

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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 2013

OR

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

Commission File Number 001-32502

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**Warner Music Group Corp.**

(Exact name of Registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**13-4271875**  
(I.R.S. Employer  
Identification No.)

**75 Rockefeller Plaza**  
**New York, NY 10019**  
(Address of principal executive offices)

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

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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 or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting 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

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 August 8, 2013 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

## Warner Music Group Corp.

## Consolidated—Balance Sheets

	June 30, 2013 (unaudited)	September 30, 2012 (audited)
	(in millions)	
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 102	\$ 302
Accounts receivable, less allowances of \$49 and \$63 million	309	398
Inventories	25	28
Royalty advances expected to be recouped within one year	119	116
Deferred tax assets	51	51
Other current assets	61	44
Total current assets	667	939
Royalty advances expected to be recouped after one year	145	142
Property, plant and equipment, net	135	152
Goodwill	1,393	1,380
Intangible assets subject to amortization, net	2,357	2,499
Intangible assets not subject to amortization	102	102
Other assets	91	64
Total assets	<u>\$ 4,890</u>	<u>\$ 5,278</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable	\$ 121	\$ 156
Accrued royalties	1,017	997
Accrued liabilities	201	253
Accrued interest	56	89
Deferred revenue	126	101
Current portion of long-term debt	29	—
Other current liabilities	6	10
Total current liabilities	1,556	1,606
Long-term debt	2,037	2,206
Deferred tax liabilities	346	375
Other noncurrent liabilities	157	147
Total liabilities	<u>4,096</u>	<u>4,334</u>
Equity:		
Common stock (\$0.001 par value; 10,000 shares authorized; 1,055 and 1,000 shares issued and outstanding)	—	—
Additional paid-in capital	1,128	1,129
Accumulated deficit	(283)	(143)
Accumulated other comprehensive loss, net	(69)	(59)
Total Warner Music Group Corp. equity	776	927
Noncontrolling interest	18	17
Total equity	<u>794</u>	<u>944</u>
Total liabilities and equity	<u>\$ 4,890</u>	<u>\$ 5,278</u>

See accompanying notes

**Warner Music Group Corp.**  
**Consolidated Statements of Operations (Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
	(in millions)			
Revenues	\$ 663	\$ 651	\$ 2,107	\$ 2,049
Costs and expenses:				
Cost of revenues	(371)	(353)	(1,108)	(1,091)
Selling, general and administrative expenses (a)	(236)	(244)	(740)	(745)
Amortization of intangible assets	(48)	(47)	(143)	(145)
Total costs and expenses	<u>(655)</u>	<u>(644)</u>	<u>(1,991)</u>	<u>(1,981)</u>
Operating income	8	7	116	68
Loss on extinguishment of debt	(2)	—	(85)	—
Interest expense, net	(47)	(56)	(149)	(169)
Other (expense) income, net	<u>(2)</u>	<u>6</u>	<u>(11)</u>	<u>6</u>
Loss before income taxes	(43)	(43)	(129)	(95)
Income tax (expense) benefit	<u>(19)</u>	<u>11</u>	<u>(8)</u>	<u>3</u>
Net loss	(62)	(32)	(137)	(92)
Less: income attributable to noncontrolling interest	<u>(1)</u>	<u>—</u>	<u>(4)</u>	<u>(2)</u>
Net loss attributable to Warner Music Group Corp.	<u>\$ (63)</u>	<u>\$ (32)</u>	<u>\$ (141)</u>	<u>\$ (94)</u>
(a) Includes depreciation expense of:	\$ (13)	\$ (12)	\$ (38)	\$ (37)

See accompanying notes

**Warner Music Group Corp.**  
**Consolidated Statement of Comprehensive Loss (Unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2013	2012	2013	2012
	(in millions)			
Net loss	\$(62)	\$ (32)	\$ (137)	\$ (92)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	4	(20)	(8)	(28)
Deferred (losses) gains on derivative financial instruments	(2)	1	(2)	1
Other comprehensive income (loss), net of tax:	2	(19)	(10)	(27)
Total comprehensive loss	(60)	(51)	(147)	(119)
Less: comprehensive income attributable to noncontrolling interest	(1)	—	(4)	(2)
Comprehensive loss attributable to Warner Music Group Corp.	<u>\$(61)</u>	<u>\$ (51)</u>	<u>\$ (151)</u>	<u>\$ (121)</u>

See accompanying notes

**Warner Music Group Corp.**  
**Consolidated Statements of Cash Flows (Unaudited)**

	Nine Months Ended June 30,	
	2013	2012
	(in millions)	
<b>Cash flows from operating activities</b>		
Net loss	\$ (137)	\$ (92)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on extinguishment of debt	85	—
Depreciation and amortization	181	182
Deferred income taxes	(13)	(11)
Gain on sale of building	—	(1)
Non-cash interest expense (income)	8	(2)
Equity losses (gains), including distributions	3	(1)
Non-cash stock-based compensation	8	—
Changes in operating assets and liabilities:		
Accounts receivable	81	49
Inventories	2	1
Royalty advances	(9)	33
Accounts payable and accrued liabilities	(80)	(40)
Royalty payables	41	58
Accrued interest	(33)	(23)
Deferred income	25	(1)
Other balance sheet changes	(15)	(45)
Net cash provided by operating activities	<u>147</u>	<u>107</u>
<b>Cash flows from investing activities</b>		
Investment and acquisition of businesses	(18)	(5)
Acquisition of publishing rights	(35)	(21)
Proceeds from the sale of music catalog	—	2
Proceeds from the sale of building	—	12
Capital expenditures	(23)	(24)
Net cash used in investing activities	<u>(76)</u>	<u>(36)</u>
<b>Cash flows from financing activities</b>		
Repayment of Acquisition Corp. 9.5% Senior Subordinated Notes	(1,250)	—
Proceeds from issuance of Acquisition Corp 6.0% Senior Secured Notes	500	—
Repayment of Acquisition Corp 6.0% Senior Secured Notes	(50)	—
Proceeds from issuance of Acquisition Corp 6.25% Senior Secured Notes	227	—
Repayment of Acquisition Corp 6.25% Senior Secured Notes	(23)	—
Proceeds from Acquisition Corp Term Loan Facility	594	—
Repayment of Term Loan	(110)	—
Proceeds from draw down of the Revolving Credit Facility	111	—
Repayment of the Revolving Credit Facility	(86)	—
Tender/call premiums paid on early redemption of debt	(95)	—
Consent fees paid on early redemption of debt	(34)	—
Deferred financing costs paid	(42)	—
Distribution to noncontrolling interest holders	(2)	(2)
Net cash used in financing activities	<u>(260)</u>	<u>(2)</u>
Effect of exchange rate changes on cash and equivalents	(11)	(4)
Net (decrease) increase in cash and equivalents	(200)	65
Cash and equivalents at beginning of period	302	154
Cash and equivalents at end of period	<u>\$ 102</u>	<u>\$219</u>

See accompanying notes

**Warner Music Group Corp.**  
**Consolidated Statement of Equity (Unaudited)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Warner Music Group Corp. Equity	Noncontrolling Interests	Total Equity
	Shares	Value						
	(in millions, except per share amounts)							
Balance at September 30, 2012	<b>1,000</b>	<b>\$0.001</b>	<b>\$ 1,129</b>	<b>\$ (143)</b>	<b>\$ (59)</b>	<b>\$ 927</b>	<b>\$ 17</b>	<b>\$ 944</b>
Net loss	—	—	—	(141)	—	(141)	4	(137)
Deconsolidation of entity	—	—	(1)	—	—	(1)	—	(1)
Acquisition of noncontrolling interest	—	—	—	1	—	1	(1)	—
Other comprehensive loss	—	—	—	—	(10)	(10)	—	(10)
Distribution to noncontrolling interests	—	—	—	—	—	—	(2)	(2)
Stock dividend	55	—	—	—	—	—	—	—
Balance at June 30, 2013	<b>1,055</b>	<b>\$0.001</b>	<b>\$ 1,128</b>	<b>\$ (283)</b>	<b>\$ (69)</b>	<b>\$ 776</b>	<b>\$ 18</b>	<b>\$ 794</b>

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.

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, 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 listing on the NYSE. The Company continues to 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”) in accordance with certain covenants contained in the instruments covering its outstanding indebtedness.

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 promoting artists and their products.

In the U.S., Recorded Music operations are conducted principally through the Company’s major record labels—Warner Bros. Records and the Atlantic Records Group. The Company’s Recorded Music operations also include Rhino, a division that specializes in marketing the Company’s music catalog through compilations and reissues of previously released music and video titles, as well as in the licensing of recordings to and from third parties for various uses, including film and television soundtracks. The Company also conducts its Recorded Music operations through a collection of additional record labels, including, among others, Asylum, East West, Elektra, Nonesuch, Parlophone, Reprise, Roadrunner, Rykodisc, Sire and Word.

Outside the U.S., Recorded Music activities are conducted in more than 50 countries primarily through various subsidiaries, affiliates and non-affiliated licensees. Internationally the Company engages in the same activities as in the U.S.: 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 U.S. record labels have international rights. In certain smaller markets, the Company licenses to unaffiliated third-party record labels the right to distribute its records. The Company’s international artist services operations also include a network of concert promoters through which the Company provides resources to coordinate tours for the Company’s artists and other artists. On July 1, 2013, the Company completed its acquisition of Parlophone Label Group (“PLG”) from Universal Music Group, a division of Vivendi. In addition to the Parlophone label, PLG included the Chrysalis/Ensign labels in the United Kingdom, EMI Classics and Virgin Classics and the EMI operating companies in Belgium, Czech Republic, Denmark, France, Norway, Poland, Portugal, Slovakia, Spain and Sweden.

Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation (“WEA Corp.”), which markets and sells music and DVD products to retailers and wholesale distributors in the U.S., Alternative Distribution Alliance (“ADA”), which distributes the products of independent labels to retail and wholesale distributors in the U.S., various distribution centers and ventures operated internationally, an 80% interest in Word, which specializes in the distribution of music products in the Christian retail marketplace, and ADA Global, which provides distribution services outside of the U.S. through a network of affiliated and non-affiliated distributors.

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In addition to the Company's Recorded Music products being sold in physical retail outlets, the Company's 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 retailers such as Apple's iTunes and Google Play, and are otherwise exploited by online subscription services such as Spotify, Rhapsody and Deezer, and Internet radio services such as Pandora and iHeart Radio.

The Company has integrated the sale of digital content into all aspects of its Recorded Music and Music Publishing businesses including Artist & Repertoire ("A&R"), marketing, promotion and distribution. The Company's business development executives work closely with A&R departments to make sure that while a record is being made, digital assets are also created with all distribution channels in mind, including subscription services, social networking sites, online portals and music-centered destinations. The Company works side by side with its mobile and online partners to test new concepts. The Company believes existing and new digital businesses will be a significant source of growth for at least the next several years 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 since digital music is in the relatively early stages of growth, proportions may change as the roll out of new technologies continues. As an owner of musical 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 is also diversifying its revenues beyond its traditional businesses by entering into expanded-rights deals with recording artists in order to partner with artists in other areas of their careers. Under these agreements, the Company provides services to and participates in artists' activities outside the traditional recorded music business. The Company has built artist services capabilities and platforms for exploiting this broader set of music-related rights and participating more broadly 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 will permit it to diversify revenue streams and capitalize on revenue opportunities in merchandising, fan clubs, sponsorship and touring. This will provide for improved long-term relationships with artists and allow the Company to more effectively connect artists and fans.

### *Music Publishing Operations*

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

Warner/Chappell is headquartered in Los Angeles with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. Warner/Chappell 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 65,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, 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 Lucasfilm, Ltd., Hallmark Entertainment and Disney Music Publishing. Since 2012, Warner/Chappell has been making an effort to build up its film and TV music business, with the acquisitions of certain songs and recordings from numerous critically acclaimed films and TV shows. These acquisitions will help Warner/Chappell take advantage of the higher margins and strong synchronization and performance income in the TV/film space. The Company's production music library business includes Non-Stop Music, Groove Addicts Production Music Library, Carlin Recorded Music Library and 615 Music, and is collectively branded as Warner/Chappell Production Music.

## **2. Basis of Presentation**

### **Interim Financial Statements**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("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 nine month periods ended June 30, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2013.

The consolidated balance sheet at September 30, 2012 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

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For further information, refer to the consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2012 (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 entities required to be consolidated in accordance with U.S. GAAP. All inter-company balances and transactions have been eliminated. Certain reclassifications have been made to the prior fiscal years' consolidated financial statements to conform with the current fiscal-year presentation.

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 Friday nearest to each reporting date. As such, all references to June 30, 2013 and June 30, 2012 relate to the three-month periods ended June 28, 2013 and June 29, 2012, respectively. For convenience purposes, the Company continues to date its financial statements as of June 30.

The Company has performed a review of all subsequent events through the date the financial statements were issued, and has determined that other than as described in Note 12, no additional disclosures are necessary.

### **New Accounting Pronouncements**

During the first quarter of fiscal 2013, the Company adopted ASU 2011-05, Presentation of Comprehensive Income. ASU 2011-05 requires entities to present items of net income and other comprehensive income either in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive, statements of operations and other comprehensive income. The Company simultaneously adopted ASU 2011-12, Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. ASU 2011-12 defers the requirement to present components of reclassifications of comprehensive income on the statement of comprehensive income, with all other requirements of ASU 2011-05 unaffected. The adoption of these standard updates did not have a significant impact on the Company's financial statements, other than presentation.

During the first quarter of fiscal 2013, the Company adopted ASU 2011-08, Testing Goodwill for Impairment. ASU 2011-08 provides entities with an option to perform a qualitative assessment to determine whether further impairment testing is necessary. The adoption of this standard update did not have an impact on the Company's financial statements.

During the first quarter of fiscal 2013, the Company adopted ASU 2012-02, Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment, which provides entities with an option to perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired. The adoption of this standard update did not have an impact on the Company's financial statements.

In December 2011, the FASB issued ASU 2011-11, Disclosures about Offsetting Assets and Liabilities. In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, to clarify which financial assets and financial liabilities are included within the scope of ASU 2011-11. These ASUs require additional quantitative and qualitative disclosures over financial instruments and derivative instruments that are offset on the balance sheet or subject to master netting arrangements. Both ASUs are effective for annual and interim reporting periods for fiscal years beginning on or after January 1, 2013. The adoption of these standards is not expected to have a significant impact on the Company's financial statements, other than presentation.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This ASU requires entities to disclose, in one place, information about the amounts reclassified out of accumulated other comprehensive income by component. ASU 2013-02 is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2012. The adoption of this standard is not expected to have a significant impact on the Company's financial statements, other than disclosure.

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### 3. Accumulated Other Comprehensive (Loss) Income

Comprehensive (loss) income consists of net loss and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net (loss) income. For the Company, the components of other comprehensive (loss) income primarily consist of foreign currency translation gains and losses and deferred gains and losses on financial instruments designated as hedges under FASB ASC Topic 815, *Derivatives and Hedging* (“ASC 815”), which include foreign exchange contracts. The following summary sets forth the components of accumulated other comprehensive loss, net of related taxes (in millions):

	Foreign Currency Translation Loss	Minimum Pension Liability	Deferred Gains (Losses) On Derivative Financial Instruments	Accumulated Other Comprehensive Loss
	(in millions)			
<b>Balance at September 30, 2012</b>	<b>\$ (54)</b>	<b>\$ (6)</b>	<b>\$ 1</b>	<b>\$ (59)</b>
Activity through June 30, 2013	(8)	—	(2)	(10)
<b>Balance at June 30, 2013</b>	<b>\$ (62)</b>	<b>\$ (6)</b>	<b>\$ (1)</b>	<b>\$ (69)</b>

### 4. Goodwill and Intangible Assets

#### Goodwill

The following analysis details the changes in goodwill for each reportable segment during the nine months ended June 30, 2013 (in millions):

	Recorded Music	Music Publishing	Total
	(in millions)		
<b>Balance at September 30, 2012</b>	<b>\$ 916</b>	<b>\$ 464</b>	<b>\$1,380</b>
Acquisitions	10	—	10
Dispositions	—	—	—
Other adjustments	3	—	3
<b>Balance at June 30, 2013</b>	<b>\$ 929</b>	<b>\$ 464</b>	<b>\$1,393</b>

The increase in goodwill during the nine months ended June 30, 2013 primarily related to the acquisition of recorded music assets.

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. The Company will 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.

#### Other Intangible Assets

Other intangible assets consist of the following (in millions):

	June 30, 2013	September 30, 2012
	(in millions)	
<b>Intangible assets subject to amortization:</b>		
Recorded Music catalog	\$ 538	\$ 547
Music Publishing copyrights	1,521	1,508
Artist and songwriter contracts	657	667
Trademarks	7	7
	<u>2,723</u>	<u>2,729</u>
Accumulated amortization	(366)	(230)
Total net intangible assets subject to amortization	<u>2,357</u>	<u>2,499</u>
<b>Intangible assets not subject to amortization:</b>		
Trademarks and brands	102	102
Total net other intangible assets	<u>\$ 2,459</u>	<u>\$ 2,601</u>

## 5. Debt

### Debt Capitalization

Long-term debt, including the current portion, consists of the following (in millions):

	June 30, 2013	September 30, 2012
	(in millions)	
Old Revolving Credit Facility (a)	\$ —	\$ —
New Revolving Credit Facility (b)	25	—
Term Loan Facility due 2020—Acquisition Corp (c)	485	—
9.5% Senior Secured Notes due 2016—Acquisition Corp (d)	—	1,151
9.5% Senior Secured Notes due 2016—Acquisition Corp (e)	—	156
6.00% Senior Secured Notes due 2021—Acquisition Corp	450	—
6.25% Senior Secured Notes due 2021—Acquisition Corp (f)	205	—
11.5% Senior Notes due 2018—Acquisition Corp (g)	751	749
13.75% Senior Notes due 2019—Holdings	150	150
Total debt	<u>\$2,066</u>	<u>\$ 2,206</u>
Less: current portion	29	—
Total long term debt	<u>\$ 2,037</u>	<u>\$ 2,206</u>

- (a) Reflects \$60 million of commitments under the Old Revolving Credit Facility, less letters of credit outstanding of approximately \$1 million at September 30, 2012. There were no loans outstanding under the Old Revolving Credit Facility as of September 30, 2012. The Old Revolving Credit Facility was retired in connection with the 2012 Refinancing (as described below) and replaced with the New Revolving Credit Facility.
- (b) Reflects \$150 million of commitments under the New Revolving Credit Facility, less letters of credit outstanding of approximately \$1 million at June 30, 2013. There were \$25 million of loans outstanding under the New Revolving Credit Facility as of June 30, 2013, all of which was included in the current portion of long term debt.
- (c) Principal amount of \$490 million less unamortized discount of \$5 million. Of this amount, \$4 million, representing the scheduled amortization of the Term Loan, was included in the current portion of long term debt at June 30, 2013.
- (d) face amount of \$1.1 billion plus unamortized premiums of \$51 million at September 30, 2012. All outstanding amounts were repaid in full as part of the 2012 Refinancing.
- (e) face amount of \$150 million plus unamortized premiums of \$6 million at September 30, 2012. All outstanding amounts were repaid in full as part of the 2012 Refinancing.
- (f) face amount of €158 million. Amount above represents the dollar equivalent of such notes at June 30, 2013.
- (g) face amount of \$765 million less unamortized discounts of \$14 million and \$16 million at June 30, 2013 and September 30, 2012, respectively.

### 2012 Debt Refinancing

On November 1, 2012, the Company completed a refinancing (the “2012 Refinancing”) of its then outstanding senior secured notes due 2016 (the “Old Secured Notes”). In connection with the 2012 Refinancing, the Company issued new senior secured notes consisting of \$500 million aggregate principal amount of Senior Secured Notes due 2021 and €175 million aggregate principal amount of Senior Secured Notes due 2021 (the “New Secured Notes”) and entered into new senior secured credit facilities consisting of a \$600 million term loan facility (the “Term Loan Facility”) and a \$150 million revolving credit facility (the “New Revolving Credit Facility”) and, together with Term Loan Facility, the “New Senior Credit Facilities”). Acquisition Corp. is the borrower under the New Revolving Credit Facility (the “Revolving Borrower”) and under the Term Loan Facility (the “Term Loan Borrower”). The proceeds from the 2012 Refinancing, together with \$101 million of the Company’s available cash, were used to pay the total consideration due in connection with the tender offers for all of the Company’s previously outstanding \$1.250 billion 9.50% senior secured notes due 2016 (the “Old Secured Notes”) as well as associated fees and expenses and to redeem all of the remaining notes not tendered in the tender offers. The Company also retired its existing \$60 million Revolving Credit Facility (the “Old Revolving Credit Facility”) in connection with the 2012 Refinancing, replacing it with the New Revolving Credit Facility. The Company also borrowed \$31 million under the New Revolving Credit Facility as part of the 2012 Refinancing, which loans were repaid in full on December 3, 2012.

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In connection with the 2012 Refinancing, the Company made a redemption payment of \$1.377 billion, which included the repayment of the Company's previously outstanding \$1.250 billion Old Secured Notes, tender/call premiums of \$93 million and consent fees of approximately \$34 million. The Company also paid approximately \$45 million in accrued interest through the closing date.

The Company recorded a loss on extinguishment of debt of approximately \$83 million in connection with the 2012 Refinancing in the nine months ended June 30, 2013, which represents the difference between the redemption payment and the carrying value of the debt at the refinancing date, which included the principal value of \$1.250 billion, plus unamortized premiums of \$55 million, less unamortized debt issuance costs of \$11 million related to the Old Secured Notes.

### ***Modification of Term Loan Facility and Drawdown of Incremental Term Loan Facility***

On May 9, 2013, Acquisition Corp. prepaid \$102.5 million in aggregate principal amount of term loans under the Term Loan Facility (the "Term Loan Repayment"). Also on May 9, 2013, Acquisition Corp. entered into an amendment to the Term Loan Facility among Acquisition Corp, Holdings, the subsidiaries of Acquisition Corp. party thereto, Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the "Term Loan Credit Agreement Amendment"), providing for a \$820 million delayed draw senior secured term loan facility (the "Incremental Term Loan Facility"). On July 1, 2013, Acquisition Corp. drew down the \$820 million Incremental Term Loan Facility to fund the acquisition of PLG, pay fees, costs and expenses related to the acquisition and for general corporate purposes of Acquisition Corp. and its subsidiaries.

As part of the amendment to the Term Loan Facility, the interest rate, maturity date, and scheduled amortization were changed.

The loans under the Term Loan Credit Agreement Amendment bear interest at Term Loan Borrower's election at a rate equal to (i) the Term Loan LIBOR Rate plus 2.75% per annum or (ii) the Term Loan Base Rate plus 1.75% per annum. The Term Loan LIBOR Rate shall be deemed to be not less than 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.

The Term Loans under the amended Term Loan Facility will amortize in equal quarterly installments in aggregate annual amounts equal to 1.00% of the original principal amount of the amended Term Loan Facility with the balance payable on maturity date of the Term Loans. The next quarterly installment will be due December 31, 2013. The amended Term Loan Facility matures on July 1, 2020, with a springing maturity date on July 2, 2018 in the event that more than \$153 million aggregate principal amount of the 11.50% Senior Notes of Acquisition Corp. due October 1, 2018 are outstanding on June 28, 2018 unless, on June 28, 2018, the senior secured indebtedness to EBITDA ratio of Acquisition Corp. is less than or equal to 3.50 to 1.00.

### ***Debt Redemptions***

On June 21, 2013, Acquisition Corp. redeemed 10% of its Senior Secured Notes due 2021, representing repayment of \$50 million in aggregate principal amount of its outstanding 6.000% Senior Secured Notes due 2021 and €17.5 million in aggregate principal amount of its outstanding 6.250% Senior Secured Notes due 2021. The Company recorded a loss on extinguishment of debt of approximately \$2 million, which represents the premium paid on early redemption.

### ***Interest Rates***

The loans under the Amended Revolving Credit Agreement bear interest at Revolving Borrower's election at a rate equal to (i) Revolving LIBOR Rate plus 2.00% per annum, or (ii) the Revolving Base Rate plus 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 New Revolving Credit Facility bears a facility fee equal to 0.50%, payable quarterly in arrears, based on the daily commitments during the preceding quarter. The New Revolving Credit Facility bears customary letter of credit fees. Acquisition Corp. is also required to pay certain upfront fees to lenders and agency fees to the agent under the New Revolving Credit Facility, in the amounts and at the times agreed between the relevant parties.

### ***Maturity of New Revolving Credit Facility***

The New Revolving Credit Facility matures on November 1, 2017.

[Table of Contents](#)**Maturities of Senior Notes**

As of June 30, 2013, there are no scheduled maturities until 2018 (\$765 million). Thereafter, \$805 million is scheduled to mature.

**Interest Expense**

Total interest expense, net was \$47 million and \$56 million for the three months ended June 30, 2013 and June 30, 2012, respectively and \$149 million and \$169 million for the nine months ended June 30, 2013 and June 30, 2012, respectively. The weighted-average interest rate of the Company's total debt was 8.1% and 10.5% at June 30, 2013 and June 30, 2012, respectively.

**6. Share-Based Compensation Plan**

The Company accounts for share-based payments as required by FASB ASC Topic 718, Compensation-Stock Compensation ("ASC 718"). ASC 718 requires all share-based payments to employees to be recognized as compensation expense. Under the recognition provision of ASC 718, liability classified stock-based compensation costs are measured each reporting date until settlement. The Company's policy is to measure share-based compensation costs using the intrinsic value method instead of fair value as it is not practical to estimate the volatility of its share price.

Effective January 1, 2013, eligible individuals were invited to participate in the Senior Management Free Cash Flow Plan (the "Plan"). Eligible individuals include any employee, consultant or officer of the Company or any of its affiliates, who is selected by the Company's compensation committee to participate in the Plan. Under the Plan, participants are allocated a specific portion of the Company's free cash flow to use to purchase the equivalent of Company stock through a purposely established LLC holding company. The Company's Board of Directors authorized the LLC (the "LLC") to purchase up to 82,1918 shares of the Company's common stock pursuant to the Plan; there are currently 55 shares issued and outstanding to the LLC. The Company will allocate shares to active participants each Plan year at the time that annual free cash flow bonuses for such Plan year are determined and may grant unallocated shares under the Plan to certain members of current or future management.

At the time that annual free cash flow bonuses for such Plan year are determined, a participant shall be granted and credited an equal number of deferred equity units and related matching equity units based on their respective allocation. Deferred equity units granted under the Plan generally will vest between one and seven years and the redemption price will equal the fair market value of the Company's stock on the date of the settlement. Matching equity units granted under the Plan generally will vest between three and seven years and the redemption price will equal the excess, if any, of the then fair market value of one Company fractional share over the grant date fair value. All deferred and matching equity units will be settled in three installments in December 2018, 2019, and 2020. The deferred units will be settled at the participant's election for cash equal to the fair market value or one fractional company share. The matching units will be settled for cash equal to the redemption price. In December 2020, all outstanding shares become mandatorily redeemable at the then fair market value. Due to this mandatory redemption clause, the Company has classified the awards under the Plan as liability instruments. Dividend distributions, if any, are also paid out on vested units and are calculated on the same basis as the Company's common shares. The Company has applied a graded (tranche-by-tranche) attribution method and expenses deferred stock-based compensation on an accelerated basis over the vesting period of the share award.

The following is a summary of the Company's share awards for the period ended June 30, 2013:

	Deferred Equity Units	Matching Equity Units	Deferred Equity Units Weighted- Average Exercise Price	Matching Equity Units Weighted-Average Exercise Price	Deferred Equity Units Weighted- Average Grant-Date Intrinsic Value	Matching Equity Units Weighted- Average Grant-Date Intrinsic Value
<b>Unvested units at January 1, 2013</b>	—	—	\$ —	\$ —	\$ —	\$ —
Granted	25	25	107.13	107.13	107.13	107.13
Vested	—	—	—	—	—	—
Forfeited	(1)	(1)	107.13	107.13	107.13	107.13
<b>Unvested units at June 30, 2013</b>	<b>24</b>	<b>24</b>	<b>107.13</b>	<b>107.13</b>	<b>107.13</b>	<b>107.13</b>

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The weighted-average grant date intrinsic value of share awards for the period ended June 30, 2013 was \$107.13. There were no shares that vested in the period. There was no such activity in the comparable prior year period.

### **Compensation Expense**

The Company recognized non-cash compensation expense related to its stock-based compensation plan of \$4 million for the three months ended June 30, 2013 and \$8 million for the nine months ended June 30, 2013. There was no such expense in the comparable prior year period. Of the \$4 million, \$3 million related to awards for employees and \$1 million related to awards for non-employees for the quarter ended June 30, 2013. Of the \$8 million, \$6 million related to awards for employees and \$2 million related to awards for non-employees.

In addition, as of June 30, 2013, the Company had approximately \$18 million of unrecognized compensation costs related to its unvested share awards. The remaining weighted average period over which total compensation related to unvested awards is expected to be recognized is 2 years.

## **7. 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 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 Music purchasers. The parties have filed amended pleadings complying with the court's order, and the case is currently in discovery. 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.

