141
Change in fair value of equity investments without readily determinable fair value	(2)	—	(73)	—
Interest income	43	20	128	39
Other (loss) income, net	(19)	15	(6)	(11)
Total other (expense) income, net	$ (63)	$ (28)	$ (109)	$ 411

Supplemental Cash Flow Information

	Nine Months Ended September 30,	
	2023	2022
Cash paid for taxes, net	$ 1,191	$ 859
Cash paid for interest, net	2,065	1,305
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	—
Equity issued for the acquisition of WarnerMedia	—	42,309
Non-cash consideration related to the sale of The CW Network	—	126
Accrued consideration for the joint venture with BT	—	82
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	33	29
Assets acquired under finance lease and other arrangements	94	40

Cash, Cash Equivalents, and Restricted Cash

	September 30, 2023	December 31, 2022
Cash and cash equivalents	$ 2,383	$ 3,731
Restricted cash - recorded in prepaid expenses and other current assets [1]	47	199
Total cash, cash equivalents, and restricted cash	$ 2,430	$ 3,930

[1] Restricted cash primarily includes cash posted as collateral related to the Company's revolving receivables and hedging programs. (See Note 6 and Note 10.)

Goodwill and Intangible Assets

During the nine months ended September 30, 2023, 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. Due to declining levels of global GDP growth, disruption in the film and television industry, a weakening advertising market associated with the Company's Networks reporting unit, and execution risk associated with anticipated growth in the Company's DTC reporting unit, the Company will continue to monitor its reporting units for changes that could impact recoverability.

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 has 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.

Assets Held for Sale

In 2022, the Company classified its Ranch Lot and Knoxville office building and land as assets held for sale. The Company reclassified $209 million to prepaid expenses and other assets on the consolidated balance sheet during 2022 and stopped recording depreciation on the assets. 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.

Supplier Finance Programs

Consistent with customary industry practice, the Company generally pays certain content producers at or near the completion of the production cycle. In these arrangements, content producers may earn fees upon contractual milestones to be invoiced at or near completion of production. In these instances, the Company accrues the content in progress in accordance with the contractual milestones. Certain of the Company's content producers sell their related receivables to a bank intermediary who provides payments that coincide with these contractual production milestones upon confirmation with the Company of our obligation to the content producer. This confirmation does not involve a security interest in the underlying content or otherwise result in the payable receiving seniority with respect to other payables of the Company. As of September 30, 2023 and December 31, 2022, the Company has confirmed $266 million and $273 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, given the principal purpose of the arrangement is to allow producers access to funds prior to the typical payment due date and the arrangement does not significantly change the nature of the payables and does not significantly extend the payment terms beyond the industry norms. Invoices processed through the program are subject to a one-year maximum tenor. The Company does not incur any fees or expenses associated with the paying agent services, and this service may be terminated by the Company or the financial institution upon 30 days' notice. At, or near, the production completion date (invoice due date), the Company pays the financial institution the stated amounts for confirmed producer invoices. These payments are reported as cash flows from operating activities.

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, 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)

	Three Months Ended September 30, 2022			
	Currency Translation	Derivatives	Pension Plan and SERP Liability	Accumulated Other Comprehensive Loss
Beginning balance	$ (1,432)	$ (8)	$ (13)	$ (1,453)
Other comprehensive income (loss) before reclassifications	(690)	28	—	(662)
Reclassifications from accumulated other comprehensive loss to net income	—	(4)	—	(4)
Other comprehensive income (loss)	(690)	24	—	(666)
Ending balance	$ (2,122)	$ 16	$ (13)	$ (2,119)

	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)

	Nine Months Ended September 30, 2022			
	Currency Translation	Derivatives	Pension Plan and SERP Liability	Accumulated Other Comprehensive Loss
Beginning balance	$ (845)	$ 28	$ (13)	$ (830)
Other comprehensive income (loss) before reclassifications	(1,275)	9	—	(1,266)
Reclassifications from accumulated other comprehensive loss to net income	(2)	(21)	—	(23)
Other comprehensive income (loss)	(1,277)	(12)	—	(1,289)
Ending balance	$ (2,122)	$ 16	$ (13)	$ (2,119)

NOTE 15. RELATED PARTY TRANSACTIONS

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues and service charges:				
Liberty Group	$ 469	$ 549	$ 1,443	$ 1,242
Equity method investees	161	111	560	348
Other	63	48	157	237
Total revenues and service charges	$ 693	$ 708	$ 2,160	$ 1,827
Expenses	$ 79	$ 72	$ 271	$ 314
Distributions to noncontrolling interests and redeemable noncontrolling interests	$ 13	$ 22	$ 282	$ 286

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

	September 30, 2023	December 31, 2022
Receivables	$ 346	$ 338
Payables	$ 21	$ 38

NOTE 16. 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.

In 2022, GoldenTree exercised its irrevocable put right for MotorTrend Group LLC (“MTG”), and the Company will be required to purchase GoldenTree’s 32.5% noncontrolling interest. Subsequent to September 30, 2023, the process of determining fair market value based on the procedures required under the joint venture agreement was finalized. The Company expects to complete its purchase of GoldenTree’s 32.5% interest during the fourth quarter of 2023.

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 or intellectual property. However, a determination as to the amount of the accrual required for such contingencies is highly subjective and requires judgment about future events. 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 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 17. 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 the gross amount. 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;
- certain inter-segment eliminations;
- 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, and amortization of capitalized interest for content, as these amounts do not represent cash payments in the current reporting period. Certain corporate expenses and inter-segment eliminations related to production studios are excluded from segment results to enable executive management to evaluate segment performance based upon the decisions of segment executives. Adjusted EBITDA should be considered in addition to, but not a substitute for, operating income, net income, and other measures of financial performance reported in accordance with U.S. GAAP.

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

Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Studios	$ 3,226	$ 3,088	$ 9,019	$ 5,889
Networks	4,868	5,214	16,207	13,829
DTC	2,438	2,317	7,625	4,823
Corporate	(2)	(11)	(3)	2
Inter-segment eliminations	(551)	(785)	(1,811)	(1,734)
Total revenues	$ 9,979	$ 9,823	$ 31,037	$ 22,809

Adjusted EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Studios	$ 727	$ 762	$ 1,640	$ 1,004
Networks	2,396	2,630	6,855	6,247
DTC	111	(634)	158	(1,379)
Corporate	(328)	(340)	(928)	(749)
Inter-segment eliminations	63	6	4	(8)
Adjusted EBITDA	$ 2,969	$ 2,424	$ 7,729	$ 5,115

Reconciliation of Net Loss available to Warner Bros. Discovery, Inc. to Adjusted EBITDA

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss available to Warner Bros. Discovery, Inc.	$ (417)	$ (2,308)	$ (2,726)	$ (5,270)
Net income attributable to redeemable noncontrolling interests	2	2	7	8
Net income attributable to noncontrolling interests	8	21	32	44
Income tax benefit	(125)	(566)	(563)	(1,201)
Loss before income taxes	(532)	(2,851)	(3,250)	(6,419)
Other expense (income), net	63	28	109	(411)
Loss from equity investees, net	14	78	73	135
Gain on extinguishment of debt	(22)	—	(17)	—
Interest expense, net	574	555	1,719	1,219
Operating income (loss)	97	(2,190)	(1,366)	(5,476)
Depreciation and amortization	1,989	2,233	5,961	5,024
Employee share-based compensation	140	113	381	317
Restructuring and other charges	269	1,521	510	2,559
Transaction and integration costs	31	59	125	1,129
Facility consolidation costs	14	—	37	—
Amortization of fair value step-up for content	393	645	1,986	1,515
Amortization of capitalized interest for content	12	—	34	—
Impairments and loss on dispositions	24	43	61	47
Adjusted EBITDA	$ 2,969	$ 2,424	$ 7,729	$ 5,115

NOTE 18. SUBSEQUENT EVENTS

In October 2023, the Company repaid $600 million of aggregate principal amount outstanding of its term loan due April 2025.

