NEWS RELEASE

Warner Music Group Corp. Reports Results for Fiscal Fourth Quarter and Full Year Ended September 30, 2017

2017-12-05

- Total revenue for the full year grew 10.2% or was up 11.5% in constant currency
- Digital revenue for the full year grew 24.7% or was up 26.0% in constant currency
- Net income for the full year was $149 million versus $30 million in the prior year
- OIBDA for the full year was $473 million versus $507 million in the prior year
- Total revenue for the quarter grew 9.0% or was up 7.6% in constant currency
- Digital revenue for the quarter grew 19.8% or was up 18.6% in constant currency
- Net loss for the quarter was $38 million versus $3 million in the prior-year quarter
- OIBDA for the quarter was $60 million versus $123 million in the prior-year quarter

Warner Music Group Corp. today announced its fourth-quarter and full-year financial results for the period ended September 30, 2017.

“We’ve now had five consecutive years of global revenue growth in constant currency, and the last two were up double digits,” said Steve Cooper, Warner Music Group’s CEO. “Our momentum reflects the tremendous talent and appeal of our artists and songwriters, and the strength of our worldwide operating team. Investing to maintain our growth will remain a priority into 2018 and beyond.”

“Our momentum is solid and sustainable,” added Eric Levin, Warner Music Group’s Executive Vice President and CFO. We continue to drive revenue growth, and turn it into cash, ending the year with $647 million on the balance sheet – the highest level ever in our history of being a standalone company.”

Total WMG

Fourth-Quarter Results

Revenue grew 9.0% (or 7.6% in constant currency). Growth in Recorded Music digital and artist services and expanded-rights revenue as well as growth in Music Publishing digital and performance revenue were partially offset by declines in Recorded Music physical revenue and Music Publishing synchronization revenue. Recorded Music licensing revenue and Music Publishing mechanical revenue were flat. Revenue grew in all regions. Digital revenue grew 19.8% (or 18.6% in constant currency), and represented 53.5% of total revenue, compared to 48.8% in the prior-year quarter.

Operating loss was $1 million compared to operating income of $55 million in the prior-year quarter. OIBDA was $60 million, down from $123 million in the prior-year quarter and OIBDA margin declined 8.1 percentage points to 6.5% from 14.6% in the prior-year quarter. The decline in operating income, OIBDA and OIBDA margin was the result of higher variable compensation expense, primarily attributable to non-cash compensation expense of $57 million related to the Company’s deferred compensation plan based on an increase in the fair value of the Company’s equity, as well as increased investment in A&R and marketing. Adjusted OIBDA declined 52.4% to $59 million and Adjusted OIBDA margin declined 8.3 percentage points to 6.4% from 14.7% due to the same factors which impacted operating income, OIBDA and OIBDA margin.

Net loss was $38 million compared to a net loss of $3 million in the prior-year quarter and Adjusted net loss was $39 million compared to an Adjusted net loss of $2 million in the prior-year quarter. The decline was the result of higher variable compensation expense, higher other expense associated with losses on the Company’s Euro-denominated debt due to changes in exchange rates and investment losses resulting from the write-down of certain digital investments, which were partially offset by a tax benefit due to pretax losses.

Adjusted operating income, Adjusted OIBDA and Adjusted net income (loss) exclude certain gains related to PLG-related asset sales, costs associated with the relocation of the Company’s U.S. shared service center to Nashville

and costs associated with the Company's Los Angeles headquarters consolidation in the current-year quarter and the impact of losses related to PLG-related asset sales in the prior-year quarter. See below for calculations and reconciliations of OIBDA, Adjusted operating income, Adjusted OIBDA and Adjusted net income (loss).

As of September 30, 2017, the Company reported a cash balance of $647 million, total debt of $2.811 billion and net debt (total long-term debt, net of deferred financing costs, minus cash) of $2.164 billion.

Cash provided by operating activities was $226 million compared to $135 million in the prior-year quarter. The change was largely a result of improved revenue as well as strong working capital management. Free Cash Flow, defined below, was $106 million compared to $126 million in the prior-year quarter, reflecting higher cash paid for investments and acquisitions, including the Spinnin' Records acquisition.

