

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 2, 2011

Warner Music Group Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
or incorporation)

001-32502
(Commission File Number)

13-4271875
(IRS Employer
Identification No.)

75 Rockefeller Plaza, New York, New York
(Address of principal executive offices)

10019
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

Guarantee of Holdings Notes

On August 2, 2011, Warner Music Group Corp. (the “Company”) issued a guarantee with respect to the \$150 million aggregate principal amount of 13.75% Senior Notes due 2019 initially issued by WM Holdings Finance Corp. which was merged with and into WMG Holdings Corp. (the “Holdings Notes”) whereby it fully and unconditionally guaranteed (the “Holdings Notes Guarantee”), on a senior unsecured basis, the payments of WMG Holdings Corp. on the Holdings Notes.

A copy of the Holdings Notes Guarantee is attached as Exhibit 4.1 hereto and incorporated herein by reference. The foregoing description of the Holdings Notes Guarantee does not purport to be complete and is qualified in its entirety by reference to the full text of the Holdings Notes Guarantee.

Supplemental Indenture to Existing Secured WMG Notes Indenture

WMG Holdings Corp. entered into a supplemental indenture, dated as of August 2, 2011 (the “Supplemental Indenture”), that supplements the Indenture, dated July 20, 2011, as amended, among WMG Holdings Corp. (as successor in interest to WM Holdings Finance Corp.), and Wells Fargo Bank, National Association, as trustee, pursuant to which the Holdings Notes were issued. The Supplemental Indenture adds provisions providing for, but not requiring, the guarantee of the Holdings Notes.

A copy of the Supplemental Indenture is attached as Exhibit 4.2 hereto and incorporated herein by reference. The foregoing description of the Supplemental Indenture does not purport to be complete and is qualified in its entirety by reference to the full text of the Supplemental Indenture.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On August 4, 2011, the Company issued an earnings release announcing its results for the quarter ended June 30, 2011, which is furnished as Exhibit 99.1 hereto.

ITEM 2.03. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT

The information contained in Item 1.01 is hereby incorporated herein by reference.

ITEM 7.01. REGULATION FD DISCLOSURE.

On August 4, 2011, the Company issued an earnings release announcing its results for the quarter ended June 30, 2011. The press release, which is attached as Exhibit 99.1, and the information included in Item 2.02 of this Form 8-K are incorporated herein by reference.

The information in the press release and this Item 7.01 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference to such filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
4.1	Guarantee, dated August 2, 2011, issued by Warner Music Group Corp., relating to the 13.75% Senior Notes due 2019.
4.2	Supplemental Indenture, dated August 2, 2011, among WMG Holdings Corp. and Wells Fargo Bank, National Association, as trustee.
99.1*	Earnings release issued by Warner Music Group Corp. on August 4, 2011.
*	This exhibit is furnished as part of this Current Report to the extent described in Item 2.02 and Item 7.01.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Warner Music Group Corp.

Date: August 4, 2011

By: _____ /s/ STEVE MACRI

Steve Macri
Chief Financial Officer

EXHIBIT INDEX

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99.1*	Earnings release issued by Warner Music Group Corp. on August 4, 2011.

* This exhibit is furnished as part of this Current Report to the extent described in Item 2.02 and Item 7.01.

GUARANTEE

Warner Music Group Corp. (the "New Guarantor") hereby unconditionally guarantees, to the extent set forth in the Indenture, dated as of July 20, 2011, by and among WM Holdings Finance Corp., a Delaware corporation, as issuer (the "Initial Issuer"), and Wells Fargo Bank, National Association, as Trustee, as amended by the Supplemental Indenture, dated as of July 20, 2011, by and among WMG Holdings Corp., as successor by merger to the Initial Issuer (the "Company") and Wells Fargo Bank, National Association, as Trustee, as amended by the Second Supplemental Indenture, dated as of August 2, 2011, by and among the Company and Wells Fargo Bank, National Association, as Trustee (such indenture, as the same may be amended, restated or supplemented from time to time, the "Indenture"), and subject to the provisions of the Indenture, (a) the due and punctual payment of the principal of, and premium, if any, and interest on the Notes (as defined in the Indenture), when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on overdue principal of, and premium and, to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Issuer (as defined in the Indenture) and the Company to the Holders or the Trustee, all in accordance with the terms set forth in Article Ten of the Indenture, and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the New Guarantor to the Holders and to the Trustee pursuant to this Guarantee and the Indenture, are expressly set forth in Article Ten of the Indenture, and reference is hereby made to the Indenture for the precise terms and limitations of this Guarantee. Each Holder of a Note to which this Guarantee is endorsed, by accepting such Note, agrees to and shall be bound by such provisions.

Capitalized terms used but not defined herein shall have the meanings set forth in the Indenture.

[Signatures on Following Pages]

IN WITNESS WHEREOF, Warner Music Group Corp. has caused this Guarantee to be signed by a duly authorized officer.

DATED: August 2, 2011

WARNER MUSIC GROUP CORP.

By: /s/ Paul Robinson

Name: Paul Robinson

Title: EVP & General Counsel

[Signature Page to the Warner Music Group Guarantee of the WMG Holdings Corp. Notes]

SECOND SUPPLEMENTAL INDENTURE, dated as of August 2, 2011 (this “Second Supplemental Indenture”), among WMG Holdings Corp. (the “Company”) and Wells Fargo Bank, National Association, as Trustee (the “Trustee”) under the Indenture referred to below.

W I T N E S S E T H:

WHEREAS, WM Holdings Finance Corp. (the “Predecessor Company”) and the Trustee have heretofore become parties to an Indenture, dated as of July 20, 2011 (as amended, supplemented, waived or otherwise modified, the “Indenture”), providing for the issuance of 13.750% Senior Notes due 2019 of the Predecessor Company (the “Notes”);

WHEREAS, the WMG Holdings Corp. (the “Company”) is the successor by merger to the Predecessor Company and assumed all the obligations of the Predecessor Company under the Notes and this Indenture pursuant to a Supplemental Indenture, dated as of July 20, 2011, among the Company and the Trustee;

WHEREAS, Section 9.01 of the Indenture provides that, subject to certain exceptions inapplicable hereto, the Company and the Trustee may amend or supplement the Indenture and the Notes without the consent of the Holders to add a guarantee of the Notes, including, without limitation, by any parent company of the Issuer (as defined in the Indenture);

WHEREAS, Warner Music Group Corp. (“Warner”) expects to provide a guarantee of the obligations of the Company with respect to the Notes.

WHEREAS, the Company desires to amend the Indenture, as set forth in Article I hereof; and

WHEREAS, the execution and delivery of this Second Supplemental Indenture has been duly authorized by the Company and all conditions and requirements necessary to make this instrument a valid and binding agreement have been duly performed and complied with.

NOW, THEREFORE, in consideration of the above premises, and for the purpose of memorializing the amendments to the Indenture, each party agrees, for the benefit of the others and for the equal and ratable benefit of the Holders of the Notes, as follows:

ARTICLE 1

AMENDMENT OF INDENTURE

Section 1.1 Amendment.