### *Music Download Putative Class Action Suits*

Five putative class action lawsuits have been filed against the Company in Federal Court in the Northern District of California between February 2, 2012 and March 10, 2012. The lawsuits, which were brought by various recording artists, all allege that the Company has improperly calculated the royalties due to them for certain digital music sales under the terms of their recording contracts. The named plaintiffs purport to raise these claims on their own behalf and, as a putative class action, on behalf of other similarly situated artists. Plaintiffs base their claims on a previous ruling that held another recorded music company had breached the specific recording contracts at issue in that case through its payment of royalties for music downloads and ringtones. In the wake of that ruling, a number of recording artists have initiated suits seeking similar relief against all of the major record companies, including us. Plaintiffs seek to have the interpretation of the contracts in that prior case applied to their different and separate contracts.

On April 10, 2012, the Company filed a motion to dismiss various claims in one of the lawsuits, with the intention of filing similar motions in the remaining suits, on the various applicable response dates. Meanwhile, certain plaintiffs' counsel moved to be appointed as interim lead counsel, and other plaintiffs' counsel moved to consolidate the various actions. In a June 1, 2012 Order, the court consolidated the cases and appointed interim co-lead class counsel. Plaintiffs filed a consolidated, master complaint on August 21, 2012. All deadlines have been stayed until August 29, 2013 to allow for settlement of this dispute. If a settlement has not been reached by that date and if the parties agree that further settlement discussions would be fruitful, the parties can file a joint statement/stipulation seeking additional time for further settlement negotiations. In the alternative, the parties would file a joint statement/stipulation with the Court alerting the Court to the fact that settlement could not be reached and resetting a litigation schedule. Settlement discussions are ongoing. 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. Based on an evaluation of potential outcomes of these claims that are reasonably possible and an estimate of the reasonably possible loss or range of loss possible, the Company has recorded what it believes is an appropriate reserve related to these cases, which amount is not material.

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*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 none of the currently pending proceedings is the amount of accrual 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.

## **8. Derivative Financial Instruments**

### **Foreign Currency Risk Management**

The Company uses derivative financial instruments, primarily foreign currency forward exchange contracts ("FX 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 FX Contracts primarily to hedge its royalty payments and balance sheet items denominated in foreign currency, including Euro denominated debt. The Company applies hedge accounting to FX Contracts for cash flows related to royalty payments. During the quarter, the Company also entered into FX contracts to hedge the PLG acquisition purchase price from exchange rate fluctuations, which also qualified for hedge accounting. In conjunction with the completion of the Transaction (defined below), the contracts were settled with an immaterial impact. The Company records these FX Contracts in the consolidated balance sheet at fair value and changes in fair value are recognized in Other Comprehensive Income ("OCI") for unrealized items and recognized in earnings for realized items. The Company elects to not apply hedge accounting to foreign currency exposures related to balance sheet items. The Company records these FX Contracts in the consolidated balance sheet at fair value and changes in fair value are immediately recognized in earnings. Fair value is determined by using observable market transactions of spot and forward rates (i.e., Level 2 inputs) which is discussed further in Note 11.

Netting provisions are provided for in existing International Swap and Derivative Association Inc. ("ISDA") 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.

Historically, the Company has used, and continues to use, foreign exchange forward contracts and foreign exchange options 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. In addition, the Company currently hedges foreign currency risk associated with financing transactions such as third-party and inter-company debt and other balance sheet items.

For royalty related hedges, the Company records foreign exchange contracts at fair value on its balance sheet and the related 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 income. For hedges of financing transactions and other balance sheet items, hedge gains and losses are taken directly to the statement of operations where there is an equal and offsetting entry related to the underlying exposure. Gains and losses on foreign exchange contracts generally are included as a component of other income (expense), net, in the Company's consolidated statement of operations.

As of June 30, 2013, the Company had outstanding hedge contracts for the sale of \$295 million and the purchase of \$1.014 billion of foreign currencies at fixed rates, which included the contract to hedge the PLG acquisition purchase price. As of June 30, 2013, the Company had \$1 million of deferred losses in comprehensive loss

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related to foreign exchange hedging. As of September 30, 2012, the Company had outstanding hedge contracts for the sale of \$349 million and the purchase of \$21 million of foreign currencies at fixed rates. As of September 30, 2012, the Company had \$1 million of deferred gains in comprehensive loss related to foreign exchange hedging.

### Interest Rate Risk Management

The Company has \$2.066 billion of debt outstanding at June 30, 2013, of which \$510 million is variable rate debt. As such, the Company is exposed to changes in interest rates. The Company currently manages this exposure through the fixed-to-floating debt ratio; at June 30, 2013, 75% of the Company's debt was at a fixed rate. In addition, at June 30, 2013, all of the Company's floating rate debt under our Term Loan Facility was subject to a LIBOR floor of 1.0%, which is in excess of the current LIBOR rate. The LIBOR floor has effectively turned these LIBOR loans into fixed-rate debt until such time as the LIBOR rate moves higher than the floor.

In addition to the \$510 million of variable rate debt, the Company also had \$1.556 billion of fixed-rate debt. Based on the level of interest rates prevailing at June 30, 2013, the fair value of this fixed-rate debt was approximately \$1.725 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. Further, based on the amount of its fixed-rate debt, a 25 basis point increase or decrease in the level of interest rates would increase or decrease the fair value of the fixed-rate debt by approximately \$11 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.

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

### 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. 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 in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2012. The Company accounts for intersegment sales at fair value as if the sales were to third parties. While inter-company 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, therefore, do not themselves impact the consolidated results. Segment information consists of the following (in millions):

<u>Three Months Ended</u>	<u>Recorded Music</u>	<u>Music Publishing</u>	<u>Corporate expenses and eliminations</u>	<u>Total</u>
<b>June 30, 2013</b>				
Revenues	\$ 534	\$ 134	\$ (5)	\$ 663
OIBDA	61	28	(20)	69
Depreciation of property, plant and equipment	(8)	(1)	(4)	(13)
Amortization of intangible assets	(32)	(16)	—	(48)
Operating income (loss)	<u>\$ 21</u>	<u>\$ 11</u>	<u>\$ (24)</u>	<u>\$ 8</u>
<b>June 30, 2012</b>				
Revenues	\$ 517	\$ 138	\$ (4)	\$ 651
OIBDA	58	24	(16)	66
Depreciation of property, plant and equipment	(7)	(1)	(4)	(12)
Amortization of intangible assets	(32)	(15)	—	(47)
Operating income (loss)	<u>\$ 19</u>	<u>\$ 8</u>	<u>\$ (20)</u>	<u>\$ 7</u>

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<u>Nine Months Ended</u>	<u>Recorded Music</u>	<u>Music Publishing</u>	<u>Corporate expenses and eliminations</u>	<u>Total</u>
(in millions)				
<b>June 30, 2013</b>				
Revenues	\$ 1,745	\$ 377	\$ (15)	\$2,107
OIBDA	262	97	(62)	297
Depreciation of property, plant and equipment	(24)	(4)	(10)	(38)
Amortization of intangible assets	(97)	(46)	—	(143)
Operating income (loss)	<u>\$ 141</u>	<u>\$ 47</u>	<u>\$ (72)</u>	<u>\$ 116</u>
<b>June 30, 2012</b>				
Revenues	\$ 1,675	\$ 386	\$ (12)	\$2,049
OIBDA	211	93	(54)	250
Depreciation of property, plant and equipment	(22)	(4)	(11)	(37)
Amortization of intangible assets	(99)	(46)	—	(145)
Operating income (loss)	<u>\$ 90</u>	<u>\$ 43</u>	<u>\$ (65)</u>	<u>\$ 68</u>

## 10. Additional Financial Information

### Cash Interest and Taxes

The Company made interest payments of approximately \$174 million and \$193 million during the nine months ended June 30, 2013 and June 30, 2012, respectively. The decrease in cash interest is due to timing of interest payments resulting from the refinancing of debt in the current fiscal year, the financing at the time of the Merger and the decrease in the cost of debt. The Company paid approximately \$18 million and \$32 million of income and withholding taxes, net of refunds, during the nine months ended June 30, 2013 and June 30, 2012, respectively. The \$32 million of cash tax payments during the nine months ended June 30, 2012 includes \$15 million of a payment relating to the settlement of an income tax audit in Germany. This payment was fully reimbursed to the Company by Time Warner under the terms of the 2004 acquisition of substantially all of the interests of the Recorded Music and Music Publishing businesses of Time Warner Inc.

### 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 June 30, 2013 and September 30, 2012. Balances in other current and other non-current liabilities represent purchase obligations and contingent consideration related to our various acquisitions. Derivatives not designated as hedging instruments represent the balances in other current assets and other current liabilities below and the gains and losses on these financial instruments are included as a component of other (expense) income, net, in the statement of operations.

	Fair Value Measurements as of June 30, 2013			
	(Level 1)	(Level 2)	(Level 3)	Total
	(in millions)			
<i>Other Current Assets:</i>				
Foreign Currency Forward Exchange Contracts (a)	\$ —	\$ 5	\$ —	\$ 5
<i>Other Current Liabilities:</i>				
Foreign Currency Forward Exchange Contracts (a)	\$ —	\$ (4)	\$ —	\$ (4)
<i>Other Current Liabilities:</i>				
Contractual Obligations (b)	\$ —	\$ —	\$ (2)	\$ (2)
<i>Other Non-Current Liabilities:</i>				
Contractual Obligations (b)	\$ —	\$ —	\$ (11)	\$ (11)
<b>Total</b>	<b>\$ —</b>	<b>\$ 1</b>	<b>\$ (13)</b>	<b>\$ (12)</b>

	Fair Value Measurements as of September 30, 2012			
	(Level 1)	(Level 2)	(Level 3)	Total
	(in millions)			
<i>Other Current Assets:</i>				
Foreign Currency Forward Exchange Contracts (a)	\$ —	\$ —	\$ —	\$ —
<i>Other Current Liabilities:</i>				
Foreign Currency Forward Exchange Contracts (a)	\$ —	\$ (5)	\$ —	\$ (5)
<i>Other Non-Current Liabilities:</i>				
Contractual Obligations (b)	\$ —	\$ —	\$ (11)	\$ (11)
<b>Total</b>	<b>\$ —</b>	<b>\$ (5)</b>	<b>\$ (11)</b>	<b>\$ (16)</b>

- (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 our 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 our various acquisitions and the expected timing of the payment. The change represents the increase in contingent consideration on a previous acquisition.

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 an 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.

## 12. Subsequent Events

### *Acquisition of the Parlophone Label Group*

On February 6, 2013, the Company signed a definitive agreement to acquire the Parlophone Label Group from Universal Music Group, a division of Vivendi, for £487 million, subject to a closing working capital adjustment, in an all-cash transaction (the "Transaction") pursuant to a Share Sale and Purchase Agreement (the "PLG Agreement") by and among Warner Music Holdings Limited, an English company and wholly-owned subsidiary of the Company ("WM Holdings UK"), certain related entities identified in the PLG Agreement (such entities, together with WM Holdings UK, the "Buyers"), Acquisition Corp., as Buyers' Guarantor, and EGH1 BV, a Dutch company, EMI Group Holdings BV, a Dutch company, and Delta Holdings BV, a Dutch company, as Sellers (as defined therein) (collectively, the "PLG Sellers"), and Universal International Music BV, a Dutch company, as Sellers' Guarantor (as defined therein), pursuant to which the PLG Sellers have agreed to sell, and the Buyers have agreed to buy, the outstanding shares of capital stock of PLG Holdco Limited, an English company ("PLG Holdco") and certain related entities identified in the PLG Agreement (such entities, together with PLG Holdco, "PLG").

On June 28, 2013, the parties to the PLG Agreement entered into a Deed of Variation, resulting in an Amended and Restated Share Sale and Purchase Agreement (the "PLG Amended Agreement"). The PLG Amended Agreement provides for, among other amendments, a revision to the definition of "Aggregate Payments" to increase this amount from the consideration paid for the outstanding shares of capital stock in PLG Holdco and certain related entities identified in the PLG Amended Agreement to an amount that reflects the entire purchase price. The adjustment to this definition results in a greater potential cap on liability for the PLG Sellers in connection with certain claims that may be brought under the PLG Amended Agreement.

Pursuant to the PLG Amended Agreement, the Transaction was completed on July 1, 2013.

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*Drawdown of Incremental Term Loan Facility*

On July 1, 2013, Acquisition Corp. drew down the \$820 million Incremental Term Loan Facility to fund the acquisition of PLG, pay fees, costs and expenses related to the acquisition and for general corporate purposes of Acquisition Corp. and its subsidiaries.

**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. Holdings has issued and outstanding the 13.75% Senior Notes due 2019 (the “Holdings Notes”). In addition, Acquisition Corp. has issued and outstanding the 6.00% Senior Secured Notes due 2021, the 6.25% Senior Secured Notes due 2021, and the 11.50% Senior Notes due 2018 (together, the “Acquisition Corp. Notes”).

The Holdings Notes are guaranteed by the Company. These guarantees are full, unconditional, joint and several. The following condensed consolidating financial statements are presented for the information of the holders of the Holdings Notes and present the results of operations, financial position and cash flows of (i) the Company, which is the guarantor of the Holdings Notes, (ii) Holdings, which is the issuer of the Holdings Notes, (iii) the subsidiaries of Holdings (Acquisition Corp. is the only direct subsidiary of Holdings) and (iv) the eliminations necessary to arrive at the information for the Company on a consolidated basis. Investments in consolidated or combined subsidiaries are presented under the equity method of accounting. The Company has revised its presentation for the Guarantor and Non-Guarantor Financial Information from what was filed in our Form 10-Q for June 30, 2012. The Company uses the equity method to account for its investment in its subsidiaries. The revised presentation reflects adjustments to certain equity, intercompany and investment balances primarily to properly reflect the impact of purchase accounting in the consolidating balance sheet. We have also revised the presentation of our statement of cash flows and reclassified the activity for our Parent Company from Operating Activities to Investing Activities and for our Guarantor subsidiaries from Operating Activities to Financing Activities. The principal elimination entries eliminate investments in subsidiaries and intercompany balances.

The Acquisition Corp. Notes are also 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. These guarantees are full, unconditional, 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. New Senior Credit Facilities, and, with respect to the Company, the indenture for the Holdings Notes.

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Balance Sheet (Unaudited)**  
**June 30, 2013**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
(in millions)									
<b>Assets:</b>									
Current assets:									
Cash and equivalents	\$ —	\$ 10	\$ 92	\$ —	\$ 102	\$ —	\$ —	\$ —	\$ 102
Accounts receivable, net	—	144	165	—	309	—	—	—	309
Inventories	—	10	15	—	25	—	—	—	25
Royalty advances expected to be recouped within one year	—	73	46	—	119	—	—	—	119
Deferred tax assets	—	36	15	—	51	—	—	—	51
Other current assets	2	15	44	—	61	—	—	—	61
<b>Total current assets</b>	<b>2</b>	<b>288</b>	<b>377</b>	<b>—</b>	<b>667</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>667</b>
Royalty advances expected to be recouped after one year	—	89	56	—	145	—	—	—	145
Investments in and advances to (from) consolidated subsidiaries	2,839	1,021	—	(3,860)	—	923	776	(1,699)	—
Property, plant and equipment, net	—	97	38	—	135	—	—	—	135
Goodwill	—	1,379	14	—	1,393	—	—	—	1,393
Intangible assets subject to amortization, net	—	1,036	1,321	—	2,357	—	—	—	2,357
Intangible assets not subject to amortization	—	75	27	—	102	—	—	—	102
Due (to) from parent companies	—	(50)	50	—	—	—	—	—	—
Other assets	55	18	10	—	83	8	—	—	91
<b>Total assets</b>	<b>\$ 2,896</b>	<b>\$ 3,953</b>	<b>\$ 1,893</b>	<b>\$ (3,860)</b>	<b>\$ 4,882</b>	<b>\$ 931</b>	<b>\$ 776</b>	<b>\$ (1,699)</b>	<b>\$ 4,890</b>
<b>Liabilities and Deficit:</b>									
Current liabilities:									
Accounts payable	—	\$ 71	\$ 50	\$ —	\$ 121	\$ —	\$ —	\$ —	\$ 121
Accrued royalties	—	588	429	—	1,017	—	—	—	1,017
Accrued liabilities	1	82	118	—	201	—	—	—	201
Accrued interest	51	—	—	—	51	5	—	—	56
Deferred revenue	—	64	62	—	126	—	—	—	126
Current portion of long-term debt	29	—	—	—	29	—	—	—	29
Other current liabilities	—	14	(8)	—	6	—	—	—	6
<b>Total current liabilities</b>	<b>81</b>	<b>819</b>	<b>651</b>	<b>—</b>	<b>1,551</b>	<b>5</b>	<b>—</b>	<b>—</b>	<b>1,556</b>
Long-term debt	1,887	—	—	—	1,887	150	—	—	2,037
Deferred tax liabilities, net	—	146	200	—	346	—	—	—	346
Other noncurrent liabilities	5	50	102	—	157	—	—	—	157
<b>Total liabilities</b>	<b>1,973</b>	<b>1,015</b>	<b>953</b>	<b>—</b>	<b>3,941</b>	<b>155</b>	<b>—</b>	<b>—</b>	<b>4,096</b>
Total Warner Music Group Corp. equity (deficit)	923	2,938	922	(3,860)	923	776	776	(1,699)	776
Noncontrolling interest	—	—	18	—	18	—	—	—	18
<b>Total equity (deficit)</b>	<b>923</b>	<b>2,938</b>	<b>940</b>	<b>(3,860)</b>	<b>941</b>	<b>776</b>	<b>776</b>	<b>(1,699)</b>	<b>794</b>
<b>Total liabilities and equity (deficit)</b>	<b>\$ 2,896</b>	<b>\$ 3,953</b>	<b>\$ 1,893</b>	<b>\$ (3,860)</b>	<b>\$ 4,882</b>	<b>\$ 931</b>	<b>\$ 776</b>	<b>\$ (1,699)</b>	<b>\$ 4,890</b>

**WARNER MUSIC GROUP CORP.**
**Supplementary Information**
**Consolidating Balance Sheet  
September 30, 2012**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
(in millions)									
<b>Assets:</b>									
Current assets:									
Cash and equivalents	\$ 44	\$ 105	\$ 143	\$ —	\$ 292	\$ 10	\$ —	\$ —	\$ 302
Accounts receivable, net	—	158	240	—	398	—	—	—	398
Inventories	—	11	17	—	28	—	—	—	28
Royalty advances expected to be recouped within one year	—	67	49	—	116	—	—	—	116
Deferred tax assets	—	35	16	—	51	—	—	—	51
Other current assets	7	8	29	—	44	—	—	—	44
<b>Total current assets</b>	<b>51</b>	<b>384</b>	<b>494</b>	<b>—</b>	<b>929</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>939</b>
Royalty advances expected to be recouped after one year	—	82	60	—	142	—	—	—	142
Investments in and advances to (from) consolidated subsidiaries	3,133	621	—	(3,754)	—	1,070	926	(1,996)	—
Property, plant and equipment, net	—	108	44	—	152	—	—	—	152
Goodwill	—	1,375	5	—	1,380	—	—	—	1,380
Intangible assets subject to amortization, net	—	1,097	1,402	—	2,499	—	—	—	2,499
Intangible assets not subject to amortization	—	75	27	—	102	—	—	—	102
Due (to) from parent companies	—	176	(176)	—	—	—	—	—	—
Other assets	32	12	13	—	57	6	1	—	64
<b>Total assets</b>	<b>\$ 3,216</b>	<b>\$ 3,930</b>	<b>\$ 1,869</b>	<b>\$ (3,754)</b>	<b>\$ 5,261</b>	<b>\$ 1,086</b>	<b>\$ 927</b>	<b>\$ (1,996)</b>	<b>\$ 5,278</b>
<b>Liabilities and Deficit:</b>									
Current liabilities:									
Accounts payable	\$ —	\$ 81	\$ 75	\$ —	\$ 156	\$ —	\$ —	\$ —	\$ 156
Accrued royalties	—	591	406	—	997	—	—	—	997
Accrued liabilities	—	108	145	—	253	—	—	—	253
Accrued interest	79	—	—	—	79	10	—	—	89
Deferred revenue	—	63	38	—	101	—	—	—	101
Other current liabilities	—	14	(7)	3	10	—	—	—	10
<b>Total current liabilities</b>	<b>79</b>	<b>857</b>	<b>657</b>	<b>3</b>	<b>1,596</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>1,606</b>
Long-term debt	2,056	—	—	—	2,056	150	—	—	2,206
Deferred tax liabilities, net	—	159	216	—	375	—	—	—	375
Other noncurrent liabilities	11	47	81	8	147	—	—	—	147
<b>Total liabilities</b>	<b>2,146</b>	<b>1,063</b>	<b>954</b>	<b>11</b>	<b>4,174</b>	<b>160</b>	<b>—</b>	<b>—</b>	<b>4,334</b>
Total Warner Music Group Corp. equity (deficit)	1,070	2,867	898	(3,765)	1,070	926	927	(1,996)	927
Noncontrolling interest	—	—	17	—	17	—	—	—	17
<b>Total equity (deficit)</b>	<b>1,070</b>	<b>2,867</b>	<b>915</b>	<b>(3,765)</b>	<b>1,087</b>	<b>926</b>	<b>927</b>	<b>(1,996)</b>	<b>944</b>
<b>Total liabilities and equity (deficit)</b>	<b>\$ 3,216</b>	<b>\$ 3,930</b>	<b>\$ 1,869</b>	<b>\$ (3,754)</b>	<b>\$ 5,261</b>	<b>\$ 1,086</b>	<b>\$ 927</b>	<b>\$ (1,996)</b>	<b>\$ 5,278</b>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statements of Operations (Unaudited)**  
**For The Three Months Ended June 30, 2013**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	(in millions) WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Revenues	\$ —	\$ 332	\$ 397	\$ (66)	\$ 663	\$ —	\$ —	\$ —	\$ 663
Costs and expenses:									
Cost of revenues	—	(188)	(246)	63	(371)	—	—	—	(371)
Selling, general and administrative expenses	—	(117)	(122)	3	(236)	—	—	—	(236)
Amortization of intangible assets	—	(30)	(18)	—	(48)	—	—	—	(48)
Total costs and expenses	—	(335)	(386)	66	(655)	—	—	—	(655)
Operating income (loss)	—	(3)	11	—	8	—	—	—	8
Loss on extinguishment of debt	(2)	—	—	—	(2)	—	—	—	(2)
Interest expense, net	(39)	1	(4)	—	(42)	(5)	—	—	(47)
Equity gains (losses) from consolidated subsidiaries	4	64	—	(68)	—	(58)	(63)	121	—
Other income (expense), net	(2)	—	—	—	(2)	—	—	—	(2)
Income (loss) before income taxes	(39)	62	7	(68)	(38)	(63)	(63)	121	(43)
Income tax (expense) benefit	(19)	(17)	(8)	25	(19)	—	—	—	(19)
Net income (loss)	(58)	45	(1)	(43)	(57)	(63)	(63)	121	(62)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Net income (loss) attributable to Warner Music Group Corp.	<u>\$ (58)</u>	<u>\$ 45</u>	<u>\$ (2)</u>	<u>\$ (43)</u>	<u>\$ (58)</u>	<u>\$ (63)</u>	<u>\$ (63)</u>	<u>\$ 121</u>	<u>\$ (63)</u>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statements of Operations (Unaudited)**  
**For The Three Months Ended June 30, 2012**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated (in millions)	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Revenues	\$ —	\$ 313	\$ 379	\$ (41)	\$ 651	\$ —	\$ —	\$ —	\$ 651
Costs and expenses:									
Cost of revenues	—	(154)	(236)	37	(353)	—	—	—	(353)
Selling, general and administrative expenses	—	(112)	(136)	4	(244)	—	—	—	(244)
Amortization of intangible assets	—	(26)	(21)	—	(47)	—	—	—	(47)
Total costs and expenses	—	(292)	(393)	41	(644)	—	—	—	(644)
Operating income (loss)	—	21	(14)	—	7	—	—	—	7
Interest expense, net	(49)	2	(4)	—	(51)	(5)	—	—	(56)
Equity gains (losses) from consolidated subsidiaries	11	16	—	(27)	—	(27)	(32)	59	—
Other income (expense), net	—	10	(4)	—	6	—	—	—	6
Income (loss) before income taxes	(38)	49	(22)	(27)	(38)	(32)	(32)	59	(43)
Income tax (expense) benefit	11	9	17	(26)	11	—	—	—	11
Net income (loss)	(27)	58	(5)	(53)	(27)	(32)	(32)	59	(32)
Less: income attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—
Net income (loss) attributable to Warner Music Group Corp.	<u>\$ (27)</u>	<u>\$ 58</u>	<u>\$ (5)</u>	<u>\$ (53)</u>	<u>\$ (27)</u>	<u>\$ (32)</u>	<u>\$ (32)</u>	<u>\$ 59</u>	<u>\$ (32)</u>

**Supplementary Information**  
**Consolidating Statements of Operations (Unaudited)**  
**For The Nine Months Ended June 30, 2013**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Revenues	\$ —	\$ 1,027	\$ 1,251	\$ (171)	\$ 2,107	\$ —	\$ —	\$ —	\$ 2,107
Costs and expenses:									
Cost of revenues	—	(518)	(746)	156	(1,108)	—	—	—	(1,108)
Selling, general and administrative expenses	—	(366)	(389)	15	(740)	—	—	—	(740)
Amortization of intangible assets	—	(88)	(55)	—	(143)	—	—	—	(143)
Total costs and expenses	—	(972)	(1,190)	171	(1,991)	—	—	—	(1,991)
Operating income	—	55	61	—	116	—	—	—	116
Loss on extinguishment of debt	(85)	—	—	—	(85)	—	—	—	(85)
Interest expense, net	(124)	4	(13)	—	(133)	(16)	—	—	(149)
Equity gains (losses) from consolidated subsidiaries	101	19	—	(120)	—	(125)	(141)	266	—
Other expense, net	(9)	—	(2)	—	(11)	—	—	—	(11)
(Loss) income before income taxes	(117)	78	46	(120)	(113)	(141)	(141)	266	(129)
Income tax benefit (expense)	(8)	(7)	(8)	15	(8)	—	—	—	(8)
Net (loss) income	(125)	71	38	(105)	(121)	(141)	(141)	266	(137)
Less: loss attributable to noncontrolling interest	—	—	(4)	—	(4)	—	—	—	(4)
Net (loss) income attributable to Warner Music Group Corp.	<u>\$ (125)</u>	<u>\$ 71</u>	<u>\$ 34</u>	<u>\$ (105)</u>	<u>\$ (125)</u>	<u>\$ (141)</u>	<u>\$ (141)</u>	<u>\$ 266</u>	<u>\$ (141)</u>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statements of Operations (Unaudited)**  
**For The Nine Months Ended June 30, 2012**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated (in millions)	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Revenues	\$ —	\$ 958	\$ 1,248	\$ (157)	\$ 2,049	\$ —	\$ —	\$ —	\$ 2,049
Costs and expenses:									
Cost of revenues	—	(482)	(750)	141	(1,091)	—	—	—	(1,091)
Selling, general and administrative expenses	—	(348)	(413)	16	(745)	—	—	—	(745)
Amortization of intangible assets	—	(87)	(58)	—	(145)	—	—	—	(145)
Total costs and expenses	—	(917)	(1,221)	157	(1,981)	—	—	—	(1,981)
Operating income	—	41	27	—	68	—	—	—	68
Interest expense, net	(147)	5	(11)	—	(153)	(16)	—	—	(169)
Equity gains (losses) from consolidated subsidiaries	66	(11)	—	(55)	—	(78)	(94)	172	—
Other income (expense), net	—	1	5	—	6	—	—	—	6
(Loss) income before income taxes	(81)	36	21	(55)	(79)	(94)	(94)	172	(95)
Income tax (expense) benefit	3	1	16	(17)	3	—	—	—	3
Net (loss) income	(78)	37	37	(72)	(76)	(94)	(94)	172	(92)
Less: loss attributable to noncontrolling interest	—	—	(2)	—	(2)	—	—	—	(2)
Net (loss) income attributable to Warner Music Group Corp.	\$ (78)	\$ 37	\$ 35	\$ (72)	\$ (78)	\$ (94)	\$ (94)	\$ 172	\$ (94)

**WARNER MUSIC GROUP CORP.**

**Supplementary Information**  
**Consolidating Statement of Comprehensive Income (Unaudited)**  
**For The Three Months Ended June 30, 2013**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated (in millions)	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Net (loss) income	\$ (58)	\$ 45	\$ (1)	\$ (43)	\$ (57)	\$ (63)	\$ (63)	\$ 121	\$ (62)
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustment	4	—	4	(4)	4	—	—	—	4
Deferred gains (losses) on derivative financial instruments	(2)	—	(2)	2	(2)	—	—	—	(2)
Minimum pension liability	—	—	—	—	—	—	—	—	—
Other comprehensive income (loss), net of tax:	2	—	2	(2)	2	—	—	—	2
Total comprehensive income (loss)	(56)	45	1	(45)	(55)	(63)	(63)	121	(60)
Comprehensive income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Comprehensive income (loss) attributable to Warner Music Group Corp.	\$ (56)	\$ 45	\$ —	\$ (45)	\$ (56)	\$ (63)	\$ (63)	\$ 121	\$ (61)