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, 2022 (the "2022 Form 10-K").

INDUSTRY TRENDS

The WGA and SAG-AFTRA went on strike in May and July 2023 following the expiration of their respective collective bargaining agreements with the AMPTP. The WGA strike ended on September 27, 2023, and a new collective bargaining agreement was ratified on October 9, 2023. The SAG-AFTRA remains on strike. As a result of the strikes, we have paused and may continue to pause certain theatrical and television productions, which has resulted in delayed production spending.

The strikes, together with other headwinds in the industry, such as continued pressures on linear distribution and soft advertising markets in the U.S., have had, and are expected to continue to have, a material impact on the operations and results of the Company. This includes 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 remainder of the 2023 film slate, as well as the Company's ability to produce, license, and deliver content, and declines in linear advertising revenue attributed to secular trends and soft advertising markets in the U.S.

We continue to closely monitor the ongoing impact 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 premier global media and entertainment company that combines the WarnerMedia Business's premium entertainment, sports and news assets with Discovery's leading non-fiction and international entertainment and sports businesses, thus offering audiences a differentiated portfolio of content, brands and franchises across television, film, streaming and gaming. Some of our iconic brands and franchises include Warner Bros. Pictures Group, Warner Bros. Television Group, DC, HBO, Max, Discovery Channel, discovery+, CNN, HGTV, Food Network, TNT, TBS, TLC, OWN, Warner Bros. Games, Batman, Superman, Wonder Woman, Harry Potter, Looney Tunes, Hanna-Barbera, Game of Thrones, and The Lord of the Rings.

We are home to a powerful creative engine and one of the largest collections of owned content in the world and have 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. Additionally, 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 eco-system, 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 May 2023, we launched Max, our enhanced streaming service. Max combines HBO Max and discovery+ content to create a unique and complete viewing experience for consumers by combining our unrivaled breadth and superior quality of content and brands with iconic franchises and strong product experience. discovery+ will continue to be available to consumers.

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 finalized the framework supporting its ongoing restructuring and transformation initiatives during the year ended December 31, 2022, 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, this restructuring program is expected to be substantially completed by the end of 2024. We expect to incur approximately $4.1 - $5.3 billion in pre-tax restructuring charges, of which we have incurred $4.1 billion as of September 30, 2023. Of the total expected pre-tax restructuring charges, we expect total cash expenditures to be $1.0 - $ 1.5 billion.

As of September 30, 2023, 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

The discussion below compares our actual results for the three months ended September 30, 2023 to the three months ended September 30, 2022, as well as our actual results for the nine months ended September 30, 2023 to our pro forma combined results for the nine months ended September 30, 2022, as if the Merger occurred on January 1, 2021. Management believes reviewing our pro forma combined operating results in addition to actual operating results is useful in identifying trends in, or reaching conclusions regarding, the overall operating performance of our businesses. Our Studios, Networks, DTC, Corporate, and inter-segment eliminations information is based on the historical operating results of the respective segments and include, where applicable, adjustments for (i) additional costs of revenues from the fair value step-up of film and television library, (ii) additional amortization expense related to acquired intangible assets, (iii) additional depreciation expense from the fair value of property and equipment, (iv) transaction costs and other one-time non-recurring costs, (v) additional interest expense for borrowings related to the Merger and amortization associated with fair value adjustments of debt assumed, (vi) changes to align accounting policies, (vii) elimination of intercompany activity, and (viii) associated tax-related impacts of adjustments.

Adjustments do not include costs related to integration activities, cost savings or synergies that have been or may be achieved by the combined businesses. Pro forma amounts are not necessarily indicative of what our results would have been had we operated the combined businesses since January 1, 2021 and should not be taken as indicative of the Company’s future consolidated results of operations.

Foreign Exchange Impacting Comparability

In addition to the Merger, 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 “2023 Baseline Rate”), and the prior year amounts translated at the same 2023 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 tables below present our consolidated results of operations (in millions).

	Three Months Ended September 30,		% Change	
	2023	2022		
	Actual	Actual	Actual	ex-FX
Revenues:				
Distribution	$ 5,026	$ 4,990	1 %	1 %
Advertising	1,796	2,042	(12)%	(13)%
Content	2,840	2,531	12 %	11 %
Other	317	260	22 %	17 %
Total revenues	9,979	9,823	2 %	1 %
Costs of revenues, excluding depreciation and amortization	5,309	5,627	(6)%	(6)%
Selling, general and administrative	2,291	2,589	(12)%	(12)%
Depreciation and amortization	1,989	2,233	(11)%	(12)%
Restructuring and other charges	269	1,521	(82)%	(82)%
Impairments and loss on dispositions	24	43	(44)%	(47)%
Total costs and expenses	9,882	12,013	(18)%	(18)%
Operating income (loss)	97	(2,190)	NM	NM
Interest expense, net	(574)	(555)		
Gain on extinguishment of debt	22	—		
Loss from equity investees, net	(14)	(78)		
Other expense, net	(63)	(28)		
Loss before income taxes	(532)	(2,851)		
Income tax benefit	125	566		
Net loss	(407)	(2,285)		
Net income attributable to noncontrolling interests	(8)	(21)		
Net income attributable to redeemable noncontrolling interests	(2)	(2)		
Net loss available to Warner Bros. Discovery, Inc.	$ (417)	$ (2,308)		

	Nine Months Ended September 30,				% Change		
	2023	2022					
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX)
Revenues:							
Distribution	$ 15,324	$ 11,180	$ 4,339	$ 15,519	37 %	(1)%	— %
Advertising	6,613	6,239	1,412	7,651	6 %	(14)%	(13)%
Content	8,240	4,918	3,297	8,215	68 %	— %	1 %
Other	860	472	230	702	82 %	23 %	20 %
Total revenues	31,037	22,809	9,278	32,087	36 %	(3)%	(3)%
Costs of revenues, excluding depreciation and amortization	18,630	13,488	5,553	19,041	38 %	(2)%	(2)%
Selling, general and administrative	7,241	7,167	1,745	8,912	1 %	(19)%	(19)%
Depreciation and amortization	5,961	5,024	532	5,556	19 %	7 %	7 %
Restructuring and other charges	510	2,559	(90)	2,469	(80)%	(79)%	(79)%
Impairments and loss on dispositions	61	47	—	47	30 %	30 %	21 %
Total costs and expenses	32,403	28,285	7,740	36,025	15 %	(10)%	(10)%
Operating loss	(1,366)	(5,476)	1,538	(3,938)	75 %	65 %	67 %
Interest expense, net	(1,719)	(1,219)	(512)	(1,731)			
Gain on extinguishment of debt	17	—	—	—			
Loss from equity investees, net	(73)	(135)	(20)	(155)			
Other (expense) income, net	(109)	411	139	550			
Loss before income taxes	(3,250)	(6,419)	1,145	(5,274)			
Income tax benefit	563	1,201	174	1,375			
Net loss	(2,687)	(5,218)	1,319	(3,899)			
Net income attributable to noncontrolling interests	(32)	(44)	—	(44)			
Net income attributable to redeemable noncontrolling interests	(7)	(8)	—	(8)			
Net loss available to Warner Bros. Discovery, Inc.	$ (2,726)	$ (5,270)	$ 1,319	$ (3,951)			