(a) Section 1.01 (Definitions) of the Indenture is hereby amended to include the following:

“**Guarantee**” means any guarantee of the obligations of the Issuer under this Indenture and the Notes by a Guarantor in accordance with the provisions of this Indenture. When used as a verb, “**Guarantee**” shall have a corresponding meaning.

“**Guarantor**” means any Person that incurs a Guarantee of the Notes; *provided* that upon the release and discharge of such Person from its Guarantee in accordance with this Indenture, such Person shall cease to be a Guarantor.

(b) Article Ten of the Indenture is amended and restated in its entirety to read as follows:

ARTICLE TEN
GUARANTEES

SECTION 10.01. Unconditional Guarantee.

Subject to the provisions of this Article Ten, each of the Guarantors, if any, hereby, jointly and severally, unconditionally and irrevocably guarantees, on a senior unsecured basis to each Holder of a Security authenticated and delivered by the Trustee and to the Trustee and its successors and assigns, irrespective of the validity and enforceability of this Indenture, the Notes or the obligations of the Issuer or any other Guarantors to the Holders or the Trustee hereunder or thereunder: (a) (x) the due and punctual payment of the principal of, premium, if any, and interest on the Notes when and as the same shall become due and payable, whether at maturity, upon redemption or repurchase, by acceleration or otherwise, (y) the due and punctual payment of interest on the overdue principal and (to the extent permitted by law) interest, if any, on the Notes and (z) the due and punctual payment and performance of all other obligations of the Issuer and all other obligations of the other Guarantors (including under the Guarantees), in each case, to the Holders or the Trustee hereunder or thereunder (including amounts due the Trustee under Section 7.07 hereof), all in accordance with the terms hereof and thereof (collectively, the “**Guarantee Obligations**”); and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, the due and punctual payment and performance of Guarantee Obligations in accordance with the terms of the extension or renewal, whether at maturity, upon redemption or repurchase, by acceleration or otherwise. Failing payment when due of any amount so guaranteed, or failing performance of any other obligation of the Issuer to the Holders under this Indenture or under the Notes, for whatever reason, each Guarantor shall be obligated to pay, or to perform or cause the performance of, the same immediately. An Event of Default under this Indenture or the Notes shall constitute an event of default under the

Guarantees, and shall entitle the Holders to accelerate the obligations of the Guarantors thereunder in the same manner and to the same extent as the obligations of the Issuer.

Each of the Guarantors, if any, hereby agrees that its obligations hereunder shall be unconditional, irrespective of the validity, regularity or enforceability of the Notes or this Indenture, the absence of any action to enforce the same, any waiver or consent by any Holder with respect to any provisions hereof or thereof, any release of any other Guarantor, the recovery of any judgment against the Issuer, any action to enforce the same, whether or not a Guarantee is affixed to any particular Note, or any other circumstance which might otherwise constitute a legal or equitable discharge or defense of a Guarantor. Each of the Guarantors hereby waives the benefit of diligence, presentment, demand of payment, filing of claims with a court in the event of insolvency or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest, notice and all demands whatsoever and covenants that its Guarantee shall not be discharged except by complete performance of the obligations contained in the Notes, this Indenture and the Guarantee. The Guarantee is a guarantee of payment and not of collection. If any Holder or the Trustee is required by any court or otherwise to return to the Issuer or to any Guarantor, or any custodian, trustee, liquidator or other similar official acting in relation to the Issuer or such Guarantor, any amount paid by the Issuer or such Guarantor to the Trustee or such Holder, the Guarantee, to the extent theretofore discharged, shall be reinstated in full force and effect. Each Guarantor further agrees that, as between it, on the one hand, and the Holders of Notes and the Trustee, on the other hand, (a) subject to this Article Ten, the maturity of the obligations guaranteed hereby may be accelerated as provided in Article Six for the purposes of the Guarantee, notwithstanding any stay, injunction or other prohibition preventing such acceleration in respect of the obligations guaranteed hereby, and (b) in the event of any acceleration of such obligations as provided in Article Six hereof, such obligations (whether or not due and payable) shall forthwith become due and payable by the Guarantors for the purpose of the Guarantee.

SECTION 10.02. [Reserved].

SECTION 10.03. Limitation on Guarantor Liability.

Each Guarantor, and by its acceptance of Notes, each Holder, hereby confirms that it is the intention of all such parties that the Guarantee of such Guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law to the extent applicable to any Guarantee. To effectuate the foregoing intention, the Trustee, the Holders and the Guarantors hereby irrevocably agree that the obligations of such Guarantor under its Guarantee and this Article Ten shall be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under such

laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under this Article Ten, result in the obligations of such Guarantor under its Guarantee not constituting a fraudulent transfer or conveyance.

SECTION 10.04. Execution and Delivery of Subsidiary Guarantee.

To further evidence its Guarantee set forth in Section 10.01, each Guarantor hereby agrees to execute a supplement to this Indenture or a Guarantee, substantially in the form of Exhibit I hereto, and deliver it to the Trustee. Such Guarantee or supplement to this Indenture shall be executed on behalf of each Guarantor by either manual or facsimile signature of one Officer or other person duly authorized by all necessary corporate action of each Guarantor who shall have been duly authorized to so execute by all requisite corporate action. The validity and enforceability of any Guarantee shall not be affected by the fact that it is not affixed to any particular Note.

Each of the Guarantors hereby agrees that its Guarantee set forth in Section 10.01 shall remain in full force and effect notwithstanding any failure to endorse on each Note a notation of such Guarantee.

If an Officer of a Guarantor whose signature is on this Indenture or a Guarantee no longer holds that office at the time the Trustee authenticates the Note on which such Guarantee is endorsed or at any time thereafter, such Guarantor's Guarantee of such Note shall nevertheless be valid.

The delivery of any Note by the Trustee, after the authentication thereof hereunder, shall constitute due delivery of any Guarantee set forth in this Indenture on behalf of each Guarantor.

SECTION 10.05. Release of a Guarantor.

The Guarantee of a Guarantor will be released:

(a) upon the sale, disposition or other transfer (including through merger or consolidation) of all of the Capital Stock (or any sale, disposition or other transfer of Capital Stock following which the applicable Guarantor is no longer a Restricted Subsidiary), or all or substantially all the assets, of the applicable Guarantor if such sale, disposition or other transfer is made in compliance with the applicable provisions of this Indenture; or

(b) if the Issuer designates any Restricted Subsidiary that is a Guarantor as an Unrestricted Subsidiary in accordance with Section 4.11 and the definition of "Unrestricted Subsidiary."

provided, however, in any case that any such termination shall occur only to the extent that all obligations of such Guarantor under all of its Guarantees of any Indebtedness of the Issuer or any Indebtedness of any other Guarantor shall also terminate upon such release and none of its Equity Interests are pledged for the benefit of any holder of any Indebtedness of the Issuer or any Indebtedness of any Restricted Subsidiary of the Issuer.

