UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-32502

Warner Music Group Corp.

(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**13-4271875** **(I.R.S. Employer Identification No.)**

1633 Broadway
New York, NY 10019
(Address of principal executive offices)

(212) 275-2000
(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	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 ☒

There is no public market for the Registrant's common stock. As of May 8, 2017 the number of shares of the Registrant's common stock, par value $0.001 per share, outstanding was 1,055. All of the Registrant's common stock is owned by affiliates of Access Industries, Inc. The Registrant has filed all Exchange Act reports for the preceding 12 months.

WARNER MUSIC GROUP CORP.

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ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Warner Music Group Corp.

Consolidated Balance Sheets (Unaudited)

	March 31, 2017	September 30, 2016
	(in millions)	
Assets		
Current assets:		
Cash and equivalents	$ 476	$ 359
Accounts receivable, net of allowances of $51 million and $52 million	361	329
Inventories	36	41
Royalty advances expected to be recouped within one year	125	128
Prepaid and other current assets	57	51
Total current assets	1,055	908
Royalty advances expected to be recouped after one year	194	196
Property, plant and equipment, net	197	203
Goodwill	1,614	1,627
Intangible assets subject to amortization, net	2,056	2,201
Intangible assets not subject to amortization	116	116
Other assets	72	84
Total assets	$ 5,304	$ 5,335
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 200	$ 204
Accrued royalties	1,151	1,104
Accrued liabilities	260	297
Accrued interest	45	38
Deferred revenue	175	178
Other current liabilities	24	21
Total current liabilities	1,855	1,842
Long-term debt	2,767	2,778
Deferred tax liabilities, net	254	269
Other noncurrent liabilities	241	236
Total liabilities	$ 5,117	$ 5,125
Equity:		
Common stock ($0.001 par value; 10,000 shares authorized; 1,055 shares issued and outstanding)	$ —	$ —
Additional paid-in capital	1,128	1,128
Accumulated deficit	(726)	(715)
Accumulated other comprehensive loss, net	(232)	(218)
Total Warner Music Group Corp. equity	170	195
Noncontrolling interest	17	15
Total equity	187	210
Total liabilities and equity	$ 5,304	$ 5,335

See accompanying notes

Warner Music Group Corp.

Consolidated Statements of Operations (Unaudited)

	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
	(in millions)		(in millions)	
Revenue	$ 825	$ 745	$ 1,742	$ 1,594
Costs and expenses:				
Cost of revenue	(415)	(374)	(911)	(823)
Selling, general and administrative expenses (a)	(282)	(256)	(558)	(532)
Amortization expense	(50)	(63)	(101)	(125)
Total costs and expenses	(747)	(693)	(1,570)	(1,480)
Operating income	78	52	172	114
Loss on extinguishment of debt	—	(4)	(32)	(4)
Interest expense, net	(36)	(43)	(76)	(88)
Other (expense) income	(19)	22	—	30
Income before income taxes	23	27	64	52
Income tax expense	(3)	(15)	(20)	(12)
Net income	20	12	44	40
Less: Income attributable to noncontrolling interest	(1)	(1)	(3)	(2)
Net income attributable to Warner Music Group Corp.	$ 19	$ 11	$ 41	$ 38
(a) Includes depreciation expense of:	$ (13)	$ (12)	$ (25)	$ (25)

See accompanying notes

Warner Music Group Corp.

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
	(in millions)		(in millions)	
Net income	$ 20	$ 12	$ 44	$ 40
Other comprehensive income (loss), net of tax:				
Foreign currency adjustment	24	(12)	(13)	(36)
Deferred gains (losses) on derivative financial instruments	1	(1)	(1)	(2)
Other comprehensive income (loss), net of tax	25	(13)	(14)	(38)
Total comprehensive income (loss)	45	(1)	30	2
Less: Income attributable to noncontrolling interest	(1)	(1)	(3)	(2)
Comprehensive income (loss) attributable to Warner Music Group Corp.	$ 44	$ (2)	$ 27	$ —

See accompanying notes

Warner Music Group Corp.

Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended March 31, 2017	Six Months Ended March 31, 2016
	(in millions)	
Cash flows from operating activities		
Net income	$ 44	$ 40
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	126	150
Unrealized gains and remeasurement of foreign denominated loans	(1)	(2)
Deferred income taxes	(12)	(10)
Loss on extinguishment of debt	32	4
Net loss on divestitures and investments	6	3
Gain on sale of real estate	—	(19)
Non-cash interest expense	5	5
Equity-based compensation expense	17	4
Changes in operating assets and liabilities:		
Accounts receivable	(41)	25
Inventories	3	(1)
Royalty advances	1	(21)
Accounts payable and accrued liabilities	(43)	(41)
Royalty payables	75	35
Accrued interest	7	(5)
Deferred revenue	(4)	2
Other balance sheet changes	11	3
Net cash provided by operating activities	226	172
Cash flows from investing activities		
Acquisition of music publishing rights, net	(6)	(12)
Capital expenditures	(18)	(23)
Investments and acquisitions of businesses, net	(6)	(8)
Divestitures, net	18	6
Proceeds from the sale of real estate	—	42
Net cash (used in) provided by investing activities	(12)	5
Cash flows from financing activities		
Proceeds from issuance of Acquisition Corp. 4.125% Senior Secured Notes	380	—
Proceeds from issuance of Acquisition Corp. 4.875% Senior Secured Notes	250	—
Proceeds from issuance of Acquisition Corp. Senior Term Loan Facility	22	—
Repayment of Acquisition Corp. Senior Term Loan Facility	—	(6)
Repayment of Acquisition Corp. 6.00% Senior Secured Notes	(450)	—
Repayment of Acquisition Corp. 6.25% Senior Secured Notes	(173)	—
Repayment of Acquisition Corp. 5.625% Senior Secured Notes	(28)	—
Repayment of Holdings 13.75% Senior Notes	—	(50)
Repayment of Acquisition Corp. 6.75% Senior Notes	—	(24)
Call premiums paid on early redemption of debt	(27)	(3)
Deferred financing costs paid	(12)	—
Distribution to noncontrolling interest holder	(1)	(3)
Dividends paid	(54)	—
Repayment of capital lease obligations	—	(14)
Net cash used in financing activities	(93)	(100)
Effect of exchange rate changes on cash and equivalents	(4)	(7)
Net increase in cash and equivalents	117	70
Cash and equivalents at beginning of period	359	246
Cash and equivalents at end of period	$ 476	$ 316

See accompanying notes

Warner Music Group Corp.

Consolidated Statements of Equity (Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Warner Music Group Corp. Equity	Noncontrolling Interest	Total Equity
	Shares	Value						
	(in millions, except share amounts)							
Balance at September 30, 2016	1,055	$ —	$ 1,128	$ (715)	$ (218)	$ 195	$ 15	$ 210
Net income	—	—	—	41	—	41	3	44
Dividends	—	—	—	(54)	—	(54)	—	(54)
Other comprehensive loss, net of tax	—	—	—	—	(14)	(14)	—	(14)
Distribution to noncontrolling interest holders	—	—	—	—	—	—	(1)	(1)
Other	—	—	—	2	—	2	—	2
Balance at March 31, 2017	1,055	$ —	$ 1,128	$ (726)	$ (232)	$ 170	$ 17	$ 187

See accompanying notes

Warner Music Group Corp.

Notes to Consolidated Interim Financial Statements (Unaudited)

1. Description of Business

Warner Music Group Corp. (the "Company") was formed on November 21, 2003. The Company is the direct parent of WMG Holdings Corp. ("Holdings"), which is the direct parent of WMG Acquisition Corp. ("Acquisition Corp."). Acquisition Corp. is one of the world's major music-based content companies.

Acquisition of Warner Music Group by Access Industries

Pursuant to an Agreement and Plan of Merger, dated as of May 6, 2011 (the "Merger Agreement"), by and among the Company, AI Entertainment Holdings LLC (formerly Airplanes Music LLC), a Delaware limited liability company ("Parent"), and an affiliate of Access Industries, Inc. ("Access"), and Airplanes Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"), on July 20, 2011 (the "Merger Closing Date") Merger Sub merged with and into the Company with the Company surviving as a wholly owned subsidiary of Parent (the "Merger"). In connection with the Merger, the Company delisted its common stock from the New York Stock Exchange ("NYSE"). The Company continues to voluntarily file with the SEC current and periodic reports that would be required to be filed with the SEC pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as provided for in certain covenants contained in the agreements governing its outstanding indebtedness.

Acquisition of Parlophone Label Group

On July 1, 2013, the Company completed its acquisition of Parlophone Label Group (the "PLG Acquisition").

The Company classifies its business interests into two fundamental operations: Recorded Music and Music Publishing. A brief description of these operations is presented below.

Recorded Music Operations

The Company's Recorded Music business primarily consists of the discovery and development of artists and the related marketing, distribution and licensing of recorded music produced by such artists. The Company plays an integral role in virtually all aspects of the recorded music value chain from discovering and developing talent to producing albums and marketing and promoting artists and their products.

In the United States, Recorded Music operations are conducted principally through the Company's major record labels—Warner Bros. Records and Atlantic Records. The Company's Recorded Music operations also include Rhino, a division that specializes in marketing the Company's music catalog through compilations and reissuances of previously released music and video titles. The Company also conducts its Recorded Music operations through a collection of additional record labels, including Asylum, Big Beat, Canvasback, Eastwest, Elektra, Erato, FFRR, Fueled by Ramen, Nonesuch, Parlophone, Reprise, Roadrunner, Sire, Warner Classics and Warner Music Nashville.

Outside the United States, Recorded Music activities are conducted in more than 50 countries through various subsidiaries, affiliates and non-affiliated licensees. Internationally, the Company engages in the same activities as in the United States: discovering and signing artists and distributing, marketing and selling their recorded music. In most cases, the Company also markets and distributes the records of those artists for whom the Company's domestic record labels have international rights. In certain smaller markets, the Company licenses the right to distribute the Company's records to non-affiliated third-party record labels. The Company's international artist services operations include a network of concert promoters through which it provides resources to coordinate tours for the Company's artists and other artists as well as management companies that guide artists with respect to their careers.

The Company's Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation ("WEA Corp."), which markets and sells music and video products to retailers and wholesale distributors; Alternative Distribution Alliance ("ADA"), which distributes the products of independent labels to retail and wholesale distributors; and various distribution centers and ventures operated internationally.

In addition to the Company's Recorded Music products being sold in physical retail outlets, Recorded Music products are also sold in physical form to online physical retailers such as Amazon.com, barnesandnoble.com and bestbuy.com and in digital form to online digital download services such as Apple's iTunes and Google Play, and are offered by digital streaming services such as Apple Music, Deezer, Napster, Spotify and YouTube, including digital radio services such as iHeart Radio, Pandora and Sirius XM.

The Company has integrated the exploitation of digital content into all aspects of its business, including artist and repertoire ("A&R"), marketing, promotion and distribution. The Company's business development executives work closely with A&R departments to ensure that while a record is being produced, digital assets are also created with all distribution channels in mind, including streaming services, social networking sites, online portals and music-centered destinations. The Company also works side by side with its online and mobile partners to test new concepts. The Company believes existing and new digital businesses will be a significant source of growth and will provide new opportunities to successfully monetize its assets and create new revenue streams. The proportion of digital revenues attributed to each distribution channel varies by region and proportions may change as the roll out of new technologies continues. As an owner of music content, the Company believes it is well positioned to take advantage of growth in digital distribution and emerging technologies to maximize the value of its assets.

The Company has diversified its revenues beyond its traditional businesses by entering into expanded-rights deals with recording artists in order to partner with artists in other aspects of their careers. Under these agreements, the Company provides services to and participates in artists' activities outside the traditional recorded music business such as touring, merchandising and sponsorships. The Company has built artist services capabilities and platforms for exploiting this broader set of music-related rights and participating more widely in the monetization of the artist brands it helps create.

The Company believes that entering into expanded-rights deals and enhancing its artist services capabilities in areas such as concert promotion and management have permitted it to diversify revenue streams and capitalize on other revenue opportunities. This provides for improved long-term relationships with artists and allows the Company to more effectively connect artists and fans.

Music Publishing Operations

While recorded music is focused on exploiting a particular recording of a composition, music publishing is an intellectual property business focused on the exploitation of the composition itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rightsholders, the Company's Music Publishing business garners a share of the revenues generated from use of the composition.

The Company's Music Publishing operations are conducted principally through Warner/Chappell, its global Music Publishing company, headquartered in Los Angeles with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. The Company owns or controls rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, its award-winning catalog includes over 70,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, classical, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, techno, alternative, gospel and other Christian music. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Hallmark Entertainment and Disney Music Publishing. The Company has an extensive production music library collectively branded as Warner/Chappell Production Music.

2. Summary of Significant Accounting Policies

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month period ended March 31, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2017.

The consolidated balance sheet at September 30, 2016 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016 (File No. 001-32502).

Basis of Consolidation

The accompanying financial statements present the consolidated accounts of all entities in which the Company has a controlling voting interest and/or variable interest required to be consolidated in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, Consolidation ("ASC 810"), requires the Company first evaluate its investments to determine if any investments qualify as a variable interest entity ("VIE"). A VIE is consolidated if the Company is deemed to be the primary beneficiary of the VIE, which is the party involved with the VIE that has both (i) the power to control the most significant activities of the VIE and (ii) either the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. If an entity is not deemed to be a VIE, the Company consolidates the entity if the Company has a controlling voting interest.

The Company maintains a 52-53 week fiscal year ending on the last Friday in each reporting period. As such, all references to March 31, 2017 and March 31, 2016 relate to the periods ended March 31, 2017 and March 25, 2016, respectively. For convenience purposes, the Company continues to date its financial statements as of March 31. The fiscal year ended September 30, 2016 ended on September 30, 2016.

The Company has performed a review of all subsequent events through the date the financial statements were issued, and has determined that no additional disclosures are necessary.

Income Taxes

At the end of each interim period, the Company makes its best estimate of the effective tax rate expected to be applicable for the full fiscal year and uses that rate to provide for income taxes on a current year-to-date basis before discrete items. If a reliable estimate of the annual effective tax rate cannot be made, which could be caused by the significant variability in rates when marginal earnings are expected for the year, a discrete tax rate is calculated for the period.

New Accounting Pronouncements

During the first quarter of fiscal 2017, the Company adopted ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs are presented as a direct deduction to the related debt in the liability section of the balance sheet, rather than presented as an asset. The Company has elected to adopt this standard retrospectively, and thus the Company reclassified prior period balances. The application of ASU 2015-03 to the Company's September 30, 2016 Consolidated Balance Sheets resulted in a decrease to other assets of $34 million and a decrease to long-term debt of $34 million.

In May 2014, the FASB issued guidance codified in ASC 606, Revenue Recognition – Revenue from Contracts with Customers ("ASC 606"), which replaces the guidance in former ASC 605, Revenue Recognition and ASC 928, Entertainment – Music. The amendment was the result of a joint effort by the FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and international financial reporting standards ("IFRS"). The joint project clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and IFRS. ASC 606 is effective for annual periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The update may be applied using one of two methods: retrospective application to each prior reporting period presented, or retrospective application with the cumulative effect of initially applying the update recognized at the date of initial application. The Company is currently evaluating the transition method that will be elected and the impact of the update on its financial statements and disclosures.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"). This ASU will require that equity investments are measured at fair value with changes in fair value recognized in net income. The Company may elect to measure equity investments that do not have a readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price. ASU 2016-01 will be effective for annual periods beginning after December 15, 2017, and interim periods within those years. Earlier adoption is permitted. The adoption of this standard is not expected to have a significant impact on the Company's financial statements, other than disclosure.

In February 2016, the FASB issued ASU 2016-02, Leases (“ASU 2016-02”). This ASU establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. ASU 2016-02 will be effective for annual periods beginning after December 15, 2018, and interim periods within those years. Earlier adoption is permitted. The Company is evaluating the impact of the adoption of this standard on its financial statements and disclosures.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation ("ASU 2016-09"). This ASU provides amended guidance which simplifies the accounting for share-based payment transactions involving multiple aspects of the accounting for share-based transactions, including income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those years. Early adoption is permitted. The Company is evaluating the impact of the adoption of this standard on its financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments ("ASU 2016-15"). This ASU provides specific guidance of how certain cash receipts and cash payments should be presented and classified in the statement of cash flows. ASU 2016-15 is effective for annual periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted. The adoption of this standard is not expected to have a significant impact on the Company’s financial statements, other than presentation.

In October 2016, the FASB issued ASU 2016-16, Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"). This ASU requires the recognition of current and deferred income taxes for intra-entity asset transfers when the transaction occurs. ASU 2016-16 is effective for annual periods beginning after December 15, 2017, and interim periods within those years. Early adoption is permitted using the modified retrospective approach with a cumulative-effect to opening retained earnings in the period of adoption. The Company does not plan to early adopt this standard and the impact upon the required adoption date is not known or reasonably estimable.

3. Comprehensive Loss

Comprehensive loss, which is reported in the accompanying consolidated statements of equity, consists of net income (loss) and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income (loss). For the Company, the components of other comprehensive loss primarily consist of foreign currency translation losses and minimum pension liabilities. The following summary sets forth the changes in the components of accumulated other comprehensive loss, net of related taxes of $7 million:

	Foreign Currency Translation Loss (a)	Minimum Pension Liability Adjustment	Deferred Losses On Derivative Financial Instruments	Accumulated Other Comprehensive Loss, net
	(in millions)			
Balance at September 30, 2016	**$ (201)**	**$ (17)**	**$ —**	**$ (218)**
Other comprehensive loss	(13)	—	(1)	(14)
Amounts reclassified from accumulated other comprehensive income	—	—	—	—
Balance at March 31, 2017	**$ (214)**	**$ (17)**	**$ (1)**	**$ (232)**

(a) Includes historical foreign currency translation related to certain intra-entity transactions that are no longer considered of a long-term investment nature.

4. Goodwill and Intangible Assets

Goodwill

The following analysis details the changes in goodwill for each reportable segment:

	Recorded Music	Music Publishing	Total
		(in millions)	
Balance at September 30, 2016	**$ 1,163**	**$ 464**	**$ 1,627**
Acquisitions	2	—	2
Divestitures	(2)	—	(2)
Other adjustments (a)	(13)	—	(13)
Balance at March 31, 2017	**$ 1,150**	**$ 464**	**$ 1,614**

(a) Other adjustments during the six months ended March 31, 2017 primarily include foreign currency movements.

The Company performs its annual goodwill impairment test in accordance with FASB ASC Topic 350, Intangibles—Goodwill and other (“ASC 350”) during the fourth quarter of each fiscal year as of July 1. The Company may conduct an earlier review if events or circumstances occur that would suggest the carrying value of the Company’s goodwill may not be recoverable. No indicators of impairment were identified during the current period that required the Company to perform an interim assessment or recoverability test.

Intangible Assets

Intangible assets consist of the following:

	Weighted Average Useful Life	March 31, 2017	September 30, 2016
		(in millions)	
Intangible assets subject to amortization:			
Recorded music catalog	10 years	$ 893	$ 923
Music publishing copyrights	27 years	1,484	1,504
Artist and songwriter contracts	13 years	860	883
Trademarks	7 years	7	7
Other intangible assets	8 years	5	5
Total gross intangible asset subject to amortization		3,249	3,322
Accumulated amortization		(1,193)	(1,121)
Total net intangible assets subject to amortization		2,056	2,201
Intangible assets not subject to amortization:			
Trademarks and tradenames	Indefinite	116	116
Total net intangible assets		$ 2,172	$ 2,317

5. Debt

Debt Capitalization

Long-term debt consists of the following:

	March 31, 2017	September 30, 2016
	(in millions)	
Revolving Credit Facility—Acquisition Corp. (a)	$ —	$ —
Senior Term Loan Facility due 2023—Acquisition Corp. (b)	987	963
6.00% Senior Secured Notes due 2021—Acquisition Corp. (c)	—	444
6.25% Senior Secured Notes due 2021—Acquisition Corp. (d)	—	174
5.625% Senior Secured Notes due 2022—Acquisition Corp. (e)	246	272
5.00% Senior Secured Notes due 2023—Acquisition Corp. (f)	296	296
4.125% Senior Secured Notes due 2024— Acquisition Corp. (g)	363	—
4.875% Senior Secured Notes due 2024— Acquisition Corp. (h)	246	—
6.75% Senior Notes due 2022—Acquisition Corp. (i)	629	629
Total debt (j)	$ 2,767	$ 2,778

(a) Reflects $150 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately $12 million and $5 million at March 31, 2017 and September 30, 2016, respectively. There were no loans outstanding under the Revolving Credit Facility at March 31, 2017 or September 30, 2016.

(b) Principal amount of $1.006 billion and $978 million less unamortized discount of $7 million and $3 million and unamortized deferred financing costs of $12 million and $12 million at March 31, 2017 and September 30, 2016, respectively.

(c) Principal amount of $450 million less unamortized deferred financing costs of $6 million at September 30, 2016.

(d) Face amount of €158 million. Above amounts represent the dollar equivalent of such notes at September 30, 2016. Principal amount of $177 million less unamortized deferred financing costs of $3 million at September 30, 2016.

(e) Principal amount of $248 million and $275 million less unamortized deferred financing costs of $2 million and $3 million at March 31, 2017 and September 30, 2016, respectively.

(f) Principal amount of $300 million less unamortized deferred financing costs of $4 million at both March 31, 2017 and September 30, 2016.

(g) Face amount of €345 million. Above amounts represent the dollar equivalent of such notes at March 31, 2017. Principal amount of $369 million less unamortized deferred financing costs of $6 million at March 31, 2017.

(h) Principal amount of $250 million less unamortized deferred financing costs of $4 million at March 31, 2017.

(i) Principal amount of $635 million less unamortized deferred financing costs of $6 million at both March 31, 2017 and September 30, 2016.

(j) Principal amount of debt of $2.808 billion and $2.815 billion less unamortized discount of $7 million and $3 million and unamortized deferred financing costs of $34 million and $34 million at March 31, 2017 and September 30, 2016, respectively.

October 2016 Refinancing Transactions

On October 18, 2016, Acquisition Corp. issued €345 million in aggregate principal amount of its 4.125% Senior Secured Notes due 2024 and $250 million in aggregate principal amount of its 4.875% Senior Secured Notes due 2024. Acquisition Corp. used the net proceeds to pay the consideration in the tender offers and satisfy and discharge its 2021 Senior Secured Notes as described below.

On October 18, 2016, Acquisition Corp. accepted for purchase in connection with tender offers for its 6.000% Senior Secured Notes due 2021 (the "Existing Dollar Notes") and 6.250% Senior Secured Notes due 2021 (the "Existing Euro Notes" and, together with the Existing Dollar Notes, the "2021 Senior Secured Notes") the 2021 Senior Secured Notes that had been validly tendered and not validly withdrawn on October 17, 2016 (the "Expiration Time"). Acquisition Corp. then issued a notice of redemption on October 18, 2016 with respect to the remaining 2021 Senior Secured Notes not accepted for payment pursuant to the tender offers. Following payment of the 2021 Senior Secured Notes tendered at or prior to the Expiration Time, Acquisition Corp. deposited with the Trustee for the 2021 Senior Secured Notes not accepted for purchase in the tender offers funds sufficient to satisfy all obligations remaining to the date of redemption, which redemption date was January 15, 2017, under the applicable indenture governing the 2021 Senior Secured Notes. The Company recorded a loss on extinguishment of debt of approximately $31 million, which represented the premium paid on early redemption and unamortized deferred financing costs. These transactions are collectively referred to as the "October 2016 Refinancing Transactions."

November 2016 Senior Term Loan Credit Agreement Amendment

On November 21, 2016, Acquisition Corp. received lender consent to an amendment (the "November 2016 Senior Term Loan Credit Agreement Amendment") to the Senior Term Loan Credit Agreement governing Acquisition Corp.'s Senior Term Loan Facility, which extended the maturity date of the Senior Term Loan Credit Agreement to November 1, 2023, subject, in certain circumstances, to a springing maturity inside the maturity date of certain of Acquisition Corp.'s other outstanding indebtedness and increased the principal amount outstanding by $27.5 million to $1.006 billion and increased the original issue discount by $5 million to $8 million. Acquisition Corp. used the proceeds from the November 2016 Senior Term Loan Credit Agreement Amendment to redeem $27.5 million of the 5.625% Senior Secured Notes due 2022 and to pay fees, costs and expenses related to the transactions.

5.625% Existing Secured Notes Redemption

On November 21, 2016, Acquisition Corp. redeemed $27.5 million, or 10%, of its outstanding 5.625% Senior Secured Notes due 2022. The Company recorded a loss on extinguishment of debt of approximately $1 million, which represents the premium paid on early redemption and unamortized deferred financing costs.

Interest Rates

The loans under the Revolving Credit Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the rate for deposits in the borrowing currency in the London interbank market (adjusted for maximum reserves) for the applicable interest period ("Revolving LIBOR"), plus 2.00% per annum, or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the three-month Revolving LIBOR plus 1.0% per annum, plus, in each case, 1.00% per annum. If there is a payment default at any time, then the interest rate applicable to overdue principal will be the rate otherwise applicable to such loan plus 2.0% per annum. Default interest will also be payable on other overdue amounts at a rate of 2.0% per annum above the amount that would apply to an alternative base rate loan.

The loans under the Senior Term Loan Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the rate for deposits in U.S. dollars in the London interbank market (adjusted for maximum reserves) for the applicable interest period ("Term Loan LIBOR"), plus 2.75% per annum, or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent as its prime rate in effect at its principal office in New York City from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) three-month Term Loan LIBOR, plus 1.00% per annum, plus, in each case, 1.75% per annum. The loans under the Senior Term Loan Facility are subject to a Term Loan LIBOR "floor" of 1.00%. If there is a payment default at any time, then the interest rate applicable to overdue principal and interest will be the rate otherwise applicable to such loan plus 2.0% per annum. Default interest will also be payable on other overdue amounts at a rate of 2.0% per annum above the amount that would apply to an alternative base rate loan.

Maturity of Senior Term Loan Facility

The loans outstanding under the Senior Term Loan Facility mature on November 1, 2023, subject, in certain circumstances, to a springing maturity inside the maturity of certain of Acquisition Corp.'s other indebtedness.

Maturity of Revolving Credit Facility

The maturity date of the Revolving Credit Facility is April 1, 2021.

Maturities of Senior Notes and Senior Secured Notes

As of March 31, 2017, there are no scheduled maturities of notes until 2022, when $883 million is scheduled to mature. Thereafter, $919 million is scheduled to mature.

Interest Expense, net

Total interest expense, net, was $36 million and $43 million for the three months ended March 31, 2017 and March 31, 2016, respectively. Total interest expense, net, was $76 million and $88 million for the six months ended March 31, 2017 and March 31, 2016, respectively. The weighted-average interest rate of the Company's total debt was 4.9% at March 31, 2017, 5.3% at September 30, 2016, and 5.4% at March 31, 2016.

6. Commitments and Contingencies

Pricing of Digital Music Downloads

On December 20, 2005 and February 3, 2006, the Attorney General of the State of New York served the Company with requests for information in connection with an industry-wide investigation as to the pricing of digital music downloads. On February 28, 2006, the Antitrust Division of the U.S. Department of Justice served us with a Civil Investigative Demand, also seeking information relating to the pricing of digitally downloaded music. Both investigations were ultimately closed, but subsequent to the announcements of the investigations, more than thirty putative class action lawsuits were filed concerning the pricing of digital music downloads. The lawsuits were consolidated in the Southern District of New York. The consolidated amended complaint, filed on April 13, 2007, alleges conspiracy among record companies to delay the release of their content for digital distribution, inflate their pricing of CDs and fix prices for digital downloads. The complaint seeks unspecified compensatory, statutory and treble damages. On October 9, 2008, the District Court issued an order dismissing the case as to all defendants, including us. However, on January 12, 2010, the Second Circuit vacated the judgment of the District Court and remanded the case for further proceedings and on January 10, 2011, the U.S. Supreme Court denied the defendants' petition for Certiorari.

Upon remand to the District Court, all defendants, including the Company, filed a renewed motion to dismiss challenging, among other things, plaintiffs' state law claims and standing to bring certain claims. The renewed motion was based mainly on arguments made in defendants' original motion to dismiss, but not addressed by the District Court. On July 18, 2011, the District Court granted defendants' motion in part, and denied it in part. Notably, all claims on behalf of the CD-purchaser class were dismissed with prejudice. However, a wide variety of state and federal claims remain for the class of Internet download purchasers. On March 19, 2014, plaintiffs filed a motion for class certification, which has now been fully briefed. Plaintiffs filed an operative consolidated amended complaint on September 25, 2015. The Company filed its answer to the fourth amended complaint on October 9, 2015, and filed an amended answer on November 3, 2015. A mediation took place on February 22, 2016, but the parties were unable to reach a resolution. The Company intends to defend against these lawsuits vigorously, but is unable to predict the outcome of these suits. Regardless of the merits of the claims, this and any related litigation could continue to be costly, and divert the time and resources of management. The potential outcomes of these claims that are reasonably possible cannot be determined at this time and an estimate of the reasonably possible loss or range of loss cannot presently be made.

Sirius XM

On September 11, 2013, the Company joined with Capitol Records, LLC, Sony Music Entertainment, UMG Recordings, Inc. and ABKCO Music & Records, Inc. in a lawsuit brought in California Superior Court against Sirius XM Radio Inc., alleging copyright infringement for Sirius XM's use of pre-1972 sound recordings under California law. A nation-wide settlement was reached on June 17, 2015 pursuant to which Sirius XM paid the plaintiffs, in the aggregate, $210 million on July 29, 2015 and the plaintiffs dismissed their lawsuit with prejudice. The settlement resolves all past claims as to Sirius XM's use of pre-1972 recordings owned or controlled by the plaintiffs and enables Sirius XM, without any additional payment, to reproduce, perform and broadcast such recordings in the United States through December 31, 2017. As part of the settlement, Sirius XM has the right, to be exercised before December 31, 2017, to enter into a license with each plaintiff to reproduce, perform and broadcast its pre-1972 recordings from January 1, 2018 through December 31, 2022. The royalty rate for each such license will be determined by negotiation or, if the parties are unable to agree, binding arbitration on a willing buyer/willing seller standard. The allocation of the settlement proceeds among the plaintiffs was determined and the settlement proceeds were distributed accordingly. This resulted in a cash distribution to the Company of $33 million of which $28 million was recognized in revenue during the 2016 fiscal year and $2 million was recognized in revenue during the 2017 fiscal year. The balance will be recognized in revenue ratably over the next three quarters. The Company is sharing its allocation of the settlement proceeds with its artists on the same basis as statutory revenue from Sirius XM is shared, i.e., the artist share of our allocation is being paid to artists by SoundExchange.

Other Matters

In addition to the matters discussed above, the Company is involved in various litigation and regulatory proceedings arising in the normal course of business. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual. In the currently pending proceedings, the amount of accrual is not material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) the results of ongoing discovery; (2) uncertain damage theories and demands; (3) a less than complete factual record; (4) uncertainty concerning legal theories and their resolution by courts or regulators; and (5) the unpredictable nature of the opposing party and its demands. However, the Company cannot predict with certainty the outcome of any litigation or the potential for future litigation. As such, the Company continuously monitors these proceedings as they develop and adjusts any accrual or disclosure as needed. Regardless of the outcome, litigation could have an adverse impact on the Company, including the Company's brand value, because of defense costs, diversion of management resources and other factors and it could have a material effect on the Company's results of operations for a given reporting period.

7. Income Taxes

For the three and six months ended March 31, 2017, the Company recorded an income tax expense of $3 million and $20 million, respectively. The tax expense for the three and six months ended March 31, 2017 is lower than the expected tax expense at the statutory tax rate of 35% primarily due to the U.S. tax benefit of a realized foreign currency loss on an intra-entity loan reduced by a related valuation allowance and further offset by income withholding taxes and foreign losses with no tax benefit.

For the three and six months ended March 31, 2016, the Company recorded an income tax expense of $15 million and $12 million, respectively. The tax expense for the three months ended March 31, 2016 was higher than the expected tax expense at the statutory tax rate of 35% primarily due to income withholding taxes, foreign losses with no tax benefit and an increase in uncertain tax positions. The tax expense for the six months ended March 31, 2016 was lower than the expected tax expense at the statutory tax rate of 35% primarily due to a $10 million benefit for changes in statutory tax rates in foreign jurisdictions and reduction in valuation allowance, partially offset by income withholding taxes, foreign losses with no tax benefit and an increase in uncertain tax positions.

The Company's gross unrecognized tax benefits decreased during the three months ended March 31, 2017 by $13 million due primarily to the finalization of an agreement with the United Kingdom ("U.K.") tax authority. The Company has determined that it is reasonably possible that the gross unrecognized tax benefits as of March 31, 2017 could decrease by up to approximately $3 million related to various ongoing audits and settlement discussions in various foreign jurisdictions during the next twelve months.

8. Derivative Financial Instruments

The Company uses derivative financial instruments, primarily foreign currency forward exchange contracts, for the purpose of managing foreign currency exchange risk by reducing the effects of fluctuations in foreign currency exchange rates.