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statement of Comprehensive Income (Unaudited)**  
**For The Three Months Ended June 30, 2012**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated (in millions)	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Net (loss) income	\$ (27)	\$ 58	\$ (5)	\$ (53)	\$ (27)	\$ (32)	\$ (32)	\$ 59	\$ (32)
Other comprehensive income, net of tax:									
Foreign currency translation adjustment	(20)	—	(20)	20	(20)	—	—	—	(20)
Deferred gains on derivative financial instruments	1	—	1	(1)	1	—	—	—	1
Other comprehensive income, net of tax:	(19)	—	(19)	19	(19)	—	—	—	(19)
Total comprehensive (loss) income	(46)	58	(24)	(34)	(46)	(32)	(32)	59	(51)
Comprehensive loss attributable to noncontrolling interest	—	—	—	—	—	—	—	—	—
Comprehensive (loss) income attributable to Warner Music Group Corp.	<u>\$ (46)</u>	<u>\$ 58</u>	<u>\$ (24)</u>	<u>\$ (34)</u>	<u>\$ (46)</u>	<u>\$ (32)</u>	<u>\$ (32)</u>	<u>\$ 59</u>	<u>\$ (51)</u>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statement of Comprehensive Income (Unaudited)**  
**For The Nine Months Ended June 30, 2013**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated (in millions)	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Net (loss) income	\$ (125)	\$ 71	\$ 38	\$ (105)	\$ (121)	\$ (141)	\$ (141)	\$ 266	\$ (137)
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustment	(8)	—	(8)	8	(8)	—	—	—	(8)
Deferred gains (losses) on derivative financial instruments	(2)	—	(2)	2	(2)	—	—	—	(2)
Other comprehensive income (loss), net of tax:	(10)	—	(10)	10	(10)	—	—	—	(10)
Total comprehensive income (loss)	(135)	71	28	(95)	(131)	(141)	(141)	266	(147)
Comprehensive loss attributable to noncontrolling interest	—	—	(4)	—	(4)	—	—	—	(4)
Comprehensive income (loss) attributable to Warner Music Group Corp.	<u>\$ (135)</u>	<u>\$ 71</u>	<u>\$ 24</u>	<u>\$ (95)</u>	<u>\$ (135)</u>	<u>\$ (141)</u>	<u>\$ (141)</u>	<u>\$ 266</u>	<u>\$ (151)</u>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statement of Comprehensive Income (Unaudited)**  
**For The Nine Months Ended June 30, 2012**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	(in millions) WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
Net (loss) income	\$ (78)	\$ 37	\$ 37	\$ (72)	\$ (76)	\$ (94)	\$ (94)	\$ 172	\$ (92)
Other comprehensive income (loss), net of tax:									
Foreign currency translation adjustment	(28)	—	(28)	28	(28)	—	—	—	(28)
Deferred gains (losses) on derivative financial instruments	1	—	1	(1)	1	—	—	—	1
Other comprehensive income (loss), net of tax:	(27)	—	(27)	27	(27)	—	—	—	(27)
Total comprehensive income (loss)	(105)	37	10	(45)	(103)	(94)	(94)	172	(119)
Comprehensive loss attributable to noncontrolling interest	—	—	(2)	—	(2)	—	—	—	(2)
Comprehensive income (loss) attributable to Warner Music Group Corp.	<u>\$ (105)</u>	<u>\$ 37</u>	<u>\$ 8</u>	<u>\$ (45)</u>	<u>\$ (105)</u>	<u>\$ (94)</u>	<u>\$ (94)</u>	<u>\$ 172</u>	<u>\$ (121)</u>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statement of Cash Flows (Unaudited)**  
**For The Nine Months Ended June 30, 2013**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
(in millions)									
<b>Cash flows from operating activities:</b>									
<b>Net (loss) income</b>	\$ (125)	\$ 71	\$ 38	\$ (105)	\$ (121)	\$ (141)	\$ (141)	\$ 266	\$ (137)
Adjustments to reconcile net (loss) income to net cash used in operating activities:									
Loss on extinguishment of debt	85	—	—	—	85	—	—	—	85
Depreciation and amortization	—	116	65	—	181	—	—	—	181
Deferred income taxes	—	—	(13)	—	(13)	—	—	—	(13)
Non-cash interest expense	7	—	—	—	7	1	—	—	8
Equity losses (gains), including distributions	(101)	(16)	—	120	3	125	141	(266)	3
Non-cash stock-based compensation expense	—	8	—	—	8	—	—	—	8
Changes in operating assets and liabilities:									
Accounts receivable	—	13	68	—	81	—	—	—	81
Inventories	—	—	2	—	2	—	—	—	2
Royalty advances	—	(13)	4	—	(9)	—	—	—	(9)
Accounts payable and accrued liabilities	—	188	(268)	—	(80)	—	—	—	(80)
Royalty payables	—	(3)	44	—	41	—	—	—	41
Accrued interest	(28)	—	—	—	(28)	(5)	—	—	(33)
Deferred income	—	1	24	—	25	—	—	—	25
Other balance sheet changes	1	(18)	17	(15)	(15)	—	—	—	(15)
<b>Net cash (used in) provided by operating activities</b>	<b>(161)</b>	<b>347</b>	<b>(19)</b>	<b>—</b>	<b>167</b>	<b>(20)</b>	<b>—</b>	<b>—</b>	<b>147</b>
<b>Cash flows from investing activities:</b>									
Investments and acquisitions of businesses	—	(9)	(9)	—	(18)	—	—	—	(18)
Acquisition of publishing rights	—	(32)	(3)	—	(35)	—	—	—	(35)
Capital expenditures	—	(16)	(7)	—	(23)	—	—	—	(23)
Advances to issuer	385	—	—	(385)	—	—	—	—	—
<b>Net cash provided by (used in) investing activities</b>	<b>385</b>	<b>(57)</b>	<b>(19)</b>	<b>(385)</b>	<b>(76)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(76)</b>
<b>Cash flows from financing activities:</b>									
Distribution to noncontrolling interest holder	—	—	(2)	—	(2)	—	—	—	(2)
Dividend by Acquisition Corp to Holdings Corp	(12)	—	—	—	(12)	12	—	—	—
Change in due to (from) to issuer	—	(385)	—	385	—	—	—	—	—
Repayment of Acquisition Corp 9.5% Senior Subordinated Notes	(1,250)	—	—	—	(1,250)	—	—	—	(1,250)
Proceeds from issuance of Acquisition Corp 6.00% Senior Secured Notes	500	—	—	—	500	—	—	—	500
Repayment of Acquisition Corp 6.00% Senior Secured Notes	(50)	—	—	—	(50)	—	—	—	(50)
Proceeds from issuance of Acquisition Corp 6.25% Senior Secured Notes	227	—	—	—	227	—	—	—	227
Repayment of Acquisition Corp 6.25% Senior Secured Notes	(23)	—	—	—	(23)	—	—	—	(23)
Proceeds from Acquisition Corp Term Loan Facility, net	594	—	—	—	594	—	—	—	594
Repayment of Term Loan	(110)	—	—	—	(110)	—	—	—	(110)
Proceeds from draw down of the Revolving Credit Facility	111	—	—	—	111	—	—	—	111
Repayment of the Revolving Credit Facility	(86)	—	—	—	(86)	—	—	—	(86)
Tender/call premiums paid on early redemption of debt	(95)	—	—	—	(95)	—	—	—	(95)
Consent fees paid on early redemption of debt	(34)	—	—	—	(34)	—	—	—	(34)
Deferred financing costs paid	(40)	—	—	—	(40)	(2)	—	—	(42)
<b>Net cash (used in) provided by financing activities</b>	<b>(268)</b>	<b>(385)</b>	<b>(2)</b>	<b>385</b>	<b>(270)</b>	<b>10</b>	<b>—</b>	<b>—</b>	<b>(260)</b>
Effect of foreign currency exchange rate changes on cash	—	—	(11)	—	(11)	—	—	—	(11)
Net (decrease) increase in cash and equivalents	(44)	(95)	(51)	—	(190)	(10)	—	—	(200)
Cash and equivalents at beginning of period	44	105	143	—	292	10	—	—	302
Cash and equivalents at end of period	<b>\$ —</b>	<b>\$ 10</b>	<b>\$ 92</b>	<b>\$ —</b>	<b>\$ 102</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 102</b>

**WARNER MUSIC GROUP CORP.**  
**Supplementary Information**  
**Consolidating Statement of Cash Flows (Unaudited)**  
**For The Nine Months Ended June 30, 2012**

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
(in millions)									
<b>Cash flows from operating activities:</b>									
Net (loss) income	(78)	37	37	(72)	\$ (76)	\$ (94)	\$ (94)	\$ 172	\$ (92)
Adjustments to reconcile net (loss) income to net cash used in operating activities:									
Depreciation and amortization	—	114	68	—	182	—	—	—	182
Deferred income taxes	—	—	(11)	—	(11)	—	—	—	(11)
Gain on sale of building	—	(1)	—	—	(1)	—	—	—	(1)
Non-cash interest expense (income)	(2)	—	—	—	(2)	—	—	—	(2)
Equity losses (gains), including distributions	(66)	10	—	5	(1)	78	94	(172)	(1)
Changes in operating assets and liabilities:									
Accounts receivable	9	22	18	—	49	—	—	—	49
Inventories	—	—	1	—	1	—	—	—	1
Royalty advances	—	28	5	—	33	—	—	—	33
Accounts payable and accrued liabilities	—	(54)	1	13	(40)	—	—	—	(40)
Royalty payables	—	—	58	—	58	—	—	—	58
Accrued interest	(24)	—	—	—	(24)	1	—	—	(23)
Deferred income	—	(8)	7	—	(1)	—	—	—	(1)
Other balance sheet changes	33	(20)	(63)	4	(46)	1	—	—	(45)
Net cash (used in) provided by operating activities	(128)	128	121	—	121	(14)	—	—	107
<b>Cash flows from investing activities:</b>									
Investments and acquisitions of businesses	—	—	(5)	—	(5)	—	—	—	(5)
Acquisition of publishing rights	—	(13)	(8)	—	(21)	—	—	—	(21)
Proceeds from the sale of music catalog	—	2	—	—	2	—	—	—	2
Proceeds from the sale of building	—	12	—	—	12	—	—	—	12
Advances to issuer	111	—	—	(111)	—	—	—	—	—
Capital expenditures	—	(18)	(6)	—	(24)	—	—	—	(24)
Net cash provided by (used in) investing activities	111	(17)	(19)	(111)	(36)	—	—	—	(36)
<b>Cash flows from financing activities:</b>									
Dividend by Acquisition Corp. to Holdings Corp.	—	(10)	—	—	(10)	10	—	—	—
Distribution to noncontrolling interest holder	—	—	(2)	—	(2)	—	—	—	(2)
Change in due to (from) to issuer	—	(111)	—	111	—	—	—	—	—
Net cash (used in) provided by financing activities	—	(121)	(2)	111	(12)	10	—	—	(2)
Effect of foreign currency exchange rate changes on cash	—	—	(4)	—	(4)	—	—	—	(4)
Net (decrease) increase in cash and equivalents	(17)	(10)	96	—	69	(4)	—	—	65
Cash and equivalents at beginning of period	17	61	72	—	150	4	—	—	154
Cash and equivalents at end of period	\$ —	\$ 51	\$ 168	\$ —	\$ 219	\$ —	\$ —	\$ —	\$ 219

## 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 June 30, 2013 (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, budgets, projected costs, 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, statements regarding our ability to develop talent and attract future talent, our ability to reduce future capital expenditures, our ability to monetize our music 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, the acquisition of Parlophone Label Group from Universal Music Group (the "Transaction"), including the realization of any projected cost savings and synergy benefits following the completion of the Transaction, our success in limiting piracy, our ability to compete in the highly competitive markets in which we operate, 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 our outstanding notes in open market purchases, privately or otherwise, the impact on us of potential strategic transactions, the impact on the competitive landscape of the music industry from the sale of EMI's recorded music and music publishing businesses, 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 described in Part II, Item 1A "Risk Factors" of this Quarterly Report, such risks, uncertainties and other important factors include, among others:

- the continued decline in the global recorded music industry and the rate of overall decline in the 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 home copying and Internet downloading;
- 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 online music stores, in particular Apple's iTunes Music Store, 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;

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- failure to realize expected synergies and other benefits contemplated by the Transaction;
- disruption from the Transaction and the integration of Parlophone Label Group making it more difficult to maintain certain strategic relationships and distracting management’s focus on the business;
- 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;
- further consolidation of our industry and its impact on the competitive landscape of the music industry, specifically the acquisition of EMI’s recorded music business by Universal Music Group and the acquisition of EMI’s music publishing business by a consortium led by Sony Corporation of America;
- 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 rate regulations on our Recorded Music and Music Publishing businesses;
- 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 infrastructure and certain finance and accounting functions;
- 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, including any increase associated with additional indebtedness to be incurred in connection with the Transaction, 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 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;
- our reliance on one company as the primary supplier for the manufacturing, packaging and physical distribution of our products in the U.S. and Canada and part of Europe;
- 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 Part II, Item 1A “Risk Factors” of this Quarterly Report.

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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 factors described in Part II, Item 1A “Risk Factors” 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.

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, 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 listing on the NYSE. The Company continues to 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”) in accordance with certain covenants contained in the instruments covering its outstanding indebtedness.

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 notes thereto 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 recent developments 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 nine months ended June 30, 2013 and June 30, 2012. 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 nine months ended June 30, 2013 and June 30, 2012 as well as a discussion of our financial condition and liquidity as of June 30, 2013. The discussion of our financial condition and liquidity includes (i) a summary of our debt agreements and (ii) a summary of the key debt 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 (which we refer to as “OIBDA”). We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses, including the ability to provide cash flows to service debt. 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. Accordingly, OIBDA should be considered in addition to, not as a substitute for, operating income, net 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 historical OIBDA to operating income 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 results 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 results between periods as if exchange rates

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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 by calculating prior-year results using current-year foreign currency exchange rates. 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 \$11 million, \$10 million and \$1 million unfavorable impact of exchange rates on our Total, Recorded Music and Music Publishing revenue, in the three months ended June 30, 2013 compared to the prior-year quarter and the \$26 million, \$23 million and \$3 million unfavorable impact of exchange rates on our Total, Recorded Music and Music Publishing revenues in the nine months ended June 30, 2013 compared to the prior-year period. We generally refer to such amounts calculated on a constant-currency basis as “excluding the impact of foreign currency exchange rates.” These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant-currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with U.S. GAAP.

## 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 promoting artists and their products.

In the U.S., our Recorded Music operations are conducted principally through our major record labels—Warner Bros. Records and the Atlantic Records Group. Our Recorded Music operations also include Rhino, a division that specializes in marketing our music catalog through compilations and reissues of previously released music and video titles, as well as in the licensing of recordings to and from third parties for various uses, including film and television soundtracks. We also conduct our Recorded Music operations through a collection of additional record labels, including, among others, Asylum, East West, Elektra, Nonesuch, Parlophone, Reprise, Roadrunner, Rykodisc, Sire and Word.

Outside the U.S., our Recorded Music activities are conducted in more than 50 countries primarily through various subsidiaries, affiliates and non-affiliated licensees. Internationally we engage in the same activities as in the U.S.: 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 to unaffiliated third-party record labels the right to distribute our records. Our international artist services operations also include a network of concert promoters through which we provide resources to coordinate tours for our artists and other artists. On July 1, 2013, we completed our acquisition of Parlophone Label Group (“PLG”) from Universal Music Group, a division of Vivendi. In addition to the Parlophone label, PLG included the Chrysalis/Ensign labels in the United Kingdom, EMI Classics and Virgin Classics and the EMI operating companies in Belgium, Czech Republic, Denmark, France, Norway, Poland, Portugal, Slovakia, Spain and Sweden.

Our Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation (“WEA Corp.”), which markets and sells music and DVD products to retailers and wholesale distributors in the U.S., Alternative Distribution Alliance (“ADA”), which distributes the products of independent labels to retail and wholesale distributors in the U.S.; various distribution centers and ventures operated internationally, an 80% interest in Word, which specializes in the distribution of music products in the Christian retail marketplace, and ADA Global, which provides distribution services outside of the U.S. through a network of affiliated and non-affiliated distributors.

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 online digital retailers such as Apple’s iTunes and Google Play, and are otherwise exploited by online subscription services such as Spotify, Rhapsody and Deezer, and Internet radio services such as Pandora and iHeart Radio.

We have integrated the sale of digital content into all aspects of our Recorded Music and Music Publishing businesses including Artist & Repertoire (“A&R”), marketing, promotion and distribution. Our business development executives work closely with A&R departments to make sure that while a record is being made, digital assets are also created with all distribution channels in mind, including subscription services, social networking sites, online portals and music-centered destinations. We also work side by side with our mobile and online partners to test new concepts. We believe existing and new digital businesses will be a significant source of growth for at least the next several years 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 since digital music is in the relatively early stages of growth, proportions may change as the roll out of new technologies continues. As an owner of musical 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.

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

We believe that entering into artist services and expanded-rights deals and enhancing our artist services capabilities will permit us to diversify revenue streams and capitalize on revenue opportunities in merchandising, fan clubs, sponsorship, concert promotion and touring. This will provide for improved long-term relationships with artists and allow us to more effectively connect artists and fans.

Recorded Music revenues are derived from four main sources:

- *Physical*: the rightsholder receives revenues with respect to sales of physical products such as CDs and DVDs;
- *Digital*: the rightsholder receives revenues with respect to online and mobile downloads, online and mobile streaming, and mobile ringtones or ringback tones;
- *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 club, 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 the sound recording in combination with visual images such as in films or television programs, television commercials and videogames.

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, (iii) creating master recordings in the studio and (iv) creating artwork for album covers and liner notes;
- *Product and distribution costs*: the costs to manufacture, package and distribute product to wholesale and retail distribution outlets as well as those principal costs related to our artist services businesses;
- *Selling and marketing costs*: 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 costs*: the costs associated with general overhead and other administrative costs.

### *Music Publishing Operations*

Where recorded music is focused on exploiting a particular recording of a song, music publishing is an intellectual property business focused on the exploitation of the song 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, Warner/Chappell Music, garners a share of the revenues generated from use of the song.

Warner/Chappell is headquartered in Los Angeles with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. Warner/Chappell 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, our award-winning catalog includes over 65,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, 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 Lucasfilm, Ltd., Hallmark Entertainment, and Disney Music Publishing. Since 2012, Warner/Chappell has been making an effort to build up its film and TV music business, with the acquisition of certain songs and recordings from numerous critically acclaimed films and TV shows. These acquisitions will help Warner/Chappell take advantage of the higher margins and strong synchronization and performance income in the TV/film space. Our production music library business includes Non-Stop Music, Groove Addicts Production Music Library, Carlin Recorded Music Library and 615 Music, and is collectively branded as Warner/Chappell Production Music.

Publishing revenues are derived from five main sources:

- *Performance*: the licensor receives royalties if the composition is performed publicly through broadcast of music on television, radio, cable and satellite, live performance at a concert or other venue (*e.g.*, arena concerts, nightclubs), online and mobile streaming and performance of music in staged theatrical productions;

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- *Mechanical*: the licensor receives royalties with respect to compositions embodied in recordings sold in any physical format or configuration (e.g., CDs and DVDs);
- *Synchronization*: the licensor receives royalties or fees 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;
- *Digital*: the licensor receives royalties or fees with respect to online and mobile downloads, mobile ringtones and online and mobile streaming; and
- *Other*: the licensor receives royalties for use in sheet music.

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
- *General and administration costs*: the costs associated with general overhead and other administrative costs.

## **Factors Affecting Results of Operations and Financial Condition**

### *Market Factors*

Since 1999, the recorded music industry has been unstable and the worldwide market has contracted considerably, which has adversely affected our operating results. The industry-wide decline can be attributed primarily to digital piracy. Other drivers of this decline are the bankruptcies of record retailers and wholesalers, growing competition for consumer discretionary spending and retail shelf space, and the maturation of the CD format, which has slowed the historical growth pattern of recorded music sales. While CD sales still generate a significant portion of recorded music revenues globally, CD sales continue to decline industry-wide and we expect that trend to continue. While new formats for selling recorded music product have been created, including the legal downloading of digital music using the Internet, subscriptions to streaming music services, and the distribution of music on mobile devices, revenue streams from these new formats have not yet reached a level where they fully and consistently offset the declines in CD sales on a worldwide industry basis. While there are signs of industry stabilization, with IFPI reporting that global recorded music industry revenues grew 0.2% in 2012, the first time the industry grew year-over-year in 13 years, and, according to the RIAA, the estimated retail value of the U.S. recorded music industry declined by only 0.9% in 2012, a marked improvement versus a decade of steep declines prior to 2011, sales continued to fall in other countries and the industry continues to be impacted as a result of ongoing digital piracy and the transition from physical to digital sales in the recorded music business. Accordingly, the recorded music industry performance may continue to negatively impact our operating results. In addition, a declining recorded music industry could continue to have an adverse impact on portions of the music publishing business. This is because the music publishing business generates a significant portion of its revenues from mechanical royalties from the sale of music in CD and other physical recorded music formats.

### *Severance Charges*

We continue to monitor our business to determine when it is appropriate to take actions to further align our cost structure with industry trends. This resulted in severance charges of \$5 million for the three months ended June 30, 2013, compared to \$17 million for the three months ended June 30, 2012 and \$11 million for the nine months ended June 30, 2013, compared to \$28 million during the nine months ended June 30, 2012.

### *Additional Targeted Savings*

As of the completion of the Merger on July 20, 2011, we targeted cost-savings over the next nine fiscal quarters following completion of the Merger of \$50 million to \$65 million based on identified cost-saving initiatives and opportunities, including targeted savings expected to be realized as a result of no longer having publicly traded equity, reduced expenses related to finance, legal and information technology and reduced expenses related to certain planned corporate restructuring initiatives. The targeted cost-savings program is now complete as of June 30, 2013, one quarter early, and favorably impacting our OIBDA.

### *Expected Synergies from the Transaction*

PLG has meaningful operational overlap with the Company and, as a result, the Company currently believes there are potential cost synergies of approximately \$70 million. The Company expects to take actions to achieve these synergies over the next 12 months and to realize the benefits of such synergies over the next 24 months. There can be no assurances that these cost-savings will be achieved in full or at all.

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### *EMI Related Costs*

We incurred certain costs, primarily representing professional fees, related to our participation in a sales process which resulted in the sale of EMI's recorded music and music publishing businesses, including the subsequent review of the transactions by the U.S. Federal Trade Commission, the European Commission and other regulatory bodies, and the subsequent sale of the Parlophone Label Group by Universal Music Group. These costs were \$7 million for the three months ended June 30, 2013 and \$2 million for the three months ended June 30, 2012. These costs amounted to approximately \$10 million for the nine months ended June 30, 2013 and \$6 million for the nine months ended June 30, 2012, and were recorded in the consolidated statements of operations within general and administrative expense.

### **Expanding Business Models to Offset Declines in Physical Sales**

#### *Digital Sales*

A key part of our strategy to offset declines in physical sales is to expand digital sales. New digital models have enabled us to find additional ways to generate revenues from our music content. In the early stages of the transition from physical to digital sales, overall sales have decreased as the increases in digital sales have not yet met or exceeded the decrease in physical sales. Part of the reason for this gap is the shift in consumer purchasing patterns made possible from new digital models. In the digital space, consumers are now presented with the opportunity to not only purchase entire albums, but to "unbundle" albums and purchase only favorite tracks as single-track downloads. While to date, sales of online and mobile downloads have constituted the majority of our digital Recorded Music and Music Publishing revenue, that may change over time as new digital models, such as streaming and subscription services, continue to develop. In the aggregate, we believe that growth in revenue from new digital models has the potential to offset physical declines and drive overall future revenue growth. We believe it is reasonable to expect that digital margins will generally be higher than physical margins as a result of the elimination of certain costs associated with physical products, such as manufacturing, distribution, inventory and return costs. Partially eroding that benefit are certain digital-specific variable costs and infrastructure investments necessary to produce, market and sell music in digital formats, as well as increases in mechanical copyright royalties payable to music publishers which apply in the digital space. As consumer purchasing patterns change over time and new digital models are launched, we may see fluctuations in contribution margin depending on the overall sales mix.

#### *Expanded-Rights Deals*

We have also been seeking to expand our relationships with recording artists as another means to offset declines in physical revenues in Recorded Music. For example, we have been signing recording artists to expanded-rights deals for the last several years. Under these expanded-rights deals, we participate in the recording artist's revenue streams, other than from recorded music sales, such as live performances, merchandising and sponsorships. We believe that additional revenue from these revenue streams will help to offset declines in physical revenue over time. As we have generally signed newer artists to these deals, increased expanded-rights revenue from these deals is expected to come several years after these deals have been signed as the artists become more successful and are able to generate revenue other than from recorded music sales. 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 8% of our total revenue during the nine months ended June 30, 2013. Artist services and expanded rights revenue will fluctuate from period to period depending upon touring schedules, among other things. We also believe that the strategy of entering into expanded-rights deals and continuing to develop our artist services business will contribute to Recorded Music growth over time. Margins for the various artist services and expanded rights Recorded Music 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, revenue from passive touring under our expanded-rights deals typically flows straight through to net income with little cost. Revenue from our management business and revenue from sponsorship and touring under expanded-rights deals are all high margin, while merchandise revenue under expanded-rights deals and concert promotion revenue from our concert promotion businesses tend to be lower margin than our traditional revenue streams from Recorded Music and Music Publishing.

### **Management Agreement**

Upon completion of the Merger, the Company and Holdings entered into a management agreement with Access, dated as of the Merger Closing Date (the "Management Agreement"), pursuant to which Access provides the Company and its subsidiaries, with financial, investment banking, management, advisory and other services. Pursuant to the Management Agreement, the Company, or one or more of its subsidiaries, pays Access a specified annual fee, plus expenses, and a specified transaction fee for certain types of transactions completed by Holdings or one or more of its subsidiaries, plus expenses. Such costs incurred by the Company were approximately \$3 million and \$2 million for the three months ended June 30, 2013 and June 30, 2012, respectively, which includes the annual fee and reimbursement of certain expenses in connection with the Management Agreement. Such costs incurred by the Company were approximately \$7 million and \$6 million for the nine months ended June 30, 2013 and June 30, 2012, respectively, which includes the annual fee and reimbursement of certain expenses in connection with the Management Agreement, but excludes \$1

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million of expenses in each period reimbursed related to certain consultants with full time roles at the Company. Under the Management Agreement with Access, the Company is obligated to pay Access an aggregate annual fee equal to the greater of (i) the sum of (x) \$6 million and (y) 1.5% of the aggregate amount of Acquired EBITDA (as defined in the Management Agreement) as at such time and (ii) 1.5% of the EBITDA (as defined in the indenture governing the WMG Holdings Corp. 13.75% Senior Notes due 2019 as required by the Management Agreement) of the Company for the applicable fiscal year.

## Recent Developments

### *Acquisition of the Parlophone Label Group*

On February 6, 2013, the Company signed a definitive agreement to acquire the Parlophone Label Group from Universal Music Group, a division of Vivendi, for £487 million subject to a closing working capital adjustment, in an all-cash transaction (the “Transaction”) pursuant to a Share Sale and Purchase Agreement (the “PLG Agreement”) by and among Warner Music Holdings Limited, an English company and wholly-owned subsidiary of the Company (“WM Holdings UK”), certain related entities identified in the PLG Agreement (such entities, together with WM Holdings UK, the “Buyers”), Acquisition Corp., as Buyers’ Guarantor, and EGH1 BV, a Dutch company, EMI Group Holdings BV, a Dutch company, and Delta Holdings BV, a Dutch company, as Sellers (as defined therein) (collectively, the “PLG Sellers”), and Universal International Music BV, a Dutch company, as Sellers’ Guarantor (as defined therein), pursuant to which the PLG Sellers have agreed to sell, and the Buyers have agreed to buy, the outstanding shares of capital stock of PLG Holdco Limited, an English company (“PLG Holdco”) and certain related entities identified in the PLG Agreement (such entities, together with PLG Holdco, “PLG”).

On June 28, 2013, the parties to the PLG Agreement entered into a Deed of Variation, resulting in an Amended and Restated Share Sale and Purchase Agreement (the “PLG Amended Agreement”). The PLG Amended Agreement provides for, among other amendments, a revision to the definition of “Aggregate Payments” to increase this amount from the consideration paid for the outstanding shares of capital stock in PLG Holdco and certain related entities identified in the PLG Amended Agreement to an amount that reflects the entire purchase price. The adjustment to this definition results in a greater potential cap on liability for the PLG Sellers in connection with certain claims that may be brought under the PLG Amended Agreement.

Pursuant to the PLG Amended Agreement, the Transaction was completed on July 1, 2013.

### *Drawdown of Incremental Term Loan Facility*

On May 9, 2013, Acquisition Corp. entered into an amendment to the credit agreement (the “Term Loan Credit Agreement”) among Acquisition Corp., Holdings, the subsidiaries of Acquisition Corp. party thereto, Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the “Term Loan Credit Agreement Amendment”), providing for a \$820 million delayed draw senior secured term loan facility (the “Incremental Term Loan Facility”). On July 1, 2013, Acquisition Corp. drew down the \$820 million Incremental Term Loan Facility to consummate the Transaction, to pay fees, costs and expenses related to the Transaction and for general corporate purposes of Acquisition Corp. and its subsidiaries.