The Trustee shall execute an appropriate instrument prepared by the Issuer evidencing the release of a Guarantor from its obligations under its Guarantee upon receipt of a request by the Issuer or such Guarantor accompanied by an Officers' Certificate and an Opinion of Counsel certifying as to the compliance with this Section 10.05; *provided, however*, that the legal counsel delivering such Opinion of Counsel may rely as to matters of fact on one or more Officers' Certificates of the Issuer.

Except as set forth in Articles Four and Five and this Section 10.05, nothing contained in this Indenture or in any of the Notes shall prevent any consolidation or merger of a Guarantor with or into the Issuer or another Guarantor or shall prevent any sale or conveyance of the property of a Guarantor as an entirety or substantially as an entirety to the Issuer or another Guarantor.

SECTION 10.06. Waiver of Subrogation.

Until this Indenture is discharged and all of the Notes are discharged and paid in full, each Guarantor hereby irrevocably waives and agrees not to exercise any claim or other rights which it may now or hereafter acquire against the Issuer that arise from the existence, payment, performance or enforcement of the Issuer's obligations under the Notes or this Indenture and such Guarantor's obligations under the Guarantee and this Indenture, in any such instance including, without limitation, any right of subrogation, reimbursement, exoneration, contribution, indemnification, and any right to participate in any claim or remedy of the Holders against the Issuer, whether or not such claim, remedy or right arises in equity, or under contract, statute or common law, including, without limitation, the right to take or receive from the Issuer, directly or indirectly, in cash or other assets or by set-off or in any other manner, payment or security on account of such claim or other rights. If any amount shall be paid to any Guarantor in violation of the preceding sentence and any amounts owing to the Trustee or the Holders under the Notes, this Indenture, or any other document or instrument delivered under or in connection with such agreements or instruments, shall not have been paid in full, such amount shall have been deemed to have been paid to such Guarantor for the benefit of, and held in trust for the benefit of, the Trustee or the Holders and shall forthwith be paid to the Trustee for the benefit of itself or such Holders to be credited and applied to the obligations in favor of the Trustee or the Holders, as the case may be, whether matured or unmatured, in accordance with the terms of this Indenture. Each Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by this

Indenture and that the waiver set forth in this Section 10.06 is knowingly made in contemplation of such benefits.

SECTION 10.07. Immediate Payment.

Each Guarantor agrees to make immediate payment to the Trustee on behalf of the Holders of all Guarantee Obligations owing or payable to the respective Holders upon receipt of a demand for payment therefor by the Trustee to such Guarantor in writing.

SECTION 10.08. No Setoff.

Each payment to be made by a Guarantor hereunder in respect of the Guarantee Obligations shall be payable in the currency or currencies in which such Guarantee Obligations are denominated, and shall be made without set-off, counterclaim, reduction or diminution of any kind or nature.

SECTION 10.09. Guarantee Obligations Absolute.

Subject to the provisions of Section 10.02, the obligations of each Guarantor hereunder are and shall be absolute and unconditional and any monies or amounts expressed to be owing or payable by each Guarantor hereunder which may not be recoverable from such Guarantor on the basis of a Guarantee shall be recoverable from such Guarantor as a primary obligor and principal debtor in respect thereof.

SECTION 10.10. Guarantee Obligations Continuing.

The obligations of each Guarantor hereunder shall be continuing and shall remain in full force and effect until all such obligations have been paid and satisfied in full. Each Guarantor agrees with the Trustee that it will from time to time deliver to the Trustee suitable acknowledgments of this continued liability hereunder and under any other instrument or instruments in such form as counsel to the Trustee may advise and as will prevent any action brought against it in respect of any default hereunder being barred by any statute of limitations now or hereafter in force and, in the event of the failure of a Guarantor so to do, it hereby irrevocably appoints the Trustee the attorney and agent of such Guarantor to make, execute and deliver such written acknowledgment or acknowledgments or other instruments as may from time to time become necessary or advisable, in the judgment of the Trustee on the advice of counsel, to fully maintain and keep in force the liability of such Guarantor hereunder.

SECTION 10.11. Guarantee Obligations Not Reduced.

The obligations of each Guarantor hereunder shall not be satisfied, reduced or discharged solely by the payment of such principal, premium, if any, interest, fees and

other monies or amounts as may at any time prior to discharge of this Indenture pursuant to Article Eight be or become owing or payable under or by virtue of or otherwise in connection with the Notes or this Indenture.

SECTION 10.12. Guarantee Obligations Reinstated.

The obligations of each Guarantor hereunder shall continue to be effective or shall be reinstated, as the case may be, if at any time any payment which would otherwise have reduced the obligations of any Guarantor hereunder (whether such payment shall have been made by or on behalf of the Issuer or by or on behalf of a Guarantor) is rescinded or reclaimed from any of the Holders upon the insolvency, bankruptcy, liquidation or reorganization of the Issuer or any Guarantor or otherwise, all as though such payment had not been made. If demand for, or acceleration of the time for, payment by the Issuer or any other Guarantor is stayed upon the insolvency, bankruptcy, liquidation or reorganization of the Issuer or such Guarantor, all such Indebtedness otherwise subject to demand for payment or acceleration shall nonetheless be payable by each Guarantor as provided herein.

SECTION 10.13. Guarantee Obligations Not Affected.

The obligations of each Guarantor hereunder shall not be affected, impaired or diminished in any way by any act, omission, matter or thing whatsoever, occurring before, upon or after any demand for payment hereunder (and whether or not known or consented to by any Guarantor or any of the Holders) which, but for this provision, might constitute a whole or partial defense to a claim against any Guarantor hereunder or might operate to release or otherwise exonerate any Guarantor from any of its obligations hereunder or otherwise affect such obligations, whether occasioned by default of any of the Holders or otherwise, including, without limitation:

- (a) any limitation of status or power, disability, incapacity or other circumstance relating to the Issuer or any other Person, including any insolvency, bankruptcy, liquidation, reorganization, readjustment, composition, dissolution, winding-up or other proceeding involving or affecting the Issuer or any other Person;
- (b) any irregularity, defect, unenforceability or invalidity in respect of any indebtedness or other obligation of the Issuer or any other Person under this Indenture, the Notes or any other document or instrument;
- (c) any failure of the Issuer or any other Guarantor, whether or not without fault on its part, to perform or comply with any of the provisions of this Indenture, the Notes or any Guarantee, or to give notice thereof to a Guarantor;

(d) the taking or enforcing or exercising or the refusal or neglect to take or enforce or exercise any right or remedy from or against the Issuer or any other Person or their respective assets or the release or discharge of any such right or remedy;

(e) the granting of time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to the Issuer or any other Person;

(f) any change in the time, manner or place of payment of, or in any other term of, any of the Notes, or any other amendment, variation, supplement, replacement or waiver of, or any consent to departure from, any of the Notes or this Indenture, including, without limitation, any increase or decrease in the principal amount of or premium, if any, or interest on any of the Notes;

(g) any change in the ownership, control, name, objects, businesses, assets, capital structure or constitution of the Issuer or a Guarantor;

(h) any merger or amalgamation of the Issuer or a Guarantor with any Person or Persons;

(i) the occurrence of any change in the laws, rules, regulations or ordinances of any jurisdiction by any present or future action of any governmental authority or court amending, varying, reducing or otherwise affecting, or purporting to amend, vary, reduce or otherwise affect, any of the Guarantee Obligations or the obligations of a Guarantor under its Guarantee; and

(j) any other circumstance, including release of the Guarantor pursuant to Section 10.05 (other than by complete, irrevocable payment) that might otherwise constitute a legal or equitable discharge or defense of the Issuer under this Indenture or the Notes or of a Guarantor in respect of its Guarantee hereunder.