The Company enters into foreign currency forward exchange contracts primarily to hedge the risk that unremitted or future royalties and license fees owed to its domestic companies for the sale, or anticipated sale, of U.S.-copyrighted products abroad may be adversely affected by changes in foreign currency exchange rates. The Company focuses on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on its major currencies, which include the Euro, British pound sterling, Japanese yen, Canadian dollar, Swedish krona and Australian dollar. The foreign currency forward exchange contracts related to royalties are designated and qualify as cash flow hedges under the criteria prescribed in ASC 815. The Company records these contracts at fair value on its balance sheet and gains or losses on these contracts are deferred in equity (as a component of comprehensive loss). These deferred gains and losses are recognized in income in the period in which the related royalties and license fees being hedged are received and recognized in income. However, to the extent that any of these contracts are not considered to be perfectly effective in offsetting the change in the value of the royalties and license fees being hedged, any changes in fair value relating to the ineffective portion of these contracts are immediately recognized in the statement of operations.

The Company may at times choose to hedge foreign currency risk associated with financing transactions such as third-party debt and other balance sheet items. The foreign currency forward exchange contracts related to balance sheet items denominated in foreign currency are reviewed on a contract-by-contract basis and are designated accordingly. If these foreign currency forward exchange contracts do not qualify for hedge accounting, then the Company records these contracts at fair value on its balance sheet and the related gains and losses are immediately recognized in the statement of operations where there is an equal and offsetting entry related to the underlying exposure.

The fair value of foreign currency forward exchange contracts is determined by using observable market transactions of spot and forward rates (i.e., Level 2 inputs) which is discussed further in Note 11. Additionally, netting provisions are provided for in existing International Swap and Derivative Association Inc. agreements in situations where the Company executes multiple contracts with the same counterparty. As a result, net assets or liabilities resulting from foreign exchange derivatives subject to these netting agreements are classified within other current assets or other current liabilities in the Company's consolidated balance sheets.

The Company monitors its positions with, and the credit quality of, the financial institutions that are party to any of its financial transactions.

As of March 31, 2017, the Company had outstanding hedge contracts for the sale of $214 million and the purchase of $125 million of foreign currencies at fixed rates that will be settled by September 2017. As of March 31, 2017, the Company had $1 million of unrealized deferred losses in comprehensive loss related to foreign exchange hedging. As of September 30, 2016, the Company had no outstanding hedge contracts and no deferred gains or losses in comprehensive loss related to foreign exchange hedging.

The following is a summary of amounts recorded in the Consolidated Balance Sheet pertaining to the Company's use of foreign currency derivatives at March 31, 2017 and September 30, 2016:

	March 31, 2017 (a)	September 30, 2016
	(in millions)	
Other current assets	$ 2	$ —
Other current liabilities	—	—

(a) Includes $6 million and $4 million of foreign exchange derivative contracts in asset and liability positions, respectively.

9. Segment Information

As discussed more fully in Note 1, based on the nature of its products and services, the Company classifies its business interests into two fundamental operations: Recorded Music and Music Publishing, which also represent reportable segments of the Company. Information as to each of these operations is set forth below. The Company evaluates performance based on several factors, of which the primary financial measure is operating income (loss) before non-cash depreciation of tangible assets and non-cash amortization of intangible assets ("OIBDA"). The Company has supplemented its analysis of OIBDA results by segment with an analysis of operating income (loss) by segment.

The accounting policies of the Company's business segments are the same as those described in the summary of significant accounting policies included elsewhere herein. The Company accounts for intersegment sales at fair value as if the sales were to third parties. While intercompany transactions are treated like third-party transactions to determine segment performance, the revenues (and corresponding expenses recognized by the segment that is counterparty to the transaction) are eliminated in consolidation, and therefore, do not themselves impact consolidated results.

Three Months Ended	Recorded Music	Music Publishing	Corporate expenses and eliminations	Total
	(in millions)			
March 31, 2017				
Revenues	$ 686	$ 145	$ (6)	$ 825
Operating income (loss)	69	41	(32)	78
Amortization of intangible assets	34	16	—	50
Depreciation of property, plant and equipment	9	1	3	13
OIBDA	112	58	(29)	141
March 31, 2016				
Revenues	$ 621	$ 127	$ (3)	$ 745
Operating income (loss)	38	37	(23)	52
Amortization of intangible assets	47	16	—	63
Depreciation of property, plant and equipment	8	1	3	12
OIBDA	93	54	(20)	127

Six Months Ended	Recorded Music	Music Publishing	Corporate expenses and eliminations	Total
	(in millions)			
March 31, 2017				
Revenues	$ 1,483	$ 269	$ (10)	$ 1,742
Operating income (loss)	192	39	(59)	172
Amortization of intangible assets	69	32	—	101
Depreciation of property, plant and equipment	16	3	6	25
OIBDA	277	74	(53)	298
March 31, 2016				
Revenues	$ 1,358	$ 243	$ (7)	$ 1,594
Operating income (loss)	136	24	(46)	114
Amortization of intangible assets	93	32	—	125
Depreciation of property, plant and equipment	16	3	6	25
OIBDA	245	59	(40)	264

10. Additional Financial Information

Cash Interest and Taxes

The Company made interest payments of approximately $17 million and $34 million during the three months ended March 31, 2017 and March 31, 2016, respectively. The Company made interest payments of approximately $64 million and $88 million during the six months ended March 31, 2017 and March 31, 2016, respectively. The Company paid approximately $13 million of income and withholding taxes, partially offset by $3 million of refunds during the three months ended March 31, 2017 and paid approximately $7 million of income and withholding taxes with no offsetting refunds during the three months ended March 31, 2016. The Company paid approximately $22 million of income and withholding taxes, partially offset by $3 million of refunds during the six months ended March 31, 2017 and paid approximately $13 million of income and withholding taxes with no offsetting refunds during the six months ended March 31, 2016.

Special Cash Dividend

On December 2, 2016, the Company’s Board of Directors approved a special cash dividend of $54 million which was paid on January 3, 2017 to stockholders of record as of December 30, 2016.

11. Fair Value Measurements

ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1—inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2—inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

In accordance with the fair value hierarchy, described above, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of March 31, 2017 and September 30, 2016.

	Fair Value Measurements as of March 31, 2017			
	(Level 1)	(Level 2)	(Level 3)	Total
		(in millions)		
Other Current Assets:				
Foreign Currency Forward Exchange Contracts (a)	$ —	$ 2	$ —	$ 2
Other Current Liabilities:				
Foreign Currency Forward Exchange Contracts (a)	—	—	—	—
Other Current Liabilities:				
Contractual Obligations (b)	—	—	—	—
Other Non-Current Liabilities:				
Contractual Obligations (b)	—	—	(5)	(5)
Total	**$ —**	**$ 2**	**$ (5)**	**$ (3)**

	Fair Value Measurements as of September 30, 2016			
	(Level 1)	(Level 2)	(Level 3)	Total
		(in millions)		
Other Current Liabilities:				
Contractual Obligations (b)	—	—	—	—
Other Non-Current Liabilities:				
Contractual Obligations (b)	—	—	(4)	(4)
Total	**$ —**	**$ —**	**$ (4)**	**$ (4)**

(a) The fair value of the foreign currency forward exchange contracts is based on dealer quotes of market forward rates and reflects the amount that the Company would receive or pay at their maturity dates for contracts involving the same currencies and maturity dates.

(b) This represents purchase obligations and contingent consideration related to the Company's various acquisitions. This is based on a discounted cash flow approach and it is adjusted to fair value on a recurring basis and any adjustments are included as a component of operating income in the statement of operations. These amounts were mainly calculated using unobservable inputs such as future earnings performance of the Company's various acquisitions and the expected timing of the payment.

The following table reconciles the beginning and ending balances of net assets and liabilities classified as Level 3:

	Total
	(in millions)
Balance at September 30, 2016	(4)
Additions	(1)
Reductions	—
Payments	—
Balance at March 31, 2017	**$ (5)**

The majority of the Company's non-financial instruments, which include goodwill, intangible assets, inventories, and property, plant, and equipment, are not required to be re-measured to fair value on a recurring basis. These assets are evaluated for impairment if certain triggering events occur. If such evaluation indicates that impairment exists, the asset is written down to its fair value. In addition, an impairment analysis is performed at least annually for goodwill and indefinite-lived intangible assets.

Fair Value of Debt

Based on the level of interest rates prevailing at March 31, 2017, the fair value of the Company's debt was $2.865 billion. Based on the level of interest rates prevailing at September 30, 2016, the fair value of the Company's debt was $2.896 billion. The fair value of the Company's debt instruments are determined using quoted market prices from less active markets or by using quoted market prices for instruments with identical terms and maturities; both approaches are considered a Level 2 measurement.

WARNER MUSIC GROUP CORP.

Supplementary Information
Consolidating Financial Statements

The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. Acquisition Corp. has issued and outstanding the 5.625% Senior Secured Notes due 2022, the 5.00% Senior Secured Notes due 2023, the 4.125% Senior Secured Notes due 2024, the 4.875% Senior Secured Notes due 2024 and the 6.75% Senior Notes due 2022 (together, the "Acquisition Corp. Notes").

The Acquisition Corp. Notes are guaranteed by the Company and, in addition, are guaranteed by all of Acquisition Corp.'s domestic wholly-owned subsidiaries. The secured notes are guaranteed on a senior secured basis and the unsecured notes are guaranteed on an unsecured senior basis. The Company's guarantee of the Acquisition Corp. Notes is full and unconditional. The guarantee of the Acquisition Corp. Notes by Acquisition Corp.'s domestic, wholly-owned subsidiaries are full, unconditional and joint and several. The following condensed consolidating financial statements are also presented for the information of the holders of the Acquisition Corp. Notes and present the results of operations, financial position and cash flows of (i) Acquisition Corp., which is the issuer of the Acquisition Corp. Notes, (ii) the guarantor subsidiaries of Acquisition Corp., (iii) the non-guarantor subsidiaries of Acquisition Corp. and (iv) the eliminations necessary to arrive at the information for Acquisition Corp. on a consolidated basis. Investments in consolidated subsidiaries are presented under the equity method of accounting. There are no restrictions on Acquisition Corp.'s ability to obtain funds from any of its wholly-owned subsidiaries through dividends, loans or advances.

The Company and Holdings are holding companies that conduct substantially all of their business operations through Acquisition Corp. Accordingly, the ability of the Company and Holdings to obtain funds from their subsidiaries is restricted by the indentures for the Acquisition Corp. Notes and the credit agreements for the Acquisition Corp. Senior Credit Facilities, including the Revolving Credit Facility and Senior Term Loan Facility.

Consolidating Balance Sheet (Unaudited)
March 31, 2017

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Assets:									
Current assets:									
Cash and equivalents	$ —	$ 230	$ 246	$ —	$ 476	$ —	$ —	$ —	$ 476
Accounts receivable, net	—	175	186	—	361	—	—	—	361
Inventories	—	12	24	—	36	—	—	—	36
Royalty advances expected to be recouped within one year	—	80	45	—	125	—	—	—	125
Prepaid and other current assets	—	15	42	—	57	—	—	—	57
Total current assets	—	512	543	—	1,055	—	—	—	1,055
Due (to) from parent companies	721	(286)	(435)	—	—	—	—	—	—
Investments in and advances to consolidated subsidiaries	2,261	1,592	—	(3,853)	—	224	224	(448)	—
Royalty advances expected to be recouped after one year	—	123	71	—	194	—	—	—	194
Property, plant and equipment, net	—	132	65	—	197	—	—	—	197
Goodwill	—	1,372	242	—	1,614	—	—	—	1,614
Intangible assets subject to amortization, net	—	1,114	942	—	2,056	—	—	—	2,056
Intangible assets not subject to amortization	—	71	45	—	116	—	—	—	116
Other assets	3	50	19	—	72	—	—	—	72
Total assets	$ 2,985	$ 4,680	$ 1,492	$ (3,853)	$ 5,304	$ 224	$ 224	$ (448)	$ 5,304
Liabilities and Deficit:									
Current liabilities:									
Accounts payable	$ —	$ 117	$ 83	$ —	$ 200	$ —	$ —	$ —	$ 200
Accrued royalties	—	649	502	—	1,151	—	—	—	1,151
Accrued liabilities	—	91	169	—	260	—	—	—	260
Accrued interest	45	—	—	—	45	—	—	—	45
Deferred revenue	—	112	63	—	175	—	—	—	175
Other current liabilities	—	3	21	—	24	—	—	—	24
Total current liabilities	45	972	838	—	1,855	—	—	—	1,855
Long-term debt	2,767	—	—	—	2,767	—	—	—	2,767
Deferred tax liabilities, net	—	115	139	—	254	—	—	—	254
Other noncurrent liabilities	3	132	106	—	241	—	—	—	241
Total liabilities	2,815	1,219	1,083	—	5,117	—	—	—	5,117
Total Warner Music Group Corp. equity	170	3,459	394	(3,853)	170	224	224	(448)	170
Noncontrolling interest	—	2	15	—	17	—	—	—	17
Total equity	170	3,461	409	(3,853)	187	224	224	(448)	187
Total liabilities and equity	$ 2,985	$ 4,680	$ 1,492	$ (3,853)	$ 5,304	$ 224	$ 224	$ (448)	$ 5,304

Consolidating Balance Sheet
September 30, 2016

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Assets:									
Current assets:									
Cash and equivalents	$ —	$ 180	$ 179	$ —	$ 359	$ —	$ —	$ —	$ 359
Accounts receivable, net	—	177	152	—	329	—	—	—	329
Inventories	—	16	25	—	41	—	—	—	41
Royalty advances expected to be recouped within one year	—	79	49	—	128	—	—	—	128
Prepaid and other current assets	1	13	37	—	51	—	—	—	51
Total current assets	1	465	442	—	908	—	—	—	908
Due (to) from parent companies	750	(312)	(438)	—	—	—	—	—	—
Investments in and advances to (from) consolidated subsidiaries	2,260	1,458	—	(3,718)	—	195	195	(390)	—
Royalty advances expected to be recouped after one year	—	120	76	—	196	—	—	—	196
Property, plant and equipment, net	—	138	65	—	203	—	—	—	203
Goodwill	—	1,372	255	—	1,627	—	—	—	1,627
Intangible assets subject to amortization, net	—	1,165	1,036	—	2,201	—	—	—	2,201
Intangible assets not subject to amortization	—	71	45	—	116	—	—	—	116
Other assets	3	62	19	—	84	—	—	—	84
Total assets	$ 3,014	$ 4,539	$ 1,500	$ (3,718)	$ 5,335	$ 195	$ 195	$ (390)	$ 5,335
Liabilities and Deficit:									
Current liabilities:									
Accounts payable	$ —	$ 124	$ 80	$ —	$ 204	$ —	$ —	$ —	$ 204
Accrued royalties	—	606	498	—	1,104	—	—	—	1,104
Accrued liabilities	—	112	185	—	297	—	—	—	297
Accrued interest	38	—	—	—	38	—	—	—	38
Deferred revenue	—	143	35	—	178	—	—	—	178
Current portion of long-term debt	—	—	—	—	—	—	—	—	-
Other current liabilities	—	3	18	—	21	—	—	—	21
Total current liabilities	38	988	816	—	1,842	—	—	—	1,842
Long-term debt	2,778	—	—	—	2,778	—	—	—	2,778
Deferred tax liabilities, net	—	109	160	—	269	—	—	—	269
Other noncurrent liabilities	3	126	107	—	236	—	—	—	236
Total liabilities	2,819	1,223	1,083	—	5,125	—	—	—	5,125
Total Warner Music Group Corp. equity (deficit)	195	3,314	404	(3,718)	195	195	195	(390)	195
Noncontrolling interest	—	2	13	—	15	—	—	—	15
Total equity (deficit)	195	3,316	417	(3,718)	210	195	195	(390)	210
Total liabilities and equity (deficit)	$ 3,014	$ 4,539	$ 1,500	$ (3,718)	$ 5,335	$ 195	$ 195	$ (390)	$ 5,335

Consolidating Statement of Operations (Unaudited)
For The Three Months Ended March 31, 2017

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Revenues	$ —	$ 470	$ 439	$ (84)	$ 825	$ —	$ —	$ —	$ 825
Costs and expenses:									
Cost of revenue	—	(204)	(268)	57	(415)	—	—	—	(415)
Selling, general and administrative expenses	—	(199)	(110)	27	(282)	—	—	—	(282)
Amortization of intangible assets	—	(26)	(24)	—	(50)	—	—	—	(50)
Total costs and expenses	—	(429)	(402)	84	(747)	—	—	—	(747)
Operating income	—	41	37	—	78	—	—	—	78
Interest (expense) income, net	(21)	1	(16)	—	(36)	—	—	—	(36)
Equity gains (losses) from equity method investments	49	11	—	(60)	—	19	19	(38)	—
Other expense, net	(6)	—	(13)	—	(19)	—	—	—	(19)
Income before income taxes	22	53	8	(60)	23	19	19	(38)	23
Income tax (expense) benefit	(3)	(4)	(7)	11	(3)	—	—	—	(3)
Net income	19	49	1	(49)	20	19	19	(38)	20
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Net income attributable to Warner Music Group Corp.	$ 19	$ 49	$ —	$ (49)	$ 19	$ 19	$ 19	$ (38)	$ 19

Consolidating Statement of Operations (Unaudited)
For The Three Months Ended March 31, 2016

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Revenues	$ —	$ 452	$ 382	$ (89)	$ 745	$ —	$ —	$ —	$ 745
Costs and expenses:									
Cost of revenue	—	(221)	(196)	43	(374)	—	—	—	(374)
Selling, general and administrative expenses	—	(202)	(101)	47	(256)	—	—	—	(256)
Amortization of intangible assets	—	(30)	(33)	—	(63)	—	—	—	(63)
Total costs and expenses	—	(453)	(330)	90	(693)	—	—	—	(693)
Operating income (loss)	—	(1)	52	1	52	—	—	—	52
Gain on sales of real estate	—	—	19	—	19	—	—	—	19
Interest (expense) income, net	(21)	1	(18)	—	(38)	(5)	—	—	(43)
Equity gains (losses) from equity method investments	58	41	—	(99)	—	21	11	(32)	—
Other (expense) income, net	(1)	(19)	24	—	4	(5)	—	—	(1)
Income (loss) before income taxes	36	22	77	(98)	37	11	11	(32)	27
Income tax (expense) benefit	(15)	(7)	(12)	19	(15)	—	—	—	(15)
Net income	21	15	65	(79)	22	11	11	(32)	12
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Net income (loss) attributable to Warner Music Group Corp.	$ 21	$ 15	$ 64	$ (79)	$ 21	$ 11	$ 11	$ (32)	$ 11

Consolidating Statement of Operations (Unaudited)
For The Six Months Ended March 31, 2017

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Revenues	$ —	$ 960	$ 960	$ (178)	$ 1,742	$ —	$ —	$ —	$ 1,742
Costs and expenses:									
Cost of revenue	—	(424)	(609)	122	(911)	—	—	—	(911)
Selling, general and administrative expenses	(1)	(375)	(238)	56	(558)	—	—	—	(558)
Amortization of intangible assets	—	(51)	(50)	—	(101)	—	—	—	(101)
Total costs and expenses	(1)	(850)	(897)	178	(1,570)	—	—	—	(1,570)
Operating (loss) income	(1)	110	63	—	172	—	—	—	172
Loss on extinguishment of debt	(32)	—	—	—	(32)	—	—	—	(32)
Interest (expense) income, net	(44)	2	(34)	—	(76)	—	—	—	(76)
Equity gains (losses) from equity method investments	132	51	—	(183)	—	41	41	(82)	—
Other income (expense), net	6	3	(9)	—	—	—	—	—	—
Income before income taxes	61	166	20	(183)	64	41	41	(82)	64
Income tax (expense) benefit	(20)	(22)	(16)	38	(20)	—	—	—	(20)
Net income	41	144	4	(145)	44	41	41	(82)	44
Less: income attributable to noncontrolling interest	—	—	(3)	—	(3)	—	—	—	(3)
Net income attributable to Warner Music Group Corp.	$ 41	$ 144	$ 1	$ (145)	$ 41	$ 41	$ 41	$ (82)	$ 41

Consolidating Statement of Operations (Unaudited)
For The Six Months Ended March 31, 2016

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Revenues	$ —	$ 900	$ 821	$ (127)	$ 1,594	$ —	$ —	$ —	$ 1,594
Costs and expenses:									
Cost of revenue	—	(442)	(456)	75	(823)	—	—	—	(823)
Selling, general and administrative expenses	—	(339)	(245)	52	(532)	—	—	—	(532)
Amortization of intangible assets	—	(61)	(64)	—	(125)	—	—	—	(125)
Total costs and expenses	—	(842)	(765)	127	(1,480)	—	—	—	(1,480)
Operating income	—	58	56	—	114	—	—	—	114
Gain on sale of real estate	—	—	19	—	19	—	—	—	19
Interest (expense) income, net	(41)	2	(39)	—	(78)	(10)	—	—	(88)
Equity gains (losses) from equity method investments	105	60	—	(165)	—	53	38	(91)	—
Other income (expense), net	1	(20)	31	—	12	(5)	—	—	7
Income before income taxes	65	100	67	(165)	67	38	38	(91)	52
Income tax (expense) benefit	(12)	(12)	(8)	20	(12)	—	—	—	(12)
Net income	53	88	59	(145)	55	38	38	(91)	40
Less: income attributable to noncontrolling interest	—	—	(2)	—	(2)	—	—	—	(2)
Net income attributable to Warner Music Group Corp.	$ 53	$ 88	$ 57	$ (145)	$ 53	$ 38	$ 38	$ (91)	$ 38

Consolidating Statement of Comprehensive Income (Unaudited)
For The Three Months Ended March 31, 2017

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Net income	$ 19	$ 49	$ 1	$ (49)	$ 20	$ 19	$ 19	$ (38)	$ 20
Other comprehensive income, net of tax:									
Foreign currency adjustment	24	—	(50)	50	24	24	24	(48)	24
Deferred gains on derivative financial instruments	1	1	—	(1)	1	1	1	(2)	1
Other comprehensive income, net of tax:	25	1	(50)	49	25	25	25	(50)	25
Total comprehensive income	44	50	(49)	—	45	44	44	(88)	45
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Comprehensive income (loss) attributable to Warner Music Group Corp.	$ 44	$ 50	$ (50)	$ —	$ 44	$ 44	$ 44	$ (88)	$ 44

Consolidating Statement of Comprehensive Income (Unaudited)
For The Three Months Ended March 31, 2016

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Net income	$ 21	$ 15	$ 65	$ (79)	$ 22	$ 11	$ 11	$ (32)	$ 12
Other comprehensive (loss) income, net of tax:									
Foreign currency adjustment	(12)	—	(12)	12	(12)	(12)	(12)	24	(12)
Deferred losses on derivative financial instruments	(1)	(1)	—	1	(1)	(1)	(1)	2	(1)
Other comprehensive (loss) income, net of tax:	(13)	(1)	(12)	13	(13)	(13)	(13)	26	(13)
Total comprehensive (loss) income	8	14	53	(66)	9	(2)	(2)	(6)	(1)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Comprehensive (loss) income attributable to Warner Music Group Corp.	$ 8	$ 14	$ 52	$ (66)	$ 8	$ (2)	$ (2)	$ (6)	$ (2)

Consolidating Statement of Comprehensive Income (Unaudited)
For The Six Months Ended March 31, 2017

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Net income	$ 41	$ 144	$ 4	$ (145)	$ 44	$ 41	$ 41	$ (82)	$ 44
Other comprehensive (loss) income, net of tax:									
Foreign currency adjustment	(13)	—	(13)	13	(13)	(13)	(13)	26	(13)
Deferred losses on derivative financial instruments	(1)	(1)	—	1	(1)	(1)	(1)	2	(1)
Other comprehensive (loss) income, net of tax:	(14)	(1)	(13)	14	(14)	(14)	(14)	28	(14)
Total comprehensive income (loss)	27	143	(9)	(131)	30	27	27	(54)	30
Less: income attributable to noncontrolling interest	—	—	(3)	—	(3)	—	—	—	(3)
Comprehensive income (loss) attributable to Warner Music Group Corp.	$ 27	$ 143	$ (12)	$ (131)	$ 27	$ 27	$ 27	$ (54)	$ 27

Consolidating Statement of Comprehensive Income (Unaudited)
For The Six Months Ended March 31, 2016

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Net income	$ 53	$ 88	$ 59	$ (145)	$ 55	$ 38	$ 38	$ (91)	$ 40
Other comprehensive (loss) income, net of tax:									
Foreign currency adjustment	(36)	—	(36)	36	(36)	(36)	(36)	72	(36)
Deferred losses on derivative financial instruments	(2)	(2)	—	2	(2)	(2)	(2)	4	(2)
Other comprehensive (loss) income, net of tax:	(38)	(2)	(36)	38	(38)	(38)	(38)	76	(38)
Total comprehensive income (loss)	15	86	23	(107)	17	—	—	(15)	2
Less: income attributable to noncontrolling interest	—	—	(2)	—	(2)	—	—	—	(2)
Comprehensive income (loss) attributable to Warner Music Group Corp.	$ 15	$ 86	$ 21	$ (107)	$ 15	$ —	$ —	$ (15)	$ —

Consolidating Statement of Cash Flows (Unaudited)
For The Six Months Ended March 31, 2017

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Cash flows from operating activities									
Net income	$ 41	$ 144	$ 4	$ (145)	$ 44	$ 41	$ 41	$ (82)	$ 44
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation and amortization	—	70	56	—	126	—	—	—	126
Unrealized (gains)/losses and remeasurement of foreign denominated loans	(11)	(3)	13	—	(1)	—	—	—	(1)
Deferred income taxes	2	2	(12)	(4)	(12)	—	—	—	(12)
Loss on extinguishment of debt	32	—	—	—	32	—	—	—	32
Net loss on divestiture and investments	—	5	1	—	6	—	—	—	6
Non-cash interest expense	5	—	—	—	5	—	—	—	5
Equity-based compensation expense	—	17	—	—	17	—	—	—	17
Equity (gains) losses, including distributions	(132)	(51)	—	183	—	(41)	(41)	82	—
Changes in operating assets and liabilities:									
Accounts receivable	—	(2)	(39)	—	(41)	—	—	—	(41)
Inventories	—	2	1	—	3	—	—	—	3
Royalty advances	—	(4)	5	—	1	—	—	—	1
Accounts payable and accrued liabilities	—	(5)	(4)	(34)	(43)	—	—	—	(43)
Royalty payables	—	54	21	—	75	—	—	—	75
Accrued interest	7	—	—	—	7	—	—	—	7
Deferred revenue	—	(34)	30	—	(4)	—	—	—	(4)
Other balance sheet changes	7	10	(6)	—	11	—	—	—	11
Net cash (used in) provided by operating activities	(49)	205	70	—	226	—	—	—	226
Cash flows from investing activities									
Acquisition of music publishing rights, net	—	(3)	(3)	—	(6)	—	—	—	(6)
Capital expenditures	—	(13)	(5)	—	(18)	—	—	—	(18)
Investments and acquisitions of businesses, net	—	(5)	(1)	—	(6)	—	—	—	(6)
Divestitures, net	—	7	11	—	18	—	—	—	18
Advances to issuer	87	—	—	(87)	—	—	—	—	—
Net cash provided (used in) by investing activities	87	(14)	2	(87)	(12)	—	—	—	(12)
Cash flows from financing activities									
Proceeds from issuance of Acquisition Corp. 4.125% Senior Secured Notes	380	—	—	—	380	—	—	—	380
Proceeds from issuance of Acquisition Corp. 4.875% Senior Secured Notes	250	—	—	—	250	—	—	—	250
Proceeds from issuance of Acquisition Corp. Senior Term Loan Facility	22	—	—	—	22	—	—	—	22
Repayment of Acquisition Corp. 6.00% Senior Secured Notes	(450)	—	—	—	(450)	—	—	—	(450)
Repayment of Acquisition Corp. 6.25% Senior Secured Notes	(173)	—	—	—	(173)	—	—	—	(173)
Repayment of Acquisition Corp. 5.625% Senior Secured Notes	(28)	—	—	—	(28)	—	—	—	(28)
Call premiums paid on early redemption of debt	(27)	—	—	—	(27)	—	—	—	(27)
Deferred financing costs paid	(12)	—	—	—	(12)	—	—	—	(12)
Distribution to noncontrolling interest holder	—	—	(1)	—	(1)	—	—	—	(1)
Dividends paid	—	(54)	—	—	(54)	—	—	—	(54)
Change in due to (from) issuer	—	(87)	—	87	—	—	—	—	—
Net cash (used in) provided by financing activities	(38)	(141)	(1)	87	(93)	—	—	—	(93)
Effect of exchange rate changes on cash and equivalents	—	—	(4)	—	(4)	—	—	—	(4)
Net increase in cash and equivalents	—	50	67	—	117	—	—	—	117
Cash and equivalents at beginning of period	—	180	179	—	359	—	—	—	359
Cash and equivalents at end of period	$ —	$ 230	$ 246	$ —	$ 476	$ —	$ —	$ —	$ 476

Consolidating Statement of Cash Flows (Unaudited)
For The Six Months Ended March 31, 2016

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp.	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
					(in millions)				
Cash flows from operating activities									
Net income	$ 53	$ 88	$ 59	$ (145)	$ 55	$ 38	$ 38	$ (91)	$ 40
Adjustments to reconcile net income (loss) to net cashprovided by operating activities:									
Depreciation and amortization	—	80	70	—	150	—	—	—	150
Unrealized (gains)/losses and remeasurement of foreign denominated loans	(1)	(1)	—	—	(2)	—	—	—	(2)
Deferred income taxes	—	—	(10)	—	(10)	—	—	—	(10)
Gain on sale of real estate	—	—	(19)	—	(19)	—	—	—	(19)
(Gain) Loss on extinguishment of debt	(1)	—	—	—	(1)	5	—	—	4
Loss on divestiture of business	—	—	3	—	3	—	—	—	3
Non-cash interest expense	5	—	—	—	5	—	—	—	5
Equity-based compensation expense	—	4	—	—	4	—	—	—	4
Equity (gains) losses, including distributions	(105)	(60)	—	165	—	(53)	(38)	91	—
Changes in operating assets and liabilities:									
Accounts receivable	—	18	7	—	25	—	—	—	25
Inventories	—	—	(1)	—	(1)	—	—	—	(1)
Royalty advances	—	(18)	(3)	—	(21)	—	—	—	(21)
Accounts payable and accrued liabilities	—	52	(73)	(20)	(41)	—	—	—	(41)
Royalty payables	—	36	(1)	—	35	—	—	—	35
Accrued interest	(1)	—	—	—	(1)	(4)	—	—	(5)
Deferred revenue	—	3	(1)	—	2	—	—	—	2
Other balance sheet changes	—	—	3	—	3	—	—	—	3
Net cash (used in) provided by operating activities	(50)	202	34	—	186	(14)	—	—	172
Cash flows from investing activities									
Acquisition of music publishing rights, net	—	(9)	(3)	—	(12)	—	—	—	(12)
Capital expenditures	—	(15)	(8)	—	(23)	—	—	—	(23)
Investments and acquisitions of businesses, net	—	(5)	(3)	—	(8)	—	—	—	(8)
Divestiture of business, net of cash on hand	—	—	6	—	6	—	—	—	6
Proceeds from the sale of real estate	—	—	42	—	42	—	—	—	42
Advances to issuer	163	—	—	(163)	—	—	—	—	—
Net cash provided by (used in) investing activities	163	(29)	34	(163)	5	—	—	—	5
Cash flows from financing activities									
Dividend by Acquisition Corp. to Holdings Corp.	(83)	—	—	—	(83)	83	—	—	—
Repayment of Acquisition Corp. Senior Term Loan Facility	(6)	—	—	—	(6)	—	—	—	(6)
Repayment of Holdings 13.75% Senior Notes	—	—	—	—	—	(50)	—	—	(50)
Call premiums paid on early redemption of debt	—	—	—	—	—	(3)	—	—	(3)
Repayment of Acquisition Corp. 6.75% Senior Notes	(24)	—	—		(24)	—	—	—	(24)
Distribution to noncontrolling interest holder	—	—	(3)	—	(3)	—	—	—	(3)
Repayment of capital lease obligations	—	—	(14)	—	(14)	—	—	—	(14)
Change in due to (from) issuer	—	(163)	—	163	—	—	—	—	—
Net cash (used in) provided by financing activities	(113)	(163)	(17)	163	(130)	30	—	—	(100)
Effect of exchange rate changes on cash and equivalents	—	—	(7)	—	(7)	—	—	—	(7)
Net increase in cash and equivalents	—	10	44	—	54	16	—	—	70
Cash and equivalents at beginning of period	—	73	173	—	246	—	—	—	246
Cash and equivalents at end of period	$ —	$ 83	$ 217	$ —	$ 300	$ 16	$ —	$ —	$ 316

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition with the unaudited interim financial statements included elsewhere in this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2017 (the "Quarterly Report").

