NEWS RELEASE

Warner Music Group Corp. Reports Results for Fiscal Third Quarter Ended June 30, 2016

2016-08-04

Total revenue grew 14.2%, up 15.0% on a constant-currency basis; digital revenue grew 21.3%, up 22.5% on a constant-currency basis; OIBDA was $120 million versus $100 million in the prior-year quarter, and net loss was $7 million versus net loss of $43 million in the prior-year quarter

Warner Music Group Corp. today announced its third-quarter financial results for the period ended June 30, 2016.

“Five years after Access Industries’ acquisition of Warner Music Group, the company is growing revenue, OIBDA and market share,” said Stephen Cooper, Warner Music Group’s CEO. “Our results underscore this momentum, driven by exceptional music from our artists and songwriters, our expanded global reach and strong leadership from our team around the world. With our recorded music streaming revenue now approaching double the size of our download revenue, and still growing fast, we are on course for another excellent year.”

“Our cash flow has been strong,” added Eric Levin, Warner Music Group’s Executive Vice President and CFO. “As a result, we have continued to make strides optimizing our capital structure, paying down $175 million in debt so far this year and successfully refinancing a portion of our term loan.”

Total WMG

Revenue grew 14.2% (or 15.0% in constant currency). Growth in Recorded Music digital revenue, physical revenue and artist services and expanded-rights revenue as well as growth in Music Publishing digital revenue, performance

revenue and synchronization revenue were partially offset by declines in Recorded Music licensing revenue, which were primarily related to exchange rates, and declines in Music Publishing mechanical revenue which reflect a continuing shift to digital. Revenue grew in the U.S., Europe, Asia and Latin America. Digital revenue grew 21.3% (or 22.5% in constant currency), and represented 47.0% of total revenue, compared to 44.2% in the prior-year quarter.

Operating income was $45 million compared to $23 million in the prior-year quarter. OIBDA increased 20.0% to $120 million from $100 million in the prior-year quarter and OIBDA margin rose 0.7 percentage points to 14.8% from 14.1% in the prior-year quarter. The increase in operating income, OIBDA and OIBDA margin is the result of the increase in revenue as well as a $9 million gain on certain asset sales. Adjusted OIBDA rose 7.8% and Adjusted OIBDA margin declined 0.8 percentage points to 13.7% from 14.5% as a result of revenue mix.

Net loss was $7 million compared to net loss of $43 million in the prior-year quarter. The improvement is attributable to an increase in OIBDA as well as a gain on asset sales and a currency-related gain on the company's Euro-denominated debt.

Adjusted operating income, Adjusted OIBDA and Adjusted net income exclude certain gains on asset sales and the impact of PLG-related expenses and expenses related to cost-savings initiatives in the prior-year quarter. See below for calculations and reconciliations of OIBDA, Adjusted operating income, Adjusted OIBDA and Adjusted net income.

As of June 30, 2016, the company reported a cash balance of $345 million, total debt of $2.908 billion and net debt (total long-term debt, including the current portion, minus cash) of $2.563 billion. There was no balance outstanding on the company's revolver during the quarter. Subsequent to the quarter end, on July 1, 2016, the company redeemed $100 million of its 13.75% notes with cash.

Cash provided by operating activities was $35 million compared to a use of $24 million in the prior-year quarter. The change is largely a result of improved OIBDA and the benefit of working capital management. Free Cash Flow, defined below, was $31 million compared to negative $44 million in the prior-year quarter, reflecting the improvement in cash provided by operating activities, proceeds from asset sales, and lower capital expenditures versus the prior-year quarter.

Recorded Music

Recorded Music revenue grew 14.9% (or 15.4% in constant currency). Growth in digital revenue, physical revenue and artist services and expanded-rights revenue was partially offset by a decline in licensing revenue, which was primarily related to exchange rates. Digital growth reflects a continuing shift to streaming revenue. The increase in physical revenue was driven by a number of physically-centric releases and strong catalog sales. The improvement

in artist services and expanded-rights revenue was due to the timing of concert tours. Recorded Music revenue saw strength around the globe. Major sellers included Renaud, Twenty One Pilots, Red Hot Chili Peppers and Coldplay. Sales from catalog artists were also strong.

Recorded Music operating income was $64 million up from $43 million in the prior-year quarter and operating margin was up 2.1 percentage points to 9.4% versus 7.3% in the prior-year quarter. Adjusted operating margin rose 0.5 percentage points to 8.1% from 7.6% in the prior-year quarter. OIBDA rose to $119 million from $100 million in the prior-year quarter and OIBDA margin rose 0.6 percentage points to 17.5% driven by revenue growth and a gain on asset sales. Adjusted OIBDA was $110 million versus $102 million in the prior-year quarter with Adjusted OIBDA margin down 1.0 percentage point to 16.2%. The improvement in Adjusted OIBDA was driven by revenue growth and the decline in Adjusted OIBDA margin was driven by revenue mix.

Music Publishing

Music Publishing revenue rose 8.9% (or 10.7% in constant currency). Growth in digital revenue, performance revenue and synchronization revenue was partially offset by a decline in mechanical revenue.

Music Publishing operating income was $6 million compared with $3 million in the prior-year quarter and operating margin rose 2.1 percentage points to 4.5%. The increase in operating income and operating margin was due to revenue growth and a gain on asset sale. Music Publishing OIBDA rose by $3 million or 15.0% to $23 million, while Music Publishing OIBDA margin rose 0.9 percentage points to 17.2% from 16.3%, due to the same factors that impacted operating income.

Financial details for the quarter can be found in the company's current Form 10-Q, for the period ended June 30, 2016, 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, 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 June 30, 2016 and June 30, 2015 relate to the periods ended June 24, 2016 and June 26, 2015, respectively. For convenience purposes, the Company continues to date its financial statements as of June 30. The fiscal year ended September 30, 2015 ended on September 25, 2015. For convenience purposes, the Company continues to date its balance sheet 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.”