SECTION 10.14. Waiver.

Without in any way limiting the provisions of Section 10.01, each Guarantor hereby waives notice of acceptance hereof, notice of any liability of any Guarantor hereunder, notice or proof of reliance by the Holders upon the obligations of any Guarantor hereunder, and diligence, presentment, demand for payment on the Issuer, protest, notice of dishonor or non-payment of any of the Guarantee Obligations, or other notice or formalities to the Issuer or any Guarantor of any kind whatsoever.

SECTION 10.15. No Obligation To Take Action Against the Issuer.

Neither the Trustee nor any other Person shall have any obligation to enforce or exhaust any rights or remedies against the Issuer or any other Person or any property of the Issuer or any other Person before the Trustee is entitled to demand payment and performance by any or all Guarantors of their liabilities and obligations under their Guarantees or under this Indenture.

SECTION 10.16. Dealing with the Issuer and Others.

The Holders, without releasing, discharging, limiting or otherwise affecting in whole or in part the obligations and liabilities of any Guarantor hereunder and without the consent of or notice to any Guarantor, may

(a) grant time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to the Issuer or any other Person;

(b) take or abstain from taking security or collateral from the Issuer or from perfecting security or collateral of the Issuer;

(c) release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing in respect of (with or without consideration) any and all collateral, mortgages or other security given by the Issuer or any third party with respect to the obligations or matters contemplated by this Indenture or the Notes;

(d) accept compromises or arrangements from the Issuer;

(e) apply all monies at any time received from the Issuer or from any security upon such part of the Guarantee Obligations as the Holders may see fit or change any such application in whole or in part from time to time as the Holders may see fit; and

(f) otherwise deal with, or waive or modify their right to deal with, the Issuer and all other Persons and any security as the Holders or the Trustee may see fit.

SECTION 10.17. Default and Enforcement.

If any Guarantor fails to pay in accordance with Section 10.07 hereof, the Trustee may proceed in its name as trustee hereunder in the enforcement of the Subsidiary Guarantee of any such Guarantor and such Guarantor's obligations thereunder and

hereunder by any remedy provided by law, whether by legal proceedings or otherwise, and to recover from such Guarantor the obligations.

SECTION 10.18. Amendment, Etc.

No amendment, modification or waiver of any provision of this Indenture relating to any Guarantor or consent to any departure by any Guarantor or any other Person from any such provision will in any event be effective unless it is signed by such Guarantor and the Trustee.

SECTION 10.19. Acknowledgment.

Each Guarantor, if any, hereby acknowledges communication of the terms of this Indenture and the Notes and consents to and approves of the same.

SECTION 10.20. Costs and Expenses.

Each Guarantor shall pay on demand by the Trustee any and all costs, fees and expenses (including, without limitation, legal fees on a solicitor and client basis) incurred by the Trustee, its agents, advisors and counsel or any of the Holders in enforcing any of their rights under any Guarantee.

SECTION 10.21. No Merger or Waiver; Cumulative Remedies.

No Guarantee shall operate by way of merger of any of the obligations of a Guarantor under any other agreement, including, without limitation, this Indenture. No failure to exercise and no delay in exercising, on the part of the Trustee or the Holders, any right, remedy, power or privilege hereunder or under this Indenture or the Notes, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder or under this Indenture or the Notes preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges in the Guarantee and under this Indenture, the Notes and any other document or instrument between a Guarantor and/or the Issuer and the Trustee are cumulative and not exclusive of any rights, remedies, powers and privilege provided by law.

SECTION 10.22. Survival of Guarantee Obligations.

Without prejudice to the survival of any of the other obligations of each Guarantor hereunder, the obligations of each Guarantor under Section 10.01 shall survive the payment in full of the Guarantee Obligations and shall be enforceable against such Guarantor without regard to and without giving effect to any defense, right of offset or counterclaim available to or which may be asserted by the Issuer or any Guarantor.

SECTION 10.23. Guarantee in Addition to Other Guarantee Obligations.

The obligations of each Guarantor under its Guarantee and this Indenture are in addition to and not in substitution for any other obligations to the Trustee or to any of the Holders in relation to this Indenture or the Notes and any guarantees or security at any time held by or for the benefit of any of them.

SECTION 10.24. Severability.

Any provision of this Article Ten which is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction unless its removal would substantially defeat the basic intent, spirit and purpose of this Indenture and this Article Ten.

SECTION 10.25. Successors and Assigns.

Each Guarantee shall be binding upon and inure to the benefit of each Guarantor and the Trustee and the other Holders and their respective successors and permitted assigns, except that no Guarantor may assign any of its obligations hereunder or thereunder.

(c) The Indenture is amended to insert Exhibit I as follows:

EXHIBIT I

GUARANTEE

Each of the undersigned (the "Guarantors") hereby jointly and severally unconditionally guarantees, to the extent set forth in the Indenture dated as of July 20, 2011 by and among WMG Holdings Corp., a Delaware corporation, as issuer (the "Company") and Wells Fargo Bank, National Association, as Trustee (as amended, restated or supplemented from time to time, the "Indenture"), and subject to the provisions of the Indenture, (a) the due and punctual payment of the principal of, and premium, if any, and interest on the Notes, when and as the same shall become due and payable, whether at maturity, by acceleration or otherwise, the due and punctual payment of interest on overdue principal of, and premium and, to the extent permitted by law, interest, and the due and punctual performance of all other obligations of the Issuer to the Holders or the Trustee, all in accordance with the terms set forth in Article Ten of the Indenture, and (b) in case of any extension of time of payment or renewal of any Notes or any of such other obligations, that the same will be promptly paid in full when due or performed in accordance with the terms of the extension or renewal, whether at stated maturity, by acceleration or otherwise.

The obligations of the Guarantors to the Holders and to the Trustee pursuant to this Guarantee and the Indenture are expressly set forth in Article Ten of the Indenture, and reference is hereby made to the Indenture for the precise terms and limitations of this Guarantee. Each Holder of the Note to which this Guarantee is endorsed, by accepting such Note, agrees to and shall be bound by such provisions.