"SAFE HARBOR" STATEMENT UNDER PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Quarterly Report includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in this Quarterly Report, including, without limitation, statements regarding our future financial position, business strategy, cost savings, industry trends and plans and objectives of management for future operations, are forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Such statements include, among others, our ability to compete in the highly competitive markets in which we operate, statements regarding our ability to develop talent and attract future talent, our ability to reduce future capital expenditures, our ability to monetize our music-based content, including through new distribution channels and formats to capitalize on the growth areas of the music industry, our ability to effectively deploy our capital, the development of digital music and the effect of digital distribution channels on our business, including whether we will be able to achieve higher margins from digital sales, the success of strategic actions we are taking to accelerate our transformation as we redefine our role in the music industry, the effectiveness of our ongoing efforts to reduce overhead expenditures and manage our variable and fixed cost structure and our ability to generate expected cost savings from such efforts, our success in limiting piracy, the growth of the music industry and the effect of our and the music industry's efforts to combat piracy on the industry, our intention to pay dividends or repurchase or retire our outstanding debt or notes in open market purchases, privately or otherwise, the impact on us of potential strategic transactions, our ability to fund our future capital needs and the effect of litigation on us. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report. Additionally, important factors could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report. As stated elsewhere in this Quarterly Report, such risks, uncertainties and other important factors include, among others:

- the failure of the digital portion of the global recorded music industry to grow or grow at a significant rate to offset declines in the physical portion of the global recorded music industry;
- downward pressure on our pricing and our profit margins and reductions in shelf space;
- our ability to identify, sign and retain artists and songwriters and the existence or absence of superstar releases;
- threats to our business associated with digital piracy;
- the significant threat posed to our business and the music industry by organized industrial piracy;
- the popular demand for particular recording artists and/or songwriters and albums and the timely completion of albums by major recording artists and/or songwriters;
- the diversity and quality of our portfolio of songwriters;
- the diversity and quality of our album releases;
- the impact of legitimate channels for digital distribution of our creative content;
- our dependence on a limited number of digital music services for the online sale of our music recordings and their ability to significantly influence the pricing structure for online music stores;
- our involvement in intellectual property litigation;
- our ability to continue to enforce our intellectual property rights in digital environments;
- the ability to develop a successful business model applicable to a digital environment and to enter into artist services and expanded-rights deals with recording artists in order to broaden our revenue streams in growing segments of the music business;

- the impact of heightened and intensive competition in the recorded music and music publishing businesses and our inability to execute our business strategy;
- risks associated with our non-U.S. operations, including limited legal protections of our intellectual property rights and restrictions on the repatriation of capital;
- significant fluctuations in our operations and cash flows from period to period;
- our inability to compete successfully in the highly competitive markets in which we operate;
- trends, developments or other events in some foreign countries in which we operate;
- local economic conditions in the countries in which we operate;
- our failure to attract and retain our executive officers and other key personnel;
- the impact of rates on other income streams that may be set by arbitration proceedings on our business;
- an impairment in the carrying value of goodwill or other intangible and long-lived assets;
- unfavorable currency exchange rate fluctuations;
- our failure to have full control and ability to direct the operations we conduct through joint ventures;
- legislation limiting the terms by which an individual can be bound under a "personal services" contract;
- a potential loss of catalog if it is determined that recording artists have a right to recapture rights in their recordings under the U.S. Copyright Act;
- trends that affect the end uses of our musical compositions (which include uses in broadcast radio and television, film and advertising businesses);
- the growth of other products that compete for the disposable income of consumers;
- the impact of, and risks inherent in, acquisitions or business combinations;
- risks inherent to our outsourcing of information technology ("IT") infrastructure and certain finance and accounting functions;
- our ability to maintain the security of information relating to our customers, employees and vendors and our music-based content;
- the fact that we have engaged in substantial restructuring activities in the past, and may need to implement further restructurings in the future and our restructuring efforts may not be successful or generate expected cost-savings;
- the impact of our substantial leverage on our ability to raise additional capital to fund our operations, on our ability to react to changes in the economy or our industry and on our ability to meet our obligations under our indebtedness;
- the ability to generate sufficient cash to service all of our indebtedness, and the risk that we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- the fact that our debt agreements contain restrictions that limit our flexibility in operating our business;
- our indebtedness levels, and the fact that we may be able to incur substantially more indebtedness, which may increase the risks created by our substantial indebtedness;
- the significant amount of cash required to service our indebtedness and the ability to generate cash or refinance indebtedness as it becomes due depends on many factors, some of which are beyond our control;
- risks of downgrade, suspension or withdrawal of the rating assigned by a rating agency to us could impact our cost of capital;
- risks relating to Access, which, together with its affiliates, indirectly owns all of our outstanding capital stock, and controls our company and may have conflicts of interest with the holders of our debt or us in the future. Access may also enter into, or cause us to enter into, strategic transactions that could change the nature or structure of our business, capital structure or credit profile;
- risks related to evolving regulations concerning data privacy which might result in increased regulation and different industry standards;

- changes in law and government regulations; and
- risks related to other factors discussed under "Risk Factors" of this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

There may be other factors not presently known to us or which we currently consider to be immaterial that could cause our actual results to differ materially from those projected in any forward-looking statements we make. You should read carefully the "Risk Factors" section of this Quarterly Report to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report. We disclaim any duty to update or revise forward-looking statements to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

INTRODUCTION

Warner Music Group Corp. (the "Company") was formed on November 21, 2003. The Company is the direct parent of WMG Holdings Corp. ("Holdings"), which is the direct parent of WMG Acquisition Corp. ("Acquisition Corp."). Acquisition Corp. is one of the world's major music-based content companies.

The Company and Holdings are holding companies that conduct substantially all of their business operations through their subsidiaries. The terms "we," "us," "our," "ours," and the "Company" refer collectively to Warner Music Group Corp. and its consolidated subsidiaries, except where otherwise indicated.

Management's discussion and analysis of results of operations and financial condition ("MD&A") is provided as a supplement to the unaudited financial statements and footnotes included elsewhere herein to help provide an understanding of our financial condition, changes in financial condition and results of our operations. MD&A is organized as follows:

- *Overview.* This section provides a general description of our business, as well as a discussion of factors that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for the three and six months ended March 31, 2017 and March 31, 2016. This analysis is presented on both a consolidated and segment basis.
- *Financial condition and liquidity.* This section provides an analysis of our cash flows for the six months ended March 31, 2017 and March 31, 2016 as well as a discussion of our financial condition and liquidity as of March 31, 2017. The discussion of our financial condition and liquidity includes a summary of the key debt covenant compliance measures under our debt agreements.

Use of OIBDA

We evaluate our operating performance based on several factors, including our primary financial measure of operating income (loss) before non-cash depreciation of tangible assets and non-cash amortization of intangible assets ("OIBDA"). We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses. 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 revenues in our businesses and other non-operating income (loss). Accordingly, OIBDA should be considered in addition to, not as a substitute for, operating income (loss), net income (loss) attributable to Warner Music Group Corp. and other measures of financial performance reported in accordance with U.S. GAAP. In addition, our definition of OIBDA may differ from similarly titled measures used by other companies. A reconciliation of consolidated OIBDA to operating income (loss) and net income (loss) attributable to Warner Music Group Corp. is provided in our "Results of Operations."

Use of Constant Currency

As 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 results helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares revenue between periods as if exchange rates had remained constant period over period. We use revenue on a constant-currency basis as one measure to evaluate our performance. We calculate constant currency by calculating prior-year revenue using current-year foreign currency exchange rates. We generally refer to such amounts calculated on a constant-currency basis as "excluding the impact of foreign currency exchange rates." This revenue should be considered in addition to, not as a substitute for, revenue reported in accordance with U.S. GAAP. Revenue 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.

OVERVIEW

We are one of the world's major music-based content companies. We classify our business interests into two fundamental operations: Recorded Music and Music Publishing. A brief description of each of those operations is presented below.

Recorded Music Operations

Our Recorded Music business primarily consists of the discovery and development of artists and the related marketing, distribution and licensing of recorded music produced by such artists. We play an integral role in virtually all aspects of the recorded music value chain from discovering and developing talent to producing albums and marketing and promoting artists and their products.

In the United States, our Recorded Music operations are conducted principally through our major record labels—Atlantic Records and Warner Bros. Records. Our Recorded Music operations also include Rhino, a division that specializes in marketing our music catalog through compilations and reissuances of previously released music and video titles. We also conduct our Recorded Music operations through a collection of additional record labels, including Asylum, Big Beat, Canvasback, Eastwest, Elektra, Erato, FFRR, Fueled by Ramen, Nonesuch, Parlophone, Reprise, Roadrunner, Sire, Warner Classics and Warner Music Nashville.

Outside the United States, our Recorded Music activities are conducted in more than 50 countries through various subsidiaries, affiliates and non-affiliated licensees. Internationally, we engage in the same activities as in the United States: discovering and signing artists and distributing, marketing and selling their recorded music. In most cases, we also market and distribute the records of those artists for whom our domestic record labels have international rights. In certain smaller markets, we license the right to distribute our records to non-affiliated third-party record labels. Our international artist services operations include a network of concert promoters through which we provide resources to coordinate tours for our artists and other artists as well as management companies that guide artists with respect to their careers.

Our Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation ("WEA Corp."), which markets and sells music and video products to retailers and wholesale distributors; Alternative Distribution Alliance ("ADA"), which distributes the products of independent labels to retail and wholesale distributors; and various distribution centers and ventures operated internationally.

In addition to our Recorded Music products being sold in physical retail outlets, our Recorded Music products are also sold in physical form to online physical retailers such as Amazon.com, barnesandnoble.com and bestbuy.com and in digital form to digital download services such as Apple's iTunes and Google Play, and are offered by digital streaming services such as Apple Music, Deezer, Napster, Spotify and YouTube, including digital radio services such as iHeart Radio, Pandora and Sirius XM.

We have integrated the exploitation of digital content into all aspects of our business, including artist and repertoire ("A&R"), marketing, promotion and distribution. Our business development executives work closely with A&R departments to ensure that while a record is being produced, digital assets are also created with all distribution channels in mind, including streaming services, social networking sites, online portals and music-centered destinations. We also work side-by-side with our online and mobile partners to test new concepts. We believe existing and new digital businesses will be a significant source of growth and will provide new opportunities to successfully monetize our assets and create new revenue streams. The proportion of digital revenues attributed to each distribution channel varies by region and proportions may change as the roll out of new technologies continues. As an owner of music content, we believe we are well positioned to take advantage of growth in digital distribution and emerging technologies to maximize the value of our assets.

We have diversified our revenues beyond our traditional businesses by entering into expanded-rights deals with recording artists in order to partner with artists in other aspects of their careers. Under these agreements, we provide services to and participate in artists' activities outside the traditional recorded music business such as touring, merchandising and sponsorships. We have built artist services capabilities and platforms for exploiting this broader set of music-related rights and participating more widely in the monetization of the artist brands we help create.

We believe that entering into expanded-rights deals and enhancing our artist services capabilities in areas such as concert promotion and management has permitted us to diversify revenue streams and capitalize on other revenue opportunities. This provides for improved long-term relationships with artists and allows us to more effectively connect artists and fans.

Recorded Music revenues are derived from four main sources:

- *Digital*: the rightsholder receives revenues with respect to digital download and digital streaming services;
- *Physical*: the rightsholder receives revenues with respect to sales of physical products such as CDs, vinyl and DVDs;
- *Artist services and expanded-rights*: the rightsholder receives revenues with respect to artist services businesses and our participation in expanded-rights associated with our artists, including sponsorship, fan clubs, artist websites, merchandising, touring, concert promotion, ticketing and artist and brand management; and
- *Licensing:* the rightsholder receives royalties or fees for the right to use sound recordings in combination with visual images such as in films or television programs, television commercials and videogames; the rightsholder also receives royalties if sound recordings are performed publicly through broadcast of music on television, radio and cable, and in public spaces such as shops, workplaces, restaurants, bars and clubs.

The principal costs associated with our Recorded Music operations are as follows:

- *Artist and repertoire costs*—the costs associated with (i) paying royalties to artists, producers, songwriters, other copyright holders and trade unions; (ii) signing and developing artists; and (iii) creating master recordings in the studio;
- *Product costs*—the costs to manufacture, package and distribute products to wholesale and retail distribution outlets, the royalty costs associated with distributing products of independent labels to wholesale and retail distribution outlets, as well as the costs related to our artist services business;
- *Selling and marketing expenses*—the costs associated with the promotion and marketing of artists and recorded music products, including costs to produce music videos for promotional purposes and artist tour support; and
- *General and administrative expenses*—the costs associated with general overhead and other administrative expenses.

Music Publishing Operations

While recorded music is focused on exploiting a particular recording of a composition, music publishing is an intellectual property business focused on the exploitation of the composition itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rightsholders, our Music Publishing business garners a share of the revenues generated from use of the composition.

Our Music Publishing operations are conducted principally through Warner/Chappell, our global music publishing company headquartered in Los Angeles with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. We own or control rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, our award-winning catalog includes over 70,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, classical, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, techno, alternative, gospel and other Christian music. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Hallmark Entertainment and Disney Music Publishing. We have an extensive production music library collectively branded as Warner/Chappell Production Music.

Music Publishing revenues are derived from five main sources:

- *Performance:* the rightsholder receives revenues if the composition is performed publicly through broadcast of music on television, radio and cable, live performance at a concert or other venue (*e.g.*, arena concerts and nightclubs), and performance of music in staged theatrical productions;
- *Digital:* the rightsholder receives revenues with respect to compositions embodied in recordings sold in digital download services, digital streaming services and digital performance;
- *Mechanical:* the rightsholder receives revenues with respect to compositions embodied in recordings sold in any physical format or configuration such as CDs, vinyl and DVDs;
- *Synchronization:* the rightsholder receives revenues for the right to use the composition in combination with visual images such as in films or television programs, television commercials and videogames as well as from other uses such as in toys or novelty items and merchandise; and
- *Other:* the rightsholder receives revenues for use in printed sheet music and other uses.

The principal costs associated with our Music Publishing operations are as follows:

- *Artist and repertoire costs*—the costs associated with (i) paying royalties to songwriters, co-publishers and other copyright holders in connection with income generated from the exploitation of their copyrighted works and (ii) signing and developing songwriters; and
- *Selling and marketing, general overhead and other administrative expenses*—the costs associated with selling and marketing, general overhead and other administrative expenses.

Recent Developments

Pandora

On April 17, 2014, we joined with UMG Recordings, Inc., Sony Music Entertainment, Capitol Records, LLC and ABKCO Music & Records, Inc. in a lawsuit brought against Pandora Media Inc. in the Supreme Court of the State of New York, alleging copyright infringement for Pandora's use of pre-1972 sound recordings. A settlement was reached on October 23, 2015 pursuant to which Pandora paid the plaintiffs a total of $90 million and the plaintiffs dismissed their lawsuit with prejudice. Of the total $90 million, $60 million was paid upon settlement and the remaining amount was paid in four equal installments of $7.5 million from January 1, 2016 through October 1, 2016. The settlement resolves all past claims as to Pandora's use of pre-1972 recordings owned or controlled by the plaintiffs and enabled Pandora, without any additional payment, to reproduce, perform and broadcast such recordings in the United States through December 31, 2016. The allocation of the settlement proceeds among the plaintiffs was determined in November 2016 and the settlement proceeds were distributed accordingly. This resulted in a cash distribution to the Company of $18 million, which was recognized in revenue during the first quarter of fiscal year 2017. We intend to share our allocation of the settlement proceeds with our artists on the same basis as statutory revenue from Pandora is shared, i.e., the artist share of our allocation will be paid to artists by SoundExchange.

November 2016 Senior Term Loan Credit Agreement Amendment

On November 21, 2016, Acquisition Corp received lender consent to an amendment (the "November 2016 Senior Term Loan Credit Agreement Amendment") to the Senior Term Loan Credit Agreement governing Acquisition Corp.'s Senior Term Loan Facility, which extended the maturity date of the Senior Term Loan Credit Agreement to November 1, 2023, subject, in certain circumstances, to a springing maturity inside the maturity date of certain of the Acquisition Corp.'s other outstanding indebtedness and increased the principal amount outstanding by $27.5 million to $1.006 billion and increased the original issue discount by $5 million to $8 million. Acquisition Corp. used the proceeds from the November 2016 Senior Term Loan Credit Agreement Amendment to redeem $27.5 million of the 5.625% Senior Secured Notes due 2022 and to pay fees, costs and expenses related to the transactions.

5.625% Existing Secured Notes Redemption

On November 21, 2016, Acquisition Corp. redeemed 10%, or $27.5 million, of its 5.625% Senior Secured Notes due 2022 (the "5.625% Secured Notes"). The redemption price was equal to 103% of the principal amount of the 5.625% Secured Notes, plus accrued and unpaid interest to, but not including the redemption date. Following the partial redemption by Acquisition Corp. of the 5.625% Secured Notes, $247.5 million of the 5.625% Secured Notes remain outstanding.

October 2016 Refinancing Transactions

On October 18, 2016, Acquisition Corp. issued €345 million in aggregate principal amount of its 4.125% Senior Secured Notes due 2024 and $250 million in aggregate principal amount of its 4.875% Senior Secured Notes due 2024. Acquisition Corp. used the net proceeds to pay the consideration in the tender offers and satisfy and discharge its 2021 Senior Secured Notes as described below.

On October 18, 2016, Acquisition Corp. accepted for purchase in connection with tender offers for its 6.000% Senior Secured Notes due 2021 (the "Existing Dollar Notes") and 6.250% Senior Secured Notes due 2021 (the "Existing Euro Notes" and, together with the Existing Dollar Notes, the "2021 Senior Secured Notes") the 2021 Senior Secured Notes that had been validly tendered and not validly withdrawn on October 17, 2016 (the "Expiration Time"). Acquisition Corp. then issued a notice of redemption on October 18, 2016 with respect to the remaining 2021 Senior Secured Notes not accepted for payment pursuant to the tender offers. Following payment of the 2021 Senior Secured Notes tendered at or prior to the Expiration Time, Acquisition Corp. deposited with the Trustee for the 2021 Senior Secured Notes not accepted for purchase in the tender offers funds sufficient to satisfy all obligations remaining to the date of redemption, which redemption date was January 15, 2017, under the applicable indenture governing the 2021 Senior Secured Notes. These transactions are collectively referred to as the "October 2016 Refinancing Transactions."

Other Business Models to Drive Incremental Revenue

Artist Services and Expanded-Rights Deals

As another means to offset declines in physical revenues and download revenues in Recorded Music, for many years we have signed recording artists to expanded-rights deals. Under our expanded-rights deals, we participate in the recording artist's revenue streams, other than from recorded music sales, such as touring, merchandising and sponsorships. Artist services and expanded-rights Recorded Music revenue, which includes revenue from expanded-rights deals as well as revenue from our artist services business, represented approximately 10% of our total revenue during the six months ended March 31, 2017. Artist services and expanded-rights revenue will fluctuate from period to period depending upon touring schedules, among other things. Margins for the various artist services and expanded-rights revenue streams can vary significantly. The overall impact on margins will, therefore, depend on the composition of the various revenue streams in any particular period. For instance, participation in revenue from touring under our expanded-rights deals typically flows straight through to operating income with little associated cost. Revenue from some of our artist services businesses such as our management business and revenue from participation in touring and sponsorships under our expanded-rights deals are all high margin, while merchandising revenue under our expanded-rights deals and revenue from some of our artist services businesses such as our concert promotion businesses tend to be lower margin than our traditional revenue streams in Recorded Music.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2017 Compared with Three Months Ended March 31, 2016

Consolidated Results

Revenues

Our revenues were composed of the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Revenue by Type				
Digital	$ 400	$ 328	$ 72	22%
Physical	142	151	(9)	-6%
Total Digital and Physical	542	479	63	13%
Artist services and expanded-rights	81	79	2	3%
Licensing	63	63	—	—%
Total Recorded Music	**686**	**621**	**65**	**10%**
Performance	50	44	6	14%
Digital	43	33	10	30%
Mechanical	17	17	—	—%
Synchronization	32	30	2	7%
Other	3	3	—	—%
Total Music Publishing	**145**	**127**	**18**	**14%**
Intersegment eliminations	(6)	(3)	(3)	100%
Total Revenue	**$ 825**	**$ 745**	**$ 80**	**11%**
Revenue by Geographical Location				
U.S. Recorded Music	$ 305	$ 258	$ 47	18%
U.S. Music Publishing	76	64	12	19%
Total U.S.	**381**	**322**	**59**	**18%**
International Recorded Music	381	363	18	5%
International Music Publishing	69	63	6	10%
Total International	**450**	**426**	**24**	**6%**
Intersegment eliminations	(6)	(3)	(3)	100%
Total Revenue	**$ 825**	**$ 745**	**$ 80**	**11%**

Total Revenue

Total revenue increased by $80 million, or 11%, to $825 million for the three months ended March 31, 2017 from $745 million for the three months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, total revenue increased by $93 million, or 13%. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 83% and 17% of total revenue for both the three months ended March 31, 2017 and March 31, 2016. Prior to intersegment eliminations, U.S. and international revenues represented 46% and 54% of total revenue for the three months ended March 31, 2017 and 43% and 57% of total revenue for the three months ended March 31, 2016, respectively.

Total digital revenue after intersegment eliminations increased by $79 million, or 22%, to $439 million for the three months ended March 31, 2017 from $360 million for the three months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, total digital revenue after intersegment eliminations increased by $83 million, or 23%. Total digital revenue represented 53% and 48% of consolidated revenue for the three months ended March 31, 2017 and March 31, 2016, respectively. Prior to intersegment eliminations, total digital revenue for the three months ended March 31, 2017 was comprised of U.S. revenue of $239 million and international revenue of $204 million, or 54% and 46% of total digital revenue, respectively. Prior to intersegment eliminations, total digital revenue for the three months ended March 31, 2016 was comprised of U.S. revenue of $194 million and international revenue of $167 million, or 54% and 46% of total digital revenue, respectively.

Recorded Music revenue increased by $65 million, or 10%, to $686 million for the three months ended March 31, 2017 from $621 million for the three months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, Recorded Music revenue increased by $76 million, or 13%. U.S. Recorded Music revenues were $305 million and $258 million, or 44% and 42%, of consolidated Recorded Music revenues for the three months ended March 31, 2017 and March 31, 2016, respectively. International Recorded Music revenues were $381 million and $363 million, or 56% and 58%, of consolidated Recorded Music revenues for the three months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Recorded Music revenue was driven by increases in digital revenue and artist services and expanded-rights revenue, partially offset by a decrease in physical revenue. Digital revenue increased by $72 million as a result of the strong new release of Ed Sheeran's album "÷", the continued success of Bruno Mars, Twenty One Pilots, the Hamilton soundtrack and Ed Sheeran's album "x" and the continued growth in streaming services. Revenue from streaming services grew by $93 million to $300 million for the three months ended March 31, 2017 from $207 million for the three months ended March 31, 2016 and was partially offset by digital download and other declines of $21 million to $100 million for the three months ended March 31, 2017 from $121 million for the three months ended March 31, 2016. Artist services and expanded-rights revenue increased by $2 million primarily due to merchandise revenue generated from successful U.S. artists. Physical revenue decreased by $9 million primarily due to the continued shift from physical revenue to digital revenue. Licensing revenue remained flat at $63 million.

Music Publishing revenues increased by $18 million, or 14%, to $145 million for the three months ended March 31, 2017 from $127 million for the three months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, Music Publishing revenue increased by $20 million, or 16%. U.S. Music Publishing revenues were $76 million and $64 million, or 52% and 50% of Music Publishing revenues for the three months ended March 31, 2017 and March 31, 2016, respectively. International Music Publishing revenues were $69 million and $63 million, or 48% and 50%, of Music Publishing revenues for the three months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Music Publishing revenue was mainly driven by increases in digital revenue of $10 million, performance revenue of $6 million and synchronization revenue of $2 million. The increase in digital revenue was due to an increase in streaming revenue of $8 million and digital download and other of $2 million. Performance revenue increased due to increased public broadcast distributions and timing of local collection society distributions. Synchronization revenue increased due to increased film and commercial income.

Revenue by Geographical Location

U.S. revenue increased by $59 million, or 18%, to $381 million for the three months ended March 31, 2017 from $322 million for the three months ended March 31, 2016. U.S. Recorded Music revenue increased by $47 million, or 18%. The primary driver was the increase in U.S. Recorded Music digital revenue, which increased by $37 million due to the release of Ed Sheeran's album "÷", the continued successes of Bruno Mars, Twenty One Pilots and the Hamilton soundtrack and the continued growth in streaming services. U.S. Recorded Music artist services and expanded-rights revenue increased by $13 million primarily due to merchandise revenue generated from successful U.S. artists. These increases were partially offset by a decline in U.S. physical revenue due to the shift from physical revenue to digital revenue. U.S. Music Publishing revenue increased by $12 million, or 19%, to $76 million for the three months ended March 31, 2017 from $64 million for the three months ended March 31, 2016. This was primarily driven by the increase in U.S. Music Publishing digital revenue of $8 million due to increases in streaming services of $6 million and digital download and other of $2 million.

International revenue increased by $24 million, or 6%, to $450 million for the three months ended March 31, 2017 from $426 million for the three months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, International revenue increased by $37 million or 9%. International Recorded Music revenue increased $18 million primarily due to increases in digital revenue of $35 million, partially offset by decreases in artist services and expanded rights revenue of $11 million, licensing revenue of $4 million and physical revenue of $2 million. International Recorded Music digital revenue increased due to a $37 million increase in streaming revenue, partially offset by a $2 million decline in digital download and other revenue. The increase in International Recorded Music streaming revenue was due to the release of Ed Sheeran's album "÷", the continued success from Bruno Mars, Charlie Puth and Ed Sheeran's album "x" and the continued adoption of streaming models internationally. International artist services and expanded rights revenue decreased due to the success of the Johnny Hallyday tour in France and Superfly tour in Japan in the prior year with no comparative tours in the current year. International Recorded Music licensing revenue and physical revenue decreased due to the unfavorable impact of foreign currency exchange rates of $2 million and $3 million, respectively. International Music Publishing revenue increased by $6 million, or 10%, to $69 million for the three months ended March 31, 2017 from $63 million for the three months ended March 31, 2016. This was primarily driven by the increase in International Music Publishing performance revenue of $5 million due to increased public broadcast distributions and timing of local collection society distributions.

Cost of revenues

Our cost of revenues was composed of the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Artist and repertoire costs	$ 292	$ 245	$ 47	19%
Product costs	123	129	(6)	-5%
Total cost of revenues	**$ 415**	**$ 374**	**$ 41**	**11%**

Total cost of revenues increased by $41 million to $415 million for the three months ended March 31, 2017 from $374 million for the three months ended March 31, 2016. Expressed as a percentage of revenues, cost of revenues remained flat at 50% for the three months ended March 31, 2017 and March 31, 2016.

Artist and repertoire costs increased by $47 million, to $292 million for the three months ended March 31, 2017 from $245 million for the three months ended March 31, 2016. Artist and repertoire costs as a percentage of revenue increased to 35% for the three months ended March 31, 2017 from 33% for the three months ended March 31, 2016. The increase was due to the mix in revenue, specifically strong performance from lower margin repertoire and higher artist related costs.

Product costs decreased by $6 million, to $123 million for the three months ended March 31, 2017 from $129 million for the three months ended March 31, 2016. Product costs as a percentage of revenue decreased to 15% for the three months ended March 31, 2017 from 17% for the three months ended March 31, 2016. The decrease was primarily driven by the decline in concert promotion revenue, which has higher costs and yields lower margins.

Selling, general and administrative expenses

Our selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
General and administrative expense (1)	$ 154	$ 144	$ 10	7%
Selling and marketing expense	113	100	13	13%
Distribution expense	15	12	3	25%
Total selling, general and administrative expense	**$ 282**	**$ 256**	**$ 26**	**10%**

(1) Includes depreciation expense of $13 million and $12 million for the three months ended March 31, 2017 and March 31, 2016, respectively.

Total selling, general and administrative expense increased by $26 million, or 10%, to $282 million for the three months ended March 31, 2017 from $256 million for the three months ended March 31, 2016. Expressed as a percentage of revenue, selling, general and administrative expense remained flat at 34% for the three months ended March 31, 2017 and March 31, 2016.

General and administrative expense increased by $10 million, or 7%, to $154 million for the three months ended March 31, 2017 from $144 million for the three months ended March 31, 2016. The increase in general and administrative expense was due to an increase in variable compensation expense of $15 million associated with improved operating performance, partially offset by a decrease in PLG Acquisition related costs compared to a loss on divestiture in the prior year. Expressed as a percentage of revenue, general and administrative expense remained flat at 19% for the three months ended March 31, 2017 and March 31, 2016.

Selling and marketing expense increased by $13 million, or 13%, to $113 million for the three months ended March 31, 2017 from $100 million for the three months ended March 31, 2016. The increase in selling and marketing expense was primarily due to increased variable marketing expense on higher revenue in the quarter. Expressed as a percentage of revenue, selling and marketing expense increased to 14% for the three months ended March 31, 2017 from 13% for the three months ended March 31, 2016.

Distribution expense increased by $3 million, or 25%, to $15 million for the three months ended March 31, 2017 from $12 million for the three months ended March 31, 2016. Expressed as a percentage of revenue, distribution expense remained flat at 2% for the three months ended March 31, 2017 and March 31, 2016.

Reconciliation of Net Income Attributable to Warner Music Group Corp. and Operating Income to Consolidated OIBDA

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles operating income to OIBDA, and further provides the components from net income attributable to Warner Music Group Corp. to operating income for purposes of the discussion that follows (in millions):

	For the Three Months Ended March 31,		*2017 vs. 2016*	
	2017	2016	$ Change	% Change
Net income attributable to Warner Music Group Corp.	**$ 19**	**$ 11**	**$ 8**	**73%**
Income attributable to noncontrolling interest	1	1	—	—%
Net income	**20**	**12**	**8**	**67%**
Income tax expense	3	15	(12)	-80%
Income including income taxes	**23**	**27**	**(4)**	**-15%**
Other expense (income), net	19	(22)	41	—%
Interest expense, net	36	43	(7)	-16%
Loss on extinguishment of debt	—	4	(4)	-100%
Operating income	**78**	**52**	**26**	**50%**
Amortization expense	50	63	(13)	-21%
Depreciation expense	13	12	1	8%
OIBDA	**$ 141**	**$ 127**	**$ 14**	**11%**

OIBDA

OIBDA increased by $14 million, or 11%, to $141 million for the three months ended March 31, 2017 as compared to $127 million for the three months ended March 31, 2016 as a result of higher Recorded Music and Music Publishing revenues. Expressed as a percentage of total revenue, OIBDA remained flat at 17% for the three months ended March 31, 2017 and March 31, 2016.

Depreciation expense

Our depreciation expense increased by $1 million, or 8%, to $13 million for the three months ended March 31, 2017 from $12 million for the three months ended March 31, 2016.

Amortization expense

Our amortization expense decreased by $13 million, or 21%, to $50 million for the three months ended March 31, 2017 from $63 million for the three months ended March 31, 2016, primarily due to intangible assets becoming fully amortized and the impact of foreign currency exchange rates.

Operating income

Our operating income increased by $26 million to $78 million for the three months ended March 31, 2017 from $52 million for the three months ended March 31, 2016. The increase in operating income was due to the factors that led to the increase in OIBDA and lower amortization expense, as noted above.

Loss on extinguishment of debt

We recorded a loss on extinguishment of debt in the amount of $4 million for the three months ended March 31, 2016. There was no such activity or comparable charges in the three months ended March 31, 2017.

Interest expense, net

Our interest expense, net, decreased by $7 million, or 16%, to $36 million for the three months ended March 31, 2017 from $43 million for the three months ended March 31, 2016 due to the reduction in our debt and lower interest rates as a result of the October 2016 Refinancing Transactions and our debt redemptions and debt prepayments in the fiscal year ended September 30, 2016.

Other expense (income), net

Other expense for the quarter includes foreign currency losses on our Euro denominated debt and derivative assets of $14 million, as well as a $7 million loss on investments, compared to other income in the prior quarter due to a gain on the sale of real estate and foreign currency movements.

Income tax expense

Our income tax expense decreased by $12 million to a tax expense of $3 million for the three months ended March 31, 2017 compared to $15 million of income tax expense for the three months ended March 31, 2016. The change of $12 million in income tax expense primarily relates to a U.S. tax benefit of $9 million for a realized foreign currency loss on an intra-entity loan. As a reliable estimate of the annual effective tax rate could not be made, our income tax expense for the three months ended March 31, 2016 was calculated based on a discrete tax rate.

Net Income

Net income increased by $8 million to $20 million for the three months ended March 31, 2017 from $12 million for the three months ended March 31, 2016 as a result of the factors described above.

Noncontrolling interest

Income attributable to noncontrolling interest was $1 million for both the three months ended March 31, 2017 and the three months ended March 31, 2016.

Business Segment Results

Revenue, operating income (loss) and OIBDA by business segment were as follows (in millions):

	For the Three Months Ended March 31,		*2017 vs. 2016*	
	2017	**2016**	**$ Change**	**% Change**
Recorded Music				
Revenue	$ 686	$ 621	$ 65	10%
Operating income	69	38	31	82%
OIBDA	112	93	19	20%
Music Publishing				
Revenue	145	127	18	14%
Operating income	41	37	4	11%
OIBDA	58	54	4	7%
Corporate expenses and eliminations				
Revenue elimination	(6)	(3)	(3)	100%
Operating loss	(32)	(23)	(9)	39%
OIBDA loss	(29)	(20)	(9)	45%
Total				
Revenue	825	745	80	11%
Operating income	78	52	26	50%
OIBDA	141	127	14	11%

Recorded Music

Revenues

Recorded Music revenue increased by $65 million, or 10%, to $686 million for the three months ended March 31, 2017 from $621 million for the three months ended March 31, 2016. U.S. Recorded Music revenues were $305 million and $258 million, or 44% and 42%, of consolidated Recorded Music revenues for the three months ended March 31, 2017 and March 31, 2016, respectively. International Recorded Music revenues were $381 million and $363 million, or 56% and 58% of consolidated Recorded Music revenues for the three months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Recorded Music revenue was mainly driven by strong releases and streaming revenue growth as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Recorded Music cost of revenues was composed of the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Artist and repertoire costs	$ 227	$ 193	$ 34	18%
Product costs	123	129	(6)	-5%
Total cost of revenues	**$ 350**	**$ 322**	**$ 28**	**9%**

Recorded Music cost of revenues increased by $28 million, or 9%, to $350 million for the three months ended March 31, 2017 from $322 million for the three months ended March 31, 2016. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs increased to 33% for the three months ended March 31, 2017 from 31% for the three months ended March 31, 2016. The increase in artist and repertoire costs was primarily due to higher royalty expense associated with higher revenues and the shift in repertoire mix towards lower margin deals and increased artist related costs. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs decreased to 18% for the three months ended March 31, 2017 from 21% for the three months ended March 31, 2016. The decrease in product costs was primarily driven by lower costs associated with artist services and expanded-rights revenue, specifically the decline in concert promotion revenue, which tends to have higher costs and yield lower margins.