NM - Not meaningful

Unless otherwise indicated, the discussion below through operating loss reflects results for the nine months ended September 30, 2022 on a pro-forma combined basis, ex-FX, since the actual increases year over year for revenues, cost of revenues, and selling, general and administrative expenses are substantially attributable to the Merger. The 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 revenues are generated from fees charged to network distributors, which include cable, DTH satellite, telecommunications and digital service providers, and DTC subscribers. The largest component of distribution revenue is comprised of linear distribution rights to our networks from cable, DTH satellite and telecommunication service providers. We have contracts with distributors representing most cable and satellite service providers around the world, including the largest operators in the U.S. and major international distributors. Distribution revenues are largely dependent on the rates negotiated in the agreements, the number of subscribers that receive our networks, the number of platforms covered in the distribution agreement, and the market demand for the content that we provide. From time to time, renewals of multi-year carriage agreements include significant year one market adjustments to re-set subscriber rates, which then increase at rates lower than the initial increase in the following years. In some cases, we have provided distributors launch incentives, in the form of cash payments or free periods, to carry our networks.

Distribution revenue increased 1% and was flat for the three and nine months ended September 30, 2023, respectively. The increase for the three months ended September 30, 2023 was primarily attributable to new DTC partnership launches and higher U.S. contractual affiliate rates, partially offset by declines in linear subscribers in the U.S. For the nine months ended September 30, 2023, declines in linear subscribers in the U.S. were offset by higher U.S. contractual affiliate rates and new DTC partnership launches.

Advertising revenues are principally generated from the sale of commercial time on linear (television networks and authenticated TVE applications) and digital platforms (DTC subscription services and websites), and sold primarily on a national basis in the U.S. and on a pan-regional or local-language feed basis outside the U.S. Advertising contracts generally have a term of one year or less. Advertising revenue is dependent upon a number of factors, including the number of subscribers to our channels, viewership demographics, the popularity of our content, our ability to sell commercial time over a group of channels, the stage of development of television markets, and the popularity of FTA television. Revenue from advertising is subject to seasonality, market-based variations, the mix in sales of commercial time between the upfront and scatter markets, and general economic conditions. Advertising revenue is typically highest in the second and fourth quarters. In some cases, advertising sales are subject to ratings guarantees that require us to provide additional advertising time if the guaranteed audience levels are not achieved. We also generate revenue from the sale of advertising through our digital platforms on a stand-alone basis and as part of advertising packages with our television networks.

Advertising revenue decreased 13% for the three and nine months ended September 30, 2023, primarily attributable to audience declines in domestic general entertainment and news networks, soft advertising markets in the U.S., and to a lesser extent, certain international markets, partially offset by Max U.S. ad-lite subscriber growth and higher engagement. Additionally, the nine months ended September 30, 2023 was unfavorably impacted by the prior year broadcast of the *NCAA March Madness* Final Four and Championship in 2022 and, to a lesser extent, the prior year broadcast of the Olympics in Europe, partially offset by the broadcast of the *Stanley Cup Finals* in the current year.

Content revenues are generated from the release of feature films for initial exhibition in theaters, the licensing of feature films and television programs to various television, SVOD and other digital markets, distribution of feature films and television programs in the physical and digital home entertainment market, sales of console games and mobile in-game content, sublicensing of sports rights, and licensing of intellectual property such as characters and brands.

Content revenue increased 11% and 1% for the three and nine months ended September 30, 2023, respectively. The increase for the three months ended September 30, 2023 was primarily attributable to higher theatrical film rental revenue due to the release of *Barbie* and higher games revenue due to the current year releases of *Mortal Kombat 1* and *Hogwarts Legacy*, partially offset by lower TV licensing revenue. The increase for the nine months ended September 30, 2023 was primarily attributable to higher games revenue due to the release of *Hogwarts Legacy* and higher theatrical film rental revenue due to the release of *Barbie*, partially offset by lower TV licensing revenue, the prior year broadcast of the Olympics in Europe, and home entertainment revenue.

Other revenue primarily consists of studio production services and tours.

Other revenue increased 17% and 20% for the three and nine months ended September 30, 2023, respectively, primarily attributable to services provided to the unconsolidated TNT Sports joint venture, the opening of Warner Bros. Studio Tour Tokyo in June 2023, and continued strong attendance at Warner Bros. Studio Tour London and Hollywood.

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. The costs of producing a content asset and bringing that asset to market consist of production costs, participation costs, and exploitation costs.

Costs of revenues decreased 6% and 2% for the three and nine months ended September 30, 2023, respectively. The decrease for the three months ended September 30, 2023 was primarily attributable to lower content expense at Studios (for television products), DTC, and Networks, partially offset by higher content expense for theatrical and games products. The decrease for the nine months ended September 30, 2023 was primarily attributable to lower content expense at Studios (for television products) and DTC, the prior year broadcast of the Olympics in Europe, and the *NCAA March Madness* Final Four and Championship in 2022, partially offset by higher games content expense.

Selling, General and Administrative

Selling, general and administrative expenses consist principally of employee costs, marketing costs, research costs, occupancy, and back office support fees.

Selling, general and administrative expenses decreased 12% and 19% for the three and nine months ended September 30, 2023, respectively, primarily attributable to more efficient marketing-related spend and a reduction in personnel costs, partially offset by higher theatrical and games marketing expense.

Depreciation and Amortization

Depreciation and amortization expense includes depreciation of fixed assets and amortization of finite-lived intangible assets. Depreciation and amortization decreased 12% and increased 7% for the three and nine months ended September 30, 2023, respectively. The decrease for the three months ended September 30, 2023 was primarily attributable to intangible assets acquired during the Merger that are being amortized using the sum of the months' digits method. The increase for the nine months ended September 30, 2023 was primarily attributable to intangible assets acquired during the Merger that are being amortized using the sum of the months' digits method, which resulted in lower pro forma amortization in the nine months ended September 30, 2022.

Restructuring and other charges

In connection with the Merger, the Company has announced and has taken actions to implement projects to achieve cost synergies for the Company. Restructuring and other charges were primarily attributable to contract terminations, facility consolidation activities, organizational restructuring, and other charges and decreased 82% and 79% for the three and nine months ended September 30, 2023, respectively. (See Note 4 to the accompanying consolidated financial statements.)

Impairments and Loss on Dispositions

Impairments and loss on dispositions was $24 million and $61 million for the three and nine months ended September 30, 2023, respectively.

Interest Expense, net

Actual interest expense, net increased $19 million and $500 million for the three and nine months ended September 30, 2023, respectively. The increase for nine months ended September 30, 2023 was primarily attributable to debt assumed as a result of the Merger. (See Note 9 and Note 10 to the accompanying consolidated financial statements.)