IN WITNESS WHEREOF, each of the Guarantors has caused this Guarantee to be signed by a duly authorized officer.

[Guarantor]

DATED:

By: _____
Name:
Title:

ARTICLE 2

MISCELLANEOUS PROVISIONS

Section 2.1 Effect of Supplemental Indenture.

From and after the date of this Second Supplemental Indenture, the Indenture shall be amended and supplemented in accordance herewith. Each reference in the Indenture to “this Indenture,” “hereunder,” “hereof,” or “herein” shall mean and be a reference to the Indenture as amended and supplemented by this Second Supplemental Indenture unless the context otherwise requires. The Indenture as amended and supplemented by this Second Supplemental Indenture shall be read, taken and construed as one and the same instrument, and every Holder of the Notes heretofore or hereafter authenticated and delivered under the Indenture as supplemented by this Second Supplemental Indenture shall be bound thereby.

Section 2.2 Indenture Remains in Full Force and Effect.

Except as supplemented and amended hereby, all provisions in the Indenture shall remain in full force and effect.

Section 2.3 Confirmation of Indenture.

The Indenture, as supplemented and amended by this Second Supplemental Indenture, is in all respects confirmed and ratified.

Section 2.4 Conflict with Trust Indenture Act.

If any provision of this Second Supplemental Indenture limits, qualifies or conflicts with another provision hereof or of the Indenture which is required or deemed to be included in this Second Supplemental Indenture or the Indenture by any of the provisions of the Trust Indenture Act of 1939, such required provision shall control.

Section 2.5 Severability.

In case any one or more of the provisions in this Second Supplemental Indenture shall be held invalid, illegal or unenforceable, in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

Section 2.6 Successors.

All agreements of the Company in this Second Supplemental Indenture shall bind its successors. All agreements of the Trustee in this Second Supplemental Indenture shall bind its successor.

Section 2.7 Certain Duties and Responsibilities of the Trustee.

In entering into this Second Supplemental Indenture, the Trustee shall be entitled to the benefit of every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee, whether or not elsewhere herein so provided. The Trustee, for itself and its successor or successors, accepts the terms of the Indenture as amended by this Second Supplemental Indenture, and agrees to perform the same, but only upon the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit its liabilities and responsibilities in the performance of the trust created by the Indenture. The Trustee makes no representations as to the validity or sufficiency of this Second Supplemental Indenture other than as to the validity of its execution and delivery by the Trustee.

Section 2.8 Governing Law.

This Second Supplemental Indenture will be governed by and construed in accordance with the laws of the State of New York.

Section 2.9 Duplicate Originals.

All parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement.

Section 2.10 Effect of Headings.

The Section headings herein are for convenience only and shall not affect the construction hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed, all as of the date first written.

WMG HOLDINGS CORP.

By: /s/ Paul Robinson

Name: Paul Robinson

Title: EVP & General Counsel

[SIGNATURE PAGE TO HOLDINGS SECOND SUPPLEMENTAL INDENTURE]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as
Trustee

By: /s/ Raymond Delli Colli
Name: Raymond Delli Colli
Title: Vice President

[SIGNATURE PAGE TO HOLDINGS SECOND SUPPLEMENTAL INDENTURE]

CONFIDENTIAL



The word 'news' in a lowercase, blue, sans-serif font.

**WARNER MUSIC GROUP CORP. REPORTS RESULTS FOR THE FISCAL THIRD
QUARTER ENDED JUNE 30, 2011**

Digital revenue approaching half of U.S. Recorded Music revenue

Music publishing grows digital, synchronization and performance revenue

- Total revenue of \$686 million grew 5% from the prior-year quarter and declined 1% on a constant-currency basis.
- Digital revenue was \$203 million, or 30% of total revenue, up 13% from \$179 million in the prior-year quarter, and up 9% on a constant-currency basis.
- Operating income was \$10 million compared to an operating loss of \$1 million in the prior-year quarter. Operating income included \$10 million of severance charges (\$3 million in Recorded Music, \$2 million in Music Publishing and \$5 million in Corporate) compared to \$9 million of severance charges in the prior-year quarter (\$7 million in Recorded Music and \$2 million in Corporate) (the “Severance Charges”). Operating income in the quarter also included a \$12 million benefit from a recorded music legal settlement with LimeWire (the “LimeWire Settlement”), as well as \$5 million in expenses related to our sale to Access Industries (the “Transaction Expenses”).
- Operating income before depreciation and amortization (OIBDA) of \$77 million was up 20% from the prior-year quarter. This quarter’s OIBDA results reflect the impact of the LimeWire Settlement, which was partially offset by the Transaction Expenses. OIBDA for the current- and prior-year quarters reflects the Severance Charges.
- Net loss was \$0.30 per diluted share compared to a net loss of \$0.37 per diluted share in the prior-year quarter. The Severance Charges had a \$0.07 per diluted share impact in the quarter and a \$0.06 per diluted share impact in the prior-year quarter. The LimeWire Settlement had a positive \$0.08 per diluted share impact in the quarter and the Transaction Expenses had a negative \$0.03 per diluted share impact in the quarter.

NEW YORK, August 4, 2011—Warner Music Group Corp. (WMG) today announced its third-quarter financial results for the period ended June 30, 2011. WMG closed its sale to Access Industries, Inc. on July 20th.

“Our focus on disciplined A&R investments, revenue diversification and innovative digital strategies has helped us to grow our Recorded Music revenue and deliver healthy increases in three key segments of our Music Publishing revenue,” said Edgar Bronfman, Jr., Warner Music Group’s CEO. “We are approaching the point where the majority of our U.S. Recorded Music business will be digital while continuing to transform our approach to artist signings with more than 60% of the artists on our active global recorded music roster being signed to deals with a comprehensive suite of expanded rights.

Steven Macri, Warner Music Group’s Executive Vice President and CFO, said, “An improved revenue profile, growth in digital and our artist development and cost-management efforts all contributed to enhanced OIBDA margins in the quarter and continue to position us well for the long term.”

For the quarter, revenue grew 5.2% to \$686 million from \$652 million in the prior-year quarter. Revenue for the quarter reflected growth in digital downloads and growth in the company’s European concert promotion business. On a constant-currency basis, revenue declined 1.0%, reflecting the impact of foreign currency exchange rates.

Domestic revenue was down 8.3% while international revenue improved 16.2%, or 4.5% on a constant-currency basis. Revenue growth in France and Japan offset declines in the U.S., U.K. and other parts of Europe.

Digital revenue of \$203 million grew 13.4% over the prior-year quarter, or 9.1% on a constant-currency basis. Digital revenue was down 7.7% sequentially from the second quarter of fiscal 2011, or 9.0% on a constant-currency basis, and represented 29.6% of total revenue for the quarter. The growth in digital revenue over the prior-year quarter primarily reflected strength in global digital downloads and streaming. The sequential decline in digital revenue reflects a seasonal dip following the holiday sales period.