**RESULTS OF OPERATIONS****Three Months Ended June 30, 2013 Compared with Three Months Ended June 30, 2012****Consolidated Historical Results****Revenues**

Our revenue is composed of the following amounts (in millions):

	For the Three Months Ended		2013 vs. 2012	
	2013	2012	\$ Change	% Change
<b>Revenue by Type</b>				
Physical	\$ 178	\$ 189	\$ (11)	(6)%
Digital	236	216	20	9%
Total Physical and Digital	414	405	9	2%
Artist services and expanded rights	68	58	10	17%
Licensing	52	54	(2)	(4)%
<b>Total Recorded Music</b>	<b>534</b>	<b>517</b>	<b>17</b>	<b>3%</b>
Performance	51	54	(3)	(6)%
Mechanical	33	34	(1)	(3)%
Synchronization	26	31	(5)	(16)%
Digital	22	15	7	47%
Other	2	4	(2)	(50)%
<b>Total Music Publishing</b>	<b>134</b>	<b>138</b>	<b>(4)</b>	<b>(3)%</b>
Intersegment eliminations	(5)	(4)	(1)	(25)%
<b>Total Revenue</b>	<b>\$ 663</b>	<b>\$ 651</b>	<b>\$ 12</b>	<b>2%</b>
<b>Revenue by Geographical Location</b>				
U.S. Recorded Music	\$ 225	\$ 224	\$ 1	— %
U.S. Music Publishing	48	55	(7)	(13)%
<b>Total U.S.</b>	<b>273</b>	<b>279</b>	<b>(6)</b>	<b>(2)%</b>
International Recorded Music	309	293	16	6%
International Music Publishing	86	83	3	4%
<b>Total International</b>	<b>395</b>	<b>376</b>	<b>19</b>	<b>5%</b>
Intersegment eliminations	(5)	(4)	(1)	(25)%
<b>Total Revenue</b>	<b>\$ 663</b>	<b>\$ 651</b>	<b>\$ 12</b>	<b>2%</b>

**Total Revenue**

Total revenues increased by \$12 million, or 2%, to \$663 million for the three months ended June 30, 2013 from \$651 million for the three months ended June 30, 2012. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 80% and 20% of total revenues for the three months ended June 30, 2013, respectively, compared to 79% and 21% for the three months ended June 30, 2012, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 41% and 59% of total revenues, respectively, for the three months ended June 30, 2013 compared to 43% and 57% for the three months ended June 30, 2012, respectively. Excluding the unfavorable impact of foreign currency exchange rates, total revenues increased \$23 million, or 4%, for the three months ended June 30, 2013.

Total digital revenues after intersegment eliminations increased by \$27 million, or 12%, to \$257 million for the three months ended June 30, 2013 from \$230 million for the three months ended June 30, 2012. Total digital revenues represented 39% and 35% of consolidated revenues for the three months ended June 30, 2013 and June 30, 2012, respectively. Prior to intersegment eliminations, total digital revenues for the three months ended June 30, 2013 were comprised of U.S. revenues of \$142 million and international revenues of \$116 million, or 55% and 45% of total digital revenues, respectively. Prior to intersegment eliminations, total digital revenues for the three months ended June 30, 2012 were comprised of U.S. revenues of \$131 million and international revenues of \$100 million, or 57% and 43% of total digital revenues, respectively.

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Recorded Music revenues increased by \$17 million, or 3%, to \$534 million for the three months ended June 30, 2013 from \$517 million for the three months ended June 30, 2012. Prior to intersegment eliminations, Recorded Music revenues represented 80% and 79% of consolidated revenues, for the three months ended June 30, 2013 and June 30, 2012, respectively. U.S. Recorded Music revenues were \$225 million and \$224 million, or 42% and 43% of consolidated Recorded Music revenues for the three months ended June 30, 2013 and June 30, 2012, respectively. International Recorded Music revenues were \$309 million and \$293 million, or 58% and 57% of consolidated Recorded Music revenues for the three months ended June 30, 2013 and June 30, 2012, respectively.

The overall increase in Recorded Music revenue reflected digital growth, which more than offset the declines in physical sales, strong revenue for our artist services and expanded rights business, and a slight decline in licensing revenue. Physical revenue continued to decline due to the ongoing transition from physical to digital sales, but was partially offset by certain new releases such as those from Michael Bublé, Kyary Pamyu Pamyu and Christophe Maé, which are more heavily weighted towards physical sales. Digital revenues continued to grow, up \$20 million or 9% for the quarter. This increase was driven by strong download growth of \$11 million and growth in streaming and subscription services of \$13 million, offset by declines in mobile revenues of \$4 million which reflected the continued decrease in demand for ringtones and ringback tones. The increases were mainly attributable to carryover success from prior-quarter releases with strong digital demand, such as those from Bruno Mars and fun. Artist services and expanded-rights revenue increased primarily due to an increase in touring activity and concert promotion revenue resulting from the timing of tour schedules in Europe and Asia Pacific. In addition, licensing revenues decreased \$2 million, or 4% due primarily to timing. Excluding the unfavorable impact of foreign currency exchange rates, total Recorded Music revenues increased by \$27 million, or 5%.

Music Publishing revenues decreased by \$4 million, or 3%, to \$134 million for the three months ended June 30, 2013 from \$138 million for the three months ended June 30, 2012. U.S. Music Publishing revenues were \$48 million and \$55 million, or 36% and 40%, of Music Publishing revenues for the three months ended June 30, 2013 and June 30, 2012, respectively. International Music Publishing revenues were \$86 million and \$83 million, or 64% and 60%, of Music Publishing revenues for the three months ended June 30, 2013 and June 30, 2012, respectively.

Overall, Music Publishing revenues reflected a decline across performance, mechanical, and synchronization but continued to show growth in digital revenue. The decrease in performance revenue was due to timing of collections. The decrease in mechanical revenue reflected the ongoing impact of the transition from physical to digital sales in the recorded music industry. The decrease in synchronization revenue was primarily driven by a one-time settlement of \$4 million in the prior year. The increase in digital revenue reflected continued growth in digital downloads of \$2 million and streaming and subscription services of \$4 million. Excluding the unfavorable impact of foreign currency exchange rates, total Music Publishing revenues decreased by \$3 million, or 2%.

### *Revenue by Geographical Location*

U.S. revenues decreased by \$6 million, or 2%, to \$273 million for the three months ended June 30, 2013 from \$279 million for the three months ended June 30, 2012. The increase in U.S. Recorded Music revenues reflected strong growth in digital revenue offsetting the continued decline in demand for physical product. U.S. physical revenues declined \$5 million as a result of the continued transition to digital platforms. U.S. Recorded Music digital revenues increased \$8 million as a result of growth in digital download revenue of \$3 million and in streaming and subscription service revenue of \$8 million, due to the increased availability of and demand for digital formats offset by declines in mobile revenue of \$3 million. Partially offsetting this growth were decreases in artist services and expanded-rights revenue of \$1 million due to a decline in ticketing and fanclub subscription revenue and decreases in licensing revenue of \$1 million due to timing. U.S. Music Publishing revenues decreased \$7 million primarily due the decrease in synchronization as a result of a one-time settlement of \$4 million in the prior year. This was partially offset by U.S. Music Publishing digital revenue growth of \$3 million distributed across download revenue and streaming and subscription service revenue.

International revenues increased by \$19 million, or 5%, to \$395 million for the three months ended June 30, 2013 from \$376 million for the three months ended June 30, 2012. The overall increase in International Recorded Music revenues was driven by increases in the U.K. of \$11 million, France of \$8 million and Italy of \$8 million, partially offset by declines of \$9 million in Central Europe. International physical revenues declined \$6 million while digital revenues increased \$12 million. Digital revenues increased as a result of growth in digital download revenue of \$8 million and in streaming and subscription service revenue of \$5 million, and was mainly attributable to continued success from prior quarter releases with strong digital demand, such as those from Bruno Mars and fun. International artist services and expanded rights revenue increased \$11 million due to the timing of touring activity and concert promotions in Italy and Japan. International Music Publishing revenues increased \$3 million due to continued digital revenue growth of \$4 million mainly for streaming and subscription revenue. In addition, international music publishing synchronization revenues increased \$2 million due to efforts to clear U.S. repertoire for international use. Excluding the unfavorable impact of foreign currency exchange rates, total international revenues increased \$30 million or 8%, for the three months ended June 30, 2013.

[Table of Contents](#)*Cost of revenues*

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

	For the Three Months Ended		2013 vs. 2012	
	June 30,		\$ Change	% Change
	2013	2012		
Artist and repertoire costs	\$ 241	\$ 243	\$ (2)	(1)%
Product costs	130	110	20	18%
<b>Total cost of revenues</b>	<b>\$ 371</b>	<b>\$ 353</b>	<b>\$ 18</b>	<b>5%</b>

Our cost of revenues increased by \$18 million, or 5%, to \$371 million for the three months ended June 30, 2013 from \$353 million for the three months ended June 30, 2012. Expressed as a percentage of revenues, cost of revenues were 56% and 54% for the three months ended June 30, 2013 and June 30, 2012, respectively.

Artist and repertoire costs decreased by \$2 million, or 1%, to \$241 million for the three months ended June 30, 2013 from \$243 million for the three months ended June 30, 2012. The decrease in artist and repertoire costs was driven by the timing of our artist and repertoire spend and a shift towards higher margin deals. Artist and repertoire costs as a percentage of revenues decreased to 36% for three months ended June 30, 2013 from 37% for three months ended June 30, 2012.

Product costs increased by \$20 million, or 18%, to \$130 million for the three months ended June 30, 2013 from \$110 million for the three months ended June 30, 2012 primarily as a result of the \$10 million increase in artist services and expanded rights revenues and an \$18 million increase in third party distribution revenues. Costs associated with our artist services and expanded rights business are primarily recorded as a component of product costs and tend to yield lower margins than our physical and digital revenue. Cost of distribution for third party labels also tends to yield lower margins. Product costs as a percentage of revenues increased to 20% for the three months ended June 30, 2013 from 17% due to the revenue mix.

*Selling, general and administrative expenses*

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

	For the Three Months Ended		2013 vs. 2012	
	June 30,		\$ Change	% Change
	2013	2012		
General and administrative expense (1)	\$ 128	\$ 140	\$ (12)	(9)%
Selling and marketing expense	95	91	4	4%
Distribution expense	13	13	—	—%
<b>Total selling, general and administrative expense</b>	<b>\$ 236</b>	<b>\$ 244</b>	<b>\$ (8)</b>	<b>(3)%</b>

(1) Includes depreciation expense of \$13 million and \$12 million for the three months ended June 30, 2013 and June 30, 2012, respectively.

Total selling, general and administrative expense decreased by \$8 million, or 3%, to \$236 million for the three months ended June 30, 2013 from \$244 million for the three months ended June 30, 2012. Expressed as a percentage of revenues, selling, general and administrative expenses were 36% and 37% for the three months ended June 30, 2013 and June 30, 2012, respectively.

General and administrative expenses decreased by \$12 million, or 9%, to \$128 million for the three months ended June 30, 2013 from \$140 million for the three months ended June 30, 2012. The decrease in general and administrative expense was driven by cost-saving initiatives, lower variable compensation and lower severance charges in the current period, offset by higher stock-based compensation expense. Expressed as a percentage of revenues, general and administrative expenses decreased to 19% for the three months ended June 30, 2013 from 22% for the three months ended June 30, 2012.

Selling and marketing expense increased by \$4 million, or 4%, to \$95 million for the three months ended June 30, 2013 from \$91 million for the three months ended June 30, 2012, due to variable marketing spend on current quarter releases. Expressed as a percentage of revenues, selling and marketing expense remained flat at 14% for the three months ended June 30, 2013 and June 30, 2012.

Distribution expense remained flat at \$13 million, for the three months ended June 30, 2013 and June 30, 2012. Expressed as a percentage of revenues, distribution expense remained flat at 2% for the three months ended June 30, 2013 and June 30, 2012.

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

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

	For the Three Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
OIBDA	\$ 69	\$ 66	\$ 3	5%
Depreciation expense	(13)	(12)	(1)	(8)%
Amortization expense	(48)	(47)	(1)	(2)%
<b>Operating income</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>14%</b>
Loss on extinguishment of debt	(2)	—	(2)	— %
Interest expense, net	(47)	(56)	9	16%
Other (expense) income, net	(2)	6	(8)	(133)%
<b>Loss before income taxes</b>	<b>(43)</b>	<b>(43)</b>	<b>—</b>	<b>— %</b>
Income tax (expense) benefit	(19)	11	(30)	— %
<b>Net loss</b>	<b>(62)</b>	<b>(32)</b>	<b>(30)</b>	<b>(94)%</b>
Less: income attributable to noncontrolling interest	(1)	—	(1)	— %
<b>Net loss attributable to Warner Music Group Corp.</b>	<b>\$ (63)</b>	<b>\$ (32)</b>	<b>\$ (31)</b>	<b>(97)%</b>

*OIBDA*

Our OIBDA increased by \$3 million, or 5%, to \$69 million for the three months ended June 30, 2013 as compared to \$66 million for the three months ended June 30, 2012. Our OIBDA increase was primarily driven by higher revenues and a decrease in selling, general and administrative expense, partially offset by higher cost of revenues. Expressed as a percentage of revenues, total OIBDA margin remained flat at 10% for the three months ended June 30, 2013 and June 30, 2012.

See “Business Segment Results” presented hereinafter for a discussion of OIBDA by business segment.

*Depreciation expense*

Our depreciation expense increased by \$1 million, or 8%, to \$13 million for the three months ended June 30, 2013 as compared to \$12 million for the three months ended June 30, 2012.

*Amortization expense*

Amortization expense increased by \$1 million, or 2%, to \$48 million for the three months ended June 30, 2013 as compared to \$47 million for the three months ended June 30, 2012.

*Operating income*

Our operating income increased by \$1 million, or 14%, to \$8 million for the three months ended June 30, 2013 as compared to operating income of \$7 million for the three months ended June 30, 2012. The increase in operating income was a result of the increase in OIBDA offset by the increase in depreciation and amortization expense noted above.

*Loss on extinguishment of debt*

On June 21, 2013, we redeemed 10% of our then outstanding Senior Secured Notes due 2021. As a result, we recorded a loss on extinguishment of debt of approximately \$2 million, which represents the premium paid on early redemption.

*Interest expense, net*

Our interest expense, net, decreased by \$9 million, or 16%, to \$47 million for the three months ended June 30, 2013 as compared to \$56 million for the three months ended June 30, 2012. The decrease was primarily driven by the refinancing of our senior secured debt on November 1, 2012 and the modification of our Term Loan Facility on May 9, 2013. Our current debt obligations have lower comparable interest rates than the debt obligations outstanding in the prior-year quarter.

See “Financial Condition and Liquidity” for more information.

*Other (expense) income, net*

Other (expense) income, net, includes net hedging losses on foreign exchange contracts, which represent currency exchange movements associated with inter-company receivables and payables that are short term in nature, and equity losses on our share of net income or loss on investments recorded in accordance with the equity method of accounting for an unconsolidated investee. The three months ended June 30, 2012 also included a \$7 million payment received for tax indemnities related to tax matters in Brazil.



[Table of Contents](#)*Income tax (expense) benefit*

Income tax expense increased by \$30 million, to \$19 million for the three months ended June 30, 2013 as compared to an income tax benefit \$11 million for the three months ended June 30, 2012. The change is due to the fluctuation in the anticipated annual effective tax rate. During the three months ended June 30, 2012, we had higher pre-tax losses in foreign jurisdictions, for which a tax benefit could be recorded.

*Net loss*

Net loss increased by \$30 million, to net loss of \$62 million for the three months ended June 30, 2013 as compared to a net loss of \$32 million for the three months ended June 30, 2012. The increase was primarily driven by the increase in income tax expense, offset by the increase in operating income and the decrease in interest expense noted above.

*Noncontrolling interest*

Net income attributable to noncontrolling interest was \$1 million for the three months ended June 30, 2013 compared to no income attributable to noncontrolling interest for the three months and June 30, 2012.

**Business Segment Results**

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

	For the Three Months Ended		2013 vs. 2012	
	2013	2012	\$ Change	% Change
<b>Recorded Music</b>				
Revenue	\$ 534	\$ 517	\$ 17	3%
OIBDA	61	58	3	5%
Operating income	\$ 21	\$ 19	\$ 2	11%
<b>Music Publishing</b>				
Revenue	\$ 134	\$ 138	\$ (4)	(3)%
OIBDA	28	24	4	17%
Operating income	\$ 11	\$ 8	\$ 3	38%
<b>Corporate expenses and eliminations</b>				
Revenue	\$ (5)	\$ (4)	\$ (1)	(25)%
OIBDA	(20)	(16)	(4)	(25)%
Operating loss	\$ (24)	\$ (20)	\$ (4)	(20)%
<b>Total</b>				
Revenue	\$ 663	\$ 651	\$ 12	2%
OIBDA	69	66	3	5%
Operating income	\$ 8	\$ 7	\$ 1	14%

*Recorded Music**Revenues*

Recorded Music revenues increased by \$17 million, or 3%, to \$534 million for the three months ended June 30, 2013 from \$517 million for the three months ended June 30, 2012. Prior to intersegment eliminations, Recorded Music revenues represented 80% and 79% of consolidated revenues, for the three months ended June 30, 2013 and June 30, 2012, respectively. U.S. Recorded Music revenues were \$225 million and \$224 million, or 42% and 43% of consolidated Recorded Music revenues for the three months ended June 30, 2013 and June 30, 2012, respectively. International Recorded Music revenues were \$309 million and \$293 million, or 58% and 57% of consolidated Recorded Music revenues for the three months ended June 30, 2013 and June 30, 2012, respectively.

The overall increase in Recorded Music revenue reflected digital growth, which more than offset the declines in physical sales, strong revenue for our artist services and expanded rights business, and a slight decline in licensing revenue. Physical revenue continued to decline due to the ongoing transition from physical to digital sales, but was partially offset by certain new releases such as those from Michael Bublé, Kyary Pamyu Pamyu and Christophe Maé, which are more heavily weighted towards physical sales. Digital revenues continued to grow, up \$20 million or 9% for the quarter. This increase was driven by strong download growth of \$11 million and growth in streaming and subscription services of \$13 million, offset by declines in mobile revenues of \$4 million which

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reflected the continued decrease in demand for ringtones and ringback tones. The increases were mainly attributable to carryover success from prior-quarter releases with strong digital demand, such as those from Bruno Mars and fun. Artist services and expanded-rights revenue increased primarily due to an increase in touring activity and concert promotion revenue resulting from the timing of tour schedules in Europe and Asia Pacific. In addition, licensing revenues decreased \$2 million, or 4% due primarily to timing. Excluding the unfavorable impact of foreign currency exchange rates, total Recorded Music revenues increased by \$27 million, or 5%.

*Cost of revenues*

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

	For the Three Months Ended		2013 vs. 2012	
	June 30,		\$ Change	% Change
	2013	2012		
Artist and repertoire costs	\$ 153	\$ 149	\$ 4	3%
Product costs	130	110	20	18%
<b>Total cost of revenues</b>	<b>\$ 283</b>	<b>\$ 259</b>	<b>\$ 24</b>	<b>9%</b>

Recorded Music cost of revenues increased \$24 million, or 9%, to \$283 million for the three months ended June 30, 2013 from \$259 million for the three months ended June 30, 2012. The increase in artist and repertoire costs were driven by increased revenues for the current-year quarter and the timing of our artist and repertoire spend. The increase in product costs was primarily as a result of the \$10 million increase in artist services and expanded rights revenues and an \$18 million increase in third party distribution revenues. Costs associated with our artist services and expanded rights business are primarily recorded as a component of product costs and tend to yield lower margins than our physical and digital revenue. Cost of distribution for third party labels also tends to yield lower margins. Expressed as a percentage of Recorded Music revenues, cost of revenues increased to 53% for the three months ended June 30, 2013 from 50% for the three months ended June 30, 2012.

*Selling, general and administrative expense*

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

	For the Three Months Ended		2013 vs. 2012	
	June 30,		\$ Change	% Change
	2013	2012		
General and administrative expense (1)	\$ 91	\$ 104	\$ (13)	(13)%
Selling and marketing expense	94	90	4	4%
Distribution expense	13	13	—	— %
<b>Total selling, general and administrative expense</b>	<b>\$ 198</b>	<b>\$ 207</b>	<b>\$ (9)</b>	<b>(4)%</b>

- (1) Includes depreciation expense of \$8 million and \$7 million for the three months ended June 30, 2013 and June 30, 2012, respectively.

Recorded Music selling, general and administrative expense decreased \$9 million, or 4%, to \$198 million for the three months ended June 30, 2013 from \$207 million for the three months ended June 30, 2012. This decrease was primarily due to a decrease in general and administrative expense, partially offset by an increase in selling and marketing expense. Selling and marketing expense increased in line with the increase in revenues and was largely the result of higher variable marketing spend related to current quarter releases. The decrease in general and administrative expense was driven by cost-saving initiatives, lower variable compensation and lower severance charges in the current period. Expressed as a percentage of Recorded Music revenues, selling, general and administrative expense decreased to 37% for the three months ended June 30, 2013 to 40% for the three months ended June 30, 2012.

[Table of Contents](#)*OIBDA and Operating Income*

Recorded Music operating income included the following (in millions):

	For the Three Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
OIBDA	\$ 61	\$ 58	\$ 3	5%
Depreciation and amortization	(40)	(39)	(1)	(3)%
<b>Operating income</b>	<b>\$ 21</b>	<b>\$ 19</b>	<b>\$ 2</b>	<b>11%</b>

Recorded Music OIBDA increased by \$3 million, or 5%, to \$61 million for the three months ended June 30, 2013 compared to \$58 million for the three months ended June 30, 2012. Expressed as a percentage of Recorded Music revenues, Recorded Music OIBDA margin remained flat at 11% for the three months ended June 30, 2013 and the three months ended June 30, 2012. Our Recorded Music OIBDA increase was driven by higher revenues and a decrease in selling, general and administrative expense, partially offset by higher cost of revenues.

Recorded Music operating income increased by \$2 million, due to a \$3 million increase in OIBDA as noted above and a \$1 million increase in depreciation and amortization expense.

*Music Publishing**Revenues*

Music Publishing revenues decreased by \$4 million, or 3%, to \$134 million for the three months ended June 30, 2013 from \$138 million for the three months ended June 30, 2012. U.S. Music Publishing revenues were \$48 million and \$55 million, or 36% and 40%, of Music Publishing revenues for the three months ended June 30, 2013 and June 30, 2012, respectively. International Music Publishing revenues were \$86 million and \$83 million, or 64% and 60%, of Music Publishing revenues for the three months ended June 30, 2013 and June 30, 2012, respectively.

Overall, Music Publishing revenues reflected a decline across performance, mechanical, and synchronization but continued to show growth in digital revenue. The decrease in performance revenue was due to timing of collections. The decrease in mechanical revenue reflected the ongoing impact of the transition from physical to digital sales in the recorded music industry. The decrease in synchronization revenue was primarily driven by a one-time settlement of \$4 million in the prior year. The increase in digital revenue reflected continued growth in digital downloads of \$2 million and streaming and subscription services of \$4 million. Excluding the unfavorable impact of foreign currency exchange rates, total Music Publishing revenues decreased by \$3 million, or 2%.

*Cost of revenues*

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

	For the Three Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Artist and repertoire costs	\$ 93	\$ 98	\$ (5)	(5)%
<b>Total cost of revenues</b>	<b>\$ 93</b>	<b>\$ 98</b>	<b>\$ (5)</b>	<b>(5)%</b>

Music Publishing cost of revenues decreased \$5 million, or 5%, to \$93 million for the three months ended June 30, 2013, from \$98 million for the three months ended June 30, 2012. Expressed as a percentage of Music Publishing revenues, Music Publishing cost of revenues decreased to 69% for the three months ended June 30, 2013 from 71% for the three months ended June 30, 2012 as a result of a shift towards higher-margin deals.

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*Selling, general and administrative expense*

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

	For the Three Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
General and administrative expense (1)	\$ 13	\$ 16	\$ (3)	(19)%
Selling and marketing expenses	1	1	—	— %
<b>Total selling, general and administrative expense</b>	<b>\$ 14</b>	<b>\$ 17</b>	<b>\$ (3)</b>	<b>(18)%</b>

(1) Includes depreciation expense of \$1 million for both the three months ended June 30, 2013 and June 30, 2012.

Music Publishing selling, general and administrative expense decreased \$3 million, or 18%, to \$14 million for the month ended June 30, 2013 from \$17 million for the three months ended June 30, 2012 primarily as a result of lower variable compensation. Expressed as a percentage of Music Publishing revenues, Music Publishing selling, general and administrative expense decreased to 10% for the month ended June 30, 2013 from 12% for the three months ended June 30, 2012.

*OIBDA and Operating Income*

Music Publishing operating income included the following (in millions):

	For the Three Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
OIBDA	\$ 28	\$ 24	\$ 4	17%
Depreciation and amortization	(17)	(16)	(1)	(6)%
<b>Operating income</b>	<b>\$ 11</b>	<b>\$ 8</b>	<b>\$ 3</b>	<b>38%</b>

Music Publishing OIBDA increased by \$4 million, or 17%, to \$28 million for the three months ended June 30, 2013 from \$24 million for the three months ended June 30, 2012. The increase was primarily driven by a shift towards higher-margin deals and a decrease in selling, general and administrative expense. Expressed as a percentage of Music Publishing revenues, Music Publishing OIBDA margin increased to 21% for the three months ended June 30, 2013 from 17% for the three months ended June 30, 2012.

Music Publishing operating income increased \$3 million due to a \$1 million increase in depreciation and amortization expense and a \$4 million increase in OIBDA as noted above.

*Corporate Expenses and Eliminations*

Our OIBDA loss from corporate expenses and eliminations increased to \$20 million for the three months ended June 30, 2013 from \$16 million for the three months ended June 30, 2012, primarily as a result of higher stock-based compensation expense and professional fees in the current period.

Our operating loss from corporate expenses and eliminations increased to \$24 million for the three months ended June 30, 2013 from \$20 million for the three months ended June 30, 2012 due to the increase in OIBDA loss noted above.

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Nine Months Ended June 30, 2013 Compared with Nine Months Ended June 30, 2012

Consolidated Historical Results

Revenues

Our revenue is composed of the following amounts (in millions):

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
<b>Revenue by Type</b>				
Physical	\$ 667	\$ 699	\$ (32)	(5)%
Digital	735	643	92	14%
Total Physical and Digital	1,402	1,342	60	4%
Artist services and expanded rights	178	178	—	— %
Licensing	165	155	10	7%
<b>Total Recorded Music</b>	<b>1,745</b>	<b>1,675</b>	<b>70</b>	<b>4%</b>
Performance	146	148	(2)	(1)%
Mechanical	86	99	(13)	(13)%
Synchronization	75	86	(11)	(13)%
Digital	62	44	18	41%
Other	8	9	(1)	(11)%
<b>Total Music Publishing</b>	<b>377</b>	<b>386</b>	<b>(9)</b>	<b>(2)%</b>
Intersegment eliminations	(15)	(12)	(3)	(25)%
<b>Total Revenue</b>	<b>\$ 2,107</b>	<b>\$ 2,049</b>	<b>\$ 58</b>	<b>3%</b>
<b>Revenue by Geographical Location</b>				
U.S. Recorded Music	\$ 733	\$ 687	\$ 46	7%
U.S. Music Publishing	139	148	(9)	(6)%
<b>Total U.S.</b>	<b>872</b>	<b>835</b>	<b>37</b>	<b>4%</b>
International Recorded Music	1,012	988	24	2%
International Music Publishing	238	238	—	— %
<b>Total International</b>	<b>1,250</b>	<b>1,226</b>	<b>24</b>	<b>2%</b>
Intersegment eliminations	(15)	(12)	(3)	(25)%
<b>Total Revenue</b>	<b>\$ 2,107</b>	<b>\$ 2,049</b>	<b>\$ 58</b>	<b>3%</b>

Total Revenue

Total revenues increased by \$58 million, or 3%, to \$2.107 billion for the nine months ended June 30, 2013 from \$2.049 billion for the nine months ended June 30, 2012. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 82% and 18% of revenues for the nine months ended June 30, 2013 and 81% and 19% of total revenues for the nine months ended June 30, 2012, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 41% and 59% of total revenues for both the nine months ended June 30, 2013 and June 30, 2012. Excluding the unfavorable impact of foreign currency exchange rates, total revenues increased by \$84 million, or 4%.

Total digital revenues after intersegment eliminations increased by \$109 million, or 16%, to \$793 million for the nine months ended June 30, 2013 from \$684 million for the nine months ended June 30, 2012. Total digital revenues represented 38% and 33% of consolidated revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively. Prior to intersegment eliminations, total digital revenues for the nine months ended June 30, 2013 were comprised of U.S. revenues of \$438 million and international revenues of \$359 million, or 55% and 45% of total digital revenues, respectively. Prior to intersegment eliminations, total digital revenues for the nine months ended June 30, 2012 were comprised of U.S. revenues of \$384 million and international revenues of \$303 million, or 56% and 44% of total digital revenues, respectively.