Loss From Equity Investees, net

Actual losses from our equity method investees were $14 million and $73 million for the three and nine months ended September 30, 2023, respectively. The changes are attributable to our share of earnings and losses from our equity investees. (See Note 8 to the accompanying consolidated financial statements.)

Other (Expense) Income, net

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Foreign currency losses, net	$ (83)	$ (36)	$ (180)	$ (106)
(Losses) gains on derivative instruments, net	(2)	(19)	1	454
Change in the value of investments with readily determinable fair value	—	(16)	21	(106)
Gain on sale of equity method investments	—	8	—	141
Change in fair value of equity investments without readily determinable fair value	(2)	—	(73)	—
Interest income	43	20	128	39
Other (loss) income, net	(19)	15	(6)	(11)
Total other (expense) income, net	$ (63)	$ (28)	$ (109)	$ 411

Income Tax Benefit

Income tax benefit was $125 million and $563 million for the three and nine months ended September 30, 2023, respectively, and income tax benefit was $566 million and $1,201 million for the three and nine months ended September 30, 2022, respectively. The decrease in income tax benefit for the three and nine months ended September 30, 2023 was primarily attributable to an increase in pre-tax book income. The decrease was partially offset by an unfavorable tax adjustment related to the preferred stock conversion transaction expense recorded in the nine months ended September 30, 2022 associated with the Merger.

Income tax benefit for the three and nine months ended September 30, 2023 reflects an effective income tax rate that differs from the federal statutory tax rate primarily attributable to the effect of foreign operations, changes in uncertain tax positions, and state and local income taxes.

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;
- certain inter-segment eliminations;
- 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, and amortization of capitalized interest for content, as these amounts do not represent cash payments in the current reporting period. Certain corporate expenses and inter-segment eliminations related to production studios are excluded from segment results to enable executive management to evaluate segment performance based upon the decisions of segment executives. Adjusted EBITDA should be considered in addition to, but not a substitute for, operating income, net income, and other measures of financial performance reported in accordance with U.S. GAAP.

The table below presents our Adjusted EBITDA by segment (in millions).

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
Studios	$ 727	$ 762	(5)%	$ 1,640	$ 1,004	63 %
Networks	$ 2,396	$ 2,630	(9)%	$ 6,855	$ 6,247	10 %
DTC	$ 111	$ (634)	NM	$ 158	$ (1,379)	NM
Corporate	$ (328)	$ (340)	4 %	$ (928)	$ (749)	(24)%
Inter-segment eliminations	$ 63	$ 6	NM	$ 4	$ (8)	NM

Studios Segment

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

	Three Months Ended September 30,		% Change	
	2023	2022		
	Actual	Actual	Actual	ex-FX
Revenues:				
Distribution	$ 13	$ 4	NM	NM
Advertising	4	8	(50)%	(50)%
Content	3,000	2,884	4 %	3 %
Other	209	192	9 %	5 %
Total revenues	3,226	3,088	4 %	3 %
Costs of revenues, excluding depreciation and amortization	1,794	1,756	2 %	1 %
Selling, general and administrative	705	570	24 %	21 %
Adjusted EBITDA	727	762	(5)%	(6)%
Depreciation and amortization	143	174		
Employee share-based compensation	—	1		
Restructuring and other charges	134	562		
Transaction and integration costs	1	1		
Amortization of fair value step-up for content	173	271		
Amortization of capitalized interest for content	12	—		
Impairments and loss on dispositions	—	15		
Operating income (loss)	$ 264	$ (262)		

	Nine Months Ended September 30,				% Change		
	2023	2022					
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX)
Revenues:							
Distribution	$ 19	$ 8	$ 6	$ 14	NM	36 %	36 %
Advertising	11	18	9	27	(39)%	(59)%	(59)%
Content	8,425	5,525	3,898	9,423	52 %	(11)%	(10)%
Other	564	338	154	492	67 %	15 %	13 %
Total revenues	9,019	5,889	4,067	9,956	53 %	(9)%	(9)%
Costs of revenues, excluding depreciation and amortization	5,398	3,763	2,392	6,155	43 %	(12)%	(12)%
Selling, general and administrative	1,981	1,122	698	1,820	77 %	9 %	9 %
Adjusted EBITDA	1,640	1,004	977	1,981	63 %	(17)%	(17)%
Depreciation and amortization	458	332	77	409			
Employee share-based compensation	—	1	26	27			
Restructuring and other charges	220	762	(38)	724			
Transaction and integration costs	5	1	—	1			
Amortization of fair value step-up for content	886	834	(382)	452			
Amortization of capitalized interest for content	34	—	—	—			
Inter-segment eliminations	1	—	—	—			
Impairments and loss on dispositions	(1)	15	—	15			
Operating income (loss)	$ 37	$ (941)	$ 1,294	$ 353			

The discussion below reflects results for the nine months ended September 30, 2022 on a pro forma combined basis, ex-FX, since the actual increases year over year for revenues, cost of revenue, selling, general and administrative expenses and Adjusted EBITDA are substantially attributable to the Merger.

Revenues

Content revenue increased 3% and decreased 10% for the three and nine months ended September 30, 2023, respectively. The increase for the three months ended September 30, 2023 was primarily attributable to higher theatrical film rental revenue due to the release of *Barbie* and higher games revenue due to the current year releases of *Mortal Kombat 1* and *Hogwarts Legacy*, partially offset by lower TV licensing revenue due to certain large TV licensing deals in the prior year and the impact of the WGA and SAG-AFTRA strikes.

The decrease for the nine months ended September 30, 2023 was primarily attributable to lower TV licensing and home entertainment revenue, partially offset by higher games revenue due to the release of *Hogwarts Legacy* and higher theatrical film rental revenue due to the release of *Barbie*. TV licensing revenue decreased due to certain large TV licensing deals in the prior year, the timing of TV production, including the impact of the WGA and SAG-AFTRA strikes, fewer series sold to our owned platforms, fewer CW series, and the mix of theatrical availabilities. Home entertainment revenue decreased due to fewer new releases of theatrical products.

Other revenue increased 5% and 13% for the three and nine months ended September 30, 2023, respectively. The increase for the three and nine months ended September 30, 2023 was primarily attributable to the opening of Warner Bros. Studio Tour Tokyo in June 2023 and continued strong attendance at Warner Bros Studio Tour London and Hollywood. In addition, the three months ended September 30, 2023 was unfavorably impacted by lower studio production services due to the impact of the WGA and SAG-AFTRA strikes.

Costs of Revenues

Costs of revenues increased 1% and decreased 12% for the three and nine months ended September 30, 2023, respectively. The increase for the three months ended September 30, 2023 was primarily attributable to higher content expense for theatrical and games products commensurate with higher revenues, partially offset by lower television product content expense, including the impact of the WGA and SAG-AFTRA strikes. The decrease for the nine months ended September 30, 2023 was primarily attributable to lower television product content expense, including the impact of the WGA and SAG-AFTRA strikes, partially offset by higher content expense for games and theatrical products commensurate with higher revenues.

Selling, General and Administrative

Selling, general and administrative expenses increased 21% and 9% for the three and nine months ended September 30, 2023, respectively. The increase for the three months ended September 30, 2023 was primarily attributable to higher theatrical marketing expense due to the increased quantity of films released. The increase for the nine months ended September 30, 2023 was primarily attributable to higher theatrical marketing expense due to the increased quantity of films released and higher games marketing expense to support the release of *Hogwarts Legacy*.