Operating income was \$10 million compared to an operating loss of \$1 million in the prior-year quarter. Operating margin increased by 1.7 percentage points to 1.5% compared to the prior-year quarter. OIBDA increased 20.3% to \$77 million from \$64 million in the prior-year quarter and OIBDA margin expanded 1.4 percentage points to 11.2% (see below for calculations and reconciliations of OIBDA and OIBDA margin). Operating income and OIBDA for the current- and prior-year quarters included the Severance Charges and, in the current quarter, the LimeWire Settlement and the Transaction Expenses.

Net loss was \$46 million, or \$0.30 per diluted share, compared with a net loss of \$55 million, or \$0.37 per diluted share, in the prior-year quarter. The Severance Charges had a \$0.07 per diluted share impact in the quarter and a \$0.06 per diluted share impact in the prior-year quarter. The LimeWire Settlement had a positive \$0.08 per diluted share impact in the quarter while the Transaction Expenses had a negative \$0.03 impact.

As of June 30, 2011, the company reported a cash balance of \$290 million, total long-term debt of \$1.952 billion and net debt (total long-term debt minus cash) of \$1.662 billion.

Net cash used in operating activities was \$11 million compared to net cash provided by operating activities of \$49 million in the prior-year quarter. Free Cash Flow (defined as

cash flow from operations less capital expenditures and cash paid or received for investments) was negative \$36 million compared to positive \$29 million in the prior-year quarter. The decrease in Free Cash Flow was driven primarily by the differential in year-over-year timing of sales and collections in the Recorded Music business as well as higher cash used for investments, partially offset by lower capital expenditures. Unlevered After-Tax Cash Flow (defined as Free Cash Flow excluding cash interest paid) was \$52 million, compared to \$117 million in the prior-year quarter (see below for calculations and reconciliations of Free Cash Flow and Unlevered After-Tax Cash Flow).

Below is the business segment discussion for the quarter.

Recorded Music

Revenue from the company's Recorded Music business increased 5.0% from the prior-year quarter to \$545 million and declined 0.5% on a constant-currency basis, which reflects the impact of foreign-currency exchange rates. Domestic Recorded Music revenue fell 8.1% from the prior-year quarter to \$227 million, while international Recorded Music revenue grew 16.9%, or 5.6% on a constant-currency basis, to \$318 million. Revenue in the quarter reflected strength in France and Japan partially offset by declines in the U.S., U.K. and other parts of Europe.

Top sellers for the quarter included Bruno Mars, Superfly, Wiz Khalifa, Hugh Laurie and Cee Lo Green. Recorded Music revenue in the quarter also reflects growth in our European concert promotion business, as compared with the prior-year quarter.

Recorded Music digital revenue of \$191 million grew 13.0% over the prior-year quarter, or 8.5% on a constant-currency basis, and represented 35.0% of total Recorded Music revenue, compared with 32.6% in the prior-year quarter. Domestic Recorded Music digital revenue grew 6.9% to \$108 million, or 47.6% of total domestic Recorded Music revenue, compared with 40.9% in the prior-year quarter. International Recorded Music digital revenue grew 22.1%, or 10.7% on a constant-currency basis, to \$83 million, and represented 26.1% of total international Recorded Music revenue, compared with 25.0% in the prior-year quarter. Growth in digital revenue was driven by strength in global digital downloads and streaming.

Recorded Music operating income improved to \$40 million from \$21 million in the prior-year quarter, resulting in an operating margin of 7.3%, up 3.3 percentage points from 4.0% in the prior-year quarter. Recorded Music OIBDA increased 29.2% to \$84 million for the quarter, from \$65 million in the prior-year quarter, and Recorded Music OIBDA margin expanded 2.9 percentage points from the prior-year quarter to 15.4%. The improvement in operating income and OIBDA reflects increased revenue, changes in our sales mix, proceeds from the LimeWire Settlement and lower Recorded Music Severance Charges.

Music Publishing

Music Publishing revenue was up 5.0% from the prior-year quarter, and declined 2.7% on a constant-currency basis, to \$146 million. Domestic Music Publishing revenue dropped 9.3% from the prior-year quarter to \$49 million, while international Music Publishing revenue grew 14.1%, or 1.0% on a constant-currency basis.

Digital revenue from Music Publishing grew to \$15 million from \$13 million, up 15.4% on

both an as-reported and a constant-currency basis, and represented 10.3% of total Music Publishing revenue. Synchronization revenue improved by 25.0%, performance revenue improved by 18.0% and mechanical revenue declined by 24.0%. On a constant-currency basis, synchronization revenue grew 20.0%, performance revenue increased 7.3% and mechanical revenue fell 29.6%.

Synchronization revenue reflected the company's focused effort to drive this business and is seeing increased inflows from streaming services. Digital revenue benefitted from the success of streaming services and the general expansion of digital services around the world. The improvement in performance revenue reflects the improved advertising market, the timing of cash flows and recent acquisitions. Mechanical revenue decline was attributable to the ongoing transition in the recorded music industry.

Music Publishing operating income increased to \$2 million from \$1 million in the prior-year quarter, resulting in an operating margin of 1.4%, up 0.7 percentage points from the prior-year quarter. Music Publishing OIBDA improved 22.2% to \$22 million while Music Publishing OIBDA margin expanded 2.2 percentage points to 15.1%. Music Publishing operating income and OIBDA for the quarter included the Severance Charges.

Financial details for the quarter can be found in the company's current Form 10-Q, filed today with the Securities and Exchange Commission.

About Warner Music Group

With its broad roster of new stars and legendary artists, Warner Music Group is home to a collection of the best-known record labels in the music industry including Asylum, Atlantic, Cordless, East West, Elektra, Nonesuch, Reprise, Rhino, Roadrunner, Rykodisc, Sire, Warner Bros. and Word, as well as Warner/Chappell Music, one of the world's leading music publishers, with a catalog of more than one million copyrights worldwide.

“Safe Harbor” Statement under Private Securities Litigation Reform Act of 1995

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

We maintain an Internet site at www.wmg.com. We use our website as a channel of distribution of material company information. Financial and other material information regarding Warner Music Group is routinely posted on and accessible at

<http://investors.wmg.com>. In addition, you may automatically receive email alerts and other information about Warner Music Group by enrolling your email by visiting the "email alerts" section at <http://investors.wmg.com>. Our website and the information posted on it or connected to it shall not be deemed to be incorporated by reference into this communication.