Selling, general and administrative expense

Recorded Music selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
General and administrative expense (1)	$ 107	$ 104	$ 3	3%
Selling and marketing expense	111	98	13	13%
Distribution expense	15	12	3	25%
Total selling, general and administrative expense	**$ 233**	**$ 214**	**$ 19**	**9%**

(1) Includes depreciation expense of $9 million and $8 million for the three months ended March 31, 2017 and March 31, 2016, respectively.

Recorded Music selling, general and administrative expense increased by $19 million, or 9%, to $233 million for the three months ended March 31, 2017 from $214 million for the three months ended March 31, 2016. The increase in Recorded Music general and administrative expense was primarily due to an increase in variable compensation expense of $9 million associated with improved operating performance, partially offset by a decrease in PLG Acquisition related costs and a loss on divestiture of $3 million in the prior year. The increase in selling and marketing expense was primarily due to the increase in variable marketing expense and was in line with the increase in revenue. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 34% for the three months ended March 31, 2017 from 35% for the three months ended March 31, 2016.

Operating income and OIBDA

Recorded Music OIBDA included the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Operating Income	$ 69	$ 38	$ 31	82%
Depreciation and amortization	43	55	(12)	-22%
OIBDA	**$ 112**	**$ 93**	**$ 19**	**20%**

Recorded Music OIBDA increased by $19 million, or 20%, to $112 million for the three months ended March 31, 2017 from $93 million for the three months ended March 31, 2016 as a result of higher Recorded Music revenues. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA increased to 16% for the three months ended March 31, 2017 from 15% for the three months ended March 31, 2016.

Recorded Music operating income increased by $31 million to $69 million for the three months ended March 31, 2017 from $38 million for the three months ended March 31, 2016 due to the factors that led to the increase in Recorded Music OIBDA noted above and a decrease in depreciation and amortization expense due to intangible assets becoming fully amortized.

Music Publishing

Revenues

Music Publishing revenues increased by $18 million, or 14%, to $145 million for the three months ended March 31, 2017 from $127 million for the three months ended March 31, 2016. U.S. Music Publishing revenues were $76 million and $64 million, or 52% and 50%, of Music Publishing revenues for the three months ended March 31, 2017 and March 31, 2016, respectively. International Music Publishing revenues were $69 million and $63 million, or 48% and 50%, of Music Publishing revenues for the three months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Music Publishing revenue was mainly driven by the increase in digital revenue and performance revenue as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Music Publishing cost of revenues were composed of the following amounts (in millions):

	For the Three Months Ended March 31,		*2017 vs. 2016*	
	2017	**2016**	**$ Change**	**% Change**
Artist and repertoire costs	$ 71	$ 55	$ 16	29%
Total cost of revenues	**$ 71**	**$ 55**	**$ 16**	**29%**

Music Publishing cost of revenues increased by $16 million, or 29%, to $71 million for the three months ended March 31, 2017 from $55 million for the three months ended March 31, 2016. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues increased to 49% for the three months ended March 31, 2017 from 43% for the three months ended March 31, 2016, primarily due to a shift in revenue mix to lower margin deals.

Selling, general and administrative expense

Music Publishing selling, general and administrative expenses were comprised of the following amounts (in millions):

	For the Three Months Ended March 31,		*2017 vs. 2016*	
	2017	**2016**	**$ Change**	**% Change**
General and administrative expense (1)	$ 16	$ 18	$ (2)	-11%
Selling and marketing expense	1	1	—	—%
Total selling, general and administrative expense	**$ 17**	**$ 19**	**$ (2)**	**-11%**

(1) Includes depreciation expense of $1 million for both the three months ended March 31, 2017 and March 31, 2016.

Music Publishing selling, general and administrative expense decreased by $2 million, or 11%, to $17 million for the three months ended March 31, 2017 from $19 million for the three months ended March 31, 2016. General and administrative expense for the three months ended March 31, 2017 decreased due to severance charges and legal costs taken in the prior year. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense decreased to 12% for the three months ended March 31, 2017 from 15% for the three months ended March 31, 2016.

Operating income and OIBDA

Music Publishing OIBDA included the following amounts (in millions):

	For the Three Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Operating income	$ 41	$ 37	$ 4	-11%
Depreciation and amortization	17	17	—	—%
OIBDA	**$ 58**	**$ 54**	**$ 4**	**-7%**

Music Publishing OIBDA increased by $4 million to $58 million for the three months ended March 31, 2017 from $54 million for the three months ended March 31, 2016 as a result of higher Music Publishing revenue and lower general and administrative expense, offset by higher artist and repertoire costs, as noted above. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA decreased to 40% for the three months ended March 31, 2017 from 43% for the three months ended March 31, 2016.

Music Publishing operating income increased by $4 million to $41 million for the three months ended March 31, 2017 from $37 million for the three months ended March 31, 2016 due to the factors that led to the increase in Music Publishing OIBDA noted above.

Corporate Expenses and Eliminations

Our operating loss from corporate expenses and eliminations increased by $9 million to $32 million for the three months ended March 31, 2017 from $23 million for the three months ended March 31, 2016 due to an increase in variable compensation expense of $6 million associated with improved operating performance and costs associated with our U.S. shared services relocations and other transformation initiatives totaling $3 million.

Our OIBDA loss from corporate expenses and eliminations increased by $9 million to $29 million for the three months ended March 31, 2017 from $20 million for the three months ended March 31, 2016 due to the factors that led to the increase in operating loss noted above.

RESULTS OF OPERATIONS

Six Months Ended March 31, 2017 Compared with Six Months Ended March 31, 2016

Consolidated Results

Revenues

Our revenues were composed of the following amounts (in millions):

	For the Six Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Revenue by Type				
Digital	$ 802	$ 650	$ 152	23%
Physical	369	399	(30)	-8%
Total Digital and Physical	1,171	1,049	122	12%
Artist services and expanded-rights	171	162	9	6%
Licensing	141	147	(6)	-4%
Total Recorded Music	**1,483**	**1,358**	**125**	**9%**
Performance	87	87	—	—%
Digital	86	60	26	43%
Mechanical	33	37	(4)	-11%
Synchronization	58	55	3	6%
Other	5	4	1	25%
Total Music Publishing	**269**	**243**	**26**	**11%**
Intersegment eliminations	(10)	(7)	(3)	43%
Total Revenue	**$ 1,742**	**$ 1,594**	**$ 148**	**9%**
Revenue by Geographical Location				
U.S. Recorded Music	$ 650	$ 551	$ 99	18%
U.S. Music Publishing	127	107	20	19%
Total U.S.	**777**	**658**	**119**	**18%**
International Recorded Music	833	807	26	3%
International Music Publishing	142	136	6	4%
Total International	**975**	**943**	**32**	**3%**
Intersegment eliminations	(10)	(7)	(3)	43%
Total Revenue	**$ 1,742**	**$ 1,594**	**$ 148**	**9%**

Total Revenue

Total revenue increased by $148 million, or 9%, to $1,742 million for the six months ended March 31, 2017 from $1,594 million for the six months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, total revenue increased by $181 million, or 12%. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 85% and 15% of total revenue for both the six months ended March 31, 2017 and March 31, 2016. Prior to intersegment eliminations, U.S. and international revenues represented 44% and 56% of total revenue for the six months ended March 31, 2017 and 41% and 59% of total revenue for the six months ended March 31, 2016, respectively.

Total digital revenue after intersegment eliminations increased by $175 million, or 25%, to $883 million for the six months ended March 31, 2017 from $708 million for the six months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, total digital revenue after intersegment eliminations increased by $186 million, or 27%. Total digital revenue represented 51% and 44% of consolidated revenue for the six months ended March 31, 2017 and March 31, 2016, respectively. Prior to intersegment eliminations, total digital revenue for the six months ended March 31, 2017 was comprised of U.S. revenue of $490 million and international revenue of $398 million, or 55% and 45% of total digital revenue, respectively. Prior to intersegment eliminations, total digital revenue for the six months ended March 31, 2016 was comprised of U.S. revenue of $376 million and international revenue of $334 million, or 53% and 47% of total digital revenue, respectively.

Recorded Music revenue increased by $125 million, or 9%, to $1,483 million for the six months ended March 31, 2017 from $1,358 million for the six months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, Recorded Music revenue increased by $152 million, or 11%. U.S. Recorded Music revenues were $650 million and $551 million, or 44% and 41%, of consolidated Recorded Music revenues for the six months ended March 31, 2017 and March 31, 2016, respectively. International Recorded Music revenues were $833 million and $807 million, or 56% and 59%, of consolidated Recorded Music revenues for the six months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Recorded Music revenue was mainly driven by increases in digital revenue and artist services and expanded rights revenue, partially offset by decreases in physical revenue and licensing revenue. Digital revenue increased by $152 million as a result of strong new releases from Ed Sheeran and Bruno Mars, the continued success from Twenty One Pilots, the Hamilton soundtrack and Ed Sheeran's album "x" and the continued growth in streaming services. Revenue from streaming services grew by $192 million to $611 million for the six months ended March 31, 2017 from $419 million for the six months ended March 31, 2016 and was partially offset by digital download and other declines of $40 million to $191 million for the six months ended March 31, 2017 from $231 million for the six months ended March 31, 2016. Artist services and expanded-rights revenue increased by $9 million primarily due to merchandise revenue generated from successful U.S. artists. Physical revenue decreased by $30 million primarily due to the shift from physical revenue to digital revenue. Licensing revenue decreased by $6 million due to the unfavorable impact of foreign currency exchange rates of $6 million.

Music Publishing revenues increased by $26 million, or 11%, to $269 million for the six months ended March 31, 2017 from $243 million for the six months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, Music Publishing revenue increased by $32 million, or 14%. U.S. Music Publishing revenues were $127 million and $107 million, or 47% and 44% of Music Publishing revenues for the six months ended March 31, 2017 and March 31, 2016, respectively. International Music Publishing revenues were $142 million and $136 million, or 53% and 56%, of Music Publishing revenues for the six months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Music Publishing revenue was mainly driven by increases in digital revenue of $26 million and synchronization revenue of $3 million, partially offset by a decrease in mechanical revenue of $4 million. The increase in digital revenue was due to an increase in streaming revenue of $26 million. The increase in synchronization revenue was due to increased activity. The decrease in mechanical revenue was attributable to an ongoing industry shift towards digital product.

Revenue by Geographical Location

U.S. revenue increased by $119 million, or 18%, to $777 million for the six months ended March 31, 2017 from $658 million for the six months ended March 31, 2016. U.S. Recorded Music revenue increased by $99 million, or 18%. The primary driver was the increase in U.S. Recorded Music digital revenue, which increased by $96 million due to strong new releases from Bruno Mars and Ed Sheeran, the continued successes of Twenty One Pilots and the Hamilton soundtrack and the continued growth in streaming services. U.S. Recorded Music artist services and expanded-rights revenue increased by $20 million primarily due to merchandise revenue generated from successful U.S. artists. These increases were partially offset by a decline in U.S. physical revenue of $14 million due to the shift from physical revenue to digital revenue and strong physically-centric releases in the six months ended March 31, 2016. U.S. Music Publishing revenue increased by $20 million, or 19%, to $127 million for the six months ended March 31, 2017 from $107 million for the six months ended March 31, 2016. This was primarily driven by the increase in U.S. Music Publishing digital revenue of $18 million due to increases in streaming services of $17 million.

International revenue increased by $32 million, or 3%, to $975 million for the six months ended March 31, 2017 from $943 million for the six months ended March 31, 2016. Excluding the unfavorable impact of foreign currency exchange rates, International revenue increased by $65 million or 7%. International Recorded Music revenue increased $26 million primarily due an increase in digital revenue of $56 million, partially offset by decreases in physical revenue of $16 million and artist services and expanded-rights revenue of $11 million. International Recorded Music digital revenue increased due to a $67 million increase in streaming revenue, partially offset by an $11 million decline in digital download and other revenue. The increase in International Recorded Music streaming revenue was due to the continued adoption of streaming models internationally, new releases from Ed Sheeran and Bruno Mars and the continued success from Twenty One Pilots and Charlie Puth. International physical revenue decreased due to the unfavorable impact of foreign currency exchange rates of $9 million, the continued shift from physical revenue to digital revenue and fewer domestic releases in certain territories. International artist services and expanded-rights revenue decreased due to strong concert promotion revenue in France and Japan as result of the Johnny Hallyday and Superfly tour in the prior year period with no comparative tours in the current year period, partially offset by successful tours in Italy. International Music Publishing revenue increased $6 million primarily due to increase in digital revenue of $8 million, partially offset by a decrease in mechanical revenue of $3 million.

Cost of revenues

Our cost of revenues was composed of the following amounts (in millions):

	For the Six Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Artist and repertoire costs	$ 615	$ 545	$ 70	13%
Product costs	296	278	18	7%
Total cost of revenues	**$ 911**	**$ 823**	**$ 88**	**11%**

Total cost of revenues increased by $88 million to $911 million for the six months ended March 31, 2017 from $823 million for the six months ended March 31, 2016. Expressed as a percentage of revenues, cost of revenues remained flat at 52% for both the six months ended March 31, 2017 and the six months ended March 31, 2016.

Artist and repertoire costs increased by $70 million, to $615 million for the six months ended March 31, 2017 from $545 million for the six months ended March 31, 2016. Artist and repertoire costs as a percentage of revenue increased to 35% for the six months ended March 31, 2017 from 34% for the six months ended March 31, 2016 due to the mix of revenue, specifically strong performance from lower margin repertoire and higher artist related costs.

Product costs increased by $18 million, to $296 million for the six months ended March 31, 2017 from $278 million for the six months ended March 31, 2016. Product costs as a percentage of revenue remained flat at 17% for both the six months ended March 31, 2017 and the six months ended March 31, 2016.

Selling, general and administrative expenses

	For the Six Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
General and administrative expense (1)	$ 302	$ 289	$ 13	5%
Selling and marketing expense	224	213	11	5%
Distribution expense	32	30	2	7%
Total selling, general and administrative expense	**$ 558**	**$ 532**	**$ 26**	**5%**

(1) Includes depreciation expense of $25 million for both the six months ended March 31, 2017 and March 31, 2016.

Total selling, general and administrative expense increased by $26 million to $558 million for the six months ended March 31, 2017 from $532 million for the six months ended March 31, 2016. Expressed as a percentage of revenue, selling, general and administrative expense decreased to 32% for the six months ended March 31, 2017 from 33% for the six months ended March 31, 2016.

General and administrative expense increased by $13 million, or 5%, to $302 million for the six months ended March 31, 2017 from $289 million for the six months ended March 31, 2016. The increase in general and administrative expense was due to an increase in variable compensation expense of $28 million associated with improved operating performance, partially offset by a decline in PLG related costs compared to a loss on divestiture and costs related to the Happy Birthday settlement in the prior year. Expressed as a percentage of revenue, general and administrative expense decreased to 17% for the six months ended March 31, 2017 from 18% for the six months ended March 31, 2016.

Selling and marketing expense increased by $11 million, or 5%, to $224 million for the six months ended March 31, 2017 from $213 million for the six months ended March 31, 2016. The increase in selling and marketing expense was primarily due to increased variable marketing expense on higher revenue. Expressed as a percentage of revenue, selling and marketing expense remained flat at 13% for both the six months ended March 31, 2017 and the six months ended March 31, 2016.

Distribution expense increased by $2 million, or 7%, to $32 million for the six months ended March 31, 2017 from $30 million for the six months ended March 31, 2017. Expressed as a percentage of revenue, distribution expense remained flat at 2% for the six months ended March 31, 2017 and March 31, 2016.

Reconciliation of Net Income Attributable to Warner Music Group Corp. and Operating Income to Consolidated OIBDA

As previously described, we use OIBDA as our primary measure of financial performance. The following table reconciles operating income to OIBDA, and further provides the components from net income attributable to Warner Music Group Corp. to operating income for purposes of the discussion that follows (in millions):

	For the Six Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Net income attributable to Warner Music Group Corp.	**$ 41**	**$ 38**	**$ 3**	**8%**
Income attributable to noncontrolling interest	3	2	1	50%
Net income	**44**	**40**	**4**	**10%**
Income tax expense	20	12	8	67%
Income including income taxes	**64**	**52**	**12**	**23%**
Other income, net	—	(30)	30	-100%
Interest expense, net	76	88	(12)	-14%
Loss on extinguishment of debt	32	4	28	—%
Operating income	**172**	**114**	**58**	**51%**
Amortization expense	101	125	(24)	-19%
Depreciation expense	25	25	—	—%
OIBDA	**$ 298**	**$ 264**	**$ 34**	**13%**

OIBDA

OIBDA increased by $34 million, or 13%, to $298 million for the six months ended March 31, 2017 as compared to $264 million for the six months ended March 31, 2016 as a result of higher Recorded Music and Music Publishing revenues. Expressed as a percentage of total revenue, OIBDA remained flat at 17% for the six months ended March 31, 2017 and March 31, 2016.

Depreciation expense

Our depreciation expense remained flat at $25 million for both the six months ended March 31, 2017 and the six months ended March 31, 2016.

Amortization expense

Our amortization expense decreased by $24 million, or 19%, to $101 million for the six months ended March 31, 2017 from $125 million for the six months ended March 31, 2016, primarily due to intangible assets becoming fully amortized and the impact of foreign currency exchange rates.

Operating income

Our operating income increased by $58 million to $172 million for the six months ended March 31, 2017 from $114 million for the six months ended March 31, 2016. The increase in operating income was due to the factors that led to the increase in OIBDA and lower amortization expense, as noted above.

Loss on extinguishment of debt

We recorded a loss on extinguishment of debt in the amount of $32 million for the six months ended March 31, 2017 as compared to a loss on extinguishment of debt of $4 million for the six months ended March 31, 2016. The loss for the six months ended March 31, 2017 represents the premium paid on early redemption and unamortized deferred financing costs. See Note 5 of our Consolidated Financial Statements for further discussion.

Interest expense, net

Our interest expense, net, decreased by $12 million, or 14%, to $76 million for the six months ended March 31, 2017 from $88 million for the six months ended March 31, 2016 due to the reduction in our debt and lower interest rates as a result of the October 2016 Refinancing Transactions and refinancing transactions that occurred in the fiscal year ended September 30, 2016.

Other income, net

Other income for the year includes a gain on our Euro denominated debt and derivative assets of $18 million, offset by currency exchange losses of $13 million on our intercompany loans and a $7 million loss on investments, compared to other income in the prior year due to a gain on the sale of real estate and foreign currency movements.

Income tax expense

Our income tax expense increased by $8 million to $20 million for the six months ended March 31, 2017 from $12 million for the six months ended March 31, 2016. The change of $8 million in the income tax expense primarily relates to an increase to current year pretax income, a prior year deferred tax benefit of $10 million related to statutory rate changes in foreign jurisdictions, offset by a current year U.S. tax benefit of $9 million for a realized foreign currency loss on an intra-entity loan. As a reliable estimate of the annual effective tax rate could not be made, our income tax expense for the six months ended March 31, 2016 was calculated based on a discrete tax rate.

In addition, we continue to maintain a valuation allowance on U.S. tax attributes due to significant negative evidence, including cumulative U.S. losses in the most recent three-year period.

In recent years, there have been several favorable developments, including positive earnings related to recent growth in music market and completion of the debt refinance transactions that have reduced interest expense. As a result of these favorable developments, our projections indicate that the continuance of recent positive earnings may result in the emergence from cumulative U.S. losses during the second half of the fiscal year ending September 30, 2017. The expectation of emergence from the cumulative three-year loss as well as projections of sufficient future taxable income in the U.S. would represent significant positive evidence. Accordingly, after considering all relevant factors, it is possible that a significant portion of the U.S. valuation allowance could be released during the fiscal year ending September 30, 2017, which would materially and favorably affect net income and shareholders' equity in that period. At September 30, 2016, the valuation allowance for U.S. consolidated income tax group was approximately $241 million related to U.S. net operating losses of $94 million and foreign tax credits of $147 million.

Net Income

Net income increased by $4 million to $44 million for the six months ended March 31, 2017 from $40 million for the six months ended March 31, 2016 as a result of the factors described above.

Noncontrolling interest

Income attributable to noncontrolling interest was $3 million for the six months ended March 31, 2017 and $2 million for the six months ended March 31, 2016.

Business Segment Results

Revenue, operating income and OIBDA by business segment were as follows (in millions):

	For the Six Months Ended March 31,		*2017 vs. 2016*	
	2017	2016	$ Change	% Change
Recorded Music				
Revenue	$ 1,483	$ 1,358	$ 125	9%
Operating income	192	136	56	41%
OIBDA	277	245	32	13%
Music Publishing				
Revenue	269	243	26	11%
Operating income	39	24	15	63%
OIBDA	74	59	15	25%
Corporate expenses and eliminations				
Revenue elimination	(10)	(7)	(3)	43%
Operating loss	(59)	(46)	(13)	28%
OIBDA loss	(53)	(40)	(13)	33%
Total				
Revenue	1,742	1,594	148	9%
Operating income	172	114	58	51%
OIBDA	298	264	34	13%

Recorded Music

Revenues

Recorded Music revenue increased by $125 million, or 9%, to $1,483 million for the six months ended March 31, 2017 from $1,358 million for the six months ended March 31, 2016. U.S. Recorded Music revenues were $650 million and $551 million, or 44% and 41%, of consolidated Recorded Music revenues for the six months ended March 31, 2017 and March 31, 2016, respectively. International Recorded Music revenues were $833 million and $807 million, or 56% and 59% of consolidated Recorded Music revenues for the six months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Recorded Music revenue was mainly driven by strong releases and streaming revenue growth as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

Cost of revenues

Recorded Music cost of revenues was composed of the following amounts (in millions):

	For the Six Months Ended March 31,		*2017 vs. 2016*	
	2017	2016	$ Change	% Change
Artist and repertoire costs	$ 461	$ 408	$ 53	13%
Product costs	296	278	18	7%
Total cost of revenues	**$ 757**	**$ 686**	**$ 71**	**10%**

Recorded Music cost of revenues increased by $71 million, or 10%, to $757 million for the six months ended March 31, 2017 from $686 million for the six months ended March 31, 2016. Artist and repertoire costs as a percentage of revenue increased to 31% for the six months ended March 31, 2017 from 30% for the six months ended March 31, 2016 due to revenue mix, specifically strong performance from lower margin repertoire and higher artist related costs. Product costs as a percentage of revenue decreased to 20% for the six months ended March 31, 2017 from 21% for the six months ended March 31, 2016 due to the decline in concert promotion revenue, which tends to have higher costs and yield lower margins. Expressed as a percentage of Recorded Music revenue, Recorded Music cost of revenues remained flat at 51% for both the six months ended March 31, 2017 and the six months ended March 31, 2016.

Selling, general and administrative expense

Recorded Music selling, general and administrative expenses were composed of the following amounts (in millions):

	For the Six Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
General and administrative expense (1)	$ 213	$ 203	$ 10	5%
Selling and marketing expense	220	210	10	5%
Distribution expense	32	30	2	7%
Total selling, general and administrative expense	**$ 465**	**$ 443**	**$ 22**	**5%**

(1) Includes depreciation expense of $16 million for both the six months ended March 31, 2017 and March 31, 2016.

Recorded Music selling, general and administrative expense increased by $22 million, or 5%, to $465 million for the six months ended March 31, 2017 from $443 million for the six months ended March 31, 2016. The increase in Recorded Music selling, general and administrative expense was primarily due to an increase in variable compensation expense of $17 million associated with improved operating performance and an increase in variable marketing expense, partially offset by a decrease in PLG related costs and $3 million loss on divestiture of business in the prior year period. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 31% for the six months ended March 31, 2017 from 33% for the six months ended March 31, 2016.

Operating income and OIBDA

Recorded Music OIBDA included the following amounts (in millions):

	For the Six Months Ended March 31,		2017 vs. 2016	
	2017	2016	$ Change	% Change
Operating Income	$ 192	$ 136	$ 56	41%
Depreciation and amortization	85	109	(24)	-22%
OIBDA	**$ 277**	**$ 245**	**$ 32**	**13%**

Recorded Music OIBDA increased by $32 million, or 13%, to $277 million for the six months ended March 31, 2017 from $245 million for the six months ended March 31, 2016 as a result of higher Recorded Music revenues, partially offset by increased selling, general and administrative expenses. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA increased to 19% for the six months ended March 31, 2017 from 18% for the six months ended March 31, 2016.

Recorded Music operating income increased by $56 million to $192 million for the six months ended March 31, 2017 from $136 million for the six months ended March 31, 2016 due to the factors that led to the increase in Recorded Music OIBDA noted above and a decrease in amortization expense due to intangible assets becoming fully amortized.

Music Publishing

Revenues

Music Publishing revenues increased by $26 million, or 11%, to $269 million for the six months ended March 31, 2017 from $243 million for the six months ended March 31, 2016. U.S. Music Publishing revenues were $127 million and $107 million, or 47% and 44%, of Music Publishing revenues for the six months ended March 31, 2017 and March 31, 2016, respectively. International Music Publishing revenues were $142 million and $136 million, or 53% and 56%, of Music Publishing revenues for the six months ended March 31, 2017 and March 31, 2016, respectively.

The overall increase in Music Publishing revenue was mainly driven by the increase in digital revenue as described in the “Total Revenues” and “Revenue by Geographical Location” sections above.

Cost of revenues

Music Publishing cost of revenues were composed of the following amounts (in millions):

	For the Six Months Ended March 31,		*2017 vs. 2016*	
	2017	**2016**	**$ Change**	**% Change**
Artist and repertoire costs	$ 164	$ 144	$ 20	14%
Total cost of revenues	**$ 164**	**$ 144**	**$ 20**	**14%**

Music Publishing cost of revenues increased by $20 million, or 14%, to $164 million for the six months ended March 31, 2017 from $144 million for the six months ended March 31, 2016. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues increased to 61% for the three months ended March 31, 2017 from 59% for the three months ended March 31, 2016, primarily due to a shift in revenue mix.

Selling, general and administrative expense

Music Publishing selling, general and administrative expenses were comprised of the following amounts (in millions):

	For the Six Months Ended March 31,		*2017 vs. 2016*	
	2017	**2016**	**$ Change**	**% Change**
General and administrative expense (1)	$ 33	$ 42	$ (9)	-21%
Selling and marketing expense	1	1	—	—%
Total selling, general and administrative expense	**$ 34**	**$ 43**	**$ (9)**	**-21%**

(1) Includes depreciation expense of $3 million for both the six months ended March 31, 2017 and March 31, 2016.

Music Publishing selling, general and administrative expense decreased by $9 million, or 21%, to $34 million for the six months ended March 31, 2017 from $43 million for the six months ended March 31, 2016. General and administrative expense for the six months ended March 31, 2017 decreased due to costs related to the Happy Birthday settlement and severance charges taken in the prior year. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense decreased to 13% for the six months ended March 31, 2017 from 18% for the six months ended March 31, 2016.

Operating income and OIBDA

Music Publishing OIBDA included the following amounts (in millions):

	For the Six Months Ended March 31,		*2017 vs. 2016*	
	2017	**2016**	**$ Change**	**% Change**
Operating income	$ 39	$ 24	$ 15	63%
Depreciation and amortization	35	35	—	—%
OIBDA	**$ 74**	**$ 59**	**$ 15**	**25%**

Music Publishing OIBDA increased by $15 million to $74 million for the six months ended March 31, 2017 from $59 million for the six months ended March 31, 2016 as a result of higher Music Publishing revenue and lower general and administrative expense offset by higher artist and repertoire costs, as noted above. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA increased to 28% for the six months ended March 31, 2017 from 24% for the six months ended March 31, 2016.

Music Publishing operating income increased by $15 million to $39 million for the six months ended March 31, 2017 from $24 million for the six months ended March 31, 2016 due to the factors that led to the increase in Music Publishing OIBDA noted above.

Corporate Expenses and Eliminations

Our operating loss from corporate expenses and eliminations increased by $13 million to $59 million for the six months ended March 31, 2017 from $46 million for the six months ended March 31, 2016 due mainly to an increase in variable compensation expense of $10 million associated with improved operating performance and costs associated with our U.S. shared services relocation and other transformation initiatives totaling $3 million.

Our OIBDA loss from corporate expenses and eliminations increased by $13 million to $53 million for the six months ended March 31, 2017 from $40 million for the six months ended March 31, 2016 due to the factors that led to the increase in operating loss noted above.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition at March 31, 2017

At March 31, 2017, we had $2.767 billion of debt (which is net of $34 million of deferred financing costs), $476 million of cash and equivalents (net debt of $2.291 billion, defined as total long-term debt, less cash and equivalents and deferred financing costs) and $170 million of Warner Music Group Corp. equity. This compares to $2.778 billion of debt (which is net of $34 million of deferred financing costs), $359 million of cash and equivalents (net debt of $2.419 billion) and $195 million of Warner Music Group Corp. equity at September 30, 2016.

Cash Flows

The following table summarizes our historical cash flows. The financial data for the six months ended March 31, 2017 and March 31, 2016 are unaudited and are derived from our interim financial statements included elsewhere herein. The cash flow is composed of the following (in millions):

	For the Six Months Ended March 31,	
	2017	2016
Cash provided by (used in):		
Operating Activities	$ 226	$ 172
Investing Activities	(12)	5
Financing Activities	(93)	(100)

Operating Activities

Cash provided by operating activities was $226 million for the six months ended March 31, 2017 as compared with cash provided by operating activities of $172 million for the six months ended March 31, 2016. The primary drivers of the $54 million increase in cash provided by operating activities was an increase in comparative OIBDA of $34 million and the benefit of changes in working capital from operations including the timing of royalty advances and royalty payables and increased non-cash share-based compensation expense of $13 million, offset by the timing of collections.

Investing Activities

Cash used in investing activities was $12 million for the six months ended March 31, 2017 as compared with cash provided by investing activities of $5 million for the six months ended March 31, 2016. The $12 million of cash used in investing activities in the six months ended March 31, 2017 consisted of $6 million of business investments and acquisitions, $6 million to acquire music publishing rights and $18 million of capital expenditures, partially offset by $18 million proceeds from divestitures. The $5 million of cash provided by investing activities for the six months ended March 31, 2016 consisted of $42 million of proceeds from the sale of real estate and $6 million proceeds from divestitures, partially offset by $8 million of business investments and acquisitions, $12 million to acquire music publishing rights, and $23 million of capital expenditures.

Financing Activities

Cash used in financing activities was $93 million for the six months ended March 31, 2017 compared to $100 million for the six months ended March 31, 2016. The $93 million of cash used in financing activities for the six months ended March 31, 2017 consisted of the repayment of Acquisition Corp.'s 6.00% Senior Secured Notes of $450 million, repayment of Acquisition Corp.'s 6.25% Senior Secured Notes of $173 million, repayment of Acquisition Corp.'s 5.625% Senior Secured Notes of $28 million, call premiums paid on early redemption of $27 million, deferred financing costs paid of $12 million, special cash dividends paid of $54 million, and a distribution to our non-controlling interest holders of $1 million, partially offset by proceeds from issuance of Acquisition Corp.'s 4.125% Senior Secured Notes of €345 million, proceeds from issuance of Acquisition Corp.'s 4.875% Senior Secured Notes of $250 million and proceeds from the amendment of Acquisition Corp.'s Senior Term Loan Facility of $22 million. The $100 million of cash used in financing activities for the six months ended March 31, 2016 consisted of the repayment of $50 million of Holdings 13.75% Senior Notes, $3 million of call premiums on early redemptions of debt, open market repurchase of $24 million of Acquisition Corp. 6.75% Senior Notes, $6 million in amortization payments on the Senior Term Loan Facility, $14 million repayment of capital lease obligations and a $3 million distribution to our non-controlling interest holders.

There were no drawdowns on the Revolving Credit Facility during the six months ended March 31, 2017 or the six months ended March 31, 2016.

Liquidity

Our primary sources of liquidity are the cash flows generated from our subsidiaries' operations, available cash and equivalents and funds available for drawing under our Revolving Credit Facility. These sources of liquidity are needed to fund our debt service requirements, 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, we may elect to pay or make in the future. We believe that our existing sources of cash will be sufficient to support our existing operations over the next twelve months.