Adjusted EBITDA

Adjusted EBITDA decreased 6% and 17% for the three and nine months ended September 30, 2023, respectively.

Networks Segment

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

	Three Months Ended September 30,			
	2023	2022	% Change	
	Actual	Actual	Actual	ex-FX
Revenues:				
Distribution	$ 2,833	$ 2,924	(3)%	(2)%
Advertising	1,709	1,944	(12)%	(13)%
Content	215	277	(22)%	(22)%
Other	111	69	61 %	51 %
Total revenues	4,868	5,214	(7)%	(7)%
Costs of revenues, excluding depreciation and amortization	1,800	1,906	(6)%	(6)%
Selling, general and administrative	672	678	(1)%	(1)%
Adjusted EBITDA	2,396	2,630	(9)%	(9)%
Depreciation and amortization	1,202	1,424		
Restructuring and other charges	48	354		
Transaction and integration costs	(8)	1		
Amortization of fair value step-up for content	—	2		
Inter-segment eliminations	(10)	30		
Impairments and loss on dispositions	11	—		
Operating income	$ 1,153	$ 819		

	Nine Months Ended September 30,						
	2023	2022			% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX)
Revenues:							
Distribution	$ 8,769	$ 6,885	$ 2,183	$ 9,068	27 %	(3)%	(2)%
Advertising	6,394	5,998	1,380	7,378	7 %	(13)%	(13)%
Content	744	813	220	1,033	(8)%	(28)%	(26)%
Other	300	133	55	188	NM	60 %	54 %
Total revenues	16,207	13,829	3,838	17,667	17 %	(8)%	(7)%
Costs of revenues, excluding depreciation and amortization	7,243	5,728	2,148	7,876	26 %	(8)%	(7)%
Selling, general and administrative	2,109	1,854	364	2,218	14 %	(5)%	(4)%
Adjusted EBITDA	6,855	6,247	1,326	7,573	10 %	(9)%	(9)%
Depreciation and amortization	3,768	3,311	307	3,618			
Employee share-based compensation	—	—	9	9			
Restructuring and other charges	161	666	(5)	661			
Transaction and integration costs	3	1	—	1			
Amortization of fair value step-up for content	400	3	419	422			
Inter-segment eliminations	5	28	—	28			
Impairments and loss on dispositions	16	—	—	—			
Operating income	$ 2,502	$ 2,238	$ 596	$ 2,834			

The discussion below reflects our results for the nine months ended September 30, 2022 on a pro forma combined basis, ex-FX, since the actual increases year over year for revenues, cost of revenue, selling, general and administrative expenses and Adjusted EBITDA are substantially attributable to the Merger.

Revenues

Distribution revenue decreased 2% for the three and nine months ended September 30, 2023, primarily attributable to a decline in linear subscribers in the U.S., partially offset by higher U.S. contractual affiliate rates.

Advertising revenue decreased 13% for the three and nine months ended September 30, 2023, primarily attributable to audience declines in domestic general entertainment and news networks, soft advertising markets in the U.S., and to a lesser extent, certain international markets. In addition, the nine months ended September 30, 2023 was unfavorably impacted by the broadcast of the *NCAA March Madness* Final Four and Championship in 2022 and, to a lesser extent, the prior year broadcast of the Olympics in Europe, partially offset by the broadcast of the *Stanley Cup Finals* in the current year.

Content revenue decreased 22% and 26% for the three and nine months ended September 30, 2023, respectively. The decrease for the three months ended September 30, 2023 was primarily attributable to the timing of third-party content licensing deals in the U.S. and lower international sports sublicensing, partially offset by inter-segment content licensing to DTC. The decrease for the nine months ended September 30, 2023 was primarily attributed to the prior year broadcast of the Olympics in Europe, lower international sports sublicensing, and, to a lesser extent, timing of third-party content licensing deals in the U.S., partially offset by inter-segment licensing of content to DTC.

Other revenue increased 51% and 54% for the three and nine months ended September 30, 2023, respectively, primarily attributable to services provided to the unconsolidated TNT Sports joint venture.

Costs of Revenues

Costs of revenues decreased 6% and 7% for the three and nine months ended September 30, 2023, respectively, primarily attributable to lower international and regional sports networks content expense, and lower domestic general entertainment related expense, partially offset by higher costs associated with the unconsolidated TNT Sports joint venture. In addition, the nine months ended September 30, 2023 was favorably impacted by the prior year broadcast of the Olympics in Europe and the *NCAA March Madness* Final Four and Championship in 2022, partially offset by higher domestic sports related expense.

Selling, General and Administrative

Selling, general and administrative expenses decreased 1% and 4% for the three and nine months ended September 30, 2023, respectively, primarily attributable to lower marketing and personnel expenses.

Adjusted EBITDA

Adjusted EBITDA decreased 9% for the three and nine months ended September 30, 2023.

DTC Segment

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

	Three Months Ended September 30,		% Change	
	2023	2022		
	Actual	Actual	Actual	ex-FX
Revenues:				
Distribution	$ 2,179	$ 2,062	6 %	5 %
Advertising	138	106	30 %	29 %
Content	120	145	(17)%	(17)%
Other	1	4	(75)%	(75)%
Total revenues	2,438	2,317	5 %	5 %
Costs of revenues, excluding depreciation and amortization	1,874	2,118	(12)%	(12)%
Selling, general and administrative	453	833	(46)%	(46)%
Adjusted EBITDA	111	(634)	NM	NM
Depreciation and amortization	590	543		
Employee share-based compensation	—	(1)		
Restructuring and other charges	34	517		
Transaction and integration costs	1	—		
Amortization of fair value step-up for content	111	191		
Inter-segment eliminations	8	(10)		
Impairments and loss on dispositions	3	—		
Operating loss	$ (636)	$ (1,874)		

	Nine Months Ended September 30,				% Change		
	2023	2022					
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX)
Revenues:							
Distribution	$ 6,536	$ 4,287	$ 2,150	$ 6,437	52 %	2 %	2 %
Advertising	362	248	36	284	46 %	27 %	28 %
Content	715	279	230	509	NM	40 %	40 %
Other	12	9	3	12	33 %	— %	— %
Total revenues	7,625	4,823	2,419	7,242	58 %	5 %	6 %
Costs of revenues, excluding depreciation and amortization	5,640	4,200	1,977	6,177	34 %	(9)%	(8)%
Selling, general and administrative	1,827	2,002	909	2,911	(9)%	(37)%	(37)%
Adjusted EBITDA	158	(1,379)	(467)	(1,846)	NM	NM	NM
Depreciation and amortization	1,520	1,193	163	1,356			
Employee share-based compensation	—	(1)	—	(1)			
Restructuring and other charges	61	992	(3)	989			
Transaction and integration costs	2	1	—	1			
Amortization of fair value step-up for content	349	256	(21)	235			
Inter-segment eliminations	10	—	—	—			
Impairments and loss on dispositions	4	4	—	4			
Operating loss	$ (1,788)	$ (3,824)	$ (606)	$ (4,430)			

The discussion below reflects results for the nine months ended September 30, 2022 on a pro forma combined basis, ex-FX, since the actual increases year over year for revenues, cost of revenue, selling, general, and administrative expenses and Adjusted EBITDA are substantially attributable to the Merger.