Figure 1. Warner Music Group Corp. - Consolidated Statements of Operations, Three and Nine Months 6/30/11 versus 6/30/10 (dollars in millions, except per share amounts)

	Three Months Ended June 30, 2011 <small>(unaudited)</small>	Three Months Ended June 30, 2010 <small>(unaudited)</small>	<u>% Change</u>	Nine Months Ended June 30, 2011 <small>(unaudited)</small>	Nine Months Ended June 30, 2010 <small>(unaudited)</small>	<u>% Change</u>
Revenues	\$ 686	\$ 652	5%	\$ 2,157	\$ 2,232	(3%)
Costs and expenses:						
Cost of revenues	(378)	(353)	7%	(1,177)	(1,193)	(1%)
Selling, general and administrative expenses	(242)	(245)	(1%)	(762)	(804)	(5%)
Amortization of intangible assets	(56)	(55)	2%	(165)	(165)	—
Total costs and expenses	\$ (676)	\$ (653)	4%	\$ (2,104)	\$ (2,162)	(3%)
Operating income (loss)	\$ 10	\$ (1)	—	\$ 53	\$ 70	(24%)
Interest expense, net	(47)	(46)	2%	(141)	(143)	(1%)
Other income (expense), net	6	1	—	5	(2)	—
Loss before income taxes	\$ (31)	\$ (46)	(33%)	\$ (83)	\$ (75)	11%
Income tax expense	(15)	(9)	67%	(20)	(24)	(17%)
Net loss	\$ (46)	\$ (55)	(16%)	\$ (103)	\$ (99)	4%
Less: loss attributable to noncontrolling interest	—	—	—	1	2	(50%)
Net loss attributable to Warner Music Group Corp.	\$ (46)	\$ (55)	(16%)	\$ (102)	\$ (97)	(5%)
Net loss per common share attributable to Warner Music Group Corp.:						
Basic	\$ (0.30)	\$ (0.37)		\$ (0.68)	\$ (0.65)	
Diluted	\$ (0.30)	\$ (0.37)		\$ (0.68)	\$ (0.65)	
Weighted average common shares:						
Basic	151.8	149.7		150.8	149.6	
Diluted	151.8	149.7		150.8	149.6	

Figure 2. Warner Music Group Corp. - Consolidated Balance Sheets as of 6/30/11 and 09/30/10 (dollars in millions)

	June 30, <u>2011</u> (unaudited)	September 30, <u>2010</u> (unaudited)	<u>% Change</u>
Assets:			
Current Assets			
Cash & cash equivalents	\$ 290	\$ 439	(34%)
Accounts receivable, less allowances of \$83 and \$111	357	434	(18%)
Inventories	28	37	(24%)
Royalty advances (expected to be recouped within 1 year)	160	143	12%
Deferred tax assets	30	30	—
Other current assets	89	78	14%
Total Current Assets	\$ 954	\$ 1,161	(18%)
Royalty advances (expected to be recouped after 1 year)	196	189	4%
Property, plant & equipment, net	124	121	2%
Goodwill	1,087	1,057	3%
Intangible assets subject to amortization, net	1,062	1,119	(5%)
Intangible assets not subject to amortization	100	100	—
Other assets	60	64	(6%)
Total Assets	\$ 3,583	\$ 3,811	(6%)
Liabilities & Deficit:			
Current Liabilities			
Accounts payable	\$ 141	\$ 206	(32%)
Accrued royalties	1,038	1,034	—
Accrued liabilities	226	314	(28%)
Accrued interest	15	59	(75%)
Deferred revenue	132	100	32%
Other current liabilities	32	40	(20%)
Total Current Liabilities	\$ 1,584	\$ 1,753	(10%)
Long-term debt	1,952	1,945	—
Deferred tax liabilities	164	169	(3%)
Other noncurrent liabilities	172	155	11%
Total Liabilities	\$ 3,872	\$ 4,022	(4%)
Common stock	—	—	—
Additional paid-in capital	627	611	3%
Accumulated deficit	(1,031)	(929)	11%
Accumulated other comprehensive income, net	66	53	25%
Total Warner Music Group Corp. Shareholders' Deficit	\$ (338)	\$ (265)	28%
Noncontrolling interest	49	54	(9%)
Total Deficit	(289)	(211)	37%
Total Liabilities & Deficit	\$ 3,583	\$ 3,811	(6%)

Figure 3. Warner Music Group Corp. - Summarized Statements of Cash Flows, Three and Nine Months 6/30/11 versus 6/30/10 (dollars in millions)

	Three Months Ended June 30, <u>2011</u> (unaudited)	Three Months Ended June 30, <u>2010</u> (unaudited)	<u>% Change</u>	Nine Months Ended June 30, <u>2011</u> (unaudited)	Nine Months Ended June 30, <u>2010</u> (unaudited)	<u>% Change</u>
Net cash (used in) provided by operating activities	\$ (11)	\$ 49	—	\$ (18)	\$ 100	—
Net cash used in investing activities	(25)	(20)	25%	(151)	(61)	—
Net cash provided by (used in) financing activities	6	—	—	5	(2)	—
Effect of foreign currency exchange rates on cash	1	(12)	—	15	(21)	—
Net (decrease) increase in cash	\$ (29)	\$ 17	—	\$ (149)	\$ 16	—

Supplemental Disclosures Regarding Non-GAAP Financial Information

OIBDA

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

Figure 4. Warner Music Group Corp. - Reconciliation of OIBDA to Net Loss, Three and Nine Months 6/30/11 versus 6/30/10 (dollars in millions)

	Three Months Ended June 30, 2011 (unaudited)	Three Months Ended June 30, 2010 (unaudited)	% Change	Nine Months Ended June 30, 2011 (unaudited)	Nine Months Ended June 30, 2010 (unaudited)	% Change
OIBDA	\$ 77	\$ 64	20%	\$ 249	\$ 263	(5%)
Depreciation expense	(11)	(10)	10%	(31)	(28)	11%
Amortization expense	(56)	(55)	2%	(165)	(165)	—
Operating income (loss)	\$ 10	\$ (1)	—	\$ 53	\$ 70	(24%)
Interest expense, net	(47)	(46)	2%	(141)	(143)	(1%)
Other income (expense), net	6	1	—	5	(2)	—
Loss before income taxes	\$ (31)	\$ (46)	(33%)	\$ (83)	\$ (75)	11%
Income tax expense	(15)	(9)	67%	(20)	(24)	(17%)
Net loss	\$ (46)	\$ (55)	(16%)	\$ (103)	\$ (99)	4%
Less: loss attributable to noncontrolling interest	—	—	—	1	2	(50%)
Net loss attributable to Warner Music Group Corp.	\$ (46)	\$ (55)	(16%)	\$ (102)	\$ (97)	5%
Operating income margin	1.5%	(0.2%)		2.5%	3.1%	
OIBDA margin	11.2%	9.8%		11.5%	11.8%	

Figure 5. Varner Music Group Corp. - Reconciliation of Segment Operating Income to OIBDA. Three and Nine Months 6/30/11 versus 6/30/10 (dollars in millions)