Existing Debt as of March 31, 2017

As of March 31, 2017, our long-term debt was as follows (in millions):

Revolving Credit Facility—Acquisition Corp. (a)	$	—
Senior Term Loan Facility due 2023—Acquisition Corp. (b)		987
5.625% Senior Secured Notes due 2022—Acquisition Corp. (c)		246
5.00% Senior Secured Notes due 2023—Acquisition Corp. (d)		296
4.125% Senior Secured Notes due 2024— Acquisition Corp. (e)		363
4.875% Senior Secured Notes due 2024— Acquisition Corp. (f)		246
6.75% Senior Notes due 2022—Acquisition Corp. (g)		629
Total debt (h)	$	2,767

(a) Reflects $150 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately $12 million at March 31, 2017. There were no loans outstanding under the Revolving Credit Facility at March 31, 2017.
(b) Principal amount of $1.006 billion less unamortized discount of $7 million and unamortized deferred financing costs of $12 million at March 31, 2017.
(c) Principal amount of $248 million less unamortized deferred financing costs of $2 million at March 31, 2017.
(d) Principal amount of $300 million less unamortized deferred financing costs of $4 million at March 31, 2017.
(e) Face amount of €345 million. Above amounts represent the dollar equivalent of such notes at March 31, 2017. Principal amount of $369 million less unamortized deferred financing costs of $6 million at March 31, 2017
(f) Principal amount of $250 million less unamortized deferred financing costs of $4 million at March 31, 2017.
(g) Principal amount of $635 million less unamortized deferred financing costs of $6 million at March 31, 2017.
(h) Principal amount of debt of $2.808 billion less unamortized discount of $7 million and unamortized deferred financing costs of $34 million at March 31, 2017.

For further discussion of our debt agreements, see "Liquidity" in the "Financial Condition and Liquidity" section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

Covenant Compliance

The Company was in compliance with its covenants under its outstanding notes, Revolving Credit Facility and Senior Term Loan Facility as of March 31, 2017.

Our Revolving Credit Facility contains a springing leverage ratio that is tied to a ratio based on Consolidated EBITDA, which is defined under the Credit Agreement governing the Revolving Credit Facility. Our ability to borrow funds under our Revolving Credit Facility may depend upon our ability to meet the leverage ratio test at the end of a fiscal quarter to the extent we have drawn a certain amount of revolving loans. Consolidated EBITDA differs from the term "EBITDA" as it is commonly used. For example, the definition of Consolidated EBITDA, in addition to adjusting net income to exclude interest expense, income taxes, and depreciation and amortization, also adjusts net income by excluding items or expenses not typically excluded in the calculation of "EBITDA" such as, among other items, (1) the amount of any restructuring charges or reserves; (2) any non-cash charges (including any impairment charges); (3) any net loss resulting from hedging currency exchange risks; (4) the amount of management, monitoring, consulting and advisory fees paid to Access under the Management Agreement (as defined in the Credit Agreement); (5) business optimization expenses (including consolidation initiatives, severance costs and other costs relating to initiatives aimed at profitability improvement); (6) transaction expenses and (7) equity-based compensation expense. It also includes an adjustment for the pro forma impact of certain projected cost-savings and synergies. The indentures governing our notes and our Senior Term Loan Facility use financial measures called "Consolidated EBITDA" or "EBITDA" that have the same definition as Consolidated EBITDA as defined under the Credit Agreement governing the Revolving Credit Facility.

Consolidated EBITDA is presented herein because it is a material component of the leverage ratio contained in our Revolving Credit Agreement. Non-compliance with the leverage ratio could result in the inability to use our Revolving Credit Facility, which could have a material adverse effect on our results of operations, financial position and cash flow. Consolidated EBITDA does not represent net income or cash from operating activities as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Consolidated EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, these terms are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation. Consolidated EBITDA does not reflect the impact of earnings or charges resulting from matters that we may consider not to be indicative of our ongoing operations. In particular, the definition of Consolidated EBITDA in the Revolving Credit Agreement allows us to add back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net income. However, these are expenses that may recur, vary greatly and are difficult to predict.

Consolidated EBITDA as presented below is not a measure of the performance of our business and should not be used by investors as an indicator of performance for any future period. Further, our debt instruments require that it be calculated for the most recent four fiscal quarters. As a result, the measure can be disproportionately affected by a particularly strong or weak quarter. Further, it may not be comparable to the measure for any subsequent four quarter period or any complete fiscal year. In addition, our debt instruments require that the leverage ratio be calculated on a pro forma basis for certain transactions including acquisitions as if such transactions had occurred on the first date of the measurement period and may include expected cost savings and synergies resulting from or related to any such transaction. There can be no assurances that any such cost savings or synergies will be achieved in full.

The following is a reconciliation of net income, which is a U.S. GAAP measure of our operating results, to Consolidated EBITDA as defined, and the calculation of the Senior Secured Indebtedness to Consolidated EBITDA ratio, which we refer to as the Leverage Ratio, under our Revolving Credit Agreement for the most recently ended four fiscal quarters, or twelve months ended March 31, 2017. The terms and related calculations are defined in the Revolving Credit Agreement. All amounts in the reconciliation below reflect WMG Acquisition Corp. (in millions, except ratio):

	Twelve Months Ended March 31, 2017
Net Income	$ 47
Income tax expense	19
Interest expense, net	156
Depreciation and amortization	270
Loss on extinguishment of debt (a)	36
Net gain on divestitures (b)	(14)
Restructuring costs (c)	12
Net hedging gains and foreign exchange losses (d)	10
Management fees (e)	9
Transaction costs (f)	1
Business optimization expenses (g)	10
Equity based compensation expense (h)	34
Other non-cash charges (i)	—
Pro forma impact of certain transactions (j)	9
Pro Forma Consolidated EBITDA	**$ 599**
Senior Secured Indebtedness (k)	**$ 2,022**
Leverage Ratio (l)	**3.38x**

(a) Reflects net loss incurred on the early extinguishment of our debt incurred as part of the July 2016 debt redemption and the October 2016 refinancing transaction and November Amendment and redemption.

(b) Reflects net gain on divestitures.

(c) Reflects severance costs and other restructuring related expenses.

(d) Reflects net gains from hedging activities and unrealized losses due to foreign exchange.

(e) Reflects management fees paid to Access, including an annual fee and related expenses. Pursuant to the Company's and Holdings' management agreement with Access, the base amount of the annual fee is approximately $9 million, subject to certain potential upward adjustments.

(f) Reflects mainly integration and other nonrecurring costs.

(g) Reflects primarily costs associated with IT systems updates.

(h) Reflects compensation expense related to the Warner Music Group Corp. Senior Management Free Cash Flow Plan.

(i) Reflects cash payments related to previous non-cash charges, offset by a loss on investment.

(j) Reflects expected savings resulting from our cost containment initiatives.

(k) Reflects the principal balance of senior secured debt at Acquisition Corp. of approximately $2.172 billion less cash of $150 million.

(l) Reflects the ratio of Senior Secured Indebtedness, including Revolving Credit Agreement Indebtedness, to Pro Forma Consolidated EBITDA as of the twelve months ended March 31, 2017. This is calculated net of cash and equivalents of the Company as of March 31, 2017 not exceeding $150 million. If the outstanding aggregate principal amount of borrowings under our Revolving Credit Facility is greater than $30 million at the end of a fiscal quarter, the maximum leverage ratio permitted under our Revolving Credit Facility is 4.625:1.00. The Company's Revolving Credit Facility does not impose any "leverage ratio" restrictions on the Company when the aggregate principal amount of borrowings under the Revolving Credit Facility is less than or equal to $30 million at the end of a fiscal quarter.

Summary

Management believes that funds generated from our operations and borrowings under our Revolving Credit Facility and available cash and equivalents will be sufficient to fund our debt service requirements, working capital requirements and capital expenditure requirements for the foreseeable future. We also have additional borrowing capacity under our indentures and Senior Term Loan Facility. However, our ability to continue to fund these items and to reduce debt may be affected by general economic, financial, competitive, legislative and regulatory factors, as well as other industry-specific factors such as the ability to control music piracy, the continued transition from physical to digital sales and continued growth in digital sales in the recorded music business. We or any of our affiliates continue to evaluate opportunities to, from time to time depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to prepay outstanding debt or repurchase or retire Acquisition Corp.'s outstanding debt or debt securities in open market purchases, privately negotiated purchases or otherwise. The amounts involved in any such transactions, individually or in the aggregate, may be material and may be funded from available cash or from additional borrowings. In addition, we may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to refinance our Senior Credit Facilities or our outstanding debt or debt securities with available cash and/or with funds provided from additional borrowings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As discussed in Note 13 to our audited Consolidated Financial Statements for the fiscal year ended September 30, 2016, the Company is exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates. As of March 31, 2017, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2016.

Foreign Currency Risk

Within our global business operations we have transactional exposures that may be adversely affected by changes in foreign currency exchange rates relative to the U.S. dollar. We may at times choose to use foreign exchange currency derivatives, primarily forward contracts, to manage the risk associated with the volatility of future cash flows denominated in foreign currencies, such as unremitted or future royalties and license fees owed to our U.S. domestic companies for the sale, or anticipated sale, of U.S.-copyrighted products sold abroad, that may be adversely affected by changes in foreign currency exchange rates. We focus on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on major currencies, which can include the British Pound, Euro, Japanese Yen, Canadian Dollar, Swedish Krona and Australian Dollar, and in many cases we have natural hedges where we have expenses associated with local operations that offset the revenue in local currency and our Euro-denominated debt, which can offset declines in the Euro. As of March 31, 2017, the Company had outstanding hedge contracts for the sale of $214 million and the purchase of $125 million of foreign currencies at fixed rates. Subsequent to March 31, 2017, certain of our foreign exchange contracts expired.

The fair value of foreign exchange contracts is subject to changes in foreign currency exchange rates. For the purpose of assessing the specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments. For foreign exchange forward contracts outstanding at March 31, 2017, assuming a hypothetical 10% depreciation of the U.S. dollar against foreign currencies from prevailing foreign currency exchange rates and assuming no change in interest rates, the fair value of the foreign exchange forward contracts would have decreased by $9 million. Because our foreign exchange contracts are entered into for hedging purposes, these losses would be largely offset by gains on the underlying transactions.

Interest Rate Risk

We had $2.808 billion of principal debt outstanding at March 31, 2017, of which $1.006 billion was variable rate debt and $1.802 billion was fixed rate debt. As such, we are exposed to changes in interest rates. At March 31, 2017, 64% of the Company's debt was at a fixed rate. In addition, at March 31, 2017, all of our floating rate debt under our Senior Term Loan Facility was subject to a LIBOR floor of 1.0%, which is in excess of the current one month LIBOR rate. Under our Senior Term Loan Facility, we have the option to select a one, two, three or six month LIBOR rate. The LIBOR floor has effectively turned these LIBOR loans into fixed rate debt until such time as the LIBOR rates move higher than the floor.

Based on the level of interest rates prevailing at March 31, 2017, the fair value of the fixed rate and variable rate debt was approximately $2.865 billion. Further, based on the amount of its fixed rate debt, a 25 basis point increase or decrease in the level of interest rates would decrease the fair value of the fixed rate debt by approximately $14 million or increase the fair value of the fixed rate debt by approximately $10 million. This potential increase or decrease is based on the simplified assumption that the level of fixed-rate debt remains constant with an immediate across the board increase or decrease in the level of interest rates with no subsequent changes in rates for the remainder of the period.

Our variable-rate debt is subject to variable interest rates but includes a LIBOR floor of 1%, which is in excess of the current one month LIBOR rate. A 25 basis point increase in current interest rates will not have a material impact on our annual interest expense. The Revolving Credit Facility is subject to variable interest rates but is assumed to be undrawn for purposes of this calculation. Our Revolving Credit Facility remained undrawn as of the date of filing of this quarterly report on Form 10-Q.

ITEM 4. CONTROLS AND PROCEDURES

Certification

The certifications of the principal executive officer and the principal financial officer (or persons performing similar functions) required by Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended (the “Certifications”) are filed as exhibits to this report. This section of the report contains the information concerning the evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) (“Disclosure Controls”) and changes to internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) (“Internal Controls”) referred to in the Certifications and this information should be read in conjunction with the Certifications for a more complete understanding of the topics presented.

Introduction

The Securities and Exchange Commission’s rules define “disclosure controls and procedures” as controls and procedures that are designed to ensure that information required to be disclosed by public companies in the reports filed or submitted 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 public companies in the reports that they file or submit under the Exchange Act is accumulated and communicated to a 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.

The Securities and Exchange Commission’s rules define “internal control over financial reporting” as a process designed by, or under the supervision of, a public company’s principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, or U.S. GAAP, including those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management, including the principal executive officer and principal financial officer, does not expect that our Disclosure Controls or Internal Controls will prevent or detect all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the limitations in any and all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Further, the design of any control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of these inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected even when effective Disclosure Controls and Internal Controls are in place.

Evaluation of Disclosure Controls and Procedures

Based on our management’s evaluation (with the participation of our principal executive officer and principal financial officer), as of the end of the period covered by this report, our principal executive officer and principal financial officer have concluded that our Disclosure Controls are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act will be recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, including that such information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our Internal Controls over financial reporting or other factors during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our Internal Controls.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Pricing of Digital Music Downloads

On December 20, 2005 and February 3, 2006, the Attorney General of the State of New York served the Company with requests for information in connection with an industry-wide investigation as to the pricing of digital music downloads. On February 28, 2006, the Antitrust Division of the U.S. Department of Justice served us with a Civil Investigative Demand, also seeking information relating to the pricing of digitally downloaded music. Both investigations were ultimately closed, but subsequent to the announcements of the investigations, more than thirty putative class action lawsuits were filed concerning the pricing of digital music downloads. The lawsuits were consolidated in the Southern District of New York. The consolidated amended complaint, filed on April 13, 2007, alleges conspiracy among record companies to delay the release of their content for digital distribution, inflate their pricing of CDs and fix prices for digital downloads. The complaint seeks unspecified compensatory, statutory and treble damages. On October 9, 2008, the District Court issued an order dismissing the case as to all defendants, including us. However, on January 12, 2010, the Second Circuit vacated the judgment of the District Court and remanded the case for further proceedings and on January 10, 2011, the U.S. Supreme Court denied the defendants' petition for Certiorari.

Upon remand to the District Court, all defendants, including the Company, filed a renewed motion to dismiss challenging, among other things, plaintiffs' state law claims and standing to bring certain claims. The renewed motion was based mainly on arguments made in defendants' original motion to dismiss, but not addressed by the District Court. On July 18, 2011, the District Court granted defendants' motion in part, and denied it in part. Notably, all claims on behalf of the CD-purchaser class were dismissed with prejudice. However, a wide variety of state and federal claims remain for the class of Internet download purchasers. On March 19, 2014, plaintiffs filed a motion for class certification, which has now been fully briefed. Plaintiffs filed an operative consolidated amended complaint on September 25, 2015. The Company filed its answer to the fourth amended complaint on October 9, 2015, and filed an amended answer on November 3, 2015. A mediation took place on February 22, 2016, but the parties were unable to reach a resolution. The Company intends to defend against these lawsuits vigorously, but is unable to predict the outcome of these suits. Regardless of the merits of the claims, this and any related litigation could continue to be costly, and divert the time and resources of management. The potential outcomes of these claims that are reasonably possible cannot be determined at this time and an estimate of the reasonably possible loss or range of loss cannot presently be made.

Other Matters

In addition to the matter discussed above, the Company is involved in various litigation and regulatory proceedings arising in the normal course of business. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual. In the currently pending proceedings, the amount of accrual is not material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) the results of ongoing discovery; (2) uncertain damage theories and demands; (3) a less than complete factual record; (4) uncertainty concerning legal theories and their resolution by courts or regulators; and (5) the unpredictable nature of the opposing party and its demands. However, the Company cannot predict with certainty the outcome of any litigation or the potential for future litigation. As such, the Company continuously monitors these proceedings as they develop and adjusts any accrual or disclosure as needed. Regardless of the outcome, litigation could have an adverse impact on the Company, including the Company's brand value, because of defense costs, diversion of management resources and other factors and it could have a material effect on the Company's results of operations for a given reporting period.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Quarterly Report on Form 10-Q, certain risk factors should be considered carefully in evaluating our business. A wide range of risks may affect our business and financial results, now and in the future. We consider the risks described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016, to be the most significant. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibit Number	Description
10.1*	Amended and Restated Warner Music Group Corp. Senior Management Free Cash Flow Plan
10.2*	Amended and Restated Limited Liability Company Agreement of WMG Management Holdings, LLC, dated as of March 10, 2017
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1*	Financial statements from the Quarterly Report on Form 10-Q of Warner Music Group Corp. for the quarter ended March 31, 2017, filed on May 8, 2017, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statement of Comprehensive Loss, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity and (vi) Notes to Consolidated Interim Financial Statements

* Filed herewith

** Pursuant to SEC Release No. 33-8212, this certification will be treated as “accompanying” this Quarterly Report on Form 10-Q and not “filed” as part of such report for purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject to the liability of Section 18 of the Securities Exchange Act, as amended, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, except to the extent that the registrant specifically incorporates it by reference

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.

May 8, 2017

WARNER MUSIC GROUP CORP.

By:	/S/ STEPHEN COOPER
Name:	**Stephen Cooper**
Title:	**Chief Executive Officer (Principal Executive Officer)**

By:	/S/ ERIC LEVIN
Name:	**Eric Levin**
Title:	**Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)**

Exhibit 10.1

SECOND AMENDED AND RESTATED
WARNER MUSIC GROUP CORP.
SENIOR MANAGEMENT FREE CASH FLOW PLAN

Warner Music Group Corp., a Delaware corporation (the "**Company**"), established the Amended and Restated Warner Music Group Corp. Senior Management Free Cash Flow Plan (as amended from time to time, the "**Plan**"), effective January 1, 2013 (the "**Effective Date**"), and has amended and restated this Plan as provided herein effective March 10, 2017, for the purpose of attracting and retaining high quality executives and promoting in them increased efficiency and an interest in the successful operation of the Company. The Plan is intended to, and shall be interpreted to, comply in all respects with Section 409A of the Code and those provisions of ERISA applicable to an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of "management or highly compensated employees."

Article I
TITLE AND DEFINITIONS

1.1 "**Access**" means AI Entertainment Holdings LLC and its Affiliates.

1.2 "**Additional Unit Allocation**" means, in connection with any increase in the maximum number of Deferred Equity Units available for acquisition by a Participant, as determined by the Committee, the excess of the Maximum Unit Allocation for the Participant after such increase over the Maximum Unit Allocation for the Participant immediately prior to such increase.

1.3 "**Affiliate**" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by or under common control with, such Person, where "control" means the power to direct the affairs of a Person by reason of ownership of voting securities, by contract or otherwise.

1.4 "**Deferred Amount**", for a Participant, shall mean, with respect to each Unit Allocation, the product of (x) the Unit Allocation and (y) the Base Investment Price applicable to such Unit Allocation.

1.5 "**Annual FCF Bonus(es)**" shall mean amounts paid to a Participant by the Company annually in the form of discretionary or incentive compensation pursuant to Section 3.1 to the extent such amounts qualify as "fiscal year compensation" within the meaning of Treas. Reg. § 1.409A-2(a)(6).

1.6 "**Base Investment Price**" shall mean $107.13 with respect to Unit Allocations made with respect to the 2013 Plan Year and, with respect to Unit Allocations made in a subsequent Plan Year, such Base Investment Price as the Committee shall determine at the time of grant.

1.7 "**Cause**", with respect a Participant, shall mean the Company or its Affiliate having "cause" to terminate such Participant's employment or service, as defined in any existing employment, consulting or any other agreement between the Participant and the Company or any of its Affiliates with such a definition or, in the absence of such an employment, consulting or other agreement, upon (i) the Participant having ceased to perform his or her material duties to the LLC, the Company or any of its Affiliates (other than as a result of vacation, approved leave or his or her incapacity due to physical or mental illness or injury), which failure amounts to an extended neglect of such duties, (ii) the Participant engaging in conduct that is demonstrably and materially injurious to the business of the Company or any of its Affiliates, (iii) the Participant having been

convicted of, or pled guilty or no contest to, any misdemeanor involving as a material element fraud, dishonesty or the sale or possession of illicit substances, or to a felony, (iv) the failure of the Participant to follow the lawful instructions of the Company's Board of Directors or his or her direct superiors to the extent such instructions have been communicated to the Participant or (v) the Participant having breached any material covenant contained in the LLC Agreement or any employment letter or agreement between the Company or any of its Affiliates and the Participant.

1.8 "**Change in Control**" shall mean the occurrence of:

(1) any consolidation or merger of the Company with or into any other corporation or other Person or any other corporate reorganization or transaction (including the acquisition of capital stock of the Company), whether or not the Company is a party thereto, in which the stockholders of the Company immediately prior to such consolidation, merger, reorganization or transaction, own capital stock or other equity securities either (x) representing directly, or indirectly through one or more entities, less than 50% of the economic interests in or voting power of the Company or other surviving entity immediately after such consolidation, merger, reorganization or transaction or (y) that does not directly, or indirectly through one or more entities, have the power to elect a majority of the entire Board of Directors of the Company or other surviving entity immediately after such consolidation, merger, reorganization or transaction;

(2) any transaction or series of related transactions, whether or not the Company is a party thereto, after giving effect to which in excess of 50% of the Company's voting power is owned by any Person or group (as defined in Section 13(d) of the Securities Exchange Act of 1934, as amended) (other than the Company, Access or any of their respective Affiliates), excluding any bona fide primary or secondary public offering following the occurrence of an initial public offering of the Company's Common Stock;

(3) a sale, lease or other disposition of all or substantially all of the assets of the Company and its subsidiaries to any Person or group (other than the Company, Access or any of their respective Affiliates); or

(4) with respect to a Participant who is employed by a Company Division, a sale, lease or other disposition of all or substantially all of the assets of such Company Division to any Person or group (other than the Company, Access or any of their respective Affiliates);

provided that any Change in Control shall also constitute a change in control event within the meaning of the events described in Section 409A(a)(2)(A)(v) of the Code and the related regulations.

1.9 "**Code**" shall mean the Internal Revenue Code of 1986, as amended, as interpreted by Treasury regulations and applicable authorities promulgated thereunder.

1.10 "**Committee**" shall mean the person or persons appointed by the Board of Directors of the Company to administer the Plan in accordance with Article IX.

1.11 "**Company's Common Stock**" shall mean the common stock, par value $0.001 per share, of the Company.

1.12 "**Company Divisions**" shall mean the "Music Publishing" and "Recorded Music" business segments of the Company and its Affiliates as reported in the Company's Consolidated Audited Financial Statements (and any other business segment as may be reported from time to time in such audited financial statements).

1.13 "**Compensation**" shall mean all amounts eligible for deferral for a particular Plan Year under Section 4.1.

1.14 "**Deferral Account**" shall mean the Account maintained for each Participant which is granted and credited with Deferred Equity Units in respect of Participant deferrals pursuant to Section 5.1.

1.15 "**Deferred Amount**" shall have the meaning set forth in Section 4.1.

1.16 "**Deferred Equity Unit**" shall mean a contractual right to receive the Settlement Payment, on the terms and conditions set forth in Article VII.

1.17 "**Deferred Percentage**" shall have the meaning set forth in Section 4.1.

1.18 "**Disability**" shall, with respect to a Participant, have the meaning set forth in the long-term disability plan of the Company or its Affiliate applicable to such Participant.

1.19 "**Dividend Equivalents**" shall mean the rights granted under Section 5.3 to receive payments in cash based on dividends made with respect to shares of the Company's Common Stock.

1.20 "**Effective Date**" shall mean January 1, 2013.

1.21 "**Eighth Plan Year**" shall mean, with respect to each Unit Allocation (and Deferred Equity Units and Matching Equity Units acquired in respect of a Unit Allocation), the eighth Plan Year to which a Participant's initial deferral election in respect of such Unit Allocation applies or, in the case of an Additional Unit Allocation, the eighth Plan Year to which the Participant's receipt of such Additional Unit Allocation applies, except, in any such case, as otherwise determined by the Committee in accordance with Section 409A of the Code.

1.22 "**Eligible Employee**" shall mean a highly compensated or management level employee or officer of the Company selected by the Committee to be eligible to participate in the Plan. Each Eligible Employee shall be an "accredited investor" as such term is defined in Rule 501(a) of the Securities Act of 1933, as amended.

1.23 "**employment**" shall mean a Participant's employment with or service to the Company and its Affiliates that actually employ the Participant or to which the Participant provides services, whether as an employee, consultant, officer or otherwise.

1.24 "**Equity Unit**" shall mean one Class A Unit of Management Holdings, LLC, having the terms and conditions set forth in the LLC Agreement.

1.25 "**ERISA**" shall mean the Employee Retirement Income Security Act of 1974, as amended, including Department of Labor and Treasury regulations and applicable authorities promulgated thereunder.

1.26 "**Fair Market Value**" shall mean, with respect to shares of the Company's Common Stock, as of any particular date of determination prior to an Initial Public Offering, the per share value on such date of a share of the Company's Common Stock that would be paid by a willing buyer to an unaffiliated willing seller, without any discount for minority interest, lack of liquidity, transfer restrictions or forfeiture risks, as determined by a valuation of the Company's Common Stock (taking into account the Fully-Diluted Company Equity) that shall have been performed by a nationally recognized independent valuation firm or as otherwise determined in good faith by the Committee taking into account such factors as the Committee deems appropriate, including, but not limited to, the earnings and other financial and operating information of the Company in recent periods, the value of the Company's tangible and intangible assets, the present value of anticipated future cash-flows of the Company, the history and management of the Company, the general condition of the securities markets and the market value of securities of companies engaged in businesses similar to those of the Company. Following an Initial Public Offering, "Fair Market Value" of a share of the Company's Common Stock shall mean, as of any particular date of determination, the mid-point between the high and the low trading prices for such date per share of the Company's Common Stock as reported on the principal stock exchange on which the shares of the Company's Common Stock are then listed.

1.27 "**FCF Bonus Pool**" shall mean the amount of Free Cash Flow allocated pursuant to Section 3.1.

1.28 "**Fractional Company Share**" shall mean one-ten-thousandth (1/10,000) of a share of the Company's Common Stock.

1.29 "**Free Cash Flow**" shall mean, with respect to a Plan Year, without any double counting, the amount of the Company's consolidated cash flow from operating activities determined in accordance with U.S. generally accepted accounting principles less capital expenditures, cash paid or received for investments, working capital changes (meaning the change in current assets over current liabilities during the Plan Year), interest payments and cash taxes, and plus any management fees paid to Access by the Company in such Plan Year; provided that for any Plan Year, the Committee may (i) increase or decrease the amount of Free Cash Flow to take into account material purchases or payments made by the Company, (ii) increase the amount of Free Cash Flow to take into account cash paid for all or any portion of any investments, together with associated expenses, whether or not material, and add back any other items deducted from consolidated cash flow as provided above (such increase, an "**Added Investment Amount**") and/or (iii) require that all or any portion of an Added Investment Amount be deferred by the Participants to acquire Deferred Equity Units under the Plan.

1.30 "**Fully-Diluted Company Equity**" shall mean, as of any particular date, the sum (without duplication) of all outstanding (i) shares of the Company's Common Stock (including Fractional Company Shares), (ii) Deferred Equity Units (assuming all Deferred Equity Units are then settled for Fractional Company Shares pursuant to Article VII) and (iii) other equity or equity-based interests in the Company.

1.31 "**Good Reason**", with respect a Participant, shall mean the Participant having "good reason" to terminate the Participant's employment or service, as defined in any existing employment, consulting or any other agreement between such Participant and the Company or any of its Affiliates with such a definition or, in the absence of such an employment, consulting or other agreement, means (i) a material reduction in such Participant's annual salary or Annual FCF Bonus percentage allocation, (ii) a failure by the Company or any of its Affiliates to pay to such Participant any annual salary which has become payable and due to him or her in accordance with the terms of any employment letter or agreement between the Company or any of its Affiliates and such Participant, or (iii) a failure by the Company or Management Holdings, LLC to pay to such Participant any entitlement which has become payable and due to him or her in accordance with the terms of the Plan;

provided that, within 30 days following any such reduction or failure, (A) such Participant shall have delivered written notice to the Company of his or her intention to terminate his or her employment for Good Reason, which notice specifies in reasonable detail the circumstances claimed to give rise to his or her right to terminate his or her employment for Good Reason, (B) such Participant shall have provided the Company with 30 days after receipt of such notice to cure such circumstances and (C) failing a cure, such Participant shall have terminated his or her employment within 30 days after the expiration of the 30-day period set forth in the preceding clause (B).

1.32 "**Initial Public Offering**" means the first underwritten public offering of the Company's Common Stock.

1.33 "**Initial Unit Allocation**" shall mean the maximum number of Deferred Equity Units available for acquisition by a Participant, as determined by the Committee at the time an Eligible Employee becomes a Participant in accordance with Article II.

1.34 "**LLC Agreement**" shall mean the Limited Liability Company Agreement of Management Holdings, LLC, dated as of January 7, 2013, as amended, supplemented or modified in accordance with its terms.

1.35 "**Management Holdings, LLC**" shall mean WMG Management Holdings, LLC, a Delaware limited liability company.

1.36 "**Matching Equity Unit**" shall mean one Class B Unit of Management Holdings, LLC, having the terms and conditions set forth in the LLC Agreement.

1.37 "**Maximum Deferred Amount**", for a Participant, means the sum of all Deferred Amounts allocated to such Participant.

1.38 "**Maximum Unit Allocation**", for a Participant, shall mean the sum of such Participant's (x) Initial Unit Allocation and (y) each Additional Unit Allocation, if any.

1.39 "**Participant**" shall mean any Eligible Employee who becomes a Participant in the Plan in accordance with Article II.

1.40 "**Participant Election(s)**" shall mean the forms or procedures by which a Participant makes elections with respect to voluntary deferrals of his or her Compensation.

1.41 "**Person**" shall mean any individual, partnership, corporation, association, trust, joint venture, unincorporated organization or other entity.

1.42 "**Plan Year**" shall mean each fiscal year of the Company following the Effective Date, commencing October 1 and ending September 30, or such other fiscal year as may be determined by the Company's Board of Directors.

1.43 "**Pro Rata Annual FCF Bonus**" means, as of any particular date, for a Participant, (x) the Annual FCF Bonus that the Participant would have earned as an Annual FCF Bonus in respect of a Plan Year if the Participant's employment with the Company and its Affiliates had continued until the last day of such Plan Year, based on the Company's projected Free Cash Flow for such fiscal year as of the end of the month

immediately preceding such date (projected on a reasonable basis using information then available to the Company), multiplied by (y) a fraction, the numerator of which is the number of days that have elapsed from the first day of such Plan Year (or such later enrollment period as may be applicable) and the denominator of which is 365; provided that any Pro Rata Annual FCF Bonus in respect of a Plan Year shall be determined without regard to a change in the Company's fiscal year that is effective for other purposes during such Plan Year.

1.44 "**Redemption Date**" shall have the meaning set forth in Section 7.1.

1.45 "**Settlement Payment**" shall have the meaning set forth in Section 7.1.

1.46 "**Sixth Plan Year**" shall mean, with respect to each Unit Allocation (and Deferred Equity Units and Matching Equity Units acquired in respect of a Unit Allocation), the sixth Plan Year to which a Participant's initial deferral election in respect of such Unit Allocation applies or, in the case of an Additional Unit Allocation, the sixth Plan Year to which the Participant's receipt of such Additional Unit Allocation applies, except, in any such case, as otherwise determined by the Committee in accordance with Section 409A of the Code.

1.47 "**Seventh Plan Year**" shall mean, with respect to each Unit Allocation (and Deferred Equity Units and Matching Equity Units acquired in respect of a Unit Allocation), the seventh Plan Year to which a Participant's initial deferral election in respect of such Unit Allocation applies or, in the case of an Additional Unit Allocation, the seventh Plan Year to which the Participant's receipt of such Additional Unit Allocation applies, except, in any such case, as otherwise determined by the Committee in accordance with Section 409A of the Code.

1.48 "**Termination Payment Date**" shall have the meaning set forth in Section 7.5(b).

1.49 "**Third Plan Year**" shall mean, with respect to each Unit Allocation (and Deferred Equity Units and Matching Equity Units acquired in respect of a Unit Allocation), the third Plan Year to which a Participant's initial deferral election in respect of such Unit Allocation applies or, in the case of an Additional Unit Allocation, the third Plan Year to which the Participant's receipt of such Additional Unit Allocation applies, except, in any such case, as otherwise determined by the Committee in accordance with Section 409A of the Code.

1.50 "**Unit Allocation**" shall mean an Initial Unit Allocation or Additional Unit Allocation, as applicable.

1.51 "**Unrecovered Investment Credit**" means, for each Participant, as of any particular date, the aggregate amount of Added Investment Amounts that have not been applied to reduce any of (i) Annual FCF Bonuses under Section 3.2, (ii) payments in respect of Dividend Equivalents, (iii) distributions payable in respect of Matching Equity Units under Section 6.1 of the LLC Agreement or (iv) with respect to any individual Participant, the redemption price payable in respect of the Participant's Matching Equity Units under Article XI of the LLC Agreement.

Article II
PARTICIPATION

An Eligible Employee shall become a Participant in the Plan by completing and submitting to the Committee the appropriate Participant Elections, including such other documentation and information as the Committee may reasonably request, during the enrollment period established by the Committee prior to the Effective Date (or such later enrollment period as may be applicable).