Revenues

As of September 30, 2023, we had 95.1 million DTC subscribers.[1]

Distribution revenue increased 5% and 2% for the three and nine months ended September 30, 2023, respectively, primarily attributable to new partnership launches, price increases in the U.S. and certain international markets, the launch of the Ultimate tier in the U.S., and favorable mix shifts from wholesale to higher revenue channels.

Advertising revenue increased 29% and 28% for the three and nine months ended September 30, 2023, respectively, primarily attributable to Max U.S. ad-lite subscriber growth and higher engagement.

Content revenue decreased 17% and increased 40% for the three and nine months ended September 30, 2023, respectively. The decrease for the three months ended September 30, 2023 was primarily attributable to higher third-party licensing for HBO content in September 2022. The increase for the nine months ended September 30, 2023 was primarily attributable to the timing of certain licensing deals.

Costs of Revenues

Costs of revenues decreased 12% and 8% for the three and nine months ended September 30, 2023, respectively, primarily attributable to lower content expense. Additionally, the nine months ended September 30, 2023 was unfavorably impacted by increased content licensing costs commensurate with higher content revenue, partially offset by the shutdown of CNN+ in the prior year.

[1] We define a "DTC Subscription" as:

(i) a retail subscription to discovery+, HBO, HBO Max, or Max for which we have recognized subscription revenue, whether directly or through a third party, from a direct-to-consumer platform; (ii) a wholesale subscription to discovery+, HBO, HBO Max, or Max for which we have recognized subscription revenue from a fixed-fee arrangement with a third party and where the individual user has activated their subscription; (iii) a wholesale subscription to discovery+, HBO, HBO Max, or Max for which we have recognized subscription revenue on a per subscriber basis; 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.

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, and Max, that may be offered by us or by certain joint venture partners or affiliated parties from time to time; (ii) a limited number of international discovery+ subscribers that are part of non-strategic partnerships or short-term arrangements as may be identified by the Company from time to time; (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.

Selling, General, and Administrative Expenses

Selling, general and administrative expenses decreased 46% and 37% for the three and nine months ended September 30, 2023, respectively, primarily attributable to more efficient marketing-related spend.

Adjusted EBITDA

Adjusted EBITDA increased $738 million and $1,996 million for the three and nine months ended September 30, 2023, respectively.

Corporate

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

	Three Months Ended September 30,			
	2023	2022	% Change	
	Actual	Actual	Actual	ex-FX
Adjusted EBITDA	$ (328)	$ (340)	4 %	4 %
Depreciation and amortization	54	92		
Employee share-based compensation	140	113		
Restructuring and other charges	53	93		
Transaction and integration costs	37	57		
Facility consolidation costs	14	—		
Amortization of fair value step-up for content	1	—		
Inter-segment eliminations	2	(20)		
Impairments and loss on dispositions	10	28		
Operating loss	$ (639)	$ (703)		

	Nine Months Ended September 30,						
	2023	2022			% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX)
Adjusted EBITDA	$ (928)	$ (749)	$ (353)	$ (1,102)	(24)%	16 %	16 %
Depreciation and amortization	215	188	(15)	173			
Employee share-based compensation	381	317	(11)	306			
Restructuring and other charges	70	162	(44)	118			
Transaction and integration costs	115	1,126	(564)	562			
Facility consolidation costs	37	—	—	—			
Amortization of fair value step-up for content	(7)	—	—	—			
Inter-segment eliminations	(16)	(28)	—	(28)			
Impairments and loss on dispositions	42	28	—	28			
Operating loss	$ (1,765)	$ (2,542)	$ 281	$ (2,261)			

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.

As reported transaction and integration costs for the nine months ended September 30, 2022 included the impact of the issuance of additional shares of common stock to Advance/Newhouse Programming Partnership of $789 million upon the closing of the Merger. (See Note 2 to the accompanying consolidated financial statements.)

Adjusted EBITDA improved 4% and 16% for the three and nine months ended September 30, 2023, respectively, primarily attributable to reductions to personnel costs and technology-related operating expenses and lower securitization expense, partially offset by higher deferred compensation expense.

Inter-segment Eliminations

The following tables present 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,			
	2023	2022	% Change	
	Actual	Actual	Actual	ex-FX
Inter-segment revenue eliminations	$ (551)	$ (785)	30 %	30 %
Inter-segment expense eliminations	(614)	(791)	22 %	22 %
Adjusted EBITDA	63	6	NM	NM
Restructuring and other charges	—	(5)		
Amortization of fair value step-up for content	108	181		
Operating loss	$ (45)	$ (170)		

	Nine Months Ended September 30,						
	2023	2022			% Change		
	Actual	Actual	Pro Forma Adjustments	Pro Forma Combined	Actual	Pro Forma Combined (Actual)	Pro Forma Combined (ex-FX)
Inter-segment revenue eliminations	$ (1,811)	$ (1,734)	$ (1,065)	$ (2,799)	(4)%	35 %	35 %
Inter-segment expense eliminations	(1,815)	(1,726)	(1,038)	(2,764)	(5)%	34 %	34 %
Adjusted EBITDA	4	(8)	(27)	(35)	NM	NM	NM
Restructuring and other charges	(2)	(23)	—	(23)			
Amortization of fair value step-up for content	358	422	—	422			
Operating loss	$ (352)	$ (407)	$ (27)	$ (434)			

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 “gross” (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, 2023, we funded our working capital needs primarily through cash flows from operations. As of September 30, 2023, we had $2.4 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*

  Senior Notes

  During the nine months ended September 30, 2023, we 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.

  Revolving Credit Facility and Commercial Paper

  We have a multicurrency revolving credit agreement (the "Revolving Credit Agreement") and have the capacity to borrow up to $6.0 billion under the Revolving Credit Agreement (the "Credit Facility"). We may also request additional commitments up to $1.0 billion from the lenders upon the satisfaction of certain conditions. The Revolving Credit Agreement contains customary representations and warranties as well as affirmative and negative covenants. As of September 30, 2023, DCL was in compliance with all covenants and there were no events of default under the Revolving Credit Agreement.

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

  During the nine months ended September 30, 2023, we borrowed and repaid $4,298 million and $4,304 million, respectively, under our Credit Facility and commercial paper program. As of September 30, 2023, we had no outstanding borrowings under the Credit Facility or the commercial paper program.

- *Revolving Receivables Program*

  We have a revolving agreement to transfer up to $5,500 million of certain receivables through our bankruptcy-remote subsidiary, Warner Bros. Discovery Receivables Funding, LLC, to various financial institutions on a recurring basis in exchange for cash equal to the gross receivables transferred. We service the sold receivables for the financial institution for a fee and pay fees to the financial institution in connection with this revolving agreement. As customers pay their balances, our available capacity under this revolving agreement increases and typically we transfer additional receivables into the program. In some cases, we may have collections that have not yet been remitted to the bank, resulting in a liability. The outstanding portfolio of receivables derecognized from our consolidated balance sheets was $5,190 million as of September 30, 2023.

- *Accounts Receivable Factoring*

  We have a factoring agreement to sell certain of our non-U.S. trade accounts receivable on a non-recourse basis to a third-party financial institution. Total trade accounts receivable sold under our factoring arrangement was $72 million during the nine months ended September 30, 2023.

- *Derivatives*

  We received investing proceeds of $38 million during the nine months ended September 30, 2023 from the unwind and settlement of derivative instruments. (See Note 10 to the accompanying consolidated financial statements.)