Full-Year Results

Total revenue increased 10.2% (or 11.5% in constant currency). Growth in Recorded Music digital and artist services and expanded-rights revenue as well as growth in Music Publishing digital, performance and synchronization revenue were partially offset by declines in Recorded Music physical and licensing revenue and in Music Publishing mechanical revenue. Domestic revenue rose 16.7% and international revenue rose 5.5% (or 7.8% in constant currency). Prior to intersegment eliminations, domestic and international revenue represented 44.2% and 55.8% of total revenue, respectively, compared to 41.7% and 58.3% of total revenue, respectively, in the prior year. Revenue grew in all regions. Digital revenue grew 24.7% (or 26.0% in constant currency), and represented 52.3% of total revenue, compared to 46.2% in the prior year.

Operating income was $222 million up from $214 million in the prior year driven by revenue growth and lower amortization expense due to certain Recorded Music intangible assets having been fully depreciated in the prior year. Operating margin was 6.2% down from 6.6% in the prior year driven by higher variable compensation expense of $102 million and increased investment in A&R. Adjusted operating margin rose 0.2 percentage points to 6.6% from 6.4% in the prior year. OIBDA was $473 million, down 6.7% from $507 million in the prior year and OIBDA margin declined 2.4 percentage points to 13.2% from 15.6% in the prior year. Adjusted OIBDA declined 3.0% to $486 million and Adjusted OIBDA margin declined 1.8 percentage points to 13.6% from 15.4% in the prior year. The decline in OIBDA, OIBDA margin, Adjusted OIBDA and Adjusted OIBDA margin was due to the same factors which impacted operating margin.

Net income was $149 million compared to $30 million in the prior year. Adjusted net income was $162 million compared to $24 million in the prior year, reflecting a $125 million tax benefit resulting from the reversal of a significant portion of the Company's U.S. deferred tax asset valuation allowance and a $59 million tax benefit related to foreign currency losses on intercompany loans, as well as improved revenue, lower amortization expense

due to certain Recorded Music intangible assets having been fully depreciated in the prior year and lower interest expense, which were partially offset by higher variable compensation expense and higher other expense due to losses on the Company's Euro-denominated debt and digital investment losses. Net debt (total long-term debt, net of deferred financing costs, minus cash) at the end of the fiscal year was $2.164 billion versus $2.419 billion at the end of the prior fiscal year, resulting from retirement of debt and a higher cash balance.

Adjusted operating income, Adjusted OIBDA and Adjusted net income (loss) exclude the impact of net gains and expenses related to PLG-related asset sales, costs associated with the relocation of the Company's U.S. shared service center to Nashville and costs associated with the Company's Los Angeles headquarters consolidation in the year and the impact of net gains and expenses related to PLG-related asset sales in the prior year. See below for calculations and reconciliations of OIBDA, Adjusted operating income, Adjusted OIBDA and Adjusted net income (loss).

Cash provided by operating activities was $535 million compared to $342 million in the prior year. Free Cash Flow was $409 million, compared to $334 million in the prior year. The largest factors which impacted Free Cash Flow were improved revenue and strong working capital management, partially offset by an increased level of investments and acquisitions, including the Spinnin' Records acquisition. Cash paid for investments and acquisitions was $139 million up from $28 million in the prior year. Capital expenditures were $44 million for the year, as compared to $42 million in the prior year.

Recorded Music

Fourth-Quarter Results

Recorded Music revenue grew 9.9% (or 8.5% in constant currency). Growth in digital and artist services and expanded-rights revenue was partially offset by a decline in physical revenue. Licensing revenue was flat. Digital growth reflects a continuing shift to streaming. Recorded Music revenue grew in all regions. Major sellers included Ed Sheeran, Bruno Mars, Clean Bandit, Migos and Linkin Park.

Recorded Music operating income was $14 million down from $47 million in the prior-year quarter and operating margin was down 4.9 percentage points to 1.8% versus 6.7% in the prior-year quarter. Adjusted operating margin declined 5.6 percentage points to 1.3% from 6.9% in the prior-year quarter. OIBDA declined to $54 million from $95 million in the prior-year quarter and OIBDA margin declined 6.6 percentage points to 7.0% driven by higher variable compensation expense, increased investment in A&R, timing of marketing spend, and the impact of revenue mix. Adjusted OIBDA was $50 million versus $96 million in the prior-year quarter with Adjusted OIBDA margin down 7.3 percentage points to 6.5%. The decline in Adjusted OIBDA and Adjusted OIBDA margin were driven by the same factors which impacted OIBDA and OIBDA margin.