Article III
FREE CASH FLOW BONUS POOL

3.1 Allocation of Free Cash Flow Bonus Pool. For each Plan Year, the Company shall allocate 8.0% of the Company's Free Cash Flow for such fiscal year, if any, to the FCF Bonus Pool. The amount of Free Cash Flow available for the FCF Bonus Pool in respect of a Plan Year will depend on the Company's financial results and performance in such Plan Year and shall be determined by the Committee in good faith consistent with the objectives of this Plan, shortly after the end of each fiscal year, after review of the Company's quality of revenue, profit and cash flow results for such Plan Year, and may be positive, zero or negative. If any Added Investment Amount is applied to increase Free Cash Flow in a Plan Year, each Participant who is then participating in the Plan shall be credited with a share of the Unrecovered Investment Credit in respect of the Added Investment Amount, calculated by each Participant's allocated fixed percentage of the Plan Year's FCF Bonus Pool. The Committee shall provide each Participant with its calculations of Free Cash Flow for each Plan Year within 15 days of its determination. In the event that Free Cash Flow in respect of a Plan Year is zero or negative, then no Annual FCF Bonuses shall be paid in respect of such Plan Year. Prior to an Eligible Employee's enrollment in the Plan, such Participant will be allocated a fixed percentage of the FCF Bonus Pool. The Committee may increase a Participant's allocated fixed percentage of the FCF Bonus Pool at any time in its sole discretion, subject to whatever terms and conditions the Committee determines shall apply to such increase, which may include a non-elective deferral requirement in accordance with Section 4.1.

3.2 Payment of Annual FCF Bonuses. Subject to Article IV and the other terms and conditions of the Plan, (i) Annual FCF Bonuses shall be paid to Participants no later than March 15th of the calendar year after the end of the Plan Year in respect of which the Company earned the applicable Free Cash Flow and (ii) except as provided in Section 7.5(a)(1), each Participant's right to payment of an Annual FCF Bonus shall be contingent upon the continued employment of the Participant through the applicable payment date, and any Annual FCF Bonuses not yet paid shall automatically be forfeited upon termination of a Participant's employment for any reason, except as may be determined otherwise by the Committee. In any Plan Year, the Committee may, in its sole discretion, reduce the amount of Annual FCF Bonus for the Plan Year payable to a Participant in cash by all or any portion of the Participant's then outstanding Unrecovered Investment Credit. For the avoidance of doubt, no Annual FCF Bonus that is to be deferred pursuant to Article IV shall be so reduced.

3.3 Form of Payment. Except to the extent that an Annual FCF Bonus is deferred pursuant to Article IV, Annual FCF Bonuses shall be paid in cash.

Article IV
DEFERRAL ELECTIONS

4.1 Elections to Defer Compensation. Unless otherwise determined by the Committee in accordance with Section 409A of the Code, a Participant may elect to defer only Compensation attributable to services provided in a fiscal year or calendar year that commences after the time an election is made. Unless otherwise determined by the Committee in accordance with Section 409A of the Code (or except as otherwise set forth in the Plan), (i) Participants who participate in the Plan with respect to the 2013 Plan Year shall make their initial deferral elections by submitting their Participant Elections prior to December 31, 2012 with respect to Annual FCF Bonuses to be earned under the Plan, (ii) Participants who begin to participate in the Plan with respect to any other Plan Year and for whom the Committee authorizes deferral of Compensation shall make their initial deferral elections by submitting their Participant Elections prior to October 1 of such Plan Year and (iii) Participants who receive an Additional Unit Allocation shall make a deferral election, if any, in relation to such Additional Unit Allocation prior to October 1 of the first Plan Year in which such Additional Unit Allocation becomes effective. Participant Elections applicable to a Unit Allocation (including any additional deferral elections described in clause (iii) of the preceding sentence) will be irrevocable for all Plan Years (until, but not including, the Eighth Plan Year applicable to such Unit Allocation) and all purposes of the Plan; it being understood that different Unit Allocations (including Additional Unit Allocations) of a Participant may have different Participant Elections. Participants may defer between 50% and 100% (in 1 percentage point increments) of the pre-tax amounts of the Annual FCF Bonuses payable in respect of such Plan Year (such percentage, a "**Deferred Percentage**" and, such amount, a "**Deferred Amount**") to acquire an equivalent percentage of the Deferred Equity Units available to such Participant under the Plan; provided that with respect to a deferral election made between October 1 and a later date in a Plan Year (if such deferral elections are permitted by the Committee), the Deferred Percentage for such Plan Year shall not exceed the percentage reflecting the portion of the Plan Year remaining since the date of such deferral election. In the case of newly-hired Eligible Employees, a deferral election may be made within 30 days following such Eligible Employee's date of hire (subject to all plan aggregation rules in Section 409A of the Code and the related regulations) with respect to Compensation earned after the date of such election. Notwithstanding the foregoing, if the Committee requires a non-elective deferral of an Annual FCF Bonus in connection with a Participant's receipt of an increased fixed percentage of the FCF Bonus Pool, the terms and conditions applicable to such deferral shall be determined by the Committee, in its sole discretion, at or prior to the allocation of such additional percentage of the FCF Bonus Pool in accordance with Section 409A of the Code.

4.2 Offering Limitations. Prior to an Eligible Employee's enrollment in the Plan, the Committee shall establish an Initial Unit Allocation that may be acquired under the Plan by such Eligible Employee in all Plan Years, in the aggregate. The Committee may, from time to time and on such terms and conditions (including vesting) that it shall determine, establish an Additional Unit Allocation for any Participant (and grant additional Deferred Equity Units to the Participant) at such time or times as the Committee increases the Participant's allocated fixed percentage of the FCF Bonus Pool or grants additional Deferred Equity Units to the Participant that will not be acquired with the deferral of any Annual FCF Bonus or with a Participant's prior consent in accordance with Section 409A of the Code. Unless otherwise determined by the Committee, (i) the amount of Annual FCF Bonuses that a Participant may defer under the Plan, in the aggregate, in all Plan Years shall not exceed such Participant's Maximum Deferred Amount and (ii) the number of Deferred Equity Units that a Participant shall have the right to purchase under the Plan, in the aggregate, in all Plan Years shall not exceed such Participant's Maximum Unit Allocation.

Article V
DEFERRED EQUITY UNITS AND OTHER ENTITLEMENTS

5.1 Deferred Equity Units.

(a) The Company shall establish and maintain Deferral Accounts for each Participant. Subject to Section 4.2, for each Plan Year prior to an Eighth Plan Year, at the time that Annual FCF Bonuses for such Plan Year are paid, a Participant shall be granted and credited with a number of Deferred Equity Units equal to the number obtained by dividing (x) the Participant's Deferred Amount for such Plan Year by (y) the Base Investment Price(s) applicable to such Participant, and rounded down to the nearest cent. Where a Participant has received more than one Unit Allocation, Deferred Amounts shall be allocated first to the Initial Unit Allocation (using the applicable Base Investment Price) and then among the Additional Unit Allocations (using the applicable Base Investment Prices) in the order in which such Additional Unit Allocations were established until all Deferred Equity Units available under each such Unit Allocation, individually, have been acquired, but, in each case, only to the extent that Annual FCF Bonuses that were deferred pursuant to Section 4.1 in respect of the applicable Plan Year are then available to fund the acquisition of such Deferred Equity Units in compliance with the Plan and Section 409A of the Code. Notwithstanding the foregoing, the provisions of the preceding sentence shall not apply to a grant of additional Deferred Equity Units that will not be acquired with deferral of any Annual FCF Bonus. For the avoidance of doubt, no Deferred Equity Units shall be granted or credited to any Participant for an Eighth Plan Year in respect of the Participant's Unit Allocation.

(b) Notwithstanding anything to the contrary in the Plan, (i) the amount, if any, of a Participant's Annual FCF Bonuses in respect of any Plan Year that (taken together with such Participant's Annual FCF Bonuses deferred into the Plan in prior Plan Years) exceeds his or her Maximum Deferred Amount shall be paid to such Participant in cash at the time that Annual FCF Bonuses in respect of such Plan Year are paid and (ii) unless otherwise determined by the Committee, at no time shall a Participant's Deferral Account be granted or credited with a number of Deferred Equity Units that exceeds such Participant's Maximum Unit Allocation.

5.2 Matching Equity Units. Matching Equity Units shall be issued at the times and in the amounts provided by the LLC Agreement, and subject to the terms and conditions, including regarding distributions, vesting, forfeiture and redemption, that are provided in the LLC Agreement. Matching Equity Units shall vest on the schedule provided in the LLC Agreement.

5.3 Dividend Equivalents. When cash dividends are paid on shares of the Company's Common Stock, each Deferred Equity Unit shall participate in such dividends, on a pro rata basis, as if the Fractional Company Share underlying such Deferred Equity Unit was then issued and outstanding.

5.4 Maximum Allocation under the Plan. At no time may the total number of shares of the Company's Common Stock (including all Fractional Company Shares) underlying all outstanding:

(1) Deferred Equity Units (assuming all Deferred Equity Units are settled for Fractional Company Shares pursuant to Article VII) and Equity Units acquired following settlement of Deferred Equity Units, in the aggregate, exceed 4.0% of the Fully-Diluted Company Equity or 41.0959 shares of the Company's Common Stock;

(2) Matching Equity Units (assuming all Matching Equity Units are redeemed for Fractional Company Shares pursuant to the LLC Agreement) and Equity Units acquired following redemption of

Matching Equity Units, in the aggregate, exceed 4.0% of the Fully-Diluted Company Equity or 41.0959 shares of the Company's Common Stock; and

(3) Deferred Equity Units (assuming such settlement), Matching Equity Units (assuming such redemption) and Equity Units, in the aggregate, exceed 8.0% of the Fully-Diluted Company Equity or 82.1918 shares of the Company's Common Stock.

Following any settlement of Deferred Equity Units from a Participant for cash or the redemption by the LLC of Equity Units or shares of the Company's Common Stock issued to the Participant in respect of such Deferred Equity Units, either after termination of a Participant's employment or after the Eighth Plan Year applicable to such Deferred Equity Units, those Deferred Equity Units shall again be available, in the Committee's sole discretion, for allocation under the Plan. Except as provided in the LLC Agreement, following any redemption of Matching Equity Units or Equity Units from a Participant by the LLC or shares of the Company's Common Stock by the Company in connection with his or her termination of employment or the Eighth Plan Year applicable to such Matching Equity Units or Equity Units, the Fractional Company Shares that were covered by such redeemed Matching Equity Units or Equity Units shall again be available, in the Committee's sole discretion, for allocation under the Plan. Notwithstanding the foregoing, repurchases, whether directly or indirectly, of any shares of the Company's Common Stock from Access, taken alone, shall not result in any violation of the percentage limits set forth in this Section 5.4.

5.5 Adjustment Events. The number and kind of shares or other equity interests to which the Fractional Company Shares and Deferred Equity Units may relate and the number and kinds of securities deliverable shall be proportionally adjusted to reflect, as deemed equitable and appropriate by the Committee, any stock dividend, stock split, share combination, recapitalization, merger, consolidation, reorganization, exchange of shares or any other similar event affecting the Company's Common Stock, the Matching Equity Units or the Equity Units.

Article VI
VESTING

6.1 Vesting of Deferred Equity Units. A Participant shall be vested at all times in the Deferred Equity Units amounts granted and credited to the Participant's Deferral Account and in the Dividend Equivalents.

Article VII
SETTLEMENT AND REDEMPTION

7.1 Scheduled Settlement of Deferred Equity Units. Except as otherwise provided in this Article VII or in an award agreement with respect to a grant of an Additional Unit Allocation or additional Deferred Equity Units, the Company shall cancel and settle each Participant's Deferred Equity Units, without payment by the Participant, in three equal installments in December of the Sixth Plan Year, the Seventh Plan Year and the Eighth Plan Year applicable to such Deferred Equity Units (each such date, a "**Redemption Date**"), on a per Deferred Equity Unit basis, for, at the Participant's election as communicated to the Company in writing by December 1st of such year, either (x) a cash amount equal to the Fair Market Value of one Fractional Company Share on the Redemption Date or (y) one Fractional Company Share (a "**Settlement Payment**"). Prior to each Redemption Date and anniversary of such Redemption Date prior to December 31 of the Eighth Plan Year

applicable to such Deferred Equity Units, the Committee shall notify each Participant of its most recent determination of the Fair Market Value of a share of the Company's Common Stock (and shall provide each Participant with a copy of any independent valuation of such Fair Market Value). A Participant may specify that a Settlement Payment be made in a ratio of cash and Fractional Company Shares. Notwithstanding the foregoing, the Redemption Dates for any Deferred Equity Units acquired with an Annual FCF Bonus paid in respect of a Plan Year following the Third Plan Year applicable to a Unit Allocation shall be in December of the earlier of (A) the second succeeding calendar year after such acquisition or at such other times as the Committee may determine in accordance with the Plan and Section 409A of the Code and (B) the eighth succeeding calendar year after such acquisition. The Committee may change the Redemption Dates for Deferred Equity Units acquired with respect to Plan Years after a Third Plan Year applicable to a Unit Allocation at any time prior to the commencement of the Plan Year in respect of which the Annual FCF Bonus used to purchase such Deferred Equity Units is earned, subject to compliance with Section 409A of the Code.

7.2 Contribution to Management Holdings, LLC. Immediately upon receipt of any Fractional Company Shares delivered to a Participant pursuant to this Article VII, the Participant shall contribute those Fractional Company Shares to Management Holdings, LLC in exchange for an equal number of Equity Units.

7.3 Annual Redemption Right. On each Redemption Date following the Redemption Date on which a Participant's Deferred Equity Unit is settled other than for cash and on each one-year anniversary of such Redemption Date thereafter until the Eighth Plan Year applicable to such Deferred Equity Units, such Participant shall be entitled to the redemption, upon written notice to the Company no later than December 1st of the year in which such Redemption Date occurs, of all or any portion of such Participant's Equity Units for a cash payment equal to the Fair Market Value of one Fractional Company Share on the date of redemption. Notwithstanding the foregoing, a Participant's right to redeem Equity Units pursuant to this Section 7.3 shall be limited to the maximum number of Deferred Equity Units that would have been redeemable by the Participant if the Participant were then employed by the Company or any of its Affiliates. Any redemption of Equity Units pursuant to this Section 7.3 shall be made in accordance with the terms and conditions of the LLC Agreement.

7.4 Mandatory Redemption. In the Eighth Plan Year applicable to Deferred Equity Units, the Company shall cancel and settle each such Deferred Equity Unit then outstanding for a cash payment equal to the then current Fair Market Value of one Fractional Company Share.

7.5 Consequences of Termination of Employment. Following any termination of employment of a Participant with the Company and its Affiliates, the Participant shall cease immediately to participate in the Plan, and neither the Plan, the Company or any of its Affiliates shall have any obligations to the Participant in respect of the Plan, an Annual FCF Bonus, the Deferred Equity Units or Dividend Equivalents, except as set forth in this Section 7.5:

(a) *Annual FCF Bonus*.

(1) if the Participant's employment is terminated by the Company without Cause, by the Participant for Good Reason or by reason of the Participant's death or Disability following the last day of the first fiscal quarter of a Plan Year, the Company shall pay the Participant in cash (x) the Deferred Percentage of his or her Pro Rata Annual FCF Bonus for such Plan Year on the Participant's Termination Payment Date provided in Section 7.5(b) and (y) the remaining portion of such Pro Rata Annual FCF Bonus on the date that continuing Participants are paid Annual FCF Bonuses in respect of such Plan Year; or

(2) if the Participant's employment terminates for any other reason (i.e., by the Company for Cause or by the Participant without Good Reason, other than death or Disability), any unpaid Annual FCF Bonus shall be forfeited.

(b) *Deferred Equity Units*. No later than December 31st of the calendar year in which the Participant's employment terminates, on a date within such calendar year following the Participant's termination of employment as the Company determines in its sole discretion (each such date, a "**Termination Payment Date**"), each of the Participant's Deferred Equity Units shall be cancelled and settled, for:

(1) if the Participant's employment terminates for any reason (including by reason of resignation, death or disability) other than for Cause, at the Company's option, (i) a cash payment equal to the Fair Market Value of one Fractional Company Share on the date of the Participant's termination of employment or (ii) subject to Section 7.2, one Fractional Company Share; or

(2) if the Participant's employment is terminated for Cause, at the Company's option, a cash payment or a fractional share of the Company's Common Stock equal to the lesser of (x) the Base Investment Price applicable to such Deferred Equity Unit and (y) the Fair Market Value of one Fractional Company Share on the date of the Participant's termination of employment.

(c) *Matching Equity Units*. Matching Equity Units shall be subject to forfeiture or redemption on the terms and conditions set forth in the LLC Agreement.

(d) *Equity Units*. Equity Units may or shall be redeemed on the terms and conditions set forth in Section 7.3 and the LLC Agreement.

(e) *Dividend Equivalents*. All rights to receive Dividend Equivalents with respect to a Deferred Equity Unit shall terminate upon the earlier of the Redemption Date for such Deferred Equity Unit or termination of employment.

(f) *Determinations*. For purposes of the Plan, any determinations with respect to a Participant's termination of employment (including the date thereof) shall be made by the Committee (or the Company).

7.6 Rounding for Fractional Shares. Payments in shares of the Company's Common Stock pursuant to this Article VII shall be rounded down to the nearest Fractional Company Share, and the Company shall pay the remainder in cash.

7.7 Cash Funding for Redemptions of Equity Units. It is anticipated that cash redemptions of Equity Units pursuant to the Plan and LLC Agreement will be made either by (i) Management Holdings, LLC, using cash contributed to Management Holdings, LLC or (ii) Management Holdings, LLC distributing the Fractional Company Shares underlying such Equity Units to the holder of such Equity Units and, immediately following such distribution, the Company redeeming such Fractional Company Shares from such employee holder in cash for their then current Fair Market Value; provided that if such a redemption of Fractional Company Shares by the Company (or the payment of a dividend by a subsidiary of the Company to fund such a redemption) would result in a violation of the terms or provisions of, or a default or an event of default under, any guaranty, financing or security agreement or document entered into by the Company or any of its subsidiaries from time to time or the Company's certificate of incorporation or if the Company has no funds legally available to make such redemption in compliance with Delaware law, then the Company shall not be obligated to redeem such

Fractional Company Shares and instead Management Holdings, LLC shall redeem the applicable Equity Units for cash.

7.8 Restrictions Applicable to Equity Units. All Equity Units delivered to a Participant pursuant to this Article VII shall be governed by the terms and conditions of the LLC Agreement, and, as a condition to any such delivery, the Participant recipient shall execute a counterpart to the LLC Agreement, in a form acceptable to the Company, by which the Participant shall agree to become a member of the LLC and be bound by the terms and conditions of the LLC Agreement.

Article VIII
CHANGE OF CONTROL

8.1 Effect of a Change in Control. In connection with a Change in Control:

(a) *Annual FCF Bonuses*. If a Change in Control occurs prior to the date on which Deferred Equity Units are allocated to Deferral Accounts for a Plan Year, each Participant's Deferral Account, immediately prior to such Change in Control, shall be granted and credited with a number of Deferred Equity Units equal to the number obtained by multiplying (i) the Deferred Percentage by (ii) the quotient obtained by dividing (x) such Participant's Pro Rata Annual FCF Bonus for such Plan Year by (y) the Base Investment Price(s) applicable to such Participant's available Deferred Amounts, calculated as provided in Section 5.1(a);

(b) *Deferred Equity Units*. Each outstanding Deferred Equity Unit shall, in the Committee's discretion, either be (x) cancelled and settled, without payment by any Participant, for one Fractional Company Share immediately prior to the Change in Control or (y) within 30 days following a Change in Control, cancelled in exchange for a payment of the price per Fractional Company Share (calculated as a product of one share of the Company's Common Stock) received in connection with the transaction(s) resulting in the Change in Control;

(c) *Matching Equity Units*. Each outstanding Matching Equity Unit shall be treated in accordance with the LLC Agreement; and

(d) *Equity Units*. Each outstanding Equity Unit shall be treated in accordance with the LLC Agreement.

Article IX
ADMINISTRATION

9.1 Committee. The Plan shall be administered by the Committee, which shall have the exclusive right and full discretion (i) to appoint agents to act on its behalf, (ii) to interpret the Plan, (iii) to decide any and all matters arising under the Plan (including the right to remedy possible ambiguities, inconsistencies or admissions), (iv) to make, amend and rescind such rules as it deems necessary for the proper administration of the Plan and (v) to make all other determinations and resolve all questions of fact necessary or advisable for the administration of the Plan, including determinations regarding eligibility to participate in the Plan. All good faith interpretations of the Committee with respect to any matter under the Plan shall be final, conclusive and binding on all persons affected thereby. No member of the Committee or agent thereof shall be liable for any determination, decision or action made in good faith with respect to the Plan. The Company will indemnify and hold harmless the members of the Committee and its agents from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission in connection with the performance of such

persons' duties, responsibilities and obligations under the Plan, other than such liabilities, costs and expenses as may result from the bad faith, willful misconduct or criminal acts of such persons.

9.2 409A Compliance. The Plan is intended to be administered in a manner consistent with the requirements, where applicable, of Section 409A of the Code and the Plan shall be administered, interpreted and construed consistent with that intent and where reasonably possible and practicable, the Plan shall be administered and interpreted in a manner to avoid the imposition on a Participant of immediate tax recognition and additional taxes pursuant to Section 409A of the Code. A Participant's right to receive any installment payment under the Plan shall, for purposes of Section 409A of the Code, be treated as a right to receive a series of separate and distinct payments. In addition, with respect to any payments or deemed payments under the Plan subject to Section 409A of the Code, references to a Participant's "termination of employment" (and corollary terms) with the Company and its Affiliates means the Participant's "separation from service" (as defined in Section 409A of the Code) with the Company and its Affiliates. Notwithstanding anything to the contrary contained in the Plan, any payment made under the Plan at a time permitted by Section 409A of the Code shall be deemed timely paid for all purposes of the Plan. Notwithstanding anything to the contrary contained in the Plan, the Committee may amend the Plan to the extent it deems necessary or appropriate to comply with Section 409A of the Code. Notwithstanding anything to the contrary contained in the Plan or any other agreement to which the Company or any of its Affiliates is bound or is a party, none of the Company, any of its Affiliates, the Committee or any of their respective officers, directors, employees or agents shall have any liability whatsoever to any Participant or any other person in the event Section 409A of the Code applies to any payments under the Plan in a manner that results in adverse tax consequences for a Participant or his or her heirs.

9.3 Delay for "Specified Employees". In the event that any payment under the Plan is required to be delayed pursuant to Section 409A of the Code because a Participant is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(1) of the Code and the related regulations, such payment shall be made, or the first installment of such payment shall be made, within 90 days of the first business day following the six-month anniversary of the Participant's "separation from service."

9.4 Freedom of Action. Nothing in the Plan shall be construed as limiting or preventing the Committee, the Company or any of its Affiliates from taking any action that in good faith it deems appropriate or in its best interest (as determined in its sole and absolute discretion) and no Participant (or person claiming by or through a Participant) shall have any right relating to the diminishment in the value of any Fractional Company Shares, Deferred Equity Units, Matching Equity Units, Equity Units, Dividend Equivalents or any associated return as a result of any such action. The foregoing shall not constitute a waiver by a Participant of the terms and provisions of the Plan. Unless the context otherwise requires, any determination under the Plan by the Committee or the Company shall be in their sole and absolute discretion.

Article X
MISCELLANEOUS

10.1 Amendment or Termination of Plan. The Company may, at any time, direct the Committee to amend or terminate the Plan, except that no such amendment or termination may adversely affect a Participant's outstanding Deferred Equity Units, Matching Equity Units or Dividend Equivalents. If the Company terminates the Plan, no further amounts shall be paid or deferred under the Plan, and outstanding Deferred Equity Units and Dividend Equivalents shall be treated in accordance with the provisions of the Plan as in effect prior to the Plan's termination.

10.2 Unsecured General Creditor. Any payment due under the Plan shall be paid from the general funds of the Company, and each Participant and his or her heirs shall be no more than unsecured general creditors of the Company with no special or prior right to any assets of the Company for payment of any obligations under the Plan. It is the intention of the Company that the Plan be unfunded for purposes of ERISA and the Code.

10.3 Requirements of Law. The issuance of Fractional Company Shares and Equity Units pursuant to the Plan shall be subject to all applicable laws, rules and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required.

10.4 Restriction Against Assignment. Deferred Equity Units, Dividend Equivalents and the other rights and entitlements under the Plan are not assignable or transferable, in whole or in part, and may not, directly or indirectly, be offered, transferred, sold, pledged, assigned, alienated, hypothecated or otherwise disposed of or encumbered (including without limitation by gift, operation of law or otherwise) other than by will or by the laws of descent and distribution upon a Participant's death.

10.5 Withholding. Whenever Annual FCF Bonuses, Settlement Payments, Dividend Equivalents or any other payments or deemed payments under the Plan are to be paid or delivered to a Participant, the Company and its Affiliates shall have the power to withhold, or require the Participant to remit to the Company or any of its Affiliates, an amount sufficient to satisfy the statutory minimum federal, state and local withholding tax requirements relating to such payments, and the Company may defer the payment and delivery of any such Annual FCF Bonuses, Settlement Payments, Dividend Equivalents or any other payments or deemed payments under the Plan until the date such tax withholding requirements are satisfied or, if earlier, the last day of the calendar year in which such payments or deemed payment would otherwise have been made to the Participant; provided that if a Participant has not remitted or the Company has not withheld the amounts necessary to satisfy the withholding tax requirements prior to the last day of such calendar year then the Participant shall forfeit the payments or deemed payments subject to such withholding tax requirements. The Committee may, in its discretion, permit a Participant to elect, subject to such conditions as the Committee shall impose, to satisfy his or her withholding obligation relating to a Settlement Payment with Fractional Company Shares.

10.6 Employment Not Guaranteed. Nothing contained in the Plan nor any action taken hereunder shall be construed as a contract of employment or as giving any Participant any right to continue the provision of services in any capacity whatsoever to the Company or any of its Affiliates.

10.7 Successors of the Company. The rights and obligations of the Company under the Plan shall inure to the benefit of, and shall be binding upon, the successors and assigns of the Company.

10.8 Notice. Any notice or filing required or permitted to be given to the Company or a Participant under the Plan shall be sufficient if in writing and hand-delivered or sent by registered or certified mail, in the case of the Company, to the principal office of the Company, directed to the attention of the Committee, and in the case of a Participant, to the last known address of the Participant indicated on the employment records of the Company. Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Notices to the Company may be permitted by electronic communication according to specifications established by the Committee.

10.9 No Conflict with LLC Agreement. Nothing contained in the Plan is intended to conflict with the terms and conditions of the LLC Agreement and to the extent any such conflict exists with respect to Matching Equity Units or Equity Units, expressly or by implication, the terms and conditions of the LLC Agreement shall control.

10.10 Severability of Provisions. If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provision had not been included.

10.11 Headings, etc. Headings and subheadings in the Plan are inserted for convenience of reference only and are not to be considered in the construction of the provisions hereof. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

10.12 Governing Law. The Plan is intended to be an unfunded plan maintained primarily to provide deferred compensation benefits for a select group of “management or highly compensated employees” within the meaning of Sections 201, 301 and 401 of ERISA and therefore to be exempt from Parts 2, 3 and 4 of Title I of ERISA. In the event any provision of, or legal issue relating to, the Plan is not fully preempted by federal law, such issue or provision shall be governed by the laws of the State of New York.

As adopted on December 10, 2012, amended and restated on November 22, 2013 and on March 10, 2017.

Exhibit 10.2

SECOND AMENDED AND RESTATED

LIMITED LIABILITY COMPANY AGREEMENT

OF

WMG MANAGEMENT HOLDINGS, LLC

Dated as of March 10, 2017

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SECOND AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT OF
WMG MANAGEMENT HOLDINGS, LLC

This Second Amended and Restated Limited Liability Company Agreement of WMG Management Holdings, LLC, dated as of March 10, 2017, is entered into by the Company, AI Entertainment Management, LLC (the "Managing Member") and the Persons listed on Schedule A attached hereto, as the same may be amended from time to time (the "Members").

W I T N E S S E T H:

WHEREAS, the Company was formed pursuant to a Certificate of Formation filed for recordation in the office of the Secretary of State of the State of Delaware on December 12, 2012; and

WHEREAS, the Managing Member desires to amend and restate the Amended and Restated Limited Liability Company Agreement, dated as of December 4, 2013, between the Managing Member and the Members to make certain provisions for the affairs of the Company and the conduct of its business and the rights and obligations of the parties on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I
FORMATION OF THE COMPANY

Section 1.1 Name; Authorized Persons.

(a) Name of the Company. The name of the Company is "WMG Management Holdings, LLC." The business of the Company may be conducted under such other names as the Managing Member may from time to time designate.

(b) Authorized Persons. A person designated as an authorized person within the meaning of the Act, has executed, delivered and filed the Certificate. On January 7, 2013, his or her powers as an authorized person ceased and each Officer of the Company became designated as an authorized person within the meaning of the Delaware Act and may execute, deliver and file any and all amendments to and restatements of the Certificate.

Section 1.2 Term of Company. The term of the Company commenced on the date of the initial filing of the Certificate with the Secretary of State of the State of Delaware. The Company may be terminated in accordance with the terms and provisions hereof, and shall continue unless and until dissolved as provided in Article XII. The existence of the Company as

a separate legal entity shall continue until the cancellation of the Certificate as provided in the Delaware Act.

Section 1.3 Registered Agent and Office. The Company's registered agent and office in the State of Delaware shall be Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808. The Managing Member may designate another registered agent and/or registered office from time to time in accordance with the then applicable provisions of the Delaware Act and any other applicable laws.

Section 1.4 Qualification in Other Jurisdictions. Any authorized person of the Company shall execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

Section 1.5 Taxable Year. The taxable year of the Company for federal, state and local income tax purposes shall end on December 31.

ARTICLE II
PURPOSE AND POWERS OF THE COMPANY

Section 2.1 Purpose. The purposes of the Company are, and the nature of the business to be conducted and promoted by the Company is, holding shares of WMG Common Stock, engaging in any lawful act or activity for which limited liability companies may be formed under the Delaware Act and engaging in all acts or activities as the Company deems necessary, advisable or incidental to the furtherance of the foregoing.

Section 2.2 Powers of the Company. The Company shall have the power and authority to take any and all actions that are necessary, appropriate, advisable, convenient or incidental to or for the furtherance of the purposes set forth in Section 2.1.

Section 2.3 Qualification in Other Jurisdictions. The Company shall cause itself to be qualified, formed or registered under assumed or fictitious name statutes or similar laws in any jurisdiction in which the Company transacts business and in which such qualification or registration is required by law or deemed advisable by the Company. Any Company officer as an authorized person within the meaning of the Act may execute, deliver and file any certificates (and any amendments and/or restatements thereof) necessary for the Company to qualify to do business in a jurisdiction in which the Company may wish to conduct business.

ARTICLE III
MEMBERS AND UNITS

Section 3.1 Powers of Members. The Members shall have the power to exercise any and all rights or powers granted to the Members pursuant to the express terms of this Agreement. The approval or consent of the Members shall not be required in order to authorize the taking of

any action by the Company, unless and then only to the extent that (i) this Agreement shall expressly provide therefor, (ii) such approval or consent shall be required by any provision of the Delaware Act that by its terms may not be waived or (iii) the Managing Member shall determine that obtaining such approval or consent would be appropriate or desirable. The Service Members, as such, shall have no power to bind the Company.

Section 3.2 Units.

(a) Units Generally. The Company will have the following authorized classes of Units: Class A Units, Class B Units and Class C Units.

(b) No Voting Rights. All Class A Units and Class B Units shall be non-voting.

(c) Class A Units. The Company shall issue Class A Units to Service Members in exchange for shares (or fractional shares) of WMG Common Stock received upon settlement of Deferred Equity Units pursuant to the Plan. In addition, the Company may issue Class A Units to the Managing Member in exchange for shares (or fractional shares) of WMG Common Stock.

(d) Class B Units.

(i) Initial Issuance. In connection with the performance of services to or for the benefit of the Company, the Company shall (within 90 days of the date a Service Member begins to participate in the Plan) issue to the Service Member a number of Class B Units equal to the Service Member's Initial Unit Allocation and (within 90 days of the date a Service Member receives an Additional Unit Allocation under the Plan) issue to the Service Member a number of additional Class B Units equal to the Service Member's Additional Unit Allocation.

(ii) Vesting. Class B Units held by a Service Member shall vest at the times and to the extent that Deferred Equity Units are credited to the Service Member's Deferral Account under the Plan and shall be subject to forfeiture as provided in Section 11.2; provided that if a Change in Control occurs prior to the date on which unvested Class B Units were scheduled to vest pursuant to this Section 3.2(d)(ii), then, immediately prior to such Change in Control, a number of Class B Units shall vest equal to the number of Deferred Equity Units that are then credited to such Service Member's Deferral Account pursuant to Section 8.1(a) of the Plan.

(iii) Benchmark Amount. The Benchmark Amount of each Class B Unit shall be determined at the time such Class B Unit is issued to a Service Member and shall equal the then current Fair Market Value of one WMG Fractional Share, which shall be reflected on Schedule A. For the avoidance of doubt, the Benchmark Amount of each Class B Unit granted on the Effective Date shall be the Initial Base Investment Price.

(iv) Reallocation of Class B Units. If at any time the Managing Member owns Class B Units, the Managing Member may, in its sole discretion, cause the Company to cancel all or any portion of such Class B Units, without payment by the Company, for the purpose of granting up to an equal number of Class B Units (with Benchmark Amounts determined at the date of such grant) to Service Members (whether existing Members or Additional Members). Upon any such cancellation and grant, the Managing Member shall reallocate the WMG Fractional Shares that were allocated to such cancelled Class B Units of the Managing Member to the newly-granted Class B Units of such Service Members, in which case the Benchmark Amounts applicable to such newly-granted Class B Units shall be allocated to the Managing Member.