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 and term loan, 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 2022 Form 10-K. However, our spending to acquire content may be lower than we initially anticipated due to temporary pauses of certain theatrical and television productions as a result of the recently concluded WGA strike and the ongoing SAG-AFTRA strike.

- *Debt*

  Term Loan

  During the nine months ended September 30, 2023, we repaid $2,850 million of aggregate principal amount outstanding of our term loan prior to the due date of April 2025.

  Floating Rate Notes

  During the nine months ended September 30, 2023, we completed a tender offer and purchased $460 million of aggregate principal amount of our floating rate notes prior to the due date of March 2024.

  Senior Notes

  During the nine months ended September 30, 2023, we repurchased or repaid $2,378 million of aggregate principal amount outstanding of our senior notes due in 2023 and 2024. In addition, we have $42 million of senior notes coming due in December 2023, and an additional $1,261 million of senior notes coming due through September 30, 2024.

  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 and Investments in Next Generation Initiatives*

  We effected capital expenditures of $1,048 million during the nine months ended September 30, 2023, 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 8 to the accompanying consolidated financial statements.) We also provide funding to our investees from time to time. During the nine months ended September 30, 2023, we contributed $91 million for investments in and advances to our investees.

- *Redeemable Noncontrolling Interest and Noncontrolling Interest*

  Due to business combinations, we had redeemable equity balances of $281 million at September 30, 2023, which may require the use of cash in the event holders of noncontrolling interests put their interests to us. In 2022, GoldenTree exercised its put right and we are required to purchase GoldenTree’s noncontrolling interest. (See Note 16 to the accompanying consolidated financial statements.) Distributions to noncontrolling interests and redeemable noncontrolling interests totaled $282 million and $286 million for the nine months ended September 30, 2023 and 2022, 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, 2023, we made cash payments of $1,191 million and $2,065 million for income taxes and interest on our outstanding debt, respectively. Cash required for interest payments has increased significantly as a result of the Merger.

Cash Flows

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash, cash equivalents, and restricted cash, beginning of period	$ 3,930	$ 3,905
Cash provided by operating activities	3,899	1,458
Cash (used in) provided by investing activities	(1,025)	3,742
Cash used in financing activities	(4,308)	(6,470)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(66)	(122)
Net change in cash, cash equivalents, and restricted cash	(1,500)	(1,392)
Cash, cash equivalents, and restricted cash, end of period	$ 2,430	$ 2,513

Operating Activities

Cash provided by operating activities was $3,899 million and $1,458 million during the nine months ended September 30, 2023 and 2022, respectively. The increase in cash provided by operating activities was primarily attributable to an increase in net income, excluding non-cash items, partially offset by a negative fluctuation in working capital activity.

Investing Activities

Cash (used in) provided by investing activities was $(1,025) million and $3,742 million during the nine months ended September 30, 2023 and 2022, respectively. The decrease in cash provided by investing activities was primarily attributable to cash acquired from the Merger in the prior year, less proceeds received from the unwind and settlement of derivative instruments and sales of investments, and increased purchases of property and equipment during the nine months ended September 30, 2023.

Financing Activities

Cash used in financing activities was $4,308 million and $6,470 million during the nine months ended September 30, 2023 and 2022, respectively. The decrease in cash used in financing activities was primarily attributable to less net debt activity during the nine months ended September 30, 2023.

Capital Resources

As of September 30, 2023, capital resources were comprised of the following (in millions).

	September 30, 2023 Total Capacity	September 30, 2023 Outstanding Indebtedness	September 30, 2023 Unused Capacity
Cash and cash equivalents	$ 2,383	$ —	$ 2,383
Revolving credit facility and commercial paper program	6,000	—	6,000
Term loans	1,150	1,150	—
Senior notes [a]	43,937	43,937	—
Total	$ 53,470	$ 45,087	$ 8,383

[a] Interest on the senior notes is paid annually, semi-annually, or quarterly. Our senior notes outstanding as of September 30, 2023 had interest rates that ranged from 1.90% to 8.30% and will mature between 2023 and 2062.

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

The 2017 Tax 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 them 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, 2023 and December 31, 2022, all of the Company's outstanding $13.5 billion registered senior notes have been issued by DCL, a wholly owned subsidiary of the Company, and guaranteed by the Company, Scripps Networks, and WMH. As of September 30, 2023, the Company also has outstanding $29.3 billion of senior notes issued by WMH and guaranteed by the Company, Scripps and DCL; $1.2 billion of senior notes issued by the legacy WarnerMedia Business (not guaranteed); and approximately $23 million of un-exchanged senior notes issued by Scripps Networks (not guaranteed). (See Note 9 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, 2023	December 31, 2022
Current assets	$ 755	$ 1,949
Non-guarantor intercompany trade receivables, net	308	112
Noncurrent assets	5,672	5,785
Current liabilities	1,900	1,095
Noncurrent liabilities	43,706	48,839

	Nine Months Ended September 30, 2023
Revenues	$ 1,456
Operating income	247
Net income	(986)
Net income available to Warner Bros. Discovery, Inc.	(991)

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 2022 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 15 to the accompanying consolidated financial statements.)

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our critical accounting policies and estimates have not changed since December 31, 2022. For a discussion of each of our critical accounting estimates listed below, including information and analysis of estimates and assumptions involved in their application, see "Critical Accounting Policies and Estimates" included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2022 Form 10-K:

- Uncertain tax positions;
- Goodwill and intangible assets;
- Content rights;
- Consolidation; and
- Revenue recognition

NEW ACCOUNTING AND REPORTING PRONOUNCEMENTS

We adopted certain new accounting and reporting standards during the nine months ended September 30, 2023. (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 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:

- potential unknown liabilities, adverse consequences or unforeseen increased expenses associated with the WarnerMedia Business or our efforts to integrate the WarnerMedia Business;
- 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;
- 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 trends, industry trends or unexpected reductions in our number of subscribers;
- industry trends, including the timing of, and spending on, sports programming, feature film, television and television commercial production;
- market demand for foreign first-run and existing content libraries;
- negative publicity or damage to our brands, reputation or talent;
- 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;
- realizing direct-to-consumer subscriber goals;
- general economic and business conditions, including the impact of the ongoing COVID-19 pandemic, fluctuations in foreign currency exchange rates, and political unrest in the international markets in which we operate;
- the possibility or duration of an industry-wide strike, including the recently concluded WGA strike and ongoing SAG-AFTRA strike, 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;
- theft of our content and unauthorized duplication, distribution and exhibition of such content;
- threatened or actual cyber-attacks and cybersecurity breaches; and
- 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.

These risks have the potential to impact the recoverability of the assets recorded on our balance sheets, including goodwill and other intangibles. Additionally, many of these risks are amplified by and may, in the future, continue to be amplified by the prolonged impact of the COVID-19 pandemic. 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 2022 Form 10-K. 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 2022 Form 10-K. Our exposures to market risk have not changed materially since December 31, 2022.

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, 2023. 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, 2023, 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, 2023, 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 or intellectual property. However, a determination as to the amount of the accrual required for such contingencies is highly subjective and requires judgments about future events. 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 believe that the resolution of these matters will have a material adverse effect on our 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 and Advance/Newhouse Programming Partnership (collectively, “Advance/Newhouse”), Steven A. Miron, Robert J. Miron, and Steven O. Newhouse as defendants. The amended complaint continues to assert violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933, as amended, and seeks damages and other relief. On April 7, 2023, defendants moved to dismiss the amended complaint. The Company intends to vigorously defend these litigations.