Full-Year Results

Recorded Music revenue rose 10.4% (or 11.7% in constant currency). Growth in digital and artist services and expanded-rights revenue was partially offset by a decline in physical revenue which was due to the ongoing shift to streaming and a decline in licensing revenue related to currency fluctuations. Recorded Music digital revenue grew 24.0% (or 25.1% in constant currency), and represented 56.0% of total Recorded Music revenue versus 49.9% in the prior year. Domestic Recorded Music digital revenue was $893 million, or 67.2% of total domestic Recorded Music revenue, versus 63.2% in the prior year. Major sellers included Ed Sheeran, Bruno Mars, Twenty One Pilots, the Hamilton original Broadway cast album and Clean Bandit.

Recorded Music operating income was $283 million up from $247 million in the prior year and operating margin was up 0.4 percentage points to 9.4% versus 9.0% in the prior year. The improvement in operating income and operating income margin was driven by higher revenue growth and lower amortization expense due to certain Recorded Music intangible assets having been fully depreciated in the prior year. Recorded Music OIBDA declined 1.7% to $451 million and OIBDA margin declined 1.9 percentage points to 14.9% driven by higher variable compensation expense and increased investment in A&R. Recorded Music Adjusted OIBDA improved 1.1% to $458 million and Recorded Music Adjusted OIBDA margin declined 1.4 percentage points to 15.2%.

Music Publishing

Fourth-Quarter Results

Music Publishing revenue rose 4.1% (or 2.7% in constant currency). Growth in digital and performance revenue was partially offset by a decline in synchronization revenue. Mechanical revenue was flat.

Music Publishing operating income was $36 million compared with $38 million in the prior-year quarter and operating margin declined 2.4 percentage points to 23.5%. The decline in operating income and operating margin was due to timing of legal settlements. Music Publishing OIBDA declined by $1 million or 1.8% to $55 million, while Music Publishing OIBDA margin declined 2.2 percentage points to 35.9% from 38.1%, due to the same factors which impacted operating income and operating margin.

Full-Year Results

Music Publishing revenue rose 9.2% (or 10.6% in constant currency). Music Publishing digital revenue rose 32.6% (or 35.5% in constant currency). Growth in digital, performance and synchronization revenue was partially offset by declines in mechanical revenue. Digital revenue represented 32.7% of total Music Publishing revenue versus 26.9%

in the prior year.

Music Publishing operating income was $81 million, up 19.1% from $68 million in the prior year and operating margin was 14.2%, up 1.2 percentage points from 13.0% in the prior year, driven by improved revenue and timing of legal settlements. Music Publishing OIBDA rose 10.1% to $152 million, while Music Publishing OIBDA margin was up 0.3 percentage points to 26.6%. The improvement was due to the same factors which impacted operating income and operating margin.

Financial details for the fiscal year can be found in the Company's Annual Report on Form 10-K, for the period ended September 30, 2017, filed today with the Securities and Exchange Commission.

This morning, management will be hosting a conference call to discuss the results at 8:30 A.M. EST. The call will be webcast on **www.wmg.com**.

About Warner Music Group

With its broad roster of new stars and legendary artists, Warner Music Group is home to a collection of the best-known record labels in the music industry including Asylum, Atlantic, Big Beat, Canvasback, East West, Elektra, Erato, FFRR, Fueled by Ramen, Nonesuch, Parlophone, Reprise, Rhino, Roadrunner, Sire, Spinnin', Warner Bros., Warner Classics and Warner Music Nashville, as well as Warner/Chappell Music, one of the world's leading music publishers, with a catalog of more than one million copyrights worldwide.

"Safe Harbor" Statement under Private Securities Litigation Reform Act of 1995

This communication includes forward-looking statements that reflect the current views of Warner Music Group about future events and financial performance. Words such as "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts" and variations of such words or similar expressions that predict or indicate future events or trends, or that do not relate to historical matters, identify forward-looking statements. All forward-looking statements are made as of today, and we disclaim any duty to update such statements. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that management's expectations, beliefs and projections will result or be achieved. Investors should not rely on forward-looking statements because they are subject to a variety of risks, uncertainties, and other factors that could cause actual results to differ materially from our expectations. Please refer to our Form 10-K, Form 10-Qs and our other filings with the U.S. Securities and Exchange Commission concerning factors that could cause actual results to differ materially from those described in our forward-looking statements.