(e) Class C Units. As of any date, a number of the Class A Units held by the Managing Member shall be reclassified as Class C Units. The number of such Class A Units reclassified as Class C Units as of any date shall equal the number of Class B Units outstanding (whether vested or unvested) as of such date. Class C Units shall not have any rights to distributions under this Agreement.

(f) Redemption and Forfeiture. Units owned by Service Members are subject to redemption and/or forfeiture as provided in Article XI.

(g) Adjustment Events. The number and kind of shares or other equity interests to which Class A Units, Class B Units, Class C Units and WMG Fractional Shares may relate, the number and kinds of securities deliverable and the Benchmark Amounts shall be proportionally adjusted to reflect, as deemed equitable and appropriate by the Managing Member, any stock dividend, stock split, share combination, recapitalization, merger, consolidation, reorganization, exchange of shares or any other similar event affecting WMG Common Stock.

(h) Unit Certificates. The Company may at any time and at the discretion of the Managing Member issue one or more Unit Certificates in the name of a Member in respect of the issue or reallocation of a Unit to that Member and record the issue or reallocation of such Unit to such Member in the records of the Company.

Section 3.3 No Cessation of Membership upon Bankruptcy. A Person shall not cease to be a Member of the Company upon the happening, with respect to such Person, of any of the events specified in Section 18-304 of the Delaware Act.

Section 3.4 Additional Members and Increased Capital Contributions.

(a) Generally. The Company may admit one or more additional Members (each an "Additional Member") and may permit previously admitted Members to increase their investment in the Company, in each case, upon the approval of the Managing Member. The Managing Member shall approve the admission of any Person who is granted Class B Units

pursuant to the Plan or the increased Capital Contribution from any Person who contributes WMG Fractional Shares to the Company pursuant to the Plan.

(b) Procedures. Each Person shall be admitted as an Additional Member at the time such Person (i) executes a counterpart to this Agreement, (ii) complies with the applicable Managing Member resolution, if any, with respect to such admission and (iii) is named as a Member in Schedule A hereto. Upon the admission of an Additional Member, an increase in a Service Member's Maximum Unit Allocation or an increased investment in the Company, to the extent applicable, the Managing Member: (A) shall determine the number of Units to be issued to such Additional Member (or existing Member); (B) shall determine the Benchmark Amounts with respect to any Class B Units issued at such time to the Additional Member (or existing Member); and (C) may cause the Company to issue one or more Unit Certificates in the name of such Additional Member (or existing Member) and record the issuance of Units to such Additional Member (or existing Member) in the records of the Company.

Section 3.5 No Continued Right to Employment. Nothing in this Agreement will be construed as providing any Member any right to continued employment by the Company, WMG or any of its Affiliates, nor will it be construed as limiting or otherwise affecting any of such Member's obligations or duties owed to WMG and its Affiliates in his or her capacity as an employee of WMG or any of its Affiliates.

Section 3.6 Restrictive Covenants. The covenants and restrictions contained in this Section 3.6 shall be in addition to and not in lieu of any covenants or restrictions applying to any Service Member pursuant to any employment, severance or services agreement between such Service Member and WMG or any of its Affiliates and are intended to reflect the special obligations of the Service Members as Members of the Company.

(a) Non-Competition. Each Service Member hereby covenants and agrees that, during the period the Service Member holds, directly or indirectly, any equity interest in the Company or, if earlier, until the date of the applicable Service Member's termination of employment for any reason (the "Restricted Period"), such Service Member shall not become associated with any entity, whether as a principal, partner, employee, member, consultant or shareholder (other than as a holder of not in excess of 1% of the outstanding voting shares of any publicly traded company), that is actively engaged in any geographic area in which WMG or any of its Affiliates does business in any business which is either (i) in competition with the businesses of WMG and its Affiliates or (ii) proposed to be conducted by WMG or any of its Affiliates in any business plan of WMG or any of its Affiliates; provided, however, this Section 3.6(a) shall not apply with respect to any activities which are (A) expressly permitted pursuant to the terms of any employment, severance or services agreement or letter between the applicable Service Member and WMG or any of its Affiliates or (B) previously approved by WMG, its Board of Directors or a committee thereof pursuant to WMG's conflict of interest resolution procedures.

(b) Non-Solicitation of Employees, Artists and Labels. Each Service Member (other than a Service Member located in the State of California) hereby covenants and agrees that, during the Restricted Period and for the one-year period thereafter, such Service Member shall not, directly or indirectly, as an employee, agent, consultant, partner, joint venture, owner, officer, director, member of any other firm, partnership, corporation or other Person or in any other capacity:

(i) hire or make an offer of employment to any then-current employees of WMG or any of its Affiliates in the United States or to any individuals who were employees of WMG or any of its Affiliates in the United States in the prior six-month period (collectively, the "Restricted Employees");

(ii) solicit, negotiate with, induce, persuade encourage or otherwise attempt to solicit, negotiate with, induce, persuade or encourage any Restricted Employees to (A) terminate his or her employment with WMG or any of its Affiliates, (B) refrain from extending his or her employment with WMG or any of its Affiliates, (C) refrain from entering into a new employment arrangement with WMG or any of its Affiliates, (D) enter into any employment arrangement with any competitor of WMG or any of its Affiliates or (E) violate any provision of a Restricted Employee's Contract with WMG or any of its Affiliates;

(iii) enter into any Contract with any Restricted Artist or Restricted Label; or

(iv) solicit, negotiate with, induce, persuade, encourage or otherwise attempt to solicit, negotiate with, induce, persuade or encourage any Restricted Artist or Restricted Label to (A) terminate his, her or its relationship or Contract with WMG or any of its Affiliates, (B) refrain from extending his, her or its relationship or Contract with WMG or any of its Affiliates, (C) refrain from entering into a new Contract with WMG or any of its Affiliates, (D) enter into any relationship or Contract with any competitor of WMG or any of its Affiliates or (E) violate any provision of the Restricted Artist's or Restricted Label's Contract with WMG or any of its Affiliates.

In lieu of the preceding covenants and agreements in clauses (i) through (iv) of this Section 3.6(b), each Service Member located in the State of California hereby covenants and agrees that, during the Restricted Period and for the one-year period thereafter, such Service Member shall not, directly or indirectly, as an employee, agent, consultant, partner, joint venture, owner, officer, director, member of any other firm, partnership, corporation or other Person or in any other capacity:

(v) solicit, induce or encourage any Restricted Employee in the United States to leave their employment with WMG or any of its Affiliates; or

(vi) (1) induce (or attempt to induce) a breach or disruption of the contractual relationship between WMG or any of its Affiliates and any Restricted Artist or Restricted Label or (2) use the trade secrets or confidential information of WMG or any of its Affiliates to solicit, induce or encourage any Restricted Artist or Restricted Label to end its relationship with WMG or any of its Affiliates, as applicable.

(c) Non-Disparagement. Each Service Member hereby covenants and agrees that such Service Member shall not at any time make any statements, directly or indirectly, to any Person that are intended to, or could reasonably be expected to, damage the business or reputation of WMG or any of its Affiliates, including Access.

(d) Confidentiality. Each Service Member hereby covenants and agrees that such Service Member shall not at any time, either during or following his or her employment with WMG or any of its Affiliates, disclose or reveal to any Person or make use of (otherwise than for the benefit of WMG or any of its Affiliates) any trade secrets or information of a secret or confidential nature, including without limitation, matters of a business nature, such as information about costs, profits, markets, leases, details of recording or music publishing agreements, distribution agreements, customer Contracts, manufacturing processes, financial information, technical and production know-how, developments, inventions, processes or administrative procedures, concerning the business or affairs of WMG or any of its Affiliates, which the Service Member may have acquired in the course of or incident to the Service Member's employment with WMG or any of its Affiliates, and the Service Member confirms that all such information ("Confidential Information") is the exclusive property of WMG and its Affiliates. This Section 3.6(d) shall not apply to disclosures by the Service Member (i) with the Company's consent, (ii) to the Service Member's legal counsel in connection with seeking legal advice related hereto, (iii) to the Service Member's accountants in connection with seeking financial or tax advice related hereto or (iv) as required by law, a court of competent jurisdiction or regulatory agency or other governmental authority. Nothing herein shall prevent the Service Member, subsequent to the termination or expiration of his or her employment with WMG or any of its Affiliates, from using or availing himself or herself of general technical skills, knowledge and experience, including that pertaining to or derived from the non-confidential aspects of the businesses of WMG or any of its Affiliates. The term "Confidential Information" shall not include information generally available and known to the public other than as a result of a breach of this Section 3.6(d) by the Service Member. The Service Member agrees to hold as WMG property all Confidential Information and all books, papers and other data and all copies thereof and therefrom, in any way relating to the businesses of WMG or any of its Affiliates, whether made or received by the Service Member, and, on termination of employment or upon demand by WMG, to deliver the same to WMG.

(e) Results and Proceeds of Employment. Each Service Member acknowledges and agrees that WMG or any of its Affiliates, as the case may be, shall own all rights of every kind and character throughout the world in perpetuity in and to any material and/or ideas written, suggested or in any way created by him or her during his or her employment with WMG or any of

its Affiliates and all other results and proceeds of his or her employment with WMG or any of its Affiliates, including, but not limited to, all copyrightable material created by him or her within the scope of his or her employment. Each Service Member agrees to execute and deliver to WMG or any of its Affiliates, as the case may be, such assignments or other instruments as the Company may require from time to time to evidence WMG's or any of its Affiliates', as the case may be, ownership of the results and proceeds of his or her services rendered to WMG or any of its Affiliates.

(f) Remedies for Breach. Each Service Member acknowledges and agrees that the covenants and obligations of such Service Member with respect to non-competition, non-solicitation, non-disparagement, confidentiality and results and proceeds of employment in this Agreement relate to special, unique and extraordinary matters and that a violation or threatened violation of any of the terms of such covenants or obligations will cause WMG and its Affiliates (including the Company) irreparable injury for which adequate remedies are not available at law. Therefore, each Service Member agrees, to the fullest extent permitted by law, that WMG or any of its Affiliates (including the Company) shall be entitled to an injunction, restraining order or such other equitable relief (without the requirement to post bond) restraining such Service Member from committing any violation of the covenants or obligations contained in this Section 3.6. These injunctive remedies are cumulative and are in addition to any other rights and remedies the Company, WMG or any of their Affiliates may have at law or in equity. In connection with the foregoing provisions of this Section 3.6, each Service Member represents that his or her economic means and circumstances are such that such provisions will not prevent him or her from providing for the Service Member and his or her family on a basis satisfactory to him or her.

(g) Unenforceable Restriction. It is expressly understood and agreed that although each Service Member and the Company consider the restrictions contained in this Section 3.6 to be reasonable, if a final determination is made by an arbitrator to whom the parties have assigned the matter or a court of competent jurisdiction that any restriction contained in this Agreement is an unenforceable restriction against any Service Member, the provisions of this Agreement shall not be rendered void but shall be reformed to apply as to such maximum time and to such maximum extent as such arbitrator or court may determine or indicate to be enforceable. Alternatively, if such arbitrator or court finds that any restriction contained in this Agreement is unenforceable, and such restriction cannot be reformed so as to make it enforceable, such finding shall not affect the enforceability of any of the other restrictions contained herein.

ARTICLE IV
MANAGEMENT

Section 4.1 Management. The business and affairs of the Company shall be managed by and under the direction of the Managing Member. The Managing Member shall be the "manager" of the Company for purposes of the Act. The Managing Member shall have complete and exclusive good faith discretion in the management and control of the affairs and business of

the Company and shall possess all powers necessary, convenient or appropriate to carrying out the purposes and business of the Company and to performing all acts and entering into and performing all Contracts and other undertakings that it may deem necessary or advisable or incidental thereto, including doing all things and taking all actions necessary to carry out the terms and provisions of this Agreement.

Section 4.2 Designation of Officers. The Managing Member may designate one or more officers and agents of the Company. Such officers and agents shall serve for such terms, hold such offices, exercise such powers and perform such duties as the Managing Member from time to time may determine to be necessary, useful, appropriate, advisable, desirable or convenient. In addition, all officers and agents, as between themselves and the Company, shall have such authority and perform such duties in the management of the Company as generally pertain or are necessarily incidental to their particular office or agency.

ARTICLE V
CAPITAL ACCOUNTS; CAPITAL CONTRIBUTIONS

Section 5.1 Capital Accounts. A separate capital account (a "Capital Account") shall be established and maintained for each Member. Each Member's Capital Accounts shall be credited with the amount of cash and Fair Market Value of property contributed by such Member to the Company, as set forth on Schedule A.

Section 5.2 Adjustments. As of the end of each Accounting Period, the balance in each Member's Capital Account shall be adjusted by (i) increasing such balance by such Member's (A) allocable share of each item of the Company's income and gain for such Accounting Period (allocated in accordance with Section 7.1) and (B) the amount of cash and the Fair Market Value of any property (as of the date of the contribution thereof and net of any liabilities encumbering such property) contributed to the Company by such Member during such Accounting Period, if any, and (ii) decreasing such balance by (A) the amount of cash and the Fair Market Value of any property (as of the date of the distribution thereof and net of any liabilities encumbering such property) distributed to such Member during such Accounting Period and (B) such Member's allocable share of each item of the Company's loss and deduction for such Accounting Period (allocated in accordance with Section 7.1).

Section 5.3 Additional Capital Contributions. No Member shall be required to make any additional Capital Contribution to the Company in respect of the Interests owned by such Member. The provisions of this Section 5.3 are intended solely to benefit the Members and, to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any creditor of the Company (and no such creditor shall be a third-party beneficiary of this Agreement), and no Member shall have any duty or obligation to any creditor of the Company to make any additional Capital Contributions or to cause the Managing Member to consent to the making of additional Capital Contributions.

Section 5.4 Negative Capital Accounts. Except as required by law, no Member shall be required to make up a negative balance in its Capital Account.

ARTICLE VI
DISTRIBUTIONS

Section 6.1 Distributions.

(a) Source. The Managing Member will determine in good faith the extent to which any distribution is made from Dividend Proceeds or Exit Proceeds. The determination of the Managing Member will be final and binding on all Members.

(b) Dividend Proceeds. Subject to Articles X and XI and Section 6.1(d), Dividend Proceeds will be apportioned among the Class A Units and Class B Units (including unvested Class B Units) held by the Members. The amounts so apportioned to the Class A Units and vested Class B Units of a Member will be distributed to such Member. The amounts so apportioned to the unvested Class B Units held by a Member will be distributed to the Managing Member.

(c) Exit Proceeds. Subject to Articles X and XI and Section 6.1(d), Exit Proceeds will be apportioned among the Class A Units and Class B Units (including unvested Class B Units) held by the Members. The amounts so apportioned to the Class A Units will be distributed to such Member. The amounts so apportioned to the unvested Class B Units held by a Member will be distributed to the Managing Member. The amounts so apportioned to the vested Class B Units held by a Member will be distributed (i) first, to the Managing Member up to the aggregate Benchmark Amount of such vested Class B Units and (ii) thereafter, to such Member.

(d) Offset to Certain Distributions. The Managing Member may, in its discretion, reduce the amount of any distributions to a Service Member under this Section 6.1 by all or any portion of the outstanding Unrecovered Investment Credit, if any, of the Service Member, which offset amounts shall instead be distributed to the Managing Member.

Section 6.2 Distributions In Kind. In the event of a distribution of Company property pursuant to Section 6.1, such property shall for all purposes of this Agreement be deemed to have been sold at its Fair Market Value and the proceeds of such sale shall be deemed to have been distributed to the Members.

Section 6.3 No Withdrawal of Capital. Except as otherwise expressly provided in Article XII, no Member shall have the right to withdraw capital from the Company or to receive any distribution or return of such Member's Capital Contributions.

Section 6.4 Withholding.

(a) Each Member shall, to the fullest extent permitted by applicable law, indemnify and hold harmless each Person who is or who is deemed to be the responsible withholding agent for U.S. federal, state or local income tax purposes against all claims, liabilities and expenses of whatever nature (other than any claims, liabilities and expenses in the nature of penalties and accrued interest thereon that result from such Person's fraud, willful misfeasance, bad faith or gross negligence) relating to such Person's obligation to withhold and to pay over, or otherwise pay, any withholding or other taxes payable by the Company or as a result of such Member's participation in the Company.

(b) Notwithstanding any other provision of this Article VI, (i) each Member hereby authorizes the Company to withhold from payments to or Units of such Member and to pay over, or otherwise pay, any withholding or other taxes payable by the Company or any of its Affiliates with respect to such Member or as a result of such Member's participation in the Company and (ii) if and to the extent that the Company or any of its Affiliates shall be required to withhold or pay any such taxes (including any amounts withheld from amounts payable to the Company to the extent attributable, in the judgment of the Members, to the interest of such Member in the Company), such Member shall be deemed for all purposes of this Agreement to have received a payment from the Company as of the time such withholding or tax is required to be paid, which payment shall be deemed to be a distribution with respect to such Member's interest in the Company to the extent that the Member (or any successor to such Member's interest in the Company) is then entitled to receive a distribution. To the extent that the aggregate of such payments to a Member for any period exceeds the distributions to which such Member is entitled for such period, such Member shall make a prompt payment to the Company of such amount.

(c) If the Company makes a distribution in kind and such distribution is subject to withholding or other taxes payable by the Company on behalf of any Member, such Member shall make a prompt payment to the Company of the amount of such withholding or other taxes by wire transfer.

Section 6.5 Restricted Distributions. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make a distribution to any Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Delaware Act or other applicable law.

ARTICLE VII
ALLOCATIONS

Section 7.1 Allocations to Capital Accounts. Except as provided in Section 7.2, each item of income, gain, loss or deduction (determined in accordance with U.S. tax principles as applied to the maintenance of capital accounts), with respect to any Accounting Period, including each item of income, gain, loss and deduction of the Company, shall be allocated among the

Capital Accounts as of the end of such Accounting Period in a manner that as closely as possible gives effect to the provisions of Article VI and the other relevant provisions of this Agreement.

Section 7.2 Tax Allocations and Other Tax Matters.

(a) Tax Allocations. Each item of income, gain, loss or deduction recognized by the Company shall be allocated among the Members for U.S. federal, state and local income tax purposes in the same manner that each such item is allocated to the Members' Capital Accounts or as otherwise provided herein, provided that the Managing Member may adjust such allocations as long as such adjusted allocations have substantial economic effect or are in accordance with the interests of the Members in the Company, in each case within the meaning of the Code and the Treasury Regulations. Tax credits and tax credit recapture shall be allocated in accordance with the Members' interests in the Company as provided in Treasury Regulations § 1.704-1(b)(4)(ii). All matters concerning allocations for U.S. federal, state and local and non-U.S. income tax purposes, including accounting procedures, not expressly provided for by the terms of this Agreement shall be determined by the Managing Member in its sole discretion.

(b) Certain Actions. Notwithstanding any other provision of this Agreement, (i) each Member shall, and shall cause each of its Affiliates and transferees to, take any action requested by the Managing Member, and the Managing Member may take any action, to ensure that the fair market value of any interest in the Company that is transferred in connection with the performance of services is treated for U.S. federal income tax purposes as being equal to the "liquidation value" (within the meaning of Prop. Treas. Reg. section 1.83-3(l)) of that interest (and that each such interest in the Company is afforded pass-through treatment for all applicable U.S. federal, state or local income tax purposes) and (ii) without limiting the generality of the foregoing, to the extent required in order to attain or ensure such treatment under any applicable law, Treasury Regulation, Revenue Procedure, Revenue Ruling, Notice or other guidance governing partnership interests transferred in connection with the performance of services, such action may include authorizing and directing the Company or the Managing Member to make any election, agreeing to any condition imposed on such Member, its Affiliates or its transferees, executing any amendment to this Agreement or other agreements, executing any new agreement, making any tax election or tax filing and agreeing not to take any contrary position.

(c) Member Notification Requirements. Each Member shall notify the Managing Member in a timely manner of its intention to (i) file a notice of inconsistent treatment under section 6222(b) of the Code, (ii) file a request for administrative adjustment of Company items, (iii) file a petition with respect to any Company item or other tax matters involving the Company or (iv) enter into a settlement agreement with the Secretary of the Treasury with respect to any Company items. Upon receipt of any such notification, the Managing Member, if it agrees with such Member's position, may in its sole discretion elect to make such filing or enter into such agreement, as applicable and practicable, on behalf of the Company. The cost of any audits or adjustments of a Member's tax return shall be borne solely by the affected Member. Each Member shall promptly upon request furnish to the Managing Member any information that the

Managing Member may reasonably request in connection with any election or contemplated election or adjustment under section 734, 743 or 754 of the Code or with filing the tax returns of the Company or its Affiliates.

ARTICLE VIII
BOOKS AND RECORDS

Section 8.1 Books, Records and Financial Statements. The Company shall keep or cause to be kept full and accurate accounts of the transactions of the Company in proper books and records of account which shall set forth all information required by the Act. Such books and records shall be maintained on the basis utilized in preparing the Company's U.S. income tax returns. Such books and records shall be available for inspection and copying by the Members or their duly authorized representatives during normal business hours for any purpose reasonably related to such Member's interest in the Company, provided that the Company may maintain the confidentiality of Schedule A as it relates to other Members.

Section 8.2 Filings of Returns and Other Writings; Tax Matters Partner.

(a) The Company shall timely file all Company tax returns and shall timely file all other writings required by any governmental authority having jurisdiction to require such filing. Within 180 days after the end of each taxable year (or as soon as reasonably practicable thereafter), the Company shall send to each Person that was a Member at any time during such year copies of Schedule K-1, "Partner's Share of Income, Credits, Deductions, Etc.", or any successor schedule or form with respect to such Person, together with such additional information as may be necessary for such Person to file his, her or its U.S. federal income tax returns.

(b) The Managing Member shall be the tax matters partner of the Company, within the meaning of section 6231 of the Code (the "Tax Matters Partner"). Each Member hereby consents to such designation and agrees that upon the request of the Tax Matters Partner, such Member will execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such consent.

(c) Promptly following the written request of the Tax Matters Partner, the Company shall, to the fullest extent permitted by law, reimburse and indemnify the Tax Matters Partner for all reasonable expenses, including reasonable legal and accounting fees, claims, liabilities, losses and damages incurred by the Tax Matters Partner in connection with any administrative or judicial proceeding with respect to the tax liability of the Members.

(d) The provisions of this Section 8.2 shall survive the termination of the Company or the termination of any Member's interest in the Company and shall remain binding on the Members for as long a period of time as is necessary to resolve with the Internal Revenue

Service any and all matters regarding the U.S. federal income taxation of the Company or the Members.

ARTICLE IX
LIABILITY, EXCULPATION AND INDEMNIFICATION

Section 9.1 Liability. Except as otherwise provided by the Delaware Act, the debts, obligations and liabilities of the Company, whether arising in Contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Covered Person shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Covered Person.

Section 9.2 Exculpation. No Covered Person shall be liable to the Company or any other Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner believed to be within the scope of authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of such Covered Person's gross negligence, willful misconduct or willful breach of this Agreement.

Section 9.3 Fiduciary Duty. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the Company or to any other Covered Person, a Covered Person acting under this Agreement shall not be liable to the Company or to any other Covered Person for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Covered Person.

Section 9.4 Indemnification. To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Company for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Company and in a manner believed to be within the scope of authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's gross negligence, willful misconduct or willful breach of this Agreement with respect to such acts or omissions; provided, that any indemnity under this Section 9.4 shall be provided out of and to the extent of Company assets only, and no Covered Person shall have any personal liability on account thereof.

Section 9.5 Expenses. To the fullest extent permitted by applicable law, expenses (including, without limitation, reasonable attorneys' fees, disbursements, fines and amounts paid in settlement) incurred by a Covered Person in defending any claim, demand, action, suit or proceeding relating to or arising out of their performance of their duties on behalf of the

Company shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Covered Person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that the Covered Person is not entitled to be indemnified as authorized in Section 9.4.

Section 9.6 Severability. To the fullest extent permitted by applicable law, if any portion of this Article IX shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify each Covered Person as to costs, charges and expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Company, to the fullest extent permitted by any applicable portion of this Article IX that shall not have been invalidated.

ARTICLE X
TRANSFERS OF INTERESTS

Section 10.1 Transfers of Interests by Members.

(a) Restrictions on Transfers by Service Members. No Service Member may Transfer any Interests (including, without limitation, to any other Service Member or by gift, by operation of law or otherwise), except as expressly provided in this Agreement.

(b) Estate Planning Transfers; Transfers upon Death of a Service Member. Subject to the prior written approval of the Managing Member (which approval may be granted or withheld and/or be subject to such terms and conditions as the Managing Member may require, in each case, in its sole discretion), the Class A Units and vested Class B Units held by Service Members may be Transferred (i) for estate-planning purposes to (A) a trust under which the distribution of such Units may be made only to beneficiaries who are such Service Member, his or her spouse, his or her parents, members of his or her immediate family or his or her lineal descendants, (B) a charitable remainder trust, the income from which will be paid to such Service Member during his or her life, (C) a corporation, the shareholders of which are only such Service Member, his or her spouse, his or her parents, members of his or her immediate family or his or her lineal descendants or (D) a partnership or limited liability company, the partners or members of which are only such Service Member, his or her spouse, his or her parents, members of his or her immediate family or his or her lineal descendants (each, an "Estate Planning Vehicle") or (ii) as a result of the laws of descent, provided, in each case, that such Estate Planning Vehicle or heirs, executors or other beneficiaries shall remain subject to the terms of this Agreement as if such Service Member continued to hold such Units directly.

(c) Transfers by the Managing Member. The Managing Member and its Affiliates may freely Transfer their respective Interests.

Section 10.2 Effect of Assignment. The Company shall, from the effective date of any permitted assignment of an Interest (or part thereof), thereafter pay all further distributions on account of such Interest (or part thereof) to the assignee of such Interest (or part thereof).

Section 10.3 Overriding Provisions.

(a) Any Transfer in violation of this Article X shall be null and void ab initio and the provisions of Section 10.2 shall not apply to any such Transfers. The approval of any Transfer in any one or more instances shall not limit or waive the requirement for such approval in any other or future instance.

(b) All Transfers permitted under this Article X are subject to this Section 10.3, Section 10.4 and Section 10.5.

(c) Any proposed Transfer by a Member pursuant to the terms of this Article X shall, in addition to meeting all of the other requirements of this Agreement, satisfy the following conditions: (i) the Transfer will not be effected on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Treasury Regulations § 1.7704-1, and, at the request of the Managing Member, the transferor and the transferee will have each provided the Company a certificate to such effect and (ii) the proposed Transfer will not result in the Company having more than 99 Members, within the meaning of Treasury Regulations § 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations § 1.7704-1(h)(3)). The Managing Member may in its sole discretion waive the condition set forth in clause (ii) of this Section 10.3(c).

(d) The Company shall promptly amend Schedule A to reflect any permitted Transfers of Interests pursuant to this Article X.

Section 10.4 Involuntary Transfers. Any transfer of title or beneficial ownership of Interests upon default, foreclosure, forfeit, divorce, court order or otherwise than by a voluntary decision on the part of a Service Member (other than the Managing Member) (each, an "Involuntary Transfer") shall be void unless such Member complies with this Section 10.4 and enables the Company to exercise in full its rights hereunder. Upon any Involuntary Transfer, the Company shall have the right to purchase such Interests pursuant to this Section 10.4 and the person or entity to whom such Interests have been Transferred (the "Involuntary Transferee") shall have the obligation to sell such Interests in accordance with this Section 10.4. Upon the Involuntary Transfer of any Interest, such Service Member shall promptly (but in no event later than two business days after such Involuntary Transfer) furnish written notice to the Company indicating that the Involuntary Transfer has occurred, specifying the name of the Involuntary Transferee, giving a detailed description of the circumstances giving rise, to and stating the legal basis for, the Involuntary Transfer. Upon the receipt of the notice described in the preceding sentence and for 90 days thereafter, the Company shall have the right to purchase, and the Involuntary Transferee shall have the obligation to sell, all (but not less than all) of the Interests

acquired by the Involuntary Transferee for a purchase price equal to the lesser of (i) the Fair Market Value of such Interest and (ii) the amount of the indebtedness or other liability that gave rise to the Involuntary Transfer.

Section 10.5 Substitute Members. In the event any Member Transfers its Interest in compliance with the other provisions of this Article X (other than Section 10.4), the transferee thereof shall have the right to become a substitute Member, but only upon satisfaction of the following:

(a) execution of such instruments as the Managing Member deems reasonably necessary or desirable to effect such substitution; and

(b) acceptance and agreement in writing by the transferee of the Member's Interest to be bound by all of the terms and provisions of this Agreement and assumption of all obligations under this Agreement (including breaches hereof) applicable to the transferor.

Section 10.6 Release of Liability. In the event any Member shall sell such Member's entire interest in the Company (other than in connection with an Exit Event) in compliance with the provisions of this Agreement, including, without limitation, pursuant to the last sentence of Section 10.4, without retaining any interest therein, directly or indirectly, then the selling Member shall, to the fullest extent permitted by law, be relieved of any further liability arising hereunder for events occurring from and after the date of such Transfer; provided, however, that no such Transfer shall relieve any Service Member of his or her obligations pursuant to Section 3.6 and such obligations shall survive any termination of such Service Member's membership in the Company as set forth in Section 3.6.

Section 10.7 Tag-Along and Drag-Along Rights.

(a) Tag-Along Rights. In the event that at any time Access proposes to Transfer shares of WMG Common Stock to a Third Party (other than, following an Initial Public Offering, shares sold pursuant to Rule 144 promulgated under the Securities Act or any successor provision) or to WMG, then at least 15 days prior to effecting such Transfer, Access shall give each Service Member written notice of such proposed Transfer. Each Service Member shall then have the right (the "Tag-Along Right"), exercisable by written notice to the Managing Member prior to the proposed date of Transfer, to participate pro rata in such sale, by causing the Company to sell the Service Member's pro rata portion of the shares of WMG Common Stock owned by the Company (which for any vested Class B Unit shall be a fraction of the WMG Fractional Share underlying such Class B Unit with the then Fair Market Value equal to the excess of the Fair Market Value of a WMG Fractional Share over such Class B Unit's Benchmark Amount) on substantially the same terms (including with respect to representations, warranties and indemnification) as Access; provided that the form of consideration to be received by Access in connection with the proposed sale may be different from that received by the Service Members so long as the value of the consideration to be received by Access is the

same or less than what they would have received had they received the same form of consideration as the Service Members (as reasonably determined by the Managing Member in good faith). In the event Access sells less than 100% of its shares of WMG Common Stock, and any Service Member exercises his or her Tag-Along Rights, participation "pro rata in such sale" shall be based on the relative number of Class A Units held by such Service Member, unless the Managing Member deems the provisions of Section 10.7(c)(iv) operative. No Service Member shall have any Tag-Along Rights in respect of unvested Class B Units.

(b) Drag-Along Rights. In the event that at any time Access desires to effect an Exit Event (including a sale of all or a portion of the Interests), the Managing Member shall have the right (the "Drag-Along Right"), upon written notice to the Service Members, to require that each Service Member join pro rata in such sale, by causing the Company to sell all or a portion of each Service Member's shares of WMG Common Stock owned by the Company (which for any vested Class B Unit shall be a fraction of the WMG Fractional Share underlying such Class B Unit with the then Fair Market Value equal to the excess of the Fair Market Value of a WMG Fractional Share over such Class B Unit's Benchmark Amount) or, if applicable, each Service Member's Interests pursuant to Section 10.7(c)(iv), on substantially the same terms (including with respect to representations, warranties and indemnification) as Access; provided that the form of consideration to be received by Access in connection with the proposed sale may be different from that received by the Service Members so long as the value of the consideration to be received by Access is the same or less than what they would have received had they received the same form of consideration as the Service Members (as reasonably determined by the Managing Member in good faith). No Service Member shall have a right to sell, or a right to any sale proceeds from, any unvested Class B Units or shares of WMG Common Stock underlying unvested Class B Units in an Exit Event.

(c) General Provisions.

(i) Each Service Member participating in a sale pursuant to this Section 10.7 shall agree to make customary representations and shall agree to customary covenants, indemnities and agreements, so long as they are made severally and not jointly among Access and the other sellers. To the extent that the Company incurs any liability or loss as a result of the representations, warranties, covenants, indemnities and agreements that the Company or the sellers are required to agree to in connection with a sale pursuant to this Section 10.7, the proceeds to which a participating Service Member is entitled shall be reduced (but not below zero), pro rata with Access and the other sellers, by the amount of such liability or loss in proportion to the number of shares of WMG Common Stock that the Company is selling or has sold on behalf of such Service Member (or the Interests that such Service Member is selling or has sold in such sale). Each participating Service Member shall also represent to the Company at the time of any sale pursuant to this Section 10.7 that such Service Member has unencumbered title to its Units and the power, authority and legal right to direct the Company to Transfer the WMG Fractional Shares underlying such Units, provided that the aggregate amount of liability for breach

of any such representation shall not, together with any reduction in proceeds pursuant to the prior sentence, exceed the value of the net proceeds to be paid to such Service Member as a result of such sale.