On December 2, 2022, a purported class action and derivative lawsuit (Monroe County Employees’ Retirement System, Plumbers Local Union No. 519 Pension Trust Fund, and Davant Scarborough v. David M. Zaslav, et al., Case No. 2022-1115-JTL) was filed in the Delaware Court of Chancery (the “Monroe County Action”). The Monroe County Action named certain of the Company’s directors and officers, Advance/Newhouse and AT&T as defendants. The Monroe County Action generally alleged that former directors and officers of Discovery and Advance/Newhouse breached their fiduciary duties in connection with the Merger, and that AT&T aided and abetted these alleged breaches of fiduciary duties. The Monroe County Action sought damages and other relief.

Also on December 2, 2022, a separate purported class action lawsuit (Bricklayers Pension Fund of Western Pennsylvania v. Advance/Newhouse Partnership, Case No. 2022-1114-JTL) was filed in the Delaware Court of Chancery (the “Bricklayers Action”). The complaint in the Bricklayers Action names Advance/Newhouse and certain of the Company’s current and former directors as defendants and generally alleges that former directors of Discovery and Advance/Newhouse breached their fiduciary duties in connection with the Merger, and that Advance/Newhouse aided and abetted these alleged breaches of fiduciary duties. The Bricklayers Action seeks damages and other relief.

On January 11, 2023, the Delaware Court of Chancery consolidated the Monroe County Action and the Bricklayers Action under the caption In re Warner Bros. Discovery, Inc. Stockholders Litigation, Consolidated Case No. 2022-1114-JTL. On March 9, 2023, the court appointed the plaintiffs which filed the Bricklayers Action lead plaintiffs in the consolidated action. On April 5, 2023, the court approved a stipulated briefing schedule, and the remaining defendants in the case (Advance/Newhouse, Robert Miron, Steven Miron, and Susan Swain) responded to the complaint originally filed in the Bricklayers Action on May 31, 2023.

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 2022 Form 10-K. Certain of the risks described in our 2022 Form 10-K and Q2 Form 10-Q are amended and restated as set forth below. Additional risks and uncertainties not presently known to us or that we currently believe not to be material may also adversely impact our business, results of operations, financial position, and cash flows.

Risks Related to Our Business and Industry

Our businesses may be subject to labor disruption.

We and some of our suppliers and business partners retain the services of writers, directors, actors, announcers, athletes, technicians, trade employees and others involved in the development and production of our television programs, feature films and interactive entertainment (e.g., games) who are covered by collective bargaining agreements. If negotiations to renew expiring collective bargaining agreements are not successful or become unproductive, the affected unions could take actions such as strikes, work slowdowns or work stoppages. Strikes, work slowdowns, work stoppages, or the possibility of such actions, including the recently concluded WGA strike and ongoing SAG-AFTRA strike and potential strikes by other unions involved in development and production, have resulted in, and could in the future result in, delays in the production of, or the release of, our television programs, feature films, and interactive entertainment. For example, the recently concluded WGA strike and ongoing SAG-AFTRA strike have caused, and are expected to continue to cause, delays in the production of our television programs and feature films and in the release of certain programming. The impact of these strike-related delays and the ongoing SAG-AFTRA strike in general could continue to be felt even after the SAG-AFTRA strike is resolved.

If our industry experiences prolonged strikes, work slowdowns or work stoppages, we may be unable to produce, distribute or license programming, feature films, and interactive entertainment, which could result in reduced revenue and have a material adverse effect on our business, financial condition and results of operations. For example, the recently concluded WGA strike and ongoing SAG-AFTRA strike have had, and are expected to continue to have, a material impact on the operations and results of the Company. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Business Overview—Industry Trends.” In addition, the pausing and restarting of productions may result in incremental costs, delay the completion and release of some of our content (films, television programs, and licensed programs) and could cause an impairment of our investment in film, television programs, or licensed program rights if the incremental costs are significant or we are unable to efficiently complete the production of the film, television show or program or decide to abandon the production.

We could also enter into new collective bargaining agreements or renew collective bargaining agreements on less favorable terms and incur higher costs as a result of prolonged strikes, work slowdowns, or work stoppages. Many of the collective bargaining agreements that cover individuals providing services to the Company are industry-wide agreements, and we may lack practical control over the negotiations and terms of these agreements. Union or labor disputes or player lock-outs relating to certain professional sports leagues may preclude us from producing and telecasting scheduled games or events and could negatively impact our promotional and marketing opportunities. Depending on their duration, union or labor disputes or player lock-outs could have a material adverse effect on our business, financial condition and results of operations.

ITEM 5. Other Information

Disclosure of Trading Arrangements

Item 408(a) of Regulation S-K requires the Company to disclose whether any director or officer of the Company has adopted or terminated (i) any trading arrangement that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c); and/or (ii) any written trading arrangement that meets the requirements of a “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K. During the quarter ended September 30, 2023, the following activity occurred requiring disclosure under Item 408(a) of Regulation S-K:

Bruce Campbell, Chief Revenue and Strategy Officer, adopted a new Rule 10b5-1 trading arrangement on September 11, 2023. This trading arrangement has a termination date of March 3, 2025. Under the trading arrangement, up to an aggregate of 202,962 shares of common stock issuable upon the exercise of options expiring on March 1, 2025, are available to be sold by the broker upon reaching pricing targets defined in the trading arrangement.

Gunnar Wiedenfels, Chief Financial Officer, adopted a new Rule 10b5-1 trading arrangement on September 12, 2023. This trading arrangement has a termination date of March 3, 2025. Under the trading arrangement, up to (i) 100,000 shares of common stock, (ii) 40,001 shares of common stock issuable upon the exercise of options expiring on May 22, 2024, and (iii) 50,741 shares of common stock issuable upon the exercise of options expiring on March 1, 2025, for an aggregate of 190,742 shares of common stock, are available to be sold by the broker upon reaching pricing targets defined in the trading arrangement.

ITEM 6. Exhibits.

Exhibit No.	Description
10.1	First Amendment to Fourth Amended and Restated Receivables Purchase Agreement, dated as of August 11, 2023, by and among Warner Bros. Discovery Receivables Funding, LLC, the persons from time to time party thereto, PNC Bank, National Association, Turner Broadcasting System, Inc. and PNC Capital Markets LLC (filed herewith)*
22	Table of Senior Notes, Issuer and Guarantors (incorporated by reference to Exhibit 22 to the Form 10-Q filed on August 3, 2023)
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, schedules and annexes have been omitted pursuant to Item 601(a)(5) of Regulation S-K and will be supplementally provided to the SEC upon request.

† Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, (ii) Consolidated Statements of Operations for the three and nine months ended September 30, 2023 and 2022, (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2023 and 2022, (iv) Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022, (v) Consolidated Statements of Equity for the three and nine months ended September 30, 2023 and 2022, 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 8, 2023	By: /s/ David M. Zaslav
	David M. Zaslav
	President and Chief Executive Officer
Date: November 8, 2023	By: /s/ Gunnar Wiedenfels
	Gunnar Wiedenfels
	Chief Financial Officer