	Three Months Ended June 30, 2011 (unaudited)	Three Months Ended June 30, 2010 (unaudited)	% Change	Nine Months Ended June 30, 2011 (unaudited)	Nine Months Ended June 30, 2010 (unaudited)	% Change
Total VMG Operating Income (Loss) - GAAP	\$ 10	\$ (1)	—	\$ 53	\$ 70	(24%)
Depreciation and Amortization	67	65	3%	196	193	2%
Total VMG OIBDA	\$ 77	\$ 64	20%	\$ 249	\$ 263	(5%)
Recorded Music Operating Income - GAAP	\$ 40	\$ 21	90%	\$ 97	\$ 95	2%
Depreciation and Amortization	44	44	—	131	132	(1%)
Recorded Music OIBDA	\$ 84	\$ 65	29%	\$ 228	\$ 227	—
Music Publishing Operating Income - GAAP	\$ 2	\$ 1	100%	\$ 33	\$ 48	(31%)
Depreciation and Amortization	20	17	18%	57	53	8%
Music Publishing OIBDA	\$ 22	\$ 18	22%	\$ 90	\$ 101	(11%)

Constant Currency

Because exchange rates are an important factor in understanding period-to-period comparisons, we believe the presentation of revenue on a constant-currency basis in addition to reported revenue helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency

information compares results between periods as if exchange rates had remained constant period over period. We use results on a constant-currency basis as one measure to evaluate our performance. We calculate constant-currency results by applying current-year foreign currency exchange rates to prior-year results. However, a limitation of the use of the constant-currency results as a performance measure is that it does not reflect the impact of exchange rates on our revenue, including, for example, the \$41 million, \$29 million and \$11 million favorable impact of exchange rates on our Total, Recorded Music and Music Publishing revenue, in the three months ended June 30, 2011 compared to the prior-year quarter. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP. Results on a constant-currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with GAAP.

Figure 6. Varner Music Group Corp. - Revenue by Geography and Segment. Three and Nine Months 6/30/11 versus 6/30/10 as Reported and Constant Currency (dollars in millions)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Three Months Ended June 30, 2010	Nine Months Ended June 30, 2011	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2010
	As reported (unaudited)	As reported (unaudited)	Constant \$ (unaudited)	As reported (unaudited)	As reported (unaudited)	Constant \$ (unaudited)
<i>US revenue</i>						
Recorded Music	\$ 227	\$ 247	\$ 247	\$ 730	\$ 780	\$ 780
Music Publishing	49	54	54	149	155	155
<i>International revenue</i>						
Recorded Music	318	272	301	1,038	1,056	1,073
Music Publishing	37	85	96	254	259	266
<i>Intersegment eliminations</i>	(5)	(6)	(5)	(14)	(18)	(18)
Total Revenue	\$ 686	\$ 652	\$ 693	\$ 2,157	\$ 2,232	\$ 2,256
Revenue by Segment:						
Recorded Music	\$ 545	\$ 519	\$ 548	\$ 1,768	1,836	\$ 1,853
Music Publishing						
<i>Mechanical</i>	38	50	54	111	137	139
<i>Performance</i>	59	50	55	153	155	157
<i>Synchronization</i>	30	24	25	85	73	74
<i>Digital</i>	15	13	13	43	41	41
<i>Other</i>	4	2	3	11	8	10
Total Music Publishing	146	139	150	403	414	421
Intersegment eliminations	(5)	(6)	(5)	(14)	(18)	(18)
Total Revenue	\$ 686	\$ 652	\$ 693	\$ 2,157	\$ 2,232	\$ 2,256
Total Digital Revenue	\$ 203	\$ 179	\$ 186	\$ 610	\$ 562	\$ 571

Free Cash Flow

Free Cash Flow reflects our cash flow provided by operating activities less capital expenditures and cash paid or received for investments. We use Free Cash Flow, among other measures, to evaluate our operating performance. Management believes Free Cash Flow provides investors with an important perspective on the cash available to service debt, fund ongoing operations and working capital needs, make strategic acquisitions and investments and pay any dividends or fund any repurchases of our outstanding notes or common stock in open market purchases, privately negotiated purchases or otherwise. As a result, Free Cash Flow is a significant measure of our ability to generate long-term value. It is useful for investors to know whether this ability is being enhanced or degraded as a result of our operating performance. We believe the

presentation of Free Cash Flow is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. In addition, Free Cash Flow is also a primary measure used externally by our investors and analysts for purposes of valuation and comparing the operating performance of our company to other companies in our industry.

Because Free Cash Flow is not a measure of performance calculated in accordance with GAAP, Free Cash Flow should not be considered in isolation of, or as a substitute for, net income (loss) as an indicator of operating performance or cash flow provided by operating activities as a measure of liquidity. Free Cash Flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs. Because Free Cash Flow deducts capital expenditures and cash paid or received for investments from “cash flow provided by operating activities” (the most directly comparable GAAP financial measure), users of this information should consider the types of events and transactions that are not reflected. We provide below a reconciliation of Free Cash Flow to the most directly comparable amount reported under GAAP — “cash flow provided by operating activities.”

Unlevered After-Tax Cash Flow

Free Cash Flow includes cash paid for interest. We also review our cash flow adjusted for cash paid for interest, a measure we call Unlevered After-Tax Cash Flow. Management believes this measure provides investors with an additional important perspective on our cash generation ability. We consider Unlevered After-Tax Cash Flow to be an important indicator of the performance of our businesses and believe the presentation is relevant and useful for investors because it allows investors to view performance in a manner similar to the method used by management. A limitation of the use of this measure is that it does not reflect the charges for cash interest and, therefore, does not necessarily represent funds available for discretionary use, and is not necessarily a measure of our ability to fund our cash needs. Accordingly, this measure should be considered in addition to, not as a substitute for, net cash flow provided by operating activities and other measures of liquidity reported in accordance with GAAP.

Figure 7. Warner Music Group Corp. - Calculation of Free Cash Flow and Unlevered After-Tax Cash Flow. Three and Nine Months 6/30/11 versus 6/30/10 (dollars in millions)

	Three Months Ended June 30, 2011 <u>(unaudited)</u>	Three Months Ended June 30, 2010 <u>(unaudited)</u>	Nine Months Ended June 30, 2011 <u>(unaudited)</u>	Nine Months Ended June 30, 2010 <u>(unaudited)</u>
Net cash flow (used in) provided by operating activities	\$ (11)	\$ 49	\$ (18)	\$ 100
Less: Capital expenditures	12	15	34	30
Less: Net cash paid for investments	13	5	117	31
Free Cash Flow (a)	\$ (36)	\$ 29	\$ (169)	\$ 39

(a) - Free Cash Flow includes cash paid for interest as follows (dollars in millions):

	Three Months Ended June 30, 2011 <u>(unaudited)</u>	Three Months Ended June 30, 2010 <u>(unaudited)</u>	Nine Months Ended June 30, 2011 <u>(unaudited)</u>	Nine Months Ended June 30, 2010 <u>(unaudited)</u>
Free Cash Flow	\$ (36)	\$ 29	\$ (169)	\$ 39
Plus: Cash paid for interest	88	88	176	169
Unlevered After-Tax Cash Flow	\$ 52	\$ 117	\$ 7	\$ 208

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