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Recorded Music revenues increased by \$70 million, or 4%, to \$1.745 billion for the nine months ended June 30, 2013 from \$1.675 billion for the nine months ended June 30, 2012. U.S. Recorded Music revenues were \$733 million and \$687 million, or 42% and 41% of consolidated Recorded Music revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively. International Recorded Music revenues were \$1.012 billion and \$988 million, or 58% and 59% of consolidated Recorded Music revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively.

The overall increase in Recorded Music revenue reflected the continued decline in physical sales which was more than offset by growth in digital and licensing revenue. The decrease in physical sales was driven by the ongoing transition from physical to digital sales as well as a comparatively strong holiday release schedule in the prior year, which included the initial release of Michael Bublé's "Christmas", the second-largest-selling album of calendar 2011 in the U.S. according to SoundScan and more heavily weighted towards physical sales. Digital revenues continued to grow, up \$92 million or 14% in the current period. This increase was driven by equally strong growth in both downloads which increased \$51 million and in streaming and subscription services which also increased \$53 million, offset by the decline in mobile revenue of \$12 million which reflected the continued decrease in demand for ringtones and ringback tones. The increases were attributable to current-period releases such as Bruno Mars' "Unorthodox Jukebox", as well as continued success from prior-year releases with strong digital demand such as releases from Flo Rida and fun. Licensing revenues increased \$10 million, or 7%, due to timing. Artist services and expanded rights revenue remained flat due to strong European touring revenues in both periods. Excluding the unfavorable impact of foreign currency exchange rates, total Recorded Music revenues increased by \$93 million, or 6%.

Music Publishing revenues decreased by \$9 million, or 2%, to \$377 million for the nine months ended June 30, 2013 from \$386 million for the nine months ended June 30, 2012. U.S. Music Publishing revenues were \$139 million and \$148 million, or 37% and 38%, of Music Publishing revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively. International Music Publishing revenues remained flat at \$238 million, or 63% and 62%, of Music Publishing revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively.

The overall decrease in Music Publishing revenue was driven primarily by the continued decline in mechanical revenue and a decline in synchronization revenue, partially offset by the increase in digital revenue. The decrease in mechanical revenue reflected the ongoing impact of the transition from physical to digital sales in the music industry. The decrease in synchronization revenue reflected lower overall demand in the commercial and videogame market. The increase in digital revenue reflected continued growth in digital downloads of \$7 million and streaming and subscription services of \$10 million. Excluding the unfavorable impact of foreign currency exchange rates, total Music Publishing revenues decreased by \$6 million, or 2%.

### *Revenue by Geographical Location*

U.S. revenues increased by \$37 million, or 4%, to \$872 million for the nine months ended June 30, 2013 from \$835 million for the nine months ended June 30, 2012. The increase in U.S. revenues reflected the growth in Recorded Music digital revenues and licensing revenues slightly offset by a decline in physical revenues and Music Publishing revenues. U.S. Recorded Music physical revenue declined \$6 million as a result of the continued transition to digital platforms, but was slightly offset by current period releases with strong physical demand such as Michael Bublé's "To Be Loved" and Blake Shelton's "Based on a True Story...". U.S. Recorded Music digital revenues increased \$43 million as a result of the continued growth in digital download revenue of \$28 million and in streaming and subscription service revenue of \$25 million, due to the increased availability and demand of digital formats including the introduction of new cloud and locker services, offset by a decline in mobile revenue of \$10 million. U.S. licensing revenues increased \$10 million due to timing. U.S. Music Publishing revenues decreased \$9 million primarily due to declines in mechanical revenue of \$7 million.

International revenues increased by \$24 million, or 2%, to \$1.250 billion for the nine months ended June 30, 2013 from \$1.226 billion for the nine months ended June 30, 2012. The overall increase in International Recorded Music revenues was driven by increases in the U.K. of \$14 million and France of \$19 million, partially offset by declines of \$9 million in Central Europe. Digital revenues increased \$49 million as a result of growth in digital download revenue of \$23 million and in streaming and subscription service revenue of \$28 million, and was mainly attributable to continued success from prior quarter releases with strong digital demand. The decrease in Recorded Music physical revenue of \$26 million was primarily due to the comparatively strong release schedule in the prior year. Artist services and expanded rights revenue remained flat due to strong European touring revenues in both periods. Excluding the unfavorable impact of foreign currency exchange rates, total international revenues increased \$50 million or 4% for the nine months ended June 30, 2013.

[Table of Contents](#)*Cost of revenues*

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

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Artist and repertoire costs	\$ 723	\$ 733	\$ (10)	(1)%
Product costs	385	358	27	8%
<b>Total cost of revenues</b>	<b>\$ 1,108</b>	<b>\$ 1,091</b>	<b>\$ 17</b>	<b>2%</b>

Our cost of revenues increased by \$17 million, or 2%, to \$1.108 billion for the nine months ended June 30, 2013 from \$1.091 billion for the nine months ended June 30, 2012. Expressed as a percentage of revenues, cost of revenues were 53% for both the nine months ended June 30, 2013 and June 30, 2012.

Artist and repertoire costs decreased by \$10 million, or 1%, to \$723 million for the nine months ended June 30, 2013 from \$733 million for the nine months ended June 30, 2012. The decrease in artist and repertoire costs was driven by the timing of our artist and repertoire spend. Artist and repertoire costs as a percentage of revenues decreased to 34% for the nine months ended June 30, 2013 from 36% for the nine months ended June 30, 2012.

Product costs increased \$27 million, or 8%, to \$385 million for the nine months ended June 30, 2013 from \$358 million for the nine months ended June 30, 2012, primarily as a result of the increase in revenue. Product costs as a percentage of revenues increased to 18% for the nine months ended June 30, 2013 and from 17% for the nine months ended June 30, 2012.

*Selling, general and administrative expenses*

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

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
General and administrative expense (1)	\$ 387	\$ 416	\$ (29)	(7)%
Selling and marketing expense	311	287	24	8%
Distribution expense	42	42	—	— %
<b>Total selling, general and administrative expense</b>	<b>\$ 740</b>	<b>\$ 745</b>	<b>\$ (5)</b>	<b>(1)%</b>

(1) Includes depreciation expense of \$38 million and \$37 million for the nine months ended June 30, 2013 and June 30, 2012.

Total selling, general and administrative expense decreased by \$5 million, or 1%, to \$740 million for the nine months ended June 30, 2013 from \$745 million for the nine months ended June 30, 2012. Expressed as a percentage of revenues, selling, general and administrative expenses decreased to 35% for the nine months ended June 30, 2013 from 36% for the nine months ended June 30, 2012.

General and administrative expenses decreased by \$29 million, or 7%, to \$387 million for the nine months ended June 30, 2013 from \$416 million for the nine months ended June 30, 2012. Expressed as a percentage of revenues, general and administrative expenses decreased to 18% for the nine months ended June 30, 2013 from 20% for the nine months ended June 30, 2012. The decrease in general and administrative expense was due to continued cost-saving initiatives, lower severance charges and lower variable compensation.

Selling and marketing expense increased by \$24 million, or 8%, to \$311 million for the nine months ended June 30, 2013 from \$287 million for the nine months ended June 30, 2012, primarily related to higher variable marketing expense related to current-period releases. Expressed as a percentage of revenues, selling and marketing expense increased to 15% for the nine months ended June 30, 2013 from 14% for the nine months ended June 30, 2012.

Distribution expense remained flat at \$42 for the nine months ended June 30, 2013 and the nine months ended June 30, 2012. Expressed as a percentage of revenues, distribution expense remained flat at 2% for the nine months ended June 30, 2013 and June 30, 2012.

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

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

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
OIBDA	\$ 297	\$ 250	\$ 47	19%
Depreciation expense	(38)	(37)	(1)	(3)%
Amortization expense	(143)	(145)	2	1%
<b>Operating income</b>	<b>116</b>	<b>68</b>	<b>48</b>	<b>71%</b>
Loss on extinguishment of debt	(85)	—	(85)	— %
Interest expense, net	(149)	(169)	20	12%
Other (expense) income, net	(11)	6	(17)	— %
<b>Loss before income taxes</b>	<b>(129)</b>	<b>(95)</b>	<b>(34)</b>	<b>(36)%</b>
Income tax (expense) benefit	(8)	3	(11)	— %
<b>Net loss</b>	<b>(137)</b>	<b>(92)</b>	<b>(45)</b>	<b>(49)%</b>
Less: income attributable to noncontrolling interest	(4)	(2)	(2)	(100)%
<b>Net loss attributable to Warner Music Group Corp.</b>	<b>\$ (141)</b>	<b>\$ (94)</b>	<b>\$ (47)</b>	<b>(50)%</b>

**OIBDA**

Our OIBDA increased by \$47 million, or 19%, to \$297 million for the nine months ended June 30, 2013 as compared to \$250 million for the nine months ended June 30, 2012. Expressed as a percentage of revenues, total OIBDA margin increased to 14% for the nine months ended June 30, 2013, from 12% for the nine months ended June 30, 2012. Our OIBDA increase was primarily driven by higher revenues and a decrease in selling, general and administrative expense, partially offset by higher cost of revenues.

See “Business Segment Results” presented hereinafter for a discussion of OIBDA by business segment.

**Depreciation expense**

Our depreciation expense increased to \$38 million for the nine months ended June 30, 2013 from \$37 million for the nine months ended June 30, 2012.

**Amortization expense**

Amortization expense decreased by \$2 million, or 1%, to \$143 million for the nine months ended June 30, 2013 as compared to \$145 million for the nine months ended June 30, 2012 primarily due to favorable exchange rate fluctuations.

**Operating income**

Our operating income increased \$48 million, or 71%, to \$116 million, for the nine months ended June 30, 2013 as compared to operating income of \$68 million for the nine months ended June 30, 2012. The increase in operating income was primarily a result of the increase in OIBDA noted above.

**Loss on extinguishment of debt**

On November 1, 2012, we completed a refinancing of our then outstanding Senior Secured Notes due 2016. As a result, we recorded a loss on extinguishment of debt of approximately \$83 million, representing the difference between the redemption payment and the carrying value of the debt as of the refinancing date. On June 21, 2013, we redeemed 10% of our then outstanding Senior Secured Notes due 2021. As a result, we recorded a loss on extinguishment of debt of approximately \$2 million, which represents the premium paid on early redemption.

**Interest expense, net**

Our interest expense, net, decreased \$20 million, or 12%, to \$149 million for the nine months ended June 30, 2013 as compared to \$169 million for the nine months ended June 30, 2012. The decrease was primarily driven by the refinancing of our senior secured debt on November 1, 2012 and the modification of the Term Loan Facility on May 9, 2013. Our current debt obligations have lower comparable interest rates than the debt obligations outstanding in the prior period.

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See “Financial Condition and Liquidity” for more information.

*Other (expense) income, net*

Other expense, net, includes net hedging losses on foreign exchange contracts, which represent currency exchange movements associated with inter-company receivables and payables that are short term in nature, and equity losses on our share of net income or loss on investments recorded in accordance with the equity method of accounting for an unconsolidated investee. The nine months ended June 30, 2012 also included a \$7 million payment received for tax indemnities related to tax matters in Brazil.

*Income tax (expense) benefit*

We incurred income tax expense of \$8 million for the nine months ended June 30, 2013 as compared to a benefit of \$3 million for the nine months ended June 30, 2012. The change is due to the fluctuation in the anticipated annual effective tax rate.

*Net loss*

Our net loss increased by \$45 million, to a net loss of \$137 million for the nine months ended June 30, 2013 as compared to a net loss of \$92 million for the nine months ended June 30, 2012. The increase was driven by the increase in operating income noted above, offset by the loss on extinguishment of debt and higher income tax expense.

*Noncontrolling interest*

Net income attributable to noncontrolling interest was \$4 million for the nine months ended June 30, 2013 and \$2 million for the nine months ended June 30, 2012.

**Business Segment Results**

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

	For the Nine Months Ended		2013 vs. 2012	
	2013	2012	\$ Change	% Change
<b>Recorded Music</b>				
Revenue	\$ 1,745	\$ 1,675	\$ 70	4%
OIBDA	262	211	51	24%
Operating income	\$ 141	\$ 90	\$ 51	57%
<b>Music Publishing</b>				
Revenue	\$ 377	\$ 386	\$ (9)	(2)%
OIBDA	97	93	4	4%
Operating income	\$ 47	\$ 43	\$ 4	9%
<b>Corporate expenses and eliminations</b>				
Revenue	\$ (15)	\$ (12)	\$ (3)	(25)%
OIBDA	(62)	(54)	(8)	(15)%
Operating loss	\$ (72)	\$ (65)	\$ (7)	(11)%
<b>Total</b>				
Revenue	\$ 2,107	\$ 2,049	\$ 58	3%
OIBDA	297	250	47	19%
Operating income	\$ 116	\$ 68	\$ 48	71%

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*Recorded Music*

*Revenues*

Recorded Music revenues increased by \$70 million, or 4%, to \$1.745 billion for the nine months ended June 30, 2013 from \$1.675 billion for the nine months ended June 30, 2012. U.S. Recorded Music revenues were \$733 million and \$687 million, or 42% and 41% of consolidated Recorded Music revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively. International Recorded Music revenues were \$1.012 billion and \$988 million, or 58% and 59% of consolidated Recorded Music revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively.

The overall increase in Recorded Music revenue reflected the continued decline in physical sales which was more than offset by growth in digital and licensing revenue. The decrease in physical sales was driven by the ongoing transition from physical to digital sales as well as a comparatively strong holiday release schedule in the prior year, which included the initial release of Michael Bubl e’s “Christmas”, the second-largest-selling album of calendar 2011 in the U.S. according to SoundScan and more heavily weighted towards physical sales. Digital revenues continued to grow, up \$92 million or 14% in the current period. This increase was driven by equally strong growth in both downloads which increased \$51 million and in streaming and subscription services which also increased \$53 million, offset by the decline in mobile revenue of \$12 million which reflected the continued decrease in demand for ringtones and ringback tones. The increases were attributable to current-period releases such as Bruno Mars’ “Unorthodox Jukebox”, as well as continued success from prior-year releases with strong digital demand such as releases from Flo Rida and fun. Licensing revenues increased \$10 million, or 7%, due to timing. Artist services and expanded rights revenue remained flat due to strong European touring revenues in both periods. Excluding the unfavorable impact of foreign currency exchange rates, total Recorded Music revenues increased by \$93 million, or 6%.

*Cost of revenues*

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

	For the Nine Months Ended		2013 vs. 2012	
	June 30,		\$ Change	% Change
	2013	2012		
Artist and repertoire costs	\$ 500	\$ 500	\$ —	— %
Product costs	385	358	27	8%
<b>Total cost of revenues</b>	<b>\$ 885</b>	<b>\$ 858</b>	<b>\$ 27</b>	<b>3%</b>

Recorded Music cost of revenues increased \$27 million, or 3%, to \$885 million for the nine months ended June 30, 2013 from \$858 million for the nine months ended June 30, 2012, primarily as a result of the increase in revenue. Expressed as a percentage of Recorded Music revenues, cost of revenues remained flat at 51% for the nine months ended June 30, 2013 and June 30, 2012.

*Selling, general and administrative expense*

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

	For the Nine Months Ended		2013 vs. 2012	
	June 30,		\$ Change	% Change
	2013	2012		
General and administrative expense (1)	\$ 273	\$ 303	\$ (30)	(10)%
Selling and marketing expense	307	283	24	8%
Distribution expense	42	42	—	— %
<b>Total selling, general and administrative expense</b>	<b>\$ 622</b>	<b>\$ 628</b>	<b>\$ (6)</b>	<b>(1)%</b>

(1) Includes depreciation expense of \$24 million and \$22 million for the nine months ended June 30, 2013 and June 30, 2012, respectively.

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Recorded Music selling, general and administrative expense decreased \$6 million, or 1%, to \$622 million for the nine months ended June 30, 2013 from \$628 million for the nine months ended June 30, 2012. This decrease was due to a decrease in general and administrative expense partially offset by an increase in selling and marketing expense. The increase in selling and marketing expense was primarily the result of variable marketing increases related to current-period releases compared to the prior-period releases. The decrease in general and administrative expense was driven by cost-saving initiatives, lower variable compensation and lower severance expense in the current period. Expressed as a percentage of Recorded Music revenues, selling, general and administrative expense decreased to 36% for the nine months ended June 30, 2013 from 37% for the nine months ended June 30, 2012.

### *OIBDA and Operating Income*

Recorded Music operating income included the following (in millions):

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
OIBDA	\$ 262	\$ 211	\$ 51	24%
Depreciation and amortization	(121)	(121)	—	— %
<b>Operating income</b>	<b>\$ 141</b>	<b>\$ 90</b>	<b>\$ 51</b>	<b>57%</b>

Recorded Music OIBDA increased by \$51 million, or 24%, to \$262 million for the nine months ended June 30, 2013 compared to \$211 million for the nine months ended June 30, 2012. Expressed as a percentage of Recorded Music revenues, Recorded Music OIBDA margin increased to 15% for the nine months ended June 30, 2013 from 13% for the nine months ended June 30, 2012. Our Recorded Music OIBDA and OIBDA margin increase was primarily driven by higher revenues and the decrease in costs as a percentage of revenue for selling, general and administrative expense.

Recorded Music operating income increased by \$51 million, due to the increase in OIBDA noted above.

### *Music Publishing*

#### *Revenues*

Music Publishing revenues decreased by \$9 million, or 2%, to \$377 million for the nine months ended June 30, 2013 from \$386 million for the nine months ended June 30, 2012. U.S. Music Publishing revenues were \$139 million and \$148 million, or 37% and 38%, of Music Publishing revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively. International Music Publishing revenues remained flat at \$238 million, or 63% and 62%, of Music Publishing revenues for the nine months ended June 30, 2013 and June 30, 2012, respectively.

The overall decrease in Music Publishing revenue was driven primarily by the continued decline in mechanical revenue and a decline in synchronization revenue, partially offset by the increase in digital revenue. The decrease in mechanical revenue reflected the ongoing impact of the transition from physical to digital sales in the music industry. The decrease in synchronization revenue reflected lower overall demand in the commercial and videogame market. The increase in digital revenue reflected continued growth in digital downloads of \$7 million and streaming and subscription services of \$10 million. Excluding the unfavorable impact of foreign currency exchange rates, total Music Publishing revenues decreased by \$6 million, or 2%.

#### *Cost of revenues*

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

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
Artist and repertoire costs	\$ 238	\$ 245	\$ (7)	(3)%
<b>Total cost of revenues</b>	<b>\$ 238</b>	<b>\$ 245</b>	<b>\$ (7)</b>	<b>(3)%</b>

Music Publishing cost of revenues decreased \$7 million, or 3%, to \$238 million for the nine months ended June 30, 2013, from \$245 million for the nine months ended June 30, 2012. Expressed as a percentage of Music Publishing revenues, Music Publishing cost of revenues remained flat at 63% for the nine months ended June 30, 2013 and June 30, 2012.

[Table of Contents](#)*Selling, general and administrative expense*

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

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
General and administrative expense (1)	\$ 44	\$ 50	\$ (6)	(12)%
Selling and marketing expense	2	2	—	— %
<b>Total selling, general and administrative expense</b>	<b>\$ 46</b>	<b>\$ 52</b>	<b>\$ (6)</b>	<b>(12)%</b>

(1) Includes depreciation expense of \$4 million for both the nine months ended June 30, 2013 and June 30, 2012.

Music Publishing selling, general and administrative expense decreased \$6 million, or 12%, to \$46 million for the nine months ended June 30, 2013 from \$52 million for the nine months ended June 30, 2012, primarily due to lower variable compensation and severance expense recorded within general and administrative expense. Expressed as a percentage of Music Publishing revenues, Music Publishing selling, general and administrative expense decreased to 12% for the nine months ended June 30, 2013 from 13% for the nine months ended June 30, 2012.

*OIBDA and Operating Income*

Music Publishing operating income included the following (in millions):

	For the Nine Months Ended June 30,		2013 vs. 2012	
	2013	2012	\$ Change	% Change
OIBDA	\$ 97	\$ 93	\$ 4	4%
Depreciation and amortization	(50)	(50)	—	— %
<b>Operating income</b>	<b>\$ 47</b>	<b>\$ 43</b>	<b>\$ 4</b>	<b>9%</b>

Music Publishing OIBDA increased by \$4 million, or 4%, to \$97 million for the nine months ended June 30, 2013 from \$93 million for the nine months ending June 30, 2012. Expressed as a percentage of Music Publishing revenues, Music Publishing OIBDA margin increased to 26% for the nine months ended June 30, 2013 from 24% for the nine months ended June 30, 2012.

Music Publishing operating income increased by \$4 million due to the increase in OIBDA noted above.

*Corporate Expenses and Eliminations*

Our OIBDA loss from corporate expenses and eliminations increased to \$62 million for the nine months ended June 30, 2013 from \$54 million for the nine months ended June 30, 2012, primarily as a result of higher stock-based compensation expense and higher professional fees in the current period, partially offset by lower severance expense.

Our operating loss from corporate expenses and eliminations increased to \$72 million for the nine months ended June 30, 2013 from \$65 million for the nine months ended June 30, 2012 due to the increase in OIBDA loss noted above and the decrease in depreciation and amortization expense.

## FINANCIAL CONDITION AND LIQUIDITY

### Financial Condition

At June 30, 2013, we had \$2.066 billion of debt, \$102 million of cash and equivalents (net debt of \$1.964 billion, defined as total debt less cash and equivalents and short-term investments) and \$776 million in Warner Music Group Corp. equity. This compares to \$2.206 billion of debt, \$302 million of cash and equivalents (net debt of \$1.904 billion, defined as total debt less cash and equivalents and short-term investments) and \$927 million in Warner Music Group Corp. equity at September 30, 2012. Net debt increased by \$60 million as a result of (i) a \$200 million decrease in cash and equivalents offset by (ii) a \$140 million decrease in total debt.

The \$151 million decrease in Warner Music Group Corp. equity during the nine months ended June 30, 2013 was due to \$141 million of net loss, foreign currency translation adjustment of \$8 million and unrealized loss on derivative financial instruments of \$2 million.

### Cash Flows

The following table summarizes our historical cash flows. The financial data for the nine months ended June 30, 2013 and June 30, 2012 are unaudited and are derived from our interim financial statements included elsewhere herein. The cash flow is comprised of the following (in millions):

	Nine Months Ended June 30, 2013	Nine Months Ended June 30, 2012
Cash (used in) provided by:		
Operating activities	\$ 147	\$ 107
Investing activities	(76)	(36)
Financing activities	(260)	(2)

#### *Operating Activities*

Cash provided by operating activities was \$147 million for the nine months ended June 30, 2013 as compared with cash provided by operating activities of \$107 million for the nine months ended June 30, 2012. The \$40 million increase in cash provided by operations related to the variable timing of our working capital requirements, which include the timing of sales and collections in the period, the timing of artist and repertoire spend compared to the prior period, timing of advances related to new cloud and locker services compared to the prior period and an improvement in operating income compared to the prior period, partially offset by higher variable compensation payments in the current year than in the prior year. In addition, our cash interest paid decreased to \$174 million for the nine months ended June 30, 2013 as compared with \$193 million for the nine months ended June 30, 2012 due to timing of interest payments resulting from the refinancing of debt in the current fiscal year, the financing at the time of the Merger and the decrease in the cost of debt.

#### *Investing Activities*

Cash used in investing activities was \$76 million for the nine months ended June 30, 2013 as compared with cash used in investing activities of \$36 million for the nine months ended June 30, 2012. For the nine months ended June 30, 2013, the \$76 million of cash used in investing consisted of \$35 million to acquire music publishing rights, \$23 million for capital expenditures and \$18 million to acquire businesses. For the nine months ended June 30, 2012, the \$36 million of cash used in investing consisted of \$21 million to acquire music publishing rights, \$24 million for capital expenditures and \$5 million to acquire businesses, partially offset by \$2 million received for the sale of a recorded music catalog and \$12 million received for the sale of a building.

#### *Financing Activities*

Cash used in financing activities of \$260 million for the nine months ended June 30, 2013 consisted of the repayment of \$1.250 billion of Existing Secured Notes due 2016, proceeds from the issuance of New Senior Secured Notes of \$727 million and subsequent repayment of \$73 million, proceeds from the Term Loan Facility of \$594 million and subsequent repayment of \$110 million, net proceeds of \$25 million from the Revolving Credit facility, \$95 million of tender/call premiums and \$34 million of consent fees paid on early redemption of debt, \$42 million of deferred financing costs paid for refinancing and \$2 million of distributions to noncontrolling interest holders. Cash used in financing activities of \$2 million for the nine months ended June 30, 2012 represented distributions to our noncontrolling interest holders.

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## Liquidity

Our primary sources of liquidity are the cash flows generated from our subsidiaries' operations, available cash and equivalents and short-term investments 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 of our outstanding 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 fiscal year.

As of June 30, 2013, our long-term debt, including the current portion, was as follows (in millions):

New Revolving Credit Facility (a)	25
Term Loan Facility due 2020—Acquisition Corp (b)	485
6.00% Senior Secured Notes due 2021—Acquisition Corp	450
6.25% Senior Secured Notes due 2021—Acquisition Corp (c)	205
11.5% Senior Notes due 2018—Acquisition Corp (d)	751
13.75% Senior Notes due 2019—Holdings	150
Total long term debt, including the current portion	<u>\$2,066</u>

- (a) Reflects \$150 million of commitments under the New Revolving Credit Facility, less letters of credit outstanding of approximately \$1 million. There were \$25 million of loans outstanding under the New Revolving Credit Facility as of June 30, 2013, all of which was included in the current portion of long term debt.
- (b) Principal amount of \$490 million less unamortized discount of \$5 million. Of this amount, \$4 million, representing the scheduled amortization of the Term Loans, was included in the current portion of long term debt at June 30, 2013. On July 1, 2013, the \$820 million Incremental Term Loan Facility was drawn down.
- (c) face amount of €158 million. Amount above represents the dollar equivalent of such notes at June 30, 2013.
- (d) face amount of \$765 million less unamortized discount of \$14 million at June 30, 2013.

### New Revolving Credit Facility

On November 1, 2012 (the "2012 Refinancing Closing Date"), Acquisition Corp. entered into a credit agreement (the "Revolving Credit Agreement") for a senior secured revolving credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the "New Revolving Credit Facility").

### *General*

Acquisition Corp. is the borrower (the "Revolving Borrower") under the New Revolving Credit Facility. The New Revolving Credit Facility provides for a revolving credit facility in the amount of up to \$150,000,000 (the "Commitments") and includes a \$50,000,000 letter of credit sub-facility. Amounts are available under the New Revolving Credit Facility in U.S. dollars, euros or pounds Sterling. The New Revolving Credit Facility permits loans for general corporate purposes. The New Revolving Credit Facility may also be utilized to issue letters of credit on or after the 2012 Refinancing Closing Date.

The final maturity of the New Revolving Credit Facility is November 1, 2017.

### *Interest Rates and Fees*

Effective as of May 9, 2013, the loans under the Revolving Credit Agreement bear interest at Revolving Borrower's election at a rate equal to (i) the rate for deposits in the currency in which the applicable borrowing is denominated in the London interbank market (adjusted for maximum reserves) for the applicable interest period ("Revolving LIBOR Rate"), 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) the overnight federal funds rate plus 0.50% and (z) the one-month Revolving LIBOR Rate plus 1.0% per annum ("Revolving Base Rate"), 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 New Revolving Credit Facility bears a facility fee equal to 0.50%, payable quarterly in arrears, based on the daily commitments during the preceding quarter. The New Revolving Credit Facility bears customary letter of credit fees. Acquisition Corp. is also required to pay certain upfront fees to lenders and agency fees to the agent under the New Revolving Credit Facility, in the amounts and at the times agreed between the relevant parties.

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*Prepayments*

If, at any time, the aggregate amount of outstanding loans (including letters of credit outstanding thereunder) exceeds the Commitments, prepayments of the loans (and after giving effect to such prepayment the cash collateralization of letters of credit) will be required in an amount equal to such excess. The application of proceeds from mandatory prepayments shall not reduce the aggregate amount of then effective commitments under the New Revolving Credit Facility and amounts prepaid may be reborrowed, subject to then effective commitments under the New Revolving Credit Facility.

Voluntary reductions of the unutilized portion of the Commitments and prepayments of borrowings under the New Revolving Credit Facility are permitted at any time, in minimum principal amounts as set forth in the New Revolving Credit Facility, without premium or penalty, subject to reimbursement of the lenders' redeployment costs actually incurred in the case of a prepayment of LIBOR-based borrowings other than on the last day of the relevant interest period.

*Ranking*

The indebtedness incurred under the New Revolving Credit Facility constitutes senior secured obligations of the Revolving Borrower, which are secured on an equal and ratable basis with all existing and future indebtedness secured with the same security arrangements as the New Revolving Credit Facility. Indebtedness incurred under the New Revolving Credit Facility ranks senior in right of payment to the Revolving Borrower's subordinated indebtedness; ranks equally in right of payment with all of the Revolving Borrower's existing and future senior indebtedness, including indebtedness under the Term Loan Credit Agreement (as defined below), the New Secured Notes and any future senior secured credit facility; is effectively senior to the Revolving Borrower's unsecured senior indebtedness, including its existing unsecured notes, to the extent of the value of the collateral securing the New Revolving Credit Facility; and is structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of the Revolving Borrower's non-guarantor subsidiaries (other than indebtedness and liabilities owed to the Revolving Borrower or one of its Subsidiary Guarantors (as defined below)).