(ii) In no event shall any Service Member be obligated to agree to any non-competition covenant, employee non-solicit covenant or other similar agreement restricting the Service Member as a condition to participating in a transaction pursuant to this Section 10.7.

(iii) The Company and/or each Service Member participating in a sale of shares of WMG Common Stock pursuant to this Section 10.7 shall, as applicable, bear its, his or her pro rata share of any transaction costs and expenses, including transfer taxes and legal, accounting and investment banking fees incurred by the Company and Access in connection with such sale; provided that neither the Company nor any Service Member shall be obligated to make any out-of-pocket expenditure in respect of such costs, fees or expenses prior to the consummation of a transaction consummated pursuant to this Section 10.7.

(iv) In the event that, in the Managing Member's sole discretion, a sale pursuant to this Section 10.7 is structured as a sale of Interests by the Members, rather than a distribution of proceeds by the Company, the purchase agreement governing such sale of Interests will have provisions therein which replicate, to the greatest extent possible, the economic result which would have been attained under this Article X had such a sale been structured as a distribution of proceeds.

ARTICLE XI
REDEMPTIONS AND FORFEITURES

Section 11.1 Company Option to Redeem Class A Units and Vested Class B Units.

(a) Generally. Upon the termination of employment of a Service Member (such Service Member, together with a person to whom such Service Member made a Transfer, an "Affected Member") with WMG and its Affiliates for any reason, the Company will have the option (but not the obligation) to redeem all or a portion of an Affected Member's Class A Units and vested Class B Units, except as otherwise determined by the Managing Member. The effective date of any redemption pursuant to this Section 11.1 (a "Termination Redemption Date") will be on a date, as the Managing Member determines in its sole discretion. In order to exercise the Company's option, the Managing Member must deliver Notice to the Affected Member during the 90-day period following the Affected Member's termination of employment. Any such redemption will be done in accordance with the provisions of this Section 11.1. For purposes of this Agreement, any determinations with respect to an Affected Member's termination of employment (including the date thereof) shall be made by the Managing Member (or the Committee or WMG).

(b) Class A Redemption Price. The price for the redemption of a Class A Unit of an Affected Member pursuant to this Section 11.1 shall be:

(i) except in the case of a termination of employment for Cause, equal to the Fair Market Value of one WMG Fractional Share on the applicable Termination Redemption Date; and

(ii) in the case of a termination of employment for Cause, equal to the lesser of (A) the Affected Member's Capital Contributions in respect of such Class A Unit and (B) the Fair Market Value of one WMG Fractional Share on the applicable Termination Redemption Date.

(c) Class B Redemption Price. The price for the redemption of a vested Class B Unit of an Affected Member pursuant to this Section 11.1 following an Affected Member's termination of employment without Cause, for Good Reason or by reason of death or Disability shall be the Class B Redemption Payment, determined as of the applicable Termination Redemption Date.

Section 11.2 Forfeiture of Class B Units.

(a) Unvested Class B Units.

(i) Forfeiture upon Any Termination of Employment. Immediately upon the termination of employment of any Affected Member with WMG and its Affiliates for any reason, all unvested Class B Units of such Affected Member will be forfeited to the Company without any payment by the Company to such Affected Member in respect thereof.

(ii) Forfeiture upon Change in Control. Except as otherwise determined by the Managing Member or provided in Section 3.2(d)(ii), immediately prior to a Change of Control, each outstanding unvested Class B Unit shall be immediately forfeited, without any payment to the Service Members.

(b) Forfeiture of Vested Class B Units on Certain Terminations of Employment. Immediately upon the termination of employment of any Affected Member whose employment is terminated by WMG or any of its Affiliates for Cause or by such Affected Member for any reason (other than death, Disability or Good Reason or as otherwise determined by the Managing Member), all vested Class B Units of such Affected Member then outstanding will be forfeited to the Company without any payment by the Company to such Affected Member in respect thereof.

(c) Failure to Make 83(b) Election. Notwithstanding anything to the contrary herein, unless otherwise determined by the Managing Member, in its sole discretion, a Service Member shall forfeit all of his or her Class B Units (without any payment to the Service Member in respect thereof) if the Service Member shall fail to file a Section 83(b) election form in respect of

the full amount of the Service Member's Class B Units, as of the grant date, with the Internal Revenue Service and submit a copy thereof to the Company prior to the 30th day after the grant date of such Class B Units.

(d) Failure to Make 431 Election. Notwithstanding anything to the contrary herein, unless otherwise determined by the Managing Member, in its sole discretion, a Service Member who is a UK resident for the tax year in which he or she is granted Class B Units shall forfeit all of his or her Class B Units (without any payment to the Service Member in respect thereof) if the Service Member shall fail to enter into an election under section 431(1) of the Income Tax (Earnings and Pensions) Act 2003 in respect of the full amount of the Service Member's Class B Units prior to the 14th day after the grant date of such Class B Units.

(e) Consequences of Forfeiture. Subject to Section 3.2(d)(iv), upon the forfeiture of Class B Units, whether vested or unvested, on the termination of employment of a Service Member, such forfeited Class B Units shall be Transferred to the Managing Member.

Section 11.3 Option of Service Members to Redeem Units.

(a) Scheduled Redemption Dates. Except for Class B Units redeemed pursuant to Section 11.1 or forfeited pursuant to Section 11.2 or as otherwise determined by the Managing Member at the time Class B Units are granted, each Service Member shall be entitled to redeem the Service Member's vested Class B Units, without payment by the Service Member, in three equal installments on the Redemption Dates applicable to an equal number of the Service Member's Deferred Equity Units, upon written notice to the Company no later than December 1st of the year in which such Redemption Date is scheduled to occur, for a Class B Redemption Payment; provided that, except as otherwise determined by the Managing Member, no Class B Unit may be redeemed pursuant to this Section 11.3(a) prior to the Redemption Date in the second succeeding calendar year after such Class B Unit becomes vested. A Service Member may specify that a Class B Redemption Payment be made with respect to any (or no) portion of such Service Member's Class B Units eligible for redemption on a Redemption Date (any such Class B Units eligible for redemption but not redeemed, a "Retained Class B Unit").

(b) Annual Right to Redemption.

(i) Class A Units. Subject to Section 11.4, each Service Member shall have an annual right to redeem his or her Class A Units as provided in Section 7.3 of the Plan.

(ii) Class B Units. Subject to Section 11.4, on each one-year anniversary of the first Redemption Date on which a Class B Unit is redeemable pursuant to Section 11.3(a), each Service Member shall be entitled to the redemption, upon written notice to the Company no later than December 1st of the year in which such anniversary date occurs, of all or any portion of such Service Member's Retained Class B Units for a Class B Redemption Payment. Notwithstanding the foregoing, a Participant's right to redeem

Class B Units pursuant to this Section 11.3(b)(ii) shall be limited to the maximum number of Class B Units that would have been redeemable from the Service Member if the Service Member were then employed by WMG or any of its Affiliates.

Section 11.4 Mandatory Redemption. In December of the Eighth Plan Year applicable to a Service Member's Unit Allocation, (i) the Company shall redeem from such Service Member (other than an Affected Member whose Units are subject to Section 11.1 and Section 11.2) (x) each Class A Unit then outstanding for a cash payment equal to the then current Fair Market Value of one Fractional Company Share and (y) each Class B Unit then vested and outstanding that relates to such Unit Allocation for its Class B Redemption Payment and (ii) each unvested Class B Unit that relates to such Unit Allocation shall be forfeited, without any payment to its holder in respect thereof, and such forfeited Class B Units shall be Transferred to the Managing Member.

Section 11.5 Redemption Mechanics.

(a) Class A Units. The redemption of any Class A Unit held by a Service Member (including an Affected Member) shall be effected (at the option of the Managing Member) by (x) the Managing Member contributing cash to the Company to fund the redemption of such Class A Unit, the Managing Member receiving one Class A Unit in exchange for such cash contribution and the Company distributing such cash to such Service Member in redemption of such Class A Unit or (y) subject to Section 11.5(c), the Company distributing one WMG Fractional Share to such Service Member in redemption of such Class A Unit and WMG redeeming from such Service Member, and such Service Member selling to WMG, such WMG Fractional Share in exchange for cash, provided that, if permitted by Section 11.5(c), such redemption shall be effected in accordance with clause (y) of this Section 11.5(a) if the redemption price is determined pursuant to Section 11.1(b)(ii)(A).

(b) Class B Units. The redemption of any Class B Unit held by a Service Member (including an Affected Member) shall be effected (at the option of the Managing Member) by (x) the Managing Member contributing cash to the Company in an amount equal to the Class B Redemption Payment for such Class B Unit and the Company distributing such cash to such Service Member in redemption of such Class B Unit or (y) subject to Section 11.5(c), the Company distributing a fractional share of WMG Common Stock with a Fair Market Value equal to the Class B Redemption Payment of such Class B Unit in redemption of such Class B Unit and WMG redeeming from such Service Member, and such Service Member selling to WMG, such fractional share of WMG Common Stock in exchange for cash in an amount equal to such Class B Redemption Payment. Upon the redemption of a Class B Unit the number of Class A Units held by the Managing Member that are reclassified as Class C Units shall be reduced in accordance with Section 3.2(e). In addition, upon the redemption of one or more Class B Units pursuant to clause (y) of this Section 11.5(b), the number of Class A Units held by the Managing Member shall be reduced by a number of Class A Units that then have a Fair

Market Value equal to the aggregate Class B Redemption Payment of such redeemed Class B Units.

(c) Limitation on WMG Redemptions of WMG Fractional Shares. If a redemption of WMG Fractional Shares by WMG pursuant to this Article XI (or the payment of a dividend by a subsidiary of WMG to fund such a redemption) would result in a violation of the terms or provisions of, or a default or an event of default under, any guaranty, financing or security agreement or document entered into by WMG or any of its subsidiaries from time to time or WMG's certificate of incorporation or if WMG has no funds legally available to make such redemption in compliance with Delaware law, then WMG shall not be obligated to redeem such Fractional Company Shares and instead the Company shall redeem the applicable Class A Units or Class B Units for cash.

(d) Closing of Redemption. The closing of any redemption of Class A Units, Class B Units or WMG Fractional Shares pursuant to this Article XI will be held at the offices of the Company on a date specified by the Managing Member. Prior to any such closing, the Member shall execute and deliver to the Company or WMG, as applicable, such documents as the Company or WMG, as applicable, shall deem necessary to effect any redemptions pursuant to this Article XI.

Section 11.6 Limitation on Distributions. Notwithstanding anything to the contrary in this Agreement, a Service Member's distribution rights with respect to Units redeemed pursuant to this Article XI (including pursuant to the Plan) are limited to the provisions of this Article XI (and the Plan) and following the redemption or forfeiture of a Service Member's Units, such Service Member will have no additional rights to distributions with respect to such Units pursuant to the other provisions of this Agreement.

Section 11.7 Effect on Status. Any Service Member whose entire Interest is redeemed or forfeited will not, after such redemption or forfeiture, have any of the rights of a Member nor be considered a Member for any other purpose.

Section 11.8 431 Election for Class A Units. A Service Member who is a UK resident for the tax year in which he or she acquires Class A Units shall enter into an election under section 431(1) of the Income Tax (Earnings and Pensions) Act 2003 in respect of the full amount of the Service Member's Class A Units prior to the 14th day after the acquisition date of such Class A Units. Notwithstanding anything to the contrary herein, if the Service Member shall fail to enter into such election within such time, the Company will have the option (but not the obligation) to redeem all or a portion of the Service Member's Class A Units for an amount equal to the lesser of (A) the Service Member's Capital Contributions in respect of such Class A Unit and (B) the Fair Market Value of one WMG Fractional Share on the redemption date of such Class A Unit.

ARTICLE XII
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 12.1 Dissolving Events. The Company shall be dissolved and its affairs wound up in the manner hereinafter provided upon the first to occur of the following: (a) the written consent of the Managing Member, (b) the sale or other disposition of all or substantially all of the Company's assets or (c) any other event which is specified in the Certificate or under applicable law as an event causing the dissolution of the Company of any event which under applicable law would cause the dissolution of the Company.

Notwithstanding the foregoing, the death, retirement, resignation, expulsion, bankruptcy or dissolution of any Member or the occurrence of any other event that terminates the continued membership of any Member in the Company under the Delaware Act shall not, in and of itself, cause the dissolution of the Company. In such event, the remaining Member(s) shall continue the business of the Company without dissolution.

Section 12.2 Dissolution and Winding-Up. Upon the dissolution of the Company, the assets of the Company shall be liquidated or distributed under the direction of and to the extent determined by the Managing Member and the business of the Company shall be wound up. Within a reasonable time after the effective date of dissolution of the Company, the Company's assets shall be distributed in the following manner and order:

First, to creditors in satisfaction of indebtedness (other than any loans or advances that may have been made by any of the Members to the Company), whether by payment or the making of reasonable provision for payment, and the expenses of liquidation, whether by payment or the making of reasonable provision for payment, including the establishment of reasonable reserves (which may be funded by a liquidating trust) determined by the Managing Member or the liquidating trustee, as the case may be, to be reasonably necessary for the payment of the Company's expenses, liabilities and other obligations (whether fixed, conditional, unmatured or contingent);

Second, to the payment of loans or advances that may have been made by any of the Members to the Company; and

Third, to the Members in accordance with Section 6.1, taking into account any amounts previously distributed under Section 6.1,

provided that no payment or distribution in any of the foregoing categories shall be made until all payments in each prior category shall have been made in full, and provided, further, that if the payments due to be made in any of the foregoing categories exceed the remaining assets available for such purpose, such payments shall be made to the Persons entitled to receive the same pro rata in accordance with the respective amounts due to them.

Section 12.3 Distributions in Cash or in Kind. Upon the dissolution of the Company, the Managing Member shall use all commercially reasonable efforts to liquidate all of the Company's assets in an orderly manner and apply the proceeds of such liquidation as set forth in Section 12.2, provided that if in the good faith judgment of the Managing Member, a Company asset should not be liquidated, the Managing Member shall cause the Company to allocate, on the basis of the then current Fair Market Value of any Company assets not sold or otherwise disposed of, any unrealized gain or loss based on such value to the Members' Capital Accounts as though the assets in question had been sold on the date of distribution and, after giving effect to any such adjustment, distribute such assets in accordance with Section 12.2 as if such Fair Market Value had been received in cash, subject to the priorities set forth in Section 12.2, and provided, further, that the Managing Member shall in good faith attempt to liquidate sufficient Company assets to satisfy in cash (or make reasonable provision for) the debts and liabilities referred to in Section 12.2.

Section 12.4 Termination. The Company shall terminate when the winding up of the Company's affairs has been completed, all of the assets of the Company have been distributed and the Certificate has been canceled, all in accordance with the Delaware Act.

Section 12.5 Claims of the Members. The Members and former Members shall look solely to the Company's assets for the return of their Capital Contributions, and if the assets of the Company remaining after payment of or due provision for all debts, liabilities and obligations of the Company are insufficient to return such Capital Contributions, the Members and former Members shall have no recourse against the Company or any other Member.

ARTICLE XIII
DEFINED TERMS

Section 13.1 Definitions.

"Access" means AI Entertainment Holdings LLC and its Affiliates (other than the Company and WMG and its subsidiaries).

"Accounting Period" means the period commencing on the day after an Adjustment Date and end on the next Adjustment Date.

"Additional Member" has the meaning given in Section 3.4.

"Additional Unit Allocation" has the meaning given in the Plan.

"Adjustment Date" means the last day of each fiscal year of the Company or any other date determined by the Managing Member, in its sole discretion, as appropriate for an interim closing of the Company's books.

"Affiliate" means, with respect to any Person, any other Person, directly or indirectly, controlling, controlled by or under common control with, such Person, where "control" means the power to direct the affairs of a Person by reason of ownership of voting securities, by contract, or otherwise.

"Agreement" means this Second Amended and Restated Limited Liability Company Agreement of the Company, as this agreement may be amended, modified, supplemented or restated from time to time after the date hereof.

"Artist" means (A) any singer or musician or other person furnishing the services or works of an artist to WMG or its Affiliates pursuant to a Contract to which such singer, musician or other Person is required to provide exclusive services for the making or delivering of master Recordings to WMG or its Affiliates or (B) any writer, producer or other talent who has entered into a Contract with WMG or any of its Affiliates or who has otherwise provided services to WMG or any of its Affiliates, except, in the case of both clauses (A) and (B) above, any such Person who is required to provide services to any Person other than WMG or any of its Affiliates on an exclusive basis pursuant to a Contract that was not entered into in connection with any violation by the applicable Service Member of this Agreement or any other agreement between such Service Member and WMG or any of its Affiliates.

"Annual FCF Bonus" has the meaning given in the Plan.

"Benchmark Amount" means the amount set with respect to a Class B Unit pursuant to Section 3.2(d)(iii).

"Capital Account" has the meaning given in Section 5.1.

"Capital Contribution" means, for any Member, the total amount of cash and the Fair Market Value of any property contributed to the Company by such Member.

"Cause", with respect a Service Member, means WMG or its Affiliate having "cause" to terminate such Service Member's employment or service, as defined in any existing employment, consulting or any other agreement between the Service Member and WMG or its Affiliate with such a definition or, in the absence of such an employment, consulting or other agreement, upon (i) the Service Member having ceased to perform his or her material duties to the Company, WMG or any of its Affiliates (other than as a result of vacation, approved leave or his or her incapacity due to physical or mental illness or injury), which failure amounts to an extended neglect of such duties, (ii) the Service Member engaging in conduct that is demonstrably and materially injurious to WMG or any its Affiliates, (iii) the Service Member having been convicted of, or pled guilty or no contest to, any misdemeanor involving as a material element fraud, dishonesty or the sale or possession of illicit substances, or to a felony, (iv) the failure of the Service Member to follow the lawful instructions of WMG's Board of Directors or his or her direct superiors to the extent such instructions have been communicated to

him or her or (v) the Service Member having breached any material covenant contained in this Agreement or any employment letter or agreement between the Company or any of its Affiliates and the Service Member.

"Certificate" means the Certificate of Formation of the Company and any and all amendments thereto and restatements thereof filed on behalf of the Company with the office of the Secretary of State of the State of Delaware pursuant to the Delaware Act.

"Change in Control" has the meaning given in the Plan.

"Class A Units" means the limited liability company interests of the Company designated as "Class A Units" and having the rights set forth in this Agreement. Class A Units are identified as "Equity Units" under the Plan.

"Class B Redemption Payment" means, with respect to a Class B Unit, a cash payment, equal to the excess, if any, of (i) the Fair Market Value of one WMG Fractional Share on the applicable redemption date over (ii) the Benchmark Amount of such Class B Unit. In addition, the aggregate Class B Redemption Payment to a Service Member (including an Affected Member) shall be reduced by the amount of any then outstanding Unrecovered Investment Credit of the Service Member, except to the extent the Managing Member determines otherwise, in its sole discretion.

"Class B Units" means the limited liability company interests of the Company designated as "Class B Units" and having the rights set forth in this Agreement. Class B Units are identified as "Matching Equity Units" under the Plan.

"Class C Units" means the limited liability company interests of the Company designated as "Class C Units" and having the rights set forth in this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" has the meaning given in the Plan.

"Confidential Information" has the meaning given in Section 3.6(d).

"Contract" means any contract, other agreement, commitment, binding arrangement, binding understanding or binding relationship (whether written or oral and whether express or implied).

"Covered Person" means the Managing Member, Access, any of their respective Affiliates, any officer, director, shareholder, partner, member, employee, representative or agent of the Managing Member, Access or any of their respective Affiliates, including any current or former director, officer, employee or agent of the Company or WMG or any of its Affiliates.

"Deferral Account" has the meaning given in the Plan.

"Deferred Equity Unit" has the meaning given in the Plan.

"Delaware Act" means the Delaware Limited Liability Company Act, 6 Del. C. §18-101, et seq., as amended from time to time.

"Disability", with respect to a Service Member, has the meaning given in the long-term disability plan of WMG or its Affiliate applicable to such Service Member.

"Dividend Proceeds" means cash dividends funded out of the Free Cash Flow generated by WMG and its subsidiaries paid to the Company with respect to shares of WMG Common Stock owned by the Company.

"Drag-Along Right" has the meaning given in Section 10.7(b).

"Effective Date" has the meaning given in the Plan.

"Eighth Plan Year" has the meaning given in the Plan.

"employment, " the phrase "employment with WMG" and corollary terms used shall mean a Service Member's employment with or service to WMG and its Affiliates that actually employ the Service Member or to which the Service Member provides services, whether as an employee, consultant, officer or otherwise.

"Estate Planning Vehicle" has the meaning given in Section 10.1(b).

"Exit Event" means a transaction or series of transactions (other than an initial public offering of WMG or any of its Affiliates) involving the sale, transfer or other disposition, directly or indirectly, by Access to one or more Third Parties of more than 50% of the outstanding shares of WMG Common Stock and its successors or involving the sale, transfer or other disposition of all or substantially all of the assets of WMG and its subsidiaries, taken as a whole, to one or more Third Parties (including, without limitation, a Change in Control); provided that, unless the Managing Member determines otherwise, in no event shall an Initial Public Offering or secondary public offering constitute an "Exit Event" for any purposes of this Agreement.

"Exit Proceeds" means the net proceeds realized by the Company from (i) an Exit Event, (ii) sale of WMG Fractional Shares underlying a Unit pursuant to a Tag-Along Right under Section 10.7(a), (iii) sale of WMG Fractional Shares underlying a Unit in or following an Initial Public Offering of WMG Common Stock or (iv) cash or other dividends or distributions paid on WMG Common Stock other than Dividend Proceeds, in each case, that are available for distribution (in cash or in kind) by the Company, as determined by the Managing Member.

"Fair Market Value" means, with respect to shares of WMG Common Stock, as of any particular date of determination prior to an Initial Public Offering, the per share value on such date of a share of WMG Common Stock that would be paid by a willing buyer to an unaffiliated willing seller, without any discount for minority interest, lack of liquidity, transfer restrictions or forfeiture risks, as determined by a valuation of WMG Common Stock (taking into account the Fully-Diluted WMG Equity) that shall have been performed by a nationally recognized independent valuation firm or as otherwise determined in good faith by the Committee taking into account such factors as the Committee deems appropriate, including, but not limited to, the earnings and other financial and operating information of WMG in recent periods, the value of WMG's tangible and intangible assets, the present value of anticipated future cash-flows of WMG, the history and management of WMG, the general condition of the securities markets and the market value of securities of companies engaged in businesses similar to those of WMG. Following an Initial Public Offering, "Fair Market Value" of a share of WMG Common Stock shall mean, as of any particular date of determination, the mid-point between the high and the low trading prices for such date per share of WMG Common Stock as reported on the principal stock exchange on which the shares of WMG Common Stock are then listed. "Fair Market Value" of any other property, as of any particular date of determination, shall mean the fair market value of such property, as determined in good faith by the Managing Member.

"Free Cash Flow" has the meaning given in the Plan.

"Fully-Diluted WMG Equity" has the meaning given in the Plan to the term "Fully-Diluted Company Equity."

"Good Reason", with respect to a Service Member, means the Service Member having "good reason" to terminate the Service Member's employment or service, as defined in any existing employment, consulting or any other agreement between such Service Member and WMG or any of its Affiliates with such a definition or, in the absence of such an employment, consulting or other agreement, means (i) a material reduction in such Service Member's annual salary or Annual FCF Bonus percentage allocation, (ii) a failure by WMG or any of its Affiliates to pay to such Service Member any annual salary which has become payable and due to him or her in accordance with the terms of any employment letter or agreement between WMG or any of its Affiliates and such Service Member, or (iii) a failure by the Company or WMG to pay to such Service Member any entitlement which has become payable and due to him or her in accordance with the terms of the Plan; provided that, within 30 days following any such reduction or failure, (A) such Service Member shall have delivered written notice to WMG of his or her intention to terminate his or her employment for Good Reason, which notice specifies in reasonable detail the circumstances claimed to give rise to his or her right to terminate his or her employment for Good Reason, (B) such Service Member shall have provided WMG with 30 days after receipt of such notice to cure such circumstances and (C) failing a cure, such Service Member shall have terminated his or her employment within 30 days after the expiration of the 30-day period set forth in the preceding clause (B).

"Initial Base Investment Price" shall mean $107.13.

"Initial Public Offering" means the first underwritten public offering of WMG Common Stock.

"Initial Unit Allocation" has the meaning given in the Plan.

"Interest" means the limited liability interest in the Company which represents the interest of each Member in and to the profits and losses of the Company, such Member's right to receive distributions of the Company's assets and such Member's Units.

"Involuntary Transfer" has the meaning given in Section 10.4.

"Involuntary Transferee" has the meaning given in Section 10.4.

"Managing Member" has the meaning given in the recitals to this Agreement and its permitted successors and assigns.

"Maximum Unit Allocation" has the meaning given in the Plan.

"Member" has the meaning given in the recitals to this Agreement and includes any Person admitted as an additional or substitute Member of the Company pursuant to this Agreement.

"Person" means any individual, corporation, association, partnership (general or limited), joint venture, trust, estate, limited liability company or other legal entity or organization.

"Plan" means the Warner Music Group Corp. Senior Management Free Cash Flow Plan, as previously adopted by WMG and as amended, modified or supplemented from time to time in accordance with its terms.

"Redemption Date" has the meaning given in the Plan, and is subject to adjustment as provided in the Plan.

"Restricted Artist" means an Artist who is then-currently, either directly or through a furnishing entity, under contract to WMG or any of its Affiliates or who was, either directly or through a furnishing entity, under contract to WMG or any of its Affiliates in the prior one-year period.

"Restricted Employee" has the meaning given in Section 3.6(b)(i).

"Restricted Label" means a record label or imprint which is then-currently, either directly or through a furnishing entity, under Contract to WMG or any of its Affiliates or which was,

either directly or through a furnishing entity, under contract to WMG or any of its Affiliates in the prior one-year period.

"Restricted Period" has the meaning given in Section 3.6(a).

"Retained Class B Unit" has the meaning given in Section 11.3(a).

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Service Member" means each Member (other than the Managing Member and Access).

"Tag-Along Right" has the meaning given in Section 10.7(a).

"Tax Matters Partner" has the meaning given in Section 8.2(b).

"Termination Redemption Date" has the meaning given in Section 11.1(a).

"Third Party" means, in respect of any Transfer, one or more Persons, other than Access, the Company, WMG or any of its subsidiaries, any Member and (without giving effect to such Transfer or Exit Event) any of their respective Affiliates.

"Transfer" means to directly or indirectly transfer, sell, pledge, hypothecate or otherwise dispose of.

"Treasury Regulations" means the Regulations of the Treasury Department of the United States issued pursuant to the Code.

"Unit Allocation" has the meaning given in the Plan.

"Unit Certificate" means a non-negotiable certificate issued by the Company which evidences the ownership of one or more Units, includes a description as to the relevant class of Unit, is denominated in terms of the number and class of Units and is signed by the Managing Member.

"Units" means the limited liability company interests in the Company, including the Class A Units and the Class B Units.

"Unrecovered Investment Credit" has the meaning given in the Plan.

"WMG" means Warner Music Group Corp. and its successors and assigns.

"WMG Common Stock" means the common stock, par value $0.001 per share, of WMG.

"WMG Fractional Share" means one-ten-thousandth (1/10,000) of a share of WMG Common Stock.

ARTICLE XIV
MISCELLANEOUS

Section 14.1 No Conflict with the Plan. Nothing contained in this Agreement is intended to conflict with the terms and conditions of the Plan and to the extent any such conflict exists, expressly or by implication, the terms and conditions of this Agreement shall control.

Section 14.2 Amendments. This Agreement may not be amended, modified or supplemented except by a written instrument signed by the Managing Member. Notwithstanding the foregoing, no amendment, modification or supplement shall adversely affect either (i) a particular Service Member on a discriminatory basis compared with other holders of a similar class of Interest without such Service Member's consent or (ii) holders of a particular class of Units without the consent of the holders of a majority in interest of such class. The Company shall notify all Members after any such amendment, modification or supplement, other than any amendments to Schedule A, has taken effect.

Section 14.3 Certain Tax Matters. The Company shall not elect, and the Managing Member shall not permit the Company to elect, to be treated as an association taxable as a corporation for U.S. federal, state or local income tax purposes under Treasury Regulations § 301.7701-3 or under any corresponding provision of state or local law. The Company and the Managing Member shall not permit the registration or listing of interests in the Company on an "established securities market," as such term is used in Treasury Regulations § 1.7704-1.

Section 14.4 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered personally, (ii) mailed, certified or registered mail with postage prepaid, (iii) sent by next-day or overnight mail or delivery or (iv) sent by fax, as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

(a) If to the Company:

WMG Management Holdings, LLC
c/o Warner Music Group Corp.
75 Rockefeller Plaza
New York, NY 10019
Attention: Paul M. Robinson, Esq.

With a copy to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, NY 10022

Attention: Elizabeth Pagel Serebransky
Meir D. Katz

(b) If to a Member, at the address set forth opposite such Member's name on Schedule A, or at such other address as such Member may hereafter designate by written notice to the Company.

All such notices, requests, demands, waivers and other communications shall be deemed to have been received by (i) if by personal delivery, on the day delivered, (ii) if by certified or registered mail, on the fifth business day after the mailing thereof, (iii) if by next-day or overnight mail or delivery, on the day delivered or (iv) if by fax, on the day delivered, provided that such delivery is confirmed.

Section 14.5 Governing Law. This Agreement shall be governed in all respects, including as to validity, interpretation and effect, by the internal laws of the State of Delaware, without giving effect to the conflict of laws rules thereof.

Section 14.6 Waiver of Jury Trial. EACH MEMBER HEREBY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR THE BREACH, TERMINATION OR VALIDITY OF THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 14.7 Waiver of Partition. Except as may otherwise be provided by law in connection with the winding-up, liquidation and dissolution of the Company, each Member hereby irrevocably waives any and all rights that it may have to maintain an action for partition of any of the Company's property.

Section 14.8 Severability. If any provision of this Agreement is inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatsoever, so long as this Agreement, taken as a whole, still expresses the material intent of the parties hereto. The invalidity of any one or more phrases, sentences, clauses, Sections or subsections of this Agreement shall not affect the remaining portions of this Agreement.

Section 14.9 Headings, etc. The headings contained in this Agreement are for purposes of convenience only and shall not affect the meaning or interpretation of this Agreement. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require. As the context may require, the singular may be read as the plural and the plural as the singular.

Section 14.10 Entire Agreement. This Agreement constitutes the entire agreement among the Members with respect to the subject matter hereof, and supersedes any prior agreement or understanding among them with respect to such subject matter.

Section 14.11 Counterparts. This Agreement, may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument.

Section 14.12 Further Actions. Each Member shall execute and deliver such other certificates, agreements and documents, and take such other actions, as may reasonably be requested by the Company in connection with the continuation of the Company and the achievement of its purposes, including, without limitation, (i) any documents that the Company deems necessary or appropriate to continue the Company as a limited liability company in all jurisdictions in which the Company or its Affiliates conduct or plan to conduct business and (ii) all such agreements, certificates, tax statements and other documents as may be required to be filed in respect of the Company.

Section 14.13 Power of Attorney. For the purposes of making and filing the filings, certificates, instruments and amendments listed below, each Member hereby constitutes and appoints the Managing Member as his or her true and lawful representative and attorney-in-fact in his or her name, place and stead to make, execute, acknowledge, record and file the following:

(a) any amendment to the Certificate which may be required by the laws of the State of Delaware because of:

(i) any duly made amendment to this Agreement; or

(ii) any change in the information contained in such Certificate or any amendment thereto;

(b) any other certificate or instrument which may be required to be filed by the Company under the laws of the State of Delaware or under the applicable laws of any other jurisdiction in which counsel to the Company determines that it is advisable to file;

(c) any certificate or other instrument which the Managing Member deems necessary or desirable to effect a termination and dissolution of the Company which is authorized under this Agreement;

(d) any amendments to this Agreement, duly adopted in accordance with the terms of this Agreement; and

(e) any other instruments that the Managing Member may deem necessary or desirable to carry out fully the provisions of this Agreement; provided, however, that any action

taken pursuant to this power shall not, in any way, increase the liability of the Members beyond the liability expressly set forth in this Agreement.

Such attorney-in-fact is not by the provisions of this Section 14.13 granted any authority on behalf of the undersigned to amend this Agreement, except as provided for in this Agreement. Such power of attorney is coupled with an interest and shall continue in full force and effect notwithstanding the subsequent death or incapacity of the Member granting such power of attorney.

[*signature page follow*s]

IN WITNESS WHEREOF, the Managing Member has executed this Second Amended and Restated Limited Liability Company Agreement of WMG Management Holdings, LLC, as of the date first set forth above.

MANAGING MEMBER:

AI ENTERTAINMENT MANAGEMENT, LLC

By: AI Entertainment Holdings, LLC,
its managing member

By: Access Industries Management, LLC,
its managing member

By: /s/ Lincoln Benet
Name: Lincoln Benet
Title: President

Exhibit 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, Stephen Cooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2017 of Warner Music Group Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: May 8, 2017

/S/ STEPHEN COOPER

Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Eric Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2017 of Warner Music Group Corp. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: May 8, 2017

/S/ ERIC LEVIN

Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen Cooper, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2017

/S/ STEPHEN COOPER

Stephen Cooper
Chief Executive Officer

Exhibit 32.2

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Warner Music Group Corp. (the "Company") on Form 10-Q for the period ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Levin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 8, 2017

/S/ ERIC LEVIN
Eric Levin
Chief Financial Officer