We maintain an Internet site at **www.wmg.com**. We use our website as a channel of distribution of material

company information. Financial and other material information regarding Warner Music Group is routinely posted on and accessible at **https://investors.wmg.com**. In addition, you may automatically receive email alerts and other information about Warner Music Group by enrolling your email address through the "email alerts" section at **https://investors.wmg.com**. Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this communication.

Basis of Presentation

The Company maintains a 52-53 week fiscal year ending on the last Friday in each reporting period. As such, all references to September 30, 2017 and September 30, 2016 relate to the periods ended September 29, 2017 and September 30, 2016, respectively. For convenience purposes, the Company continues to date its financial statements as of September 30.

Supplemental Disclosures Regarding Non-GAAP Financial Measures

We evaluate our operating performance based on several factors, including the following non-GAAP financial measures:

OIBDA

OIBDA reflects our operating income before non-cash depreciation of tangible assets and non-cash amortization of intangible assets. We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses, and believe the presentation of OIBDA helps improve the ability to understand our operating performance and evaluate our performance in comparison to comparable periods. However, a limitation of the use of OIBDA as a performance measure is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue in our businesses. Accordingly, OIBDA should be considered in addition to, not as a substitute for, operating income (loss), net income (loss) and other measures of financial performance reported in accordance with U.S. GAAP. In addition, OIBDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies.

Adjusted Operating Income (Loss), Adjusted OIBDA and Adjusted Net Income (Loss)

Adjusted operating income (loss), Adjusted OIBDA and Adjusted net income (loss) is operating income (loss), OIBDA and net income (loss), respectively, adjusted to exclude the impact of certain items that affect comparability. Factors affecting period-to-period comparability of the unadjusted measures in the quarter included the items listed in Figure 6 below. We use Adjusted operating income (loss), Adjusted OIBDA and Adjusted net income (loss) to evaluate our actual operating performance. We believe that the adjusted results provide relevant and useful

information for investors because they clarify our actual operating performance, make it easier to compare our results with those of other companies in our industry and allow investors to review performance in the same way as our management. Since these are not measures of performance calculated in accordance with U.S. GAAP, they should not be considered in isolation of, or as a substitute for, operating income (loss), OIBDA and net income (loss) attributable to Warner Music Group Corp. as indicators of operating performance, and they may not be comparable to similarly titled measures employed by other companies.

Constant Currency

Because exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of revenue on a constant-currency basis in addition to reported revenue helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares results between periods as if exchange rates had remained constant period over period. We use results on a constant-currency basis as one measure to evaluate our performance. We calculate constant-currency results by applying current-year foreign currency exchange rates to prior-year results. However, a limitation of the use of the constant-currency results as a performance measure is that it does not reflect the impact of exchange rates on our revenue. These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant-currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with U.S. GAAP.

Free Cash Flow

Free Cash Flow reflects our cash flow provided by operating activities less capital expenditures and cash paid or received for investments. We use Free Cash Flow, among other measures, to evaluate our operating performance. Management believes Free Cash Flow provides investors with an important perspective on the cash available to fund our debt service requirements, ongoing working capital requirements, capital expenditure requirements, strategic acquisitions and investments, and any dividends, prepayments of debt or repurchases or retirement of our outstanding debt or notes in open market purchases, privately negotiated purchases or otherwise. As a result, Free Cash Flow is a significant measure of our ability to generate long-term value. It is useful for investors to know whether this ability is being enhanced or degraded as a result of our operating performance. We believe the presentation of Free Cash Flow is relevant and useful for investors because it allows investors to view performance in a manner similar to the method management uses.

Because Free Cash Flow is not a measure of performance calculated in accordance with U.S. GAAP, Free Cash Flow should not be considered in isolation of, or as a substitute for, net income (loss) as an indicator of operating performance or cash flow provided by operating activities as a measure of liquidity. Free Cash Flow, as we calculate

it, may not be comparable to similarly titled measures employed by other companies. In addition, Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs. Because Free Cash Flow deducts capital expenditures and cash paid or received for investments from “net cash provided by operating activities” (the most directly comparable U.S. GAAP financial measure), users of this information should consider the types of events and transactions that are not reflected. We provide below a reconciliation of Free Cash Flow to the most directly comparable amount reported under U.S. GAAP, which is “net cash provided by operating activities.”

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