*Guarantee*

Certain of the domestic subsidiaries of Acquisition Corp. entered into a Subsidiary Guaranty, dated as of the 2012 Refinancing Closing Date (the "Revolving Subsidiary Guaranty"), pursuant to which all obligations under the New Revolving Credit Facility are guaranteed by Acquisition Corp.'s existing subsidiaries that guarantee the New Secured Notes and each other direct and indirect wholly-owned U.S. subsidiary, other than certain excluded subsidiaries (collectively, the "Subsidiary Guarantors").

*Covenants, Representations and Warranties*

The New Revolving Credit Facility contains customary representations and warranties and customary affirmative and negative covenants. The negative covenants are limited to the following: limitations on dividends on, and redemptions and purchases of, equity interests and other restricted payments, limitations on prepayments, redemptions and repurchases of certain debt, limitations on liens, limitations on loans and investments, limitations on debt, guarantees and hedging arrangements, limitations on mergers, acquisitions and asset sales, limitations on transactions with affiliates, limitations on changes in business conducted by the Revolving Borrower and its subsidiaries, limitations on restrictions on ability of subsidiaries to pay dividends or make distributions and limitations on amendments of subordinated debt and unsecured bonds. The negative covenants are subject to customary and other specified exceptions.

There are no financial covenants included in the Revolving Credit Agreement, other than a springing leverage ratio, which will be tested only when there are loans outstanding under the Revolving Credit Facility in excess of \$30,000,000 (excluding (i) letters of credit that have been cash collateralized and (ii) undrawn outstanding letters of credit that have not been cash collateralized not exceeding \$20,000,000).

*Events of Default*

Events of default under the Revolving Credit Agreement are limited to nonpayment of principal, interest or other amounts, violation of covenants, incorrectness of representations and warranties in any material respect, cross default and cross acceleration of certain material debt, bankruptcy, material judgments, ERISA events, actual or asserted invalidities of the Revolving Credit Agreement, guarantees or security documents and a change of control, in each case subject to customary notice and grace period provisions.

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### *Amendment*

Acquisition Corp. entered into an amendment, dated April 23, 2013 (the “Revolving Credit Agreement Amendment”) to the Revolving Credit Agreement. The Revolving Credit Agreement Amendment reduces the applicable interest rate margin under the Revolving Credit Agreement and increases flexibility under the Revolving Credit Agreement to make investments in non-guarantors so as to permit internal reorganizations and optimization of ownership structure in foreign subsidiaries.

### Term Loan Facility

On the 2012 Refinancing Closing Date, Acquisition Corp. entered into a credit agreement (the “Term Loan Credit Agreement”) for a senior secured term loan credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the “Term Loan Facility” and, together with the New Revolving Credit Facility, the “New Senior Credit Facilities”).

### *General*

Acquisition Corp. is the borrower (the “Term Loan Borrower”) under the Term Loan Facility. The Term Loan Facility provides for term loans thereunder (the “Term Loans”) in an amount of up to \$600,000,000. On May 9, 2013, Acquisition Corp. entered into an amendment to the Term Loan Facility among Acquisition Corp., Holdings, the subsidiaries of Acquisition Corp. party thereto, Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto (the “Term Loan Credit Agreement Amendment”), providing for a \$820 million delayed draw senior secured term loan facility (the “Incremental Term Loan Facility”).

The loans outstanding under the Amended Term Loan Credit Agreement mature on July 1, 2020, with a springing maturity date on July 2, 2018 in the event that more than \$153 million aggregate principal amount of the 11.50% Senior Notes of Acquisition Corp. due October 1, 2018 (the “Unsecured WMG Notes”) are outstanding on June 28, 2018 unless, on June 28, 2018, the senior secured indebtedness to EBITDA ratio of Acquisition Corp. is less than or equal to 3.50 to 1.00.

### *Interest Rates and Fees*

The loans under the Term Loan Credit Agreement bear interest at Term Loan Borrower’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 Rate”), 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 from time to time, (y) the overnight federal funds rate plus 0.50% and (z) the one-month Term Loan LIBOR Rate plus 1.0% per annum (“Term Loan Base Rate”), plus, in each case, 1.75% per annum. The Term Loan LIBOR Rate shall be deemed to be not less than 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.

Customary fees will be payable in respect of the Term Loan Facility.

### *Scheduled Amortization*

Loans outstanding under the Amended Term Loan Credit Agreement will amortize in equal quarterly installments in aggregate annual amounts equal to 1.00% of the original principal amount of indebtedness outstanding under the Amended Term Loan Credit Agreement with the balance payable on the maturity date of the term loans. The first quarterly installment is scheduled to be paid on December 31, 2013. The loans outstanding under the Amended Term Loan Credit Agreement mature on July 1, 2020, with a springing maturity date on July 2, 2018 in the event that more than \$153 million aggregate principal amount of the 11.50% Senior Notes of Acquisition Corp. due October 1, 2018 (the “Unsecured WMG Notes”) are outstanding on June 28, 2018 unless, on June 28, 2018, the senior secured indebtedness to EBITDA ratio of Acquisition Corp. is less than or equal to 3.50 to 1.00.

### *Prepayments*

The Term Loans may be prepaid without premium or penalty, except that, if such Term Loans are prepaid on or prior to the first anniversary of the 2012 Refinancing Closing Date pursuant to a Repricing Transaction (as defined in the Term Loan Credit Agreement), a 1.00% prepayment premium will apply.

Subject to certain exceptions, the Term Loan Facility will be subject to mandatory prepayment in an amount equal to:

- (i) 100% of the net proceeds (other than those that are used to purchase certain assets or to repay certain other indebtedness) of certain asset sales and certain insurance recovery events;
- (ii) 100% of the net proceeds (other than those that are used to repay certain other indebtedness) of indebtedness for borrowed money (other than indebtedness incurred in compliance with the debt covenant of the Term Loan Facility); and
- (iii) 50% of the annual excess cash flow for any fiscal year (as reduced by the repayment of certain indebtedness), such percentage to decrease to 25% and 0% depending on the attainment of certain senior secured debt to EBITDA ratio targets.

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In addition, in the event of certain events that constitute a Change of Control (as defined in the Term Loan Credit Agreement), Acquisition Corp. may offer to prepay the Term Loans at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the repayment date.

### *Ranking*

The indebtedness incurred under the Term Loan Facility constitutes senior secured obligations of the Term Loan Borrower, which are secured on an equal and ratable basis with all existing and future indebtedness secured with the same security arrangements as the Term Loan Facility. Indebtedness incurred under the Term Loan Facility ranks senior in right of payment to the Term Loan Borrower's subordinated indebtedness; ranks equally in right of payment with all of the Term Loan Borrower's existing and future senior indebtedness, including indebtedness under the New Revolving Credit Agreement, the New Secured Notes and any future senior secured credit facility; is effectively senior to the Term Loan Borrower's unsecured senior indebtedness, including its existing unsecured notes, to the extent of the value of the collateral securing the Term Loan Facility; and is structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of the Term Loan Borrower's non-guarantor subsidiaries (other than indebtedness and liabilities owed to the Term Loan Borrower or one of its Subsidiary Guarantors).

### *Guarantee*

The Subsidiary Guarantors entered into a Guarantee Agreement, dated as of the 2012 Refinancing Closing Date (the "Term Loan Guarantee Agreement"), pursuant to which all obligations under the Term Loan Facility are guaranteed by the Subsidiary Guarantors.

### *Covenants, Representations and Warranties*

The Term Loan Facility contains customary representations and warranties and customary affirmative and negative covenants. The Term Loan Facility contains negative covenants limiting, among other things, Acquisition Corp.'s ability and the ability of most of its subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to it or make certain other intercompany transfers; sell certain assets; create liens; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; repurchase or repay certain indebtedness following a change of control; and enter into certain transactions with its affiliates.

### *Events of Default*

Events of default under the Term Loan Credit Agreement are limited to nonpayment of principal, interest or other amounts, violation of covenants, incorrectness of representations and warranties in any material respect, cross default and cross acceleration of certain material debt, bankruptcy, material judgments, ERISA events, actual or asserted invalidities of the security documents and a change of control (subject to the Term Loan Borrower's ability to make an offer to prepay the Term Loans), in each case subject to customary notice and grace period provisions.

### *Term Loan Credit Agreement Amendment*

On May 9, 2013, Acquisition Corp. entered into the Term Loan Credit Agreement Amendment to the Term Loan Credit Agreement, among Acquisition Corp., Holdings, the subsidiaries of Acquisition Corp. party thereto, Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Amended Term Loan Credit Agreement provides for a \$820 million delayed draw senior secured term loan facility (the "Incremental Term Loan Facility") and the Term Loan Credit Agreement Amendment (i) effectuated a reduction of the applicable interest margin and the Term Loan LIBOR Rate floor for term loans outstanding on the date of the amendment and (ii) extends the maturity of term loans outstanding on the date of the amendment.

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New Secured Notes

On the 2012 Refinancing Closing Date, Acquisition Corp. issued (i) \$500 million in aggregate principal amount of its 6.000% Senior Secured Notes due 2021 (the “Dollar Notes”) and (ii) €175 million in aggregate principal amount of its 6.250% Senior Secured Notes due 2021 (the “Euro Notes” and, together with the Dollar Notes, the “New Secured Notes” or the “Notes”) under the Indenture, dated as of November 1, 2012 (the “Base Indenture”), among the Issuer, the guarantors party thereto, Credit Suisse AG, as Notes Authorized Agent and Collateral Agent and Wells Fargo Bank, National Association, as Trustee (the “Trustee”), as supplemented by the First Supplemental Indenture, dated as of November 1, 2012 (the “Euro Supplemental Indenture”), among Acquisition Corp., the guarantors party thereto and the Trustee, in the case of the Euro Notes, and the Second Supplemental Indenture, dated as of November 1, 2012, among the Issuer, the guarantors party thereto and the Trustee, in the case of the Dollar Notes (the “Dollar Supplemental Indenture” and, the Base Indenture, together with the Euro Supplemental Indenture or the Dollar Supplemental Indenture, as applicable, the “Indenture”).

Interest on the Dollar Notes will accrue at the rate of 6.000% per annum and will be payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2013.

Interest on the Euro Notes will accrue at the rate of 6.250% per annum and will be payable semi-annually in arrears on January 15 and July 15, commencing on July 15, 2013.

On June 21, 2013, Acquisition Corp. redeemed \$50 million in aggregate principal amount of its outstanding 6.000% Senior Secured Notes due 2021 and €17.5 million in aggregate principal amount of its outstanding 6.250% Senior Secured Notes due 2021.

*Ranking*

The Notes are Acquisition Corp.’s senior secured obligations and are secured on an equal and ratable basis with all existing and future indebtedness secured with the same security arrangements as the Notes. The Notes rank senior in right of payment to the Issuer’s subordinated indebtedness; rank equally in right of payment with all of the Issuer’s existing and future senior indebtedness, including indebtedness under the New Senior Credit Facilities and any future senior secured credit facility; are effectively senior to the Issuer’s unsecured senior indebtedness, including its existing unsecured notes, to the extent of the value of the collateral securing the Notes; and are structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any of the Issuer’s non-guarantor subsidiaries (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors (as such term is defined below)).

*Guarantees*

The Notes are fully and unconditionally guaranteed on a senior secured basis by each of the Issuer’s existing direct or indirect wholly-owned domestic restricted subsidiaries and by any such subsidiaries that guarantee obligations of the Issuer under the New Senior Credit Facilities, subject to customary exceptions. Such subsidiary guarantors are collectively referred to herein as the “subsidiary guarantors,” and such subsidiary guarantees are collectively referred to herein as the “subsidiary guarantees.” Each subsidiary guarantee is a senior secured obligation of such subsidiary guarantor and is secured on an equal and ratable basis with all existing and future obligations of such subsidiary guarantor that are secured with the same security arrangements as the guarantee of the Notes (including the subsidiary guarantor’s guarantee of obligations under the New Senior Credit Facilities). Each subsidiary guarantee ranks senior in right of payment to all subordinated obligations of the subsidiary guarantor; is effectively senior to the subsidiary guarantor’s existing unsecured obligations, including the subsidiary guarantor’s guarantee of Acquisition Corp.’s existing senior unsecured notes, to the extent of the collateral securing such guarantee; ranks equally in right of payment with all of the subsidiary guarantor’s existing and future senior obligations, including the subsidiary guarantor’s guarantee of obligations under the New Senior Credit Facilities; and is structurally subordinated in right of payment to all existing and future indebtedness and other liabilities of any non-guarantor subsidiary of the subsidiary guarantor (other than indebtedness and liabilities owed to the Issuer or one of its subsidiary guarantors). Any subsidiary guarantee of the Notes may be released in certain circumstances.

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*Optional Redemption*

*Dollar Notes*

At any time prior to January 15, 2016, Acquisition Corp. may on any one or more occasions redeem up to 40% of the aggregate principal amount of Dollar Notes (including the aggregate principal amount of any additional securities constituting Dollar Notes) issued under the Indenture, at its option, at a redemption price equal to 106.000% of the principal amount of the Dollar Notes redeemed, plus accrued and unpaid interest thereon, if any, to the date of redemption (subject to the rights of holders of Dollar Notes on the relevant record date to receive interest on the relevant interest payment date), with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings by Acquisition Corp. or any contribution to Acquisition Corp.'s common equity capital made with the net cash proceeds of one or more equity offerings by Acquisition Corp.'s direct or indirect parent; *provided that*:

- (1) at least 50% of the aggregate principal amount of Dollar Notes originally issued under the Indenture (including the aggregate principal amount of any additional securities constituting Dollar Notes issued under the Indenture) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

The Dollar Notes may be redeemed, in whole or in part, at any time prior to January 15, 2016, at the option of Acquisition Corp., at a redemption price equal to 100% of the principal amount of the Dollar Notes redeemed plus the applicable make-whole premium as of, and accrued and unpaid interest thereon, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

On or after January 15, 2016, Acquisition Corp. may redeem all or a part of the Dollar Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon, if any, on the Dollar Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on January 15 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2016	104.500%
2017	103.000%
2018	101.500%
2019 and thereafter	100.000%

In addition, during any 12-month period prior to January 15, 2016, Acquisition Corp. will be entitled to redeem up to 10% of the original aggregate principal amount of the Dollar Notes (including the principal amount of any additional securities of the same series) at a redemption price equal to 103.000% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

*Euro Notes*

At any time prior to January 15, 2016, Acquisition Corp. may on any one or more occasions redeem up to 40% of the aggregate principal amount of Euro Notes (including the aggregate principal amount of any additional securities constituting Euro Notes) issued under the Indenture, at its option, at a redemption price equal to 106.250% of the principal amount of the Euro Notes redeemed, plus accrued and unpaid interest thereon, if any, to the date of redemption (subject to the rights of holders of Euro Notes on the relevant record date to receive interest on the relevant interest payment date), with funds in an aggregate amount not exceeding the net cash proceeds of one or more equity offerings by Acquisition Corp. or any contribution to Acquisition Corp.'s common equity capital made with the net cash proceeds of one or more equity offerings by Acquisition Corp.'s direct or indirect parent; *provided that*:

- (1) at least 50% of the aggregate principal amount of Euro Notes originally issued under the Indenture (including the aggregate principal amount of any additional securities constituting Euro Notes) remains outstanding immediately after the occurrence of such redemption; and
- (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

The Euro Notes may be redeemed, in whole or in part, at any time prior to January 15, 2016, at the option of the Issuer, at a redemption price equal to 100% of the principal amount of the Euro Notes redeemed plus the applicable make-whole premium as of, and accrued and unpaid interest thereon, if any, to, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

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On or after January 15, 2016, Acquisition Corp. may redeem all or a part of the Euro Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest thereon, if any, on the Euro Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on January 15 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2016	104.688%
2017	103.125%
2018	101.563%
2019 and thereafter	100.000%

In addition, during any 12-month period prior to January 15, 2016, Acquisition Corp. will be entitled to redeem up to 10% of the original aggregate principal amount of the Euro Notes (including the principal amount of any additional securities of the same series) at a redemption price equal to 103.000% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### *Change of Control*

Upon the occurrence of a change of control, which is defined in the Base Indenture, each holder of the Notes has the right to require Acquisition Corp. to repurchase some or all of such holder's Notes at a purchase price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

### *Covenants*

The Indenture contains covenants limiting, among other things, Acquisition Corp.'s ability and the ability of most of its subsidiaries to: incur additional indebtedness or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to it or make certain other intercompany transfers; sell certain assets; create liens; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with its affiliates.

### *Events of Default*

The Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on Notes to become or to be declared due and payable.

### Unsecured WMG Notes

On the Merger Closing Date, the Initial OpCo Issuer issued \$765 million aggregate principal amount of the Unsecured WMG Notes pursuant to the Indenture, dated as of the Merger Closing Date (as amended and supplemented, the "Unsecured WMG Notes Indenture"), between the Initial OpCo Issuer and Wells Fargo Bank, National Association as trustee (the "Trustee"). Following the completion of the OpCo Merger on the Merger Closing Date, Acquisition Corp. and certain of its domestic subsidiaries (the "Guarantors") entered into a Supplemental Indenture, dated as of the Merger Closing Date (the "Unsecured WMG Notes First Supplemental Indenture"), with the Trustee, pursuant to which (i) Acquisition Corp. became a party to the indenture and assumed the obligations of the Initial OpCo Issuer under the Unsecured WMG Notes and (ii) each Guarantor became a party to the Unsecured WMG Notes Indenture and provided an unconditional guarantee of the obligations of Acquisition Corp. under the Unsecured WMG Notes.

The Unsecured WMG Notes were issued at 97.673% of their face value for total net proceeds of \$747 million, with an effective interest rate of 12%. The original issue discount (OID) was \$17 million. The OID is the difference between the stated principal amount and the issue price. The OID will be amortized over the term of the Unsecured WMG Notes using the effective interest rate method and reported as non-cash interest expense. The Unsecured WMG Notes mature on October 1, 2018 and bear interest payable semi-annually on April 1 and October 1 of each year at fixed rate of 11.50% per annum.

### *Ranking*

The Unsecured WMG Notes are Acquisition Corp.'s general unsecured senior obligations. The Unsecured WMG Notes rank senior in right of payment to Acquisition Corp.'s existing and future subordinated indebtedness; rank equally in right of payment with all of Acquisition Corp.'s existing and future senior indebtedness, including the New Secured Notes and indebtedness under the New Senior Credit Facilities are effectively subordinated to all of Acquisition Corp.'s existing and future secured indebtedness, including the New Secured Notes and indebtedness under the New Senior Credit Facilities, to the extent of the assets securing such

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indebtedness; and are structurally subordinated to all existing and future indebtedness and other liabilities of any of Acquisition Corp.'s non-guarantor subsidiaries (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors (as such term is defined below)), to the extent of the assets of such subsidiaries.

*Guarantees*

The Unsecured WMG Notes are fully and unconditionally guaranteed on a senior unsecured basis by each of Acquisition Corp.'s existing direct or indirect wholly owned domestic subsidiaries, except for certain excluded subsidiaries, and by any such subsidiaries that guarantee other indebtedness of Acquisition Corp. in the future. Such subsidiary guarantors are collectively referred to herein as the "subsidiary guarantors," and such subsidiary guarantees are collectively referred to herein as the "subsidiary guarantees." Each subsidiary guarantee ranks senior in right of payment to all existing and future subordinated obligations of such subsidiary guarantor; ranks equally in right of payment with all of such subsidiary guarantor's existing and future senior indebtedness, including such subsidiary guarantor's guarantee of the Existing Secured Notes, indebtedness under the New Revolving Credit Facility and the Secured WMG Notes; is effectively subordinated to all of such subsidiary guarantor's existing and future secured indebtedness, including such subsidiary guarantor's guarantee of the Existing Secured Notes, indebtedness under the New Revolving Credit Facility and the Secured WMG Notes, to the extent of the assets securing such indebtedness; and is structurally subordinated to all existing and future indebtedness and other liabilities of any non-guarantor subsidiary of such subsidiary guarantor (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors), to the extent of the assets of such subsidiary. Any subsidiary guarantee of the Unsecured WMG Notes may be released in certain circumstances. The Unsecured WMG Notes are not guaranteed by Holdings.

*Optional Redemption*

Acquisition Corp. may redeem the Unsecured WMG Notes, in whole or in part, at any time prior to October 1, 2014, at a price equal to 100% of the principal amount thereof, plus the applicable make-whole premium and accrued and unpaid interest and special interest, if any, on the Unsecured WMG Notes to be redeemed to the applicable redemption date. On or after October 1, 2014, Acquisition Corp. may redeem all or a part of the Unsecured WMG Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and special interest, if any, on the Unsecured WMG Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on October 1 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2014	108.625%
2015	105.750%
2016	102.875%
2017 and thereafter	100.000%

In addition, at any time (which may be more than once) before October 1, 2014, Acquisition Corp. may redeem up to 35% of the aggregate principal amount of the Unsecured WMG Notes with the net cash proceeds of certain equity offerings at a redemption price of 111.50%, plus accrued and unpaid interest and special interest, if any, to the applicable redemption date; provided that: (1) at least 50% of the aggregate principal amount of Unsecured WMG Notes originally issued under the Unsecured WMG Notes Indenture remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

*Change of Control*

Upon the occurrence of certain events constituting a change of control, Acquisition Corp. is required to make an offer to repurchase all of Unsecured WMG Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest and special interest, if any to the repurchase date.

*Covenants*

The Unsecured WMG Notes Indenture contains covenants that, among other things, limit Acquisition Corp.'s ability and the ability of most of its subsidiaries to: incur additional debt or issue certain preferred shares; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to Acquisition Corp. or make certain other intercompany transfers; sell certain assets; create liens securing certain debt; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets.

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*Events of Default*

Events of default under the Unsecured WMG Notes Indenture are limited to: the nonpayment of principal or interest when due, violation of covenants and other agreements contained in the Unsecured WMG Notes Indenture, cross payment default after final maturity and cross acceleration of certain material debt, certain bankruptcy and insolvency events, material judgment defaults, and actual or asserted invalidity of a guarantee of a significant subsidiary subject to customary notice and grace period provisions. The occurrence of an event of default would permit or require the principal of and accrued interest on the Unsecured WMG Notes to become or to be declared due and payable.

Holdings Notes

On the Merger Closing Date, the Initial Holdings Issuer issued \$150 million aggregate principal amount of 13.75% Senior Notes due 2019 issued by Holdings, the (“Holdings Notes”) pursuant to the Indenture, dated as of the Closing Date (as amended and supplemented, the “Holdings Notes Indenture”), between the Initial Holdings Issuer and Wells Fargo Bank, National Association as Trustee (the “Trustee”). Following the completion of the Holdings Merger on the Closing Date, Holdings entered into a Supplemental Indenture, dated as of the Closing Date (the “Holdings Notes First Supplemental Indenture”), with the Trustee, pursuant to which Holdings became a party to the Indenture and assumed the obligations of the Initial Holdings Issuer under the Holdings Notes.

The Holdings Notes were issued at 100% of their face value. The Holdings Notes mature on October 1, 2019 and bear interest payable semi-annually on April 1 and October 1 of each year at fixed rate of 13.75% per annum.

*Ranking*

The Holdings Notes are Holdings’ general unsecured senior obligations. The Holdings Notes rank senior in right of payment to Holdings’ existing and future subordinated indebtedness; rank equally in right of payment with all of Holdings’ existing and future senior indebtedness; are effectively subordinated to the Existing Secured Notes, the indebtedness under the New Revolving Credit Facility, and the Secured WMG Notes, to the extent of assets of Holdings securing such indebtedness; are effectively subordinated to all of Holdings’ existing and future secured indebtedness, to the extent of the assets securing such indebtedness; and are structurally subordinated to all existing and future indebtedness and other liabilities of any of Holdings’ non-guarantor subsidiaries (other than indebtedness and liabilities owed to Acquisition Corp. or one of its subsidiary guarantors (as such term is defined below)), Existing Secured Notes, the indebtedness under the New Revolving Credit Facility, the Secured WMG Notes, and the Unsecured WMG Notes, to the extent of the assets of such subsidiaries.

*Guarantee*

The Holdings Notes are not guaranteed by any of its subsidiaries.

*Optional Redemption*

Holdings may redeem the Holdings Notes, in whole or in part, at any time prior to October 1, 2015, at a price equal to 100% of the principal amount thereof, plus the applicable make-whole premium and accrued and unpaid interest and special interest, if any, on the Secured WMG Notes to be redeemed to the applicable redemption date.

On or after October 1, 2015, Holdings may redeem all or a part of the Holdings Notes, at its option, at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest and special interest, if any, on the Holdings Notes to be redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on October 1 of the years indicated below:

<u>Year</u>	<u>Percentage</u>
2015	106.875%
2016	103.438%
2017 and thereafter	100.000%

In addition, at any time (which may be more than once) before October 1, 2015, Holdings may redeem up to 35% of the aggregate principal amount of the Holdings Notes with the net cash proceeds of certain equity offerings at a redemption price of 113.75%, plus accrued and unpaid interest and special interest, if any, to the applicable redemption date; provided that: (1) at least 50% of the aggregate principal amount of Holdings Notes originally issued under the Holdings Notes Indenture remains outstanding immediately after the occurrence of such redemption; and (2) the redemption occurs within 90 days of the date of, and may be conditioned upon, the closing of such equity offering.

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*Change of Control*

Upon the occurrence of certain events constituting a change of control, Holdings is required to make an offer to repurchase all of the Holdings Notes (unless otherwise redeemed) at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any to the repurchase date.

*Covenants*

The Holdings Notes Indenture contains covenants that, among other things, limit Holdings' ability and the ability of most of its subsidiaries to: incur additional debt or issue certain preferred shares; create liens securing certain debt; pay dividends on or make distributions in respect of its capital stock or make investments or other restricted payments; create restrictions on the ability of its restricted subsidiaries to pay dividends to Holdings or make certain other intercompany transfers; sell certain assets; consolidate, merge, sell or otherwise dispose of all or substantially all of its assets; and enter into certain transactions with affiliates.

*Events of Default*

Events of default under the Holdings Notes Indenture are limited to: the nonpayment of principal or interest when due, violation of covenants and other agreements contained in the Holdings Notes Indenture, cross payment default after final maturity and cross acceleration of certain material debt, certain bankruptcy and insolvency events, and material judgment defaults, subject to customary notice and grace period provisions. The occurrence of an event of default would permit or require the principal of and accrued interest on the Holdings Notes to become or to be declared due and payable.

**Guarantees**

*Guarantee of Holdings Notes*

On August 2, 2011, the Company issued a guarantee whereby it agreed to fully and unconditionally guarantee (the "Holdings Notes Guarantee"), on a senior unsecured basis, the payments of Holdings on the Holdings Notes.

*Guarantee of Acquisition Corp. Notes*

On December 8, 2011, the Company issued a guarantee whereby it agreed to fully and unconditionally guarantee (the "Acquisition Corp. Notes Guarantee"), on a senior unsecured basis, the payments of Acquisition Corp. on the Unsecured WMG Notes.

*Guarantee of New Secured Notes*

On November 16, 2012, the Company issued a guarantee whereby it agreed to fully and unconditionally guarantee (the "New Secured Notes Guarantee"), on a senior secured basis, the payments of Acquisition Corp. on the New Secured Notes.

**Additional Consents Related To Our Notes**

On March 4, 2013, we entered into supplemental indentures to the indentures governing all of our outstanding notes, as applicable, after the requisite consents with respect to the applicable consent solicitations were received. The supplemental indentures amended the applicable indentures to permit us to provide certain Specified Information (as defined in the applicable supplemental indenture) with respect to the future consummation of the proposed acquisition of the Parlophone Label Group from Universal Music Group in satisfaction of the financial reporting covenants in the indentures governing our outstanding notes.

On October 22, 2012, we commenced consent solicitations relating to the outstanding unsecured WMG Notes and Holdings Notes. We entered into supplemental indentures to the indentures governing the Unsecured WMG Notes and the Holdings Notes, as applicable, after the requisite consents with respect to the applicable consent solicitations were received. The supplemental indentures amended the applicable indentures to permit us to incur additional secured indebtedness under certain circumstances.

**Covenant Compliance**

See "Liquidity" above for a description of the covenants governing our indebtedness. The Company was in compliance with its covenants under its outstanding notes, New Revolving Credit Facility and Term Loan Credit Facility as of June 30, 2013.

Our New 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 New Revolving Credit Facility. 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

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defined in the Credit Agreement); (5) business optimization expenses (including consolidation initiatives, severance costs and other costs relating to initiatives aimed at profitability improvement) and (6) stock-based compensation expense and also includes an add-back for certain projected cost-savings and synergies. The indentures governing our notes and our Term Loan Credit 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 New 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 New 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 flow from operations as those terms are defined by 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 or at all.

The following is a reconciliation of net income (loss), which is a GAAP measure of our operating results, to Consolidated EBITDA as defined, and the calculation of the Consolidated Funded 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 ended June 30, 2013. 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 ratios):

	Twelve Months Ended June 30, 2013
<b>Net Loss</b>	<b>\$ (134)</b>
Income tax expense	10
Interest expense, net	181
Depreciation and amortization	243
Restructuring costs (a)	25
Net hedging and foreign exchange losses (b)	12
Management fees (c)	9
Transaction costs (d)	19
Business optimization expenses (e)	11
Proforma savings (f)	6
Loss on extinguishment of debt (g)	85
Equity based compensation expense (h)	8
Other non-cash charges (i)	3
<b>Consolidated EBITDA</b>	<b>\$ 478</b>
Pro forma impact of specified transactions (j)	178
<b>Adjusted Consolidated EBITDA</b>	<b>\$ 656</b>
<b>Consolidated Funded Indebtedness (k)</b>	<b>\$ 1,937</b>
Pro forma impact of debt financing of specified transactions (l)	820
<b>Pro Forma Consolidated Funded Indebtedness</b>	<b>\$ 2,757</b>
<b>Leverage Ratio (m)</b>	<b>3.98x</b>

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

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- (b) Reflects net losses from hedging activities and realized losses due to foreign exchange.
- (c) Reflects management fees paid to Access, including an annual fee and related expenses (excludes expenses reimbursed related to certain consultants with full-time roles at the Company).
- (d) Reflects costs mainly related to the Company's participation in the EMI sales process, including the subsequent regulatory review.
- (e) Reflects primarily costs associated with IT systems updates.
- (f) Reflects net cost savings and synergies projected to result from actions taken or expected to be taken no later than twelve (12) months after the end of such period (calculated on a pro forma basis as though such cost savings and synergies had been realized on the first day of the period for which Consolidated EBITDA is being determined), net of the amount of actual benefits realized during such period from such actions during the twelve months ended June 30, 2013. Pro forma savings reflected in the table above reflect a portion of the previously announced additional targeted savings of \$50-\$65 million following the Merger as well as other cost savings and synergies.
- (g) Reflects loss incurred on the early extinguishment of our debt incurred as part of the November 2012 refinancing and May 2013 debt repayment.
- (h) Reflects compensation expense related to the Warner Music Group Corp. Senior Management Free Cash Flow Plan.
- (i) Reflects all non-cash charges not included in other items above, including but not limited to impairment and purchase accounting charges.
- (j) Reflects the \$3 million impact of the Company's purchase of music publishing assets and the \$175 million impact for the PLG acquisition (including estimated cost savings and synergies of approximately \$70 million), as if the specified transactions had occurred on the first day of the June 30, 2013 measurement period.
- (k) Reflects the principal balance of external debt at Acquisition Corp of \$1.9 billion, plus the annualized daily revolver borrowings of \$12 million, plus contractual obligations of deferred purchase price of \$2 million, plus contingent consideration related to acquisitions of \$13 million.
- (l) This amount reflects the pro forma impact of the draw down of the incremental term loan to fund the acquisition of PLG of \$820 million on July 1, 2013.
- (m) Reflects the ratio of Consolidated Funded Indebtedness to Consolidated EBITDA as of the twelve months ended June 30, 2013. This is calculated net of \$148 million of proforma cash and cash equivalents of the Company as of June 30, 2013, which in calculating the leverage ratio may not be deducted in an amount exceeding \$150 million. If the outstanding aggregate principal amount of borrowings under our New Revolving Credit Facility is greater than \$30 million at the end of a fiscal quarter, the maximum leverage ratio permitted under our New Revolving Credit Facility is 6.00x as of the end of any fiscal quarter in fiscal 2013. The Company's New Revolving Credit Facility does not impose any "leverage ratio" restrictions on the Company when the aggregate principal amount of borrowings under the new revolving credit facility is less than \$30 million at the end of a fiscal quarter.

## Summary

Management believes that funds generated from our operations and borrowings under our New Revolving Credit Facility 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 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 and the continued industry-wide decline of CD sales. We or any of our affiliates may also, 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 the Holdings Notes, our New Secured Notes, or the Unsecured WMG Notes 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 New Senior Credit Facilities, Holdings Notes, New Secured Notes, or Unsecured WMG Notes with existing cash and/or with funds provided from additional borrowings.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As discussed in Note 14 to our audited consolidated financial statements for the twelve months ended September 30, 2012, we are exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates. As of June 30, 2013, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2012.

We have transactional exposure to changes in foreign currency exchange rates relative to the U.S. dollar due to the global scope of our operations. We use foreign exchange contracts, primarily to hedge the risk that unremitted or future royalties and license fees owed to our 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. We focus on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on our major currencies, which include the British pound sterling, euro, Japanese yen, Canadian dollar, Swedish krona

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and Australian dollar. As of June 30, 2013, the Company had outstanding hedge contracts for the sale of \$295 million and the purchase of \$1.014 billion of foreign currencies at fixed rates, which included the contract to hedge the PLG acquisition purchase price. Subsequent to June 30, 2013, certain of our foreign exchange contracts expired and were renewed with new foreign exchange contracts with similar features.

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 June 30, 2013, 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 increased by \$72 million. Because our foreign exchange contracts are entered into for hedging purposes, these losses would be largely offset by gains on the underlying transactions.

## **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 June 30, 2013 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 us 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 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 Music purchasers. The parties have filed amended pleadings complying with the court's order, and the case is currently in discovery. 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.

*Music Download Putative Class Action Suits*

Five putative class action lawsuits have been filed against the Company in Federal Court in the Northern District of California between February 2, 2012 and March 10, 2012. The lawsuits, which were brought by various recording artists, all allege that the Company has improperly calculated the royalties due to them for certain digital music sales under the terms of their recording contracts. The named plaintiffs purport to raise these claims on their own behalf and, as a putative class action, on behalf of other similarly situated artists. Plaintiffs base their claims on a previous ruling that held another recorded music company had breached the specific recording contracts at issue in that case through its payment of royalties for music downloads and ringtones. In the wake of that ruling, a number of recording artists have initiated suits seeking similar relief against all of the major record companies, including us. Plaintiffs seek to have the interpretation of the contracts in that prior case applied to their different and separate contracts.

On April 10, 2012, the Company filed a motion to dismiss various claims in one of the lawsuits, with the intention of filing similar motions in the remaining suits, on the various applicable response dates. Meanwhile, certain plaintiffs' counsel moved to be appointed as interim lead counsel, and other plaintiffs' counsel moved to consolidate the various actions. In a June 1, 2012 Order, the court consolidated the cases and appointed interim co-lead class counsel. Plaintiffs filed a consolidated, master complaint on August 21, 2012. All deadlines have been stayed until August 29, 2013 to allow for settlement of this dispute. If a settlement has not been reached by that date and if the parties agree that further settlement discussions would be fruitful, the parties can file a joint statement/stipulation seeking additional time for further settlement negotiations. In the alternative, the parties would file a joint statement/stipulation with the Court alerting the Court to the fact that settlement could not be reached and resetting a litigation schedule. Settlement discussions are ongoing. 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. Based on an evaluation of potential outcomes of these claims that are reasonably possible and an estimate of the reasonably possible loss or range of loss possible, the Company has recorded what it believes is an appropriate reserve related to these cases, which amount is not material.

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*Other Matters*

In addition to the matters discussed above, we are 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, we establish an accrual. In none of the currently pending proceedings is the amount of accrual 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, we cannot predict with certainty the outcome of any litigation or the potential for future litigation. As such, we continuously monitor these proceedings as they develop and adjust any accrual or disclosure as needed. Regardless of the outcome, litigation could have an adverse impact on us, including our brand value, because of defense costs, diversion of management resources and other factors and it could have a material effect on our 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 Form 10-K for the fiscal year ended September 30, 2012, as supplemented by Part II, Item 1A “Risk Factors” of our Form 10-Q for the quarters ended December 31, 2012 and March 30, 2013 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

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.

The agreements filed as Exhibits 2.1 and 2.2 to this Report have been attached as exhibits to provide investors and security holders with information regarding their respective terms. They are not intended to provide any other factual information about the Company or any of its affiliates or businesses. The representations, warranties, covenants and agreements contained in such exhibits were made only for the purposes of such agreement and as of specified dates, were solely for the benefit of the parties to such agreement and may be subject to limitations agreed upon by the contracting parties. The representations and warranties may have been made for the purposes of allocating contractual risk between the parties to such agreements instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors and security holders are not third-party beneficiaries under any of the agreements attached as exhibits hereto and should not rely on the representations, warranties, covenants and agreements or any descriptions thereof as characterizations of the actual state of facts or condition of the Company or any of its affiliates or businesses. Moreover, the assertions embodied in the representations and warranties contained in each such agreement are qualified by information in confidential disclosure letters or schedules that the parties have exchanged. Accordingly, investors and security holders should not rely on the representations and warranties as characterizations of the actual state of facts of the Company or any of its affiliates or businesses. Moreover, information concerning the subject matter of the representations and warranties may change after the respective dates of such agreements, which subsequent information may or may not be fully reflected in the Company's public disclosures.

<u>Exhibit No.</u>	<u>Description</u>
2.1	Deed of Variation to the Share Sale and Purchase Agreement, dated as of June 28, 2013, by and among WM Holdings UK and certain other subsidiaries of the Company, as Buyers (as defined therein), and WMG Acquisition Corp., as Buyers' Guarantor (as defined therein), and EGH1 BV, EMI Group Holdings BV and DELTA Holdings BV, as Sellers (as defined therein), and Universal International Music BV, as Sellers' Guarantor (as defined therein) (Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a copy of any omitted schedule to the SEC upon request.) †*
2.2	Share Sale and Purchase Agreement relating to EMI Music France SAS, dated as of July 1, 2013, by and among Warner Music Holdings BV, as Buyer (as defined therein), WMG Acquisition Corp., as Buyer's Guarantor (as defined therein), EMI Records France Holdco Limited, as Seller (as defined therein), and Universal International Music BV, as Seller's Guarantor (as defined therein) (Schedules and exhibits omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a copy of any omitted schedule to the SEC upon request.)*
10.1	First Amendment to Credit Agreement, dated as of April 23, 2013 among WMG Acquisition Corp., the lenders party thereto and Credit Suisse AG, as Administrative Agent relating to a revolving credit facility. ††
10.2	Incremental Commitment Amendment, dated as of May 9, 2013 among WMG Acquisition Corp., the other Loan Parties (as defined therein), WMG Holdings Corp., and the several banks and financial institutions parties there to as Lenders and the Administrative Agent, as defined therein. ††
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-15(a) of the Securities Exchange Act of 1934, 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 June 30, 2013, filed on August 8, 2013, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Equity Deficit and (v) Notes to Consolidated Interim Audited Financial Statements***

\* Filed herewith.

\*\* 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 the liability of Section 18 of the

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Securities Exchange Act of 1934, 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, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

\*\*\* Furnished herewith pursuant to Rule 406T of Regulation S-T, XBRL (Extensible Business Reporting Language) information is submitted and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections

† Exhibit omits certain information that has been filed separately with the Securities and Exchange Commission subject to a request for confidential treatment.

†† Incorporated by reference to Warner Music Group Corp.'s Quarterly Report on Form 10-Q for the period ended March 31, 2013 (File No. 001-32502)



STRICTLY PRIVATE AND CONFIDENTIAL

**Deed of Variation to the  
Share Sale and Purchase  
Agreement**

relating to PLG Holdco  
Limited and Others

Dated

28 June 2013

EGH1 BV (1)

EMI Group Holdings BV (2)

Delta Holdings BV (3)

Universal International Music BV (4)

The Buyers (5)

WMG Acquisition Corp. (6)

THE USE OF THE FOLLOWING NOTATION IN THIS EXHIBIT INDICATES THAT A CONFIDENTIAL PORTION HAS BEEN OMITTED PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT AND THE OMITTED MATERIAL HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION: [\*\*\*].

## PARTIES

- (1) EGH1 BV, a company duly incorporated and existing under the laws of the Netherlands with number 56674570 whose principal place of business is at Gerrit van der Veenlaan 4, 3743 DN Baarn, the Netherlands (“EMIGH 1”);
- (2) EMI GROUP HOLDINGS BV, a company duly incorporated and existing under the laws of the Netherlands with number 33208684 whose statutory seat is in the Netherlands and whose principal place of business is at 364-366 Kensington High Street, London W14 8NS (“EMIGH”);
- (3) DELTA HOLDINGS BV, a company duly incorporated and existing under the laws of the Netherlands with number 33241842 whose statutory seat is in the Netherlands and whose principal place of business is at 364-366 Kensington High Street, London W14 8NS (“Delta”);
- (4) UNIVERSAL INTERNATIONAL MUSIC BV, a company duly incorporated and existing under the laws of the Netherlands with number 31018439, whose principal place of business is at Gerrit van der Veenlaan 4, 3743 DN Baarn, the Netherlands (the “Sellers’ Guarantor”);
- (5) THE COMPANIES whose names, company numbers and registered offices are set out in Part 4 of Schedule 1 of the share sale and purchase agreement referred to at (A), below, (together the “Buyers” and each a “Buyer”); and
- (6) WMG ACQUISITION CORP., a company duly incorporated and existing under the laws of Delaware, whose principal place of business is at 75 Rockefeller Plaza New York, NY 10019 USA (the “Buyers’ Guarantor”).

## INTRODUCTION

- (A) The Sellers and the Buyers entered into a share sale and purchase agreement dated 6 February 2013 in relation to the sale of PLG Holdco Limited and Others (the “SPA”).
- (B) The parties now wish to amend the SPA pursuant to clause 30 of the SPA on the terms and conditions set out in this Deed.

## OPERATIVE PROVISIONS

**1 Definitions**

- 1.1 Unless otherwise defined herein or the context otherwise requires, terms defined in the SPA (as amended by this Deed) shall have the same meanings when used herein.
- 1.2 The clause headings used in this Deed are inserted for ease of reference only and will not affect construction.

**2 Amendment and Restatement of the SPA**

- 2.1 With effect from the date of this Deed, the parties to the SPA hereby agree that the SPA shall be and is amended and restated in the manner as set out in the conformed copy SPA in the Schedule to this Deed.
- 2.2 The SPA shall be read and construed as varied in the manner set out in this Deed and, except as expressly varied by this Deed, the SPA shall remain in full force and effect.

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2.3 References in the SPA to “this Agreement”, “hereof”, “hereunder” and similar expressions shall hereafter be deemed to be references to the SPA as varied by this Deed.

**3 General**

This Deed may be entered into in any number of counterparts and by the parties to it on separate counterparts, each of which is an original, but all of which together constitute one and the same instrument.

**THIS DEED OF AMENDMENT** is executed as a deed by the parties and is delivered and takes effect on the date stated at the beginning of it.

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**SCHEDULE 1**

**Conformed copy of the SPA**

---

SIGNATURES

This Agreement is executed as a deed by the parties and is delivered and takes effect on the date at the beginning of this Agreement.

Executed as a deed by EGH1 BV acting by:

/s/ N.P. van den Hoven

[signature of authorised signatory]

N.P. van den Hoven

[print name of authorised signatory]

Director

in the presence of:

/s/ Carla Regouin

[signature of witness]

Carla Regouin

[print name of witness]

Address

40 Gerrit van der Veenlaan 4

3743 DN Baarn

Netherlands

Occupation

UMG Secretarial Admin

---

Executed as a deed by EMI GROUP HOLDINGS BV  
acting by:

/s/ Richard Constant

[signature of authorised signatory]

Richard Constant

[print name of director]

Director

in the presence of:

/s/ Andreea Cass

[signature of witness]

Andreea Cass

[print name of witness]

Address

Beaumont House

Avonmore Road

London W14 8TS

Occupation

PA

---

Executed as a deed by DELTA HOLDINGS BV acting by:

/s/ Richard Constant

[signature of director]

Richard Constant

[print name of director]

Director

in the presence of:

/s/ Andreea Cass

[signature of witness]

Andreea Cass

[print name of witness]

Address

Beaumont House

Avonmore Road

London W14 8TS

Occupation

PA

---

Executed as a deed by UNIVERSAL INTERNATIONAL  
MUSIC BV acting by:

/s/ N.P. van den Hoven

[signature of director]

N.P. van den Hoven

[print name of director]

Director

in the presence of:

/s/ Carla Regouin

[signature of witness]

Carla Regouin

[print name of witness]

Address

40 Gerrit van der Veenlaan 4

3743 DN Baarn

Netherlands

Occupation

UMG Secretarial Admin

---

Executed as a deed by WARNER MUSIC HOLDINGS  
LIMITED acting by:

/s/ Paul Robinson

[signature of director]

Paul Robinson

[print name of director]

Director

in the presence of:

/s/ Trent N. Tappe

[signature of witness]

Trent N. Tappe

[print name of witness]

Address

75 Rockefeller Plaza

New York, NY 10019

Occupation

Lawyer

---

Executed as a deed by WARNER MUSIC BENELUX N.V.  
acting by:

/s/ Martin Jessurun

[signature of director]

Martin Jessurun

[print name of director]

Director

in the presence of:

/s/ Sophie Boyle

[signature of witness]

Sophie Boyle

[print name of witness]

Address

28 Kensington Church Street

London

W8 4EP

Occupation

Treasurer

---

Executed as a deed by WARNER MUSIC GROUP  
GERMANY HOLDING GMBH  
acting by:

/s/ Bernd Dopp

[signature of director]

Bernd Dopp

[print name of director]

Director

in the presence of:

/s/ David Clay

[signature of witness]

David Clay

[print name of witness]

Address

90 High Holborn

London

WC1V 6XX

Occupation

Trainee Solicitor

---

Executed as a deed by WARNER MUSIC DENMARK A/S  
acting by:

/s/ Jonas Siljemark /s/ Martin Forsman

[signature of director]

Jonas Siljemark Martin Forsman

[print name of director]

Director

in the presence of:

/s/ RD Booker

[signature of witness]

RD Booker

[print name of witness]

Address

28 Kensington Church St

W8 4EP

Occupation

Tax

---

Executed as a deed by WARNER MUSIC NORWAY A/S

acting by:

Martin Forsman

[signature of director]

/s/ Martin Forsman

[print name of director]

Director

in the presence of:

/s/ RD Booker

[signature of witness]

RD Booker

[print name of witness]

Address

28 Kensington Church St

W8 4EP

Occupation

Tax

---

Executed as a deed by WARNER MUSIC POLAND SPZOO  
acting by:

/s/ Bernd Dopp

[signature of director]

Bernd Dopp

[print name of director]

Director

in the presence of:

/s/ David Clay

[signature of witness]

David Clay

[print name of witness]

Address

90 High Holborn

London

WC1V 6XX

Occupation

Trainee Solicitor

---

Executed as a deed by WARNER MUSIC SPAIN S.L.  
acting by:

/s/ Jose Carlos Sanchez Morales

[signature of director]

Jose Carlos Sanchez Morales

[print name of director]

Director

in the presence of:

/s/ Kenneth Cole

[signature of witness]

Kenneth Cole

[print name of witness]

Address

Calle Orion, 44

Alalpardo, 28130

Madrid, Spain

Occupation

Accountant

---

Executed as a deed by WARNER MUSIC SWEDEN AB  
acting by:

/s/ Jonas Siljemark /s/ RD Booker

[signature of director]

Jonas Siljemark RD Booker

[print name of director]

Director

in the presence of:

/s/ Martin Forsman

[signature of witness]

Martin Forsman

[print name of witness]

Address

Ulvsunda Slottsväg 15

167 33 Bromma

Sweden

Occupation

CEO

---

Executed as a deed by WMG ACQUISITION CORP.  
acting by:

/s/ Paul Robinson

[signature of authorised signatory]

Paul Robinson

[print name of authorised signatory]

Authorised Signatory

in the presence of:

/s/ Trent N. Tappe

[signature of witness]

Trent N. Tappe

[print name of witness]

Address

75 Rockefeller Plaza

New York, NY 10019

Occupation

Lawyer

---

CONFORMED COPY DATED 28 JUNE 2013

STRICTLY PRIVATE AND CONFIDENTIAL

**Share Sale and Purchase  
Agreement**

relating to PLG Holdco  
Limited and Others

Dated 6 February 2013

EGH1 BV (1)

EMI Group Holdings BV (2)

Delta Holdings BV (3)

Universal International Music BV (4)

The Buyers (5)

WVG Acquisition Corp. (6)

~~EXECUTION VERSION~~

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## PARTIES

- (1) EGH1 BV, a company duly incorporated and existing under the laws of the Netherlands with number ~~56674576~~56674570 whose principal place of business is at Gerrit van der Veenlaan 4, 3743 DN Baarn, the Netherlands (“EMIGH 1”);
- (2) EMI GROUP HOLDINGS BV, a company duly incorporated and existing under the laws of the Netherlands with number 33208684 whose statutory seat is in the Netherlands and whose principal place of business is at ~~27 Wrights Lane~~ 364-366 Kensington High Street, London, W14 8-SWNS (“EMIGH”);
- (3) DELTA HOLDINGS BV, a company duly incorporated and existing under the laws of the Netherlands with number 33241842 whose statutory seat is in the Netherlands and whose principal place of business is at ~~27 Wrights Lane~~ 364-366 Kensington High Street, London, W14 8-SWNS (“Delta”);
- (4) UNIVERSAL INTERNATIONAL MUSIC BV, a company duly incorporated and existing under the laws of the Netherlands with number ~~34018493~~31018439, whose principal place of business is at Gerrit van der Veenlaan 4, 3743 DN Baarn, the Netherlands (the “Sellers’ Guarantor”);
- (5) THE COMPANIES whose names, company numbers and registered offices are set out in Part 4 of Schedule 1 (together the “Buyers” and each a “Buyer”); and
- (6) WMG ACQUISITION CORP., a company duly incorporated and existing under the laws of Delaware, whose principal place of business is at 75 Rockefeller Plaza New York, NY 10019 USA (the “Buyers’ Guarantor”).

## INTRODUCTION

- (A) The Sellers have agreed to sell to the Buyers, and the Buyers have agreed to purchase, the Target Shares for the Consideration and otherwise in the manner and on and subject to the terms of this Agreement.
- (B) A member of the Buyers’ Group wishes to purchase, and the relevant ~~Seller~~member of the Sellers’ Group may wish to sell, the shares of EMI France for additional consideration and otherwise in the manner and on and subject to the terms of the France Put Option.
- (C) A member of the Buyers’ Group wishes to purchase, and the relevant members of the Sellers’ Group wish to sell, the shares of PLG Classics Germany GmbH for additional consideration and otherwise in the manner and on and subject to the Germany SPA.

## OPERATIVE PROVISIONS

**1 Definitions**

In this Agreement, except where a different interpretation is necessary in the context, the words and expressions set out below shall have the following meanings:

Accounts Date

31 March 2012

ADSP

the agreed departures from the Separation Plan and Separation Agreement

Affiliate	in relation to any body corporate (whether or not registered in the United Kingdom), any holding company or subsidiary of such body corporate or any subsidiary of a holding company of such body corporate in each case from time to time
<u>Aggregate Payments</u>	(a) <u>if Completion occurs, the aggregate of (i) limbs (a), (b), (c) and (e) of the definition of Consideration, (ii) France EV and (iii) Germany EV; or</u>  (b) <u>where clause 6 applies, the Longstop Date Payment</u>
Aggregated Intercompany Balance	the aggregate amounts receivable by any member of the Completion Statement Group from any member of the Sellers' Group, less the aggregate amounts payable by any member of the Completion Statement Group to any member of the Sellers' Group, each as at the Effective Time and as set out in the Completion Statement
<del>Aggregate Payments</del>	<del>(a) if Completion occurs, the Consideration actually received by the Sellers or members of the Sellers' Group and the France EV; or</del>  <del>(b) where clause 6 applies, the Longstop Date Payment</del>
Agreed Form Documents	any documents in the "agreed form", meaning in this Agreement any documents in terms agreed between a Buyer and a Seller and signed for identification by or on behalf of such Buyer and Seller, including those documents listed in Schedule 9
this Agreement	this agreement including the Introduction and the Schedules
Applicable Law	an enforceable law or regulation, or any enforceable judgment, injunction, order or decree by any court or Authority
Approval	has the meaning given in clause 4.12
Artist VDD Reports	the vendor due diligence reports relating to the PLG Key Artists and intellectual property matters in folder 1.1.1.4.1 of the Data Room
Audit Claim	any audit claim made against any member of the Target Group and notified in writing to such member of the Target Group by legal advisers, accountants or other professional advisers to a Current Artist where the amount claimed is or is expected by the relevant Seller to give rise to a liability of more than £250,000 (or equivalent value in another currency)
Authority	any governmental, regulatory or other authority and "Authorities" shall be construed accordingly

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Books and Records	all notices, correspondence, orders, inquiries, Tax returns, work papers, drawings, plans, books of account and other documents and all other computer disks or other information stored in electronic form
Business	collectively, the businesses of the Target Group at the date hereof
Business Day	a day other than a Saturday, Sunday or public holiday on which banks are open in London and the City of New York for general commercial business
Buyers' Group	the Buyers and any of their respective Affiliates from time to time (and including, as from Completion, the <del>Target</del> <u>Completion Statement</u> Group)
Buyers' Guarantee	has the meaning given in clause 17
Buyers' Guaranteed Obligations	has the meaning given in clause 17
<del>Buyer HSR Obligations Breach</del>	<del>has the meaning given in clause 4.20</del>
Buyers' Nominated Account	the account or accounts notified by the Buyers' Representative to the Sellers' Representative in accordance with clause 33 from time to time, in any event not less than five Business Days prior to any relevant payment
Buyers' Representative	the Buyers' Guarantor or any other person appointed as the Buyers' Representative in accordance with clause 18.2
Buyer Transferring Employees	those persons who EMIGH 1 and the relevant Buyer agree in writing at least five Business Days prior to Completion shall be treated as Buyer Transferring Employees for the purposes of this Agreement
Buyer Warranties	the warranties given by each of the Buyers in clause 11 and Schedule 4 and each such warranty shall be a "Buyer Warranty"
Carve Out Financial Information	the aggregated balance sheet as at 31 March 2012 for the PLG Perimeter Group as set out on page 139 of the KPMG Financial Due Diligence Report
Cash	in respect of the Completion Statement Group, the aggregate of any cash, bank deposits, cash in hand or cash equivalents, per the general ledger and other items specified as Cash in paragraph 2 of Part 1 of Schedule 6, in all cases as at the Effective Time, as set out in the Completion Statement
CID	has the meaning given in clause 4.20

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Claim	a claim (other than a Tax Claim) for breach of any provision of this Agreement or any of the other Transaction Documents (other than the Separation Agreement and the Separation Documents)
Code	the US Internal Revenue Code of 1986 (as amended from time to time)
Commission	the European Commission
Commission Decision	the Commission's clearance decision COMP/M.6458 Universal Music Group/EMI Music
Commitment Letters	the Equity Commitment Letter and the Debt Commitment Letter
Completion	completion of the sale and purchase of the Target Shares in accordance with the terms of this Agreement
Completion Date	has the meaning given in clause 7.2
Completion Payment	the estimated Consideration being an amount equal to the sum of: <ul style="list-style-type: none"> <li>(a) the Enterprise Value; less</li> <li>(b) Estimated Debt; plus</li> <li>(c) Estimated Cash; plus</li> <li>(d) the Estimated Aggregated Intercompany Balance (which, if negative, will reduce the estimated Consideration for the Target Shares); plus</li> <li>(e) the Estimated Working Capital Adjustment (which, if negative, will reduce the estimated Consideration for the Target Shares)</li> </ul>
Completion Statement	in respect of the Completion Statement Group, the final and binding aggregated statement to be prepared in accordance with Schedule 6
Completion Statement Group	the Target Group <del>and the</del> <u>EMI France Group and PLG Classics Germany GmbH</u>
<del>Conclusion of the France Consultation</del>	<del>has the meaning given to "Date of Completion of the Consultation Process" in the France SPA</del>
Conditions	the conditions to Completion specified in clause 4.1 of this Agreement and "Condition" shall mean any one of them

Confidential Information	all technical, financial, commercial and other information of a confidential nature relating to any or all of the Business including trade secrets, know-how, inventions, product information and unpublished information relating to the intellectual property, marketing and business plans, projections, current and projected plans or internal affairs of any member of the Target Group
Consideration	<p>an amount equal to the sum of:</p> <ul style="list-style-type: none"> <li>(a) the Enterprise Value; less</li> <li>(b) Debt; plus</li> <li>(c) Cash; plus</li> <li>(d) the Aggregated Intercompany Balance (which, if negative, will reduce the Consideration for the Target Shares); plus</li> <li>(e) the Working Capital Adjustment (which, if negative, will reduce the Consideration for the Target Shares); plus</li> <li>(f) the Extension Interest Amount (if any)</li> </ul>
Consultation Process	has the meaning given in the France Put Option
Contract Reviews	the contract reviews contained in the Artist VDD Reports
Current Artist	a recording artist who is “primarily attached” (within the meaning of the Commission Decision) to a member of the Target Group Company on the date of this Agreement or a recording artist who becomes “primarily attached” to a Target Group Company between the date of this Agreement and the Completion Date
Cut-off Time	has the meaning given in <u>paragraph 2.2 of Part 1 of Schedule 6</u>
Data Room	the Project Vida “Main Package” electronic data room made available to the Buyers and/or their advisers on the Intralinks Inc. datasite
Debt	in respect of the Completion Statement Group, the aggregate amount of all outstanding loans and other financing liabilities and obligations, including overdrafts and finance leases (and accrued interest (if any) on any such overdrafts and finance leases), transaction costs, transaction bonuses (including any related Taxes but excluding the RP Bonuses), corporation tax and other items specified as Debt in paragraph 2 of Part 1 to Schedule 6 each as at the Effective Time and as set out in the Completion Statement excluding, for the avoidance of doubt, the Aggregated Intercompany Balance and Working Capital

Debt Commitment Letter	the executed debt commitment letter from Credit Suisse <del>Securities</del> -AG and others to <del>WMG Acquisition Corp.</del> <u>the Buyers' Guarantor</u> dated 6 February 2013, as amended, supplemented, or replaced in compliance with this Agreement pursuant to which, and subject to the terms of which, such Debt Financing Sources have committed to provide the Buyers' <u>Guarantor</u> with debt financing of the type and in the amounts described therein, the proceeds of which will be used to consummate the transactions contemplated by this Agreement
Debt Financing	the debt financing to be provided pursuant to the Debt Commitment Letter or any alternative financing arrangements or agreements entered into by the Buyers <u>and/or the Buyers' Guarantor</u> in accordance with clause 13.11
Debt Financing Sources	the financial institutions who are parties to the Debt Commitment Letter and such other persons as may from time to time commit to provide, or otherwise enter into agreements with respect to, the Debt Financing, together with their Affiliates, officers, directors, employees, agents and representatives involved in the Debt Financing and each of the foregoing's respective successors and assigns
Degrouping Claim	means a claim under clause 2.1(b) of the Tax Deed in relation to a degrouping charge in PLG Holdco Limited under s179(3) TCGA <u>1992</u> in respect of its acquisition of Parlophone Records Limited (formerly known as EMI Records Limited) from EMI Limited as part of the Vida Reorganisation <u>(as defined in the Tax Deed)</u>
Delta Belgium Share	the 1 share in EMI Belgium held by Delta
Determination Date	the date upon which the Completion Statement is agreed between the Buyers' Representative and the Sellers' Representative or otherwise becomes final and binding on the parties in accordance with Schedule 6
Directors	the persons specified as directors of any member of the Target Group in Part 1 of Schedule 1 and any director of any Subsidiary (the expression "Director" meaning any of them)
Disclosure Documents	the Disclosure Letter and the documents attached to or referred to in the Disclosure Letter and the contents of the Data Room

Disclosure Letter	the letter dated the same date as this Agreement from the Sellers <u>and EMI Records France Holdco Limited (formerly known as EMI Music France Holdco Limited)</u> to the Buyers (including a CD-ROM containing a copy of the Data Room), delivered by the Sellers' Representative to the Buyers' Representative immediately before execution of this Agreement, of which the Buyers' Representative has acknowledged receipt
Effective Time	immediately prior to Completion or, in the case of clause 6 only, 5:00 p.m. on the Longstop Date
EMI Belgium	<u>Parlophone Music Belgium BVBA (formerly known as EMI Music Belgium BVBA)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Belgium Shares	the EMIGH Belgium Shares and the Delta Belgium Share
EMI Czech	EMI Czech Republic s.r.o., short particulars of which are set out in Part 1 of Schedule 1
EMI Czech Interest	the 85.7% ownership interest in EMI Czech held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMI Denmark	<u>Parlophone Music Denmark A/S (formerly known as EMI Music Denmark AS)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Denmark Shares	the 2,650 shares in EMI Denmark held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMIGH Belgium Shares	the 9,055 shares in EMI Belgium held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMI France	<u>Parlophone Music France SAS (formerly known as EMI Music France SAS)</u> , a <i>société par actions simplifiée</i> (company number 542 103 569) whose registered office is at 118 <del>7</del> 126 rue du Mont Cenis, 75018 Paris, France
EMI France Group	EMI France and EMI France's 51% shareholding in PlayOn SAS
EMI Group Companies	EMI Group Limited ((company number 00229231), whose registered office is at 27 Wrights Lane, London, W8 5SW), and its subsidiary undertakings, from time to time
EMI Group Global	EMI Group Global Limited (company number 07509551) whose registered office is at Citigroup Centre, 25 Canada Square, London, E14 5LB
EMI Group Global Transaction Documents	has the meaning given in clause 13.1(b)

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EMI Group Global Undertaking	EMI Group Global or any undertaking which is, at the relevant time (or which were at any time prior to 28 September 2012), a subsidiary undertaking or parent undertaking of EMI Group Global or a subsidiary undertaking of a parent undertaking of EMI Group Global (but excluding any member of the Target Group and any MP Group Companies)
EMI Norway	<u>Parlophone Group Norway AS (formerly known as EMI Group Norway AS)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Norway Shares	the 7,001 shares in EMI Norway held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMI Poland	<u>Parlophone Music Poland sp.z.o.o. (formerly known as EMI Music Poland sp.z.o.o.)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Poland Shares	the 1,000 shares in EMI Poland held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMI Portugal	<u>Parlophone Group Portugal SGPS Lda (formerly known as EMI Group Portugal SGPS Lda)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Portugal Shares	the two quotas held in EMI Portugal by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMI Records	Parlophone Records Limited (formerly known as EMI Records Limited), (company number 00068172) having its registered office located at 27 Wrights Lane, London W8 5SW
EMI Spain	<u>Parlophone Music Spain, S.L.U (formerly known as EMI Music Spain SL)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Spain Shares	the 27,200 shares in EMI Spain held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1
EMI Sweden	<u>Parlophone Music Sweden AB (formerly known as EMI Music Sweden AB)</u> , short particulars of which are set out in Part 1 of Schedule 1
EMI Sweden Shares	the 45,000 shares in EMI Sweden held by EMIGH, short particulars of which are set out in Part 1 of Schedule 1

Employment Damages	any and all claims (whether or not successful, compromised or settled), actions, proceedings, liabilities, demands, or judgments asserted or established in any jurisdiction and, as incurred, any and all losses, damages, liabilities, costs, expenses (including reasonable legal, investigative and professional costs and expenses in disputing or defending any of the foregoing), any PAYE income tax and primary class 1 (employee) and secondary class 1 (employer) national insurance contributions (or any similar liability to withhold amounts in respect of income tax or social security contributions in any jurisdiction), fines, penalties and clean-up costs
Encumbrance	any interest or equity of any person (including any right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, assignment, hypothecation, security interest, title retention or any other security agreement or arrangement
Enterprise Value	<del>£14,400,000</del> <u>363,176,177</u>
Equity Commitment Letter	the executed equity commitment letter from RSB Ltd to the Sellers' Guarantor, dated 6 February 2013, as amended or supplemented in compliance with this Agreement, to provide the Equity Financing to the <u>Buyers' Guarantor</u>
Equity Financing	the equity financing that may be provided pursuant to the Equity Commitment Letter
Equity Financing Source	the person who is party to the Equity Commitment Letter and such other persons as may from time to time commit to provide, or otherwise enter into agreements with respect to Equity Financing, together with their Affiliates, officers, directors, employees, agents and representatives involved in the Equity Financing and each of the foregoing's respective successors and assigns
Estimated Aggregated Intercompany Balance	£0
Estimated Cash	the Sellers' good faith estimate of Cash
Estimated Debt	the Sellers' good faith estimate of Debt
Estimated Working Capital Adjustment	the Sellers' good faith estimate of the Working Capital Adjustment
EU Merger Regulation	has the meaning given to it in clause 4.1(b)(i)

Exchange Rate	with respect to a particular currency for a particular day, the spot bid rate of exchange for that currency into pounds sterling on such date, at the rate quoted by Reuters as at 4:00 p.m. in London on such date
Exclusive Employees	those persons who, as at Completion, are either: <ul style="list-style-type: none"> <li>(a) employed in the United Kingdom and work exclusively for the Business, and who shall be identified in writing to Warner Music Holdings Limited by EMIGH 1 at least five Business Days prior to Completion; or</li> <li>(b) employed in the United Kingdom and do not work exclusively for the Business, but who are identified in writing to Warner Music Holdings Limited by EMIGH 1 as being key personnel of the Business, and who the relevant Buyer agrees in writing at least five Business Days prior to Completion shall be treated as Exclusive Employees for the purposes of this Agreement; or</li> <li>(c) Seller Transferring Employees</li> </ul>
Extension Interest Amount	interest, at a rate of five per cent. above the base rate from time to time of Barclays Bank plc, accruing on a daily basis <u>if Completion occurs</u> , on the aggregate of (i) <del>elements</del> <u>limbs (a) to, (b), (c) and (e)</u> of the definition of Consideration <del>and</del> , (ii) the France <u>EV plus (iii) the Germany EV</u> , from and including the date which is four months after the date hereof until and excluding the Completion Date, <u>minus (iv) US\$ 750,000</u>
Financing	the Debt Financing and the Equity Financing
Financing Sources	the Debt Financing Sources and the Equity Financing Sources
France Completion	has the meaning given in the France SPA
France EV	<del>£72,600,000</del> <u>122,132,823</u>
France Put Option	the binding put option dated the date of this Agreement and irrevocably granted by Warner Music Holdings BV to the benefit of <del>the persons named therein</del> <u>EMI Records France Holdco Limited (formerly known as EMI Music France Holdco Limited)</u> , with respect to EMI France
France SPA	the Agreed Form Document appended to the France Put Option pursuant to which, subject to the satisfaction of conditions stated therein, <del>the relevant member of the Sellers' Group</del> <u>EMI Records France Holdco Limited (formerly known as EMI Music France Holdco Limited)</u> agrees to sell EMI France to <del>a member of the Buyers' Group</del> <u>Warner Music Holdings B.V.</u>

<u>Fundamental Claim</u>	<u>a claim for breach of any Fundamental Warranty, the Seller Warranty at paragraph 8 of Schedule 3, or pursuant to clause 2 or clause 8</u>
Fundamental Warranties	the Seller Warranties set out in paragraphs 1.1, 1.2, 2 and 3 of Schedule 3 and each shall be a “Fundamental Warranty”
<u>Germany EV</u>	<u>£1,691,000</u>
<del>Fundamental Claim</del> <u>Germany SPA</u>	<del>a claim for breach of any Fundamental Warranty, the Seller Warranty at paragraph 8 of Schedule 3, or pursuant to clause 2 or clause 8</del> <u>the Agreed Form Document pursuant to which, subject to the satisfaction of conditions stated therein, EMI Recorded Music GmbH and Universal Music Entertainment GmbH agree to sell PLG Classics Germany GmbH to Warner Music Group Germany Holding GmbH</u>
<u>Group Relief Letter</u>	<u>the agreed form letter between EMIGH 1 and Warner Music Holdings Limited in respect of group relief surrenders for the accounting period current at Completion</u>
HSR Act	has the meaning given in clause 4.1(c)
HSR Filing	has the meaning given in clause 4.17
IA 1986	has the meaning given in Schedule 3
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, International Accounting Standards issued by the International Accounting Standards Committee and the interpretations issued by the Standing Interpretations Committee, each as endorsed by the Commission for application within the EU and in force as at the relevant date
Independent Accountants	either: <ul style="list-style-type: none"> <li>(a) PricewaterhouseCoopers LLP;</li> <li>(b) in the event that the firm of accountants named in paragraph (a) above <del>are</del> is unwilling or unable to act an independent firm of chartered accountants of international repute agreed by the Sellers’ Representative and the Buyers’ Representative not being the auditors of any of the Buyers, any of the Sellers or any member of the Target Group; or</li> <li>(c) in default of agreement as to the identity of that independent firm within ten Business Days of the Sellers’ Representative or the Buyers’ Representative notifying the other of its wish to appoint an independent firm, a specific member of an</li> </ul>

	independent firm of chartered accountants to be nominated on the application of the Sellers' Representative or the Buyers' Representative by the President for the time being of the Institute of Chartered Accountants in England and Wales
Key Artist Contracting Party	the parties (other than members of the Target Group) to the contracts identified in the Contract Reviews
KPMG Financial Due Diligence Report	the document entitled "Project Vida – Vendor Initiated Financial Due Diligence Report" prepared by KPMG, dated 15 December 2012
Longstop Date	[***]
Longstop Date Payment	has the meaning given in clause 6.1
Material Litigation	any litigation, administrative, mediation or arbitration proceedings between any member of the Target Group and a third party in which: <ul style="list-style-type: none"> <li>(a) formal court proceedings have been issued and served on or by such member of the Target Group and are on-going; and</li> <li>(b) where the amount claimed by the third party claimant or by such member of the Target Group is or is expected by the relevant Seller to give rise to a claim of more than £250,000 (or equivalent value in another currency)</li> </ul>
Member State	has the meaning given in clause 4.1(b)(iv)
MP Group Companies	those companies listed in Schedule 8
Nile Claim	any Tax Claim under clauses 2.1(c) or 2.1(e) of the Tax Deed
Non-ordinary Course Tax <del>Claims</del> <u>Claim</u>	any claim pursuant to: <ul style="list-style-type: none"> <li>(a) clause 2.1(a) of the Tax Deed which is outside the ordinary course of business;</li> <li>(b) clause 2.1(b) of the Tax Deed;</li> <li>(c) clause 2.3 of the Tax Deed; or</li> <li>(d) clause 2.4 of the Tax Deed</li> </ul>
<del>Non</del> non-PLG Party	has the meaning given in the Separation Agreement
Opinion	has the meaning given in the France Put Option
Payment	has the meaning given to it in clause 6.10
Pending Litigation	any actions, proceedings or regulatory investigations pursued by a third party against any member of the Target Group in which: <ul style="list-style-type: none"> <li>(a) formal legal proceedings have not been issued and served on such member of the Target Group;</li> </ul>

	(b) a demand letter, letter before action or similar letter has been sent by outside counsel on behalf of the relevant third party to such member of the Target Group; and
	(c) where the claimed amount notified in such letter is expected to give rise to a claim of more than £250,000 (or equivalent value in another currency)
PlayOn SAS	PlayOn SAS, a <i>société par actions simplifiée</i> (company number 488 124 819) whose registered office is at 110 boulevard Jean Jaurès, 92100 Boulogne Billancourt, France
PLG Holdco	PLG Holdco Limited, short particulars of which are set out in Part 1 of Schedule 1
PLG Key Artists	has the meaning given in the Artist VDD Reports
PLG Key Non-Classical Artists	the PLG Key Artists (excluding the UK Key Classical Artists) identified in the Artist VDD Reports
PLG Perimeter Group	the members of the Target Group referred to under the heading 'definition of the sale group (PLG)' on page 19 of the KPMG Financial Due Diligence Report
PLG Share	the 1 ordinary share in PLG Holdco held by EMIGH 1, short particulars of which are set out in Part 1 of Schedule 1
[***]	[***]
[***]	[***]
<u>Queen Option</u>	<u>the option agreement in the Agreed Form relating to certain Queen repertoire</u>
<u>Reliance Letters</u>	<u>the reliance letters in the customary form in favour of the Buyers from the professional advisers relating to the VDD Reports, delivered on Completion</u>
Relief	the same meaning as in the Tax Deed
Reorganisation	the internal reorganisation of the Sellers' Group (including for these purposes the Target Group) as contemplated by the Separation Plan so far as it relates to the Target Group, as amended, changed or varied in accordance with clause 9
<del>Reliance Letters</del>	<del>the reliance letters from certain professional advisers relating to the VDD Reports, delivered on Completion</del>
RP Bonuses	any unpaid tranches of the cash bonuses payable to eligible participants of the RP Scheme

RP Scheme	the retention programme introduced by EMI Records for the benefit of certain key executives and employees of itself and certain of its Affiliates, as detailed in the Terms and Conditions of the Retention Compensation Programme dated 28 September 2012
Second Request	has the meaning given in clause 4.19
Sellers	EMIGH 1, EMIGH and Delta
<del>Sellers' Completion Documents</del>	<del>the Tax Deed, the Separation Agreement and any other documents which are to be executed by (any of) the Sellers pursuant to this Agreement</del>
Sellers' Group	the Sellers and any of their Affiliates excluding the <del>Target Completion Statement</del> Group, unless expressly provided otherwise
Sellers' Guarantee	has the meaning given in clause 19.3
Sellers' Guaranteed Obligations	has the meaning given in clause 19.2
Sellers' Nominated Account	<p><u>either:</u></p> <p><u>(a) Account name: VIVENDI SA</u></p> <p><u>Bank: HSBC PARIS (CCFRFRPP)</u></p> <p><u>IBAN: FR7630056000240024209656452</u></p> <p><u>Correspondent Bank: HSBC London (MIDLGB22); or</u></p> <p><del>the</del><u>(b) such other</u> account or accounts <u>maintained outside the United Kingdom</u> notified by the Sellers' Representative to the Buyers' Representative in accordance with clause 33 from time to time, in any event not less than five Business Days prior to any relevant payment</p>
Sellers' Representative	the Sellers' Guarantor or any person appointed as Sellers' Representative in accordance with clause <del>20.2</del>
Sellers' Solicitors	SJ Berwin LLP of 10 Queen Street Place, London EC4R 1BE
Seller Transferring Employees	those persons who EMIGH 1 and the relevant Buyer agree in writing at least five Business Days prior to Completion shall be treated as Seller Transferring Employees for the purposes of this Agreement
Senior Employee	any person employed by any Target Company between the date of this Agreement and Completion with a base annual salary as at the date of this Agreement of £150,000 or more excluding those persons set out in Schedule 10

Seller Warranties	the warranties given by each of the Sellers in clause 10 and Schedule 3 and each such warranty shall be a “Seller Warranty”
Separation Agreement	the separation agreement between <del>certain Sellers and certain members of the Target Group</del> <u>EMIGH1 and Warner Music Holdings Limited</u> dated the same date as this Agreement
Separation Documents	the Agreed Form Documents which relate to and implement the Reorganisation which (for the avoidance of doubt) shall include the Separation Plan
Separation Plan	has the meaning given to it in the Separation Agreement
Specified Assets	the following assets, identified in the KPMG Financial Due Diligence Report: <ul style="list-style-type: none"> <li>(a) French warehouse (page 170);</li> <li>(b) Citigroup fees (page 160); and</li> <li>(c) Spain TV station claim (page 179)</li> </ul>
Step Change	has the meaning given to it in clause 9.4
Subsidiaries	those companies or other legal entities, short particulars of which appear in Part 3 of Schedule 1 and “Subsidiary” shall mean any one of the Subsidiaries
Target Companies	those companies or other legal entities, short particulars of which appear in Part 1 of Schedule 1 and “Target Company” shall mean any one of the Target Companies
Target Group	the Target Companies and the Subsidiaries
Target Shares	the PLG Share, the EMI Belgium Shares, the EMI Czech Interest, the EMI Denmark Shares, the EMI Norway Shares, the EMI Poland Shares, the EMI Portugal Shares, the EMI Spain Shares and the EMI Sweden Shares
Tax Claim	a claim under the Tax Deed
Tax Deed	the Agreed Form Document <u>(or such Agreed Form Document as is amended as agreed between the Sellers’ Representative and the Buyers’ Representative)</u> being the deed of covenant relating to Taxation between, amongst others, the Sellers, the Buyers, the Sellers’ Guarantor and the Buyers’ Guarantor
Tax Matters	has the meaning given in clause 13.3
Taxation or Tax	the same meaning as in the Tax Deed
Taxing Authority	the same meaning as in the Tax Deed
Third Party EV	has the meaning given in clause 6.6

Third Party Financial Debt	in respect of the Completion Statement Group, the aggregate amount of all outstanding third party financial loans and similar financing liabilities and obligations
Transaction	has the meaning given in clause 4.1(b)(i)
Transaction Documents	(a) this Agreement; (b) the Tax Deed; (c) the Disclosure Letter; (d) the Separation Agreement; (e) the Separation Documents; (f) the France Put Option; and (g) the France SPA
[***]	[***]
[***]	[***]
[***]	[***]
Transfer Regulations	the Transfer of Undertakings (Protection of Employment) Regulations 2006
Transitional Services Agreements	the Agreed Form Documents <u>(or such Agreed Form Documents as are amended as agreed between the Sellers' Representative and the Buyers' Representative)</u> relating to the provision of certain transitional services between certain members of the Target Group and certain members of the Sellers' Group
UK Key Classical Artists	[***]
UMG Selected Employees	those persons who are agreed between the parties as UMG Selected Employees
<del>UMGMH</del> <u>UMHL</u>	Universal Music Holdings Limited (company number 05344517) whose registered office is at 364-366 Kensington High Street, London W14 8NS
US	United States of America

VAT	<del>value added</del> Value Added Tax as provided for in VATA and subordinate legislation made under VATA, each enacted (whether before or after the date of this Agreement) or in any primary or secondary legislation promulgated by the European Community, or any official body or agency of the European Community, including without limitation EC Directive 2006/112/EC as amended, modified or re-enacted (whether before or after the date of this Agreement), and any similar goods and services, sales, consumption or turnover Tax whether within the European Community or elsewhere in the world
VATA	the UK Value Added Tax Act 1994 as amended, modified or re-enacted
VDD Reports	the vendor due diligence reports prepared by certain professional advisers of the Sellers' Group as contained in the Data Room
Warner Licence	the licence agreement entered into between WEA International Inc. and <u>Parlophone Music International Services Limited (formerly known as EMI Music International Services Limited)</u> dated 4 December 2008
Warranty Claim	a Claim which relates to a purported breach of a Seller's Warranty
Workers Council	has the meaning given in the France Put Option
<del>Working Capital Adjustment</del>	<del>an amount equal to the sum of:</del> <del>(a) Working Capital; less</del> <del>(b) Working Capital Target;</del> <del>provided that where this would result in an amount equal to or between £ 2,000,000 and £2,000,000 the Working Capital Adjustment shall be zero</del>
Working Capital	in respect of the Completion Statement Group, the aggregate of inventory, trade and other receivables, advances, prepayments, royalty and copyright receivables, other current assets, trade payables and accruals, deferred income, royalty and copyright payables, operating provisions and other items specified as Working Capital in paragraph 2 of Part 1 to Schedule 6, as at the Effective Time and as set out in the Completion Statement

Working Capital Adjustment

an amount equal to the sum of:

(a) Working Capital; less

(b) Working Capital Target;

provided that where this would result in an amount equal to or between £-2,000,000 and £2,000,000 the Working Capital Adjustment shall be zero

Working Capital Target

£-93.6 million

**2 Sale and purchase of the Target Shares**

2.1 EMIGH 1 shall at Completion sell and the relevant Buyer shall purchase the PLG Share together with all rights attaching to it at Completion and free from all Encumbrances.

2.2 EMIGH shall at Completion sell and the relevant Buyers shall purchase the:

- (a) EMIGH Belgium Shares;
- (b) EMI Czech Interest;
- (c) EMI Denmark Shares;
- (d) EMI Norway Shares;
- (e) EMI Poland Shares;
- (f) EMI Portugal Shares;
- (g) EMI Spain Shares; and
- (h) EMI Sweden Shares,

together with all rights attaching to them at Completion and free from all Encumbrances.

2.3 Delta shall at Completion sell and the relevant Buyer shall purchase the Delta Belgium Share held by Delta together with all rights attaching to it at Completion and free from all Encumbrances.

2.4 Each Seller shall procure that, on or prior to Completion, any and all rights of pre-emption over any of the Target Shares set out against such Seller's name in Part 2 of Schedule 1 conferred either by the articles of association or other constitutional documents of the relevant Target Company or Target Companies (as applicable) or in any other way are irrevocably waived by the persons entitled thereto.

**3 Consideration**

3.1 In consideration of the sale of the Target Shares in accordance with the terms of this Agreement, the relevant Buyers shall pay the relevant Sellers ~~the percentage of~~ in aggregate the Consideration which shall be apportioned between the relevant Buyers and the relevant Sellers by reference to (i) that part of the Completion Payment set out against their names in column 10 of Part 2 of Schedule 1; and (ii) any adjustments to that amount, in relation to the Debt, Cash, Aggregated Intercompany Balance and Working Capital Adjustment of and relating to the relevant Target Company, pursuant to Schedule 6 and Clause 8 of this Agreement.

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- 3.2 Any payment made by or on behalf of any of the Sellers to or on behalf of any of the Buyers under or in respect of any breach of this Agreement (including in respect of any Claim or pursuant to the indemnities set out in clauses 9.6 and ~~12.4~~12.2 of this Agreement) or pursuant to the Tax Deed shall be and shall be deemed to be a reduction in the price paid for the Target Shares by the relevant Buyer to the relevant Seller under this Agreement to the extent legally possible.
- 3.3 To the extent that any of the Specified Assets are converted into Cash at any time on or after Completion, the aggregate proceeds shall be paid by the relevant member of the Buyers' Group, within five Business Days of each receipt of such proceeds, to the relevant Seller without deduction or set off, save with regard to the French warehouse which proceeds shall be paid after all costs of sale and any Tax thereon.

#### **4 Conditions**

- 4.1 Completion is conditional upon the following Conditions being satisfied (or, where applicable, waived) in accordance with the terms of this Agreement:
- (a) the Commission issuing a decision to the Sellers' Representative approving the Buyers and the terms of this Agreement and the other Transaction Documents pursuant to the Commission Decision;
  - (b) the occurrence of any one of the following events:
    - (i) the Commission issuing a final decision under Article 6.1(a) of Council Regulation (EC) 139/2004 (the "EU Merger Regulation"), declaring that the proposed acquisition of the Target Shares and the shares in EMI France pursuant to this Agreement and the France SPA respectively (the "Transaction") falls outside the scope of the EU Merger Regulation;
    - (ii) the Commission issuing a final decision under Article 6.1(b), Article 8(1) or Article 8(2) of the EU Merger Regulation declaring the Transaction compatible with the internal market without attaching to its decision any condition or obligation;
    - (iii) the Commission issuing a final decision pursuant to either Article 6.1(b) or Article 8(2) of the EU Merger Regulation, such decision in either case declaring the Transaction compatible with the internal market subject to the fulfilment of one or more conditions or obligations and provided that, in the event that any such condition or obligation constitutes a bar to Completion, it has been satisfied;
    - (iv) the relevant time periods for a decision under Article 6(1) or Article 8 of the EU Merger Regulation (as the case may be) in respect of the Transaction expiring without the Commission adopting such a decision and if any request has been made by a Member State of the European Union ("Member State") under Article 9(2) of the EU Merger Regulation, the Commission confirming that it will not refer the Transaction (or any part thereof) or any matter relating thereto, to a competent Authority of such Member State under Article 9(1) of the EU Merger Regulation;

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- (v) after any referral or deemed referral by the Commission under Articles 9(1) or 9(5) of the EU Merger Regulation respectively of all or part of the Transaction to the competent Authority of one or more Member States:
    - (A) if all of the Transaction is so referred, the issuing by the said competent Authority or Authorities of a final decision or decisions which satisfy (or together satisfy) clauses 4.1(b)(i) to (iii) above (those clauses being interpreted *mutatis mutandis*); or
    - (B) if part of the Transaction is so referred, the issuing by the said competent Authority or Authorities of a final decision or decisions which in conjunction with a decision of the Commission, together satisfy clauses 4.1(b)(i) to (iii) above (those clauses being interpreted *mutatis mutandis*);
  - (c) the expiry or termination of any applicable waiting period (and any extension thereof) under the Hart Scott Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the “HSR Act”) relating to the Transaction and this Condition shall be deemed not to have been satisfied if, prior to 5.00 p.m. on the Longstop Date, any US Authority has enacted, issued, enforced or entered into any Applicable Law or governmental order that prohibits or makes illegal completion of the Transaction;
  - (d) the occurrence of any one of the following events:
    - (i) the expiry of the statutory four-week waiting period pursuant to Section 11(1) of the Austrian Cartel Act without either of the statutory parties having requested an examination of the Transaction; any waiver by way of the statutory parties of a request to examine the Transaction pursuant to Section 11(4) of the Austrian Cartel Act, or the withdrawal by the statutory parties of their respective requests for an examination of the Transaction;
    - (ii) a legally binding (“rechtskräftig”) clearance decision by the Austrian Cartel Court pursuant to Section 12 of the Austrian Cartel Act; a legally binding decision by the Austrian Cartel Court that no notifiable event arises in respect of the Transaction; or a legally binding decision of the Austrian Cartel Court to terminate the proceedings pursuant to Section 14(1) of the Austrian Cartel Act; or
    - (iii) a decision by the Austrian Supreme Cartel Court clearing the Transaction, the Austrian Supreme Cartel Court ruling that the Transaction does not constitute a notifiable concentration or the Austrian Cartel Court ruling that the five-month waiting period pursuant to Section 14(1) of the Austrian Cartel Act has expired;
  - (e) the occurrence of any of the following events:
    - (i) the issuance of a clearance decision by the Conselho Administrativo de Defesa Econômica (“CADE”) approving the Transaction unconditionally or conditional upon the fulfilment of certain specific conditions or obligations and, in case the Transaction is solely reviewed and approved by CADE Superintendent General, the elapsing or termination of the relevant period of 15 days after the publication of CADE’s clearance decision in the Brazilian Federal Official Gazette without any opposition to the approval of the Transaction made by a third party or by any of CADE’s Commissioners; or

- (ii) the elapsing or termination of the applicable statutory period under the Brazilian Competition Act (Law #12.529/2012) counted as from the filing of the Transaction to CADE or from its amendment if so determined by CADE;
- (f) ~~the Conclusion of Date of Completion of the Consultation Process (as defined in the France Consultation Put Option) having occurred.~~
- 4.2 The Condition set out at clause 4.1(f) is for the benefit of the Sellers and as such may be waived immediately prior to the Longstop Date by the Sellers' Representative on behalf of the relevant Sellers by notice in writing served on the Buyers' Representative in accordance with clause 33.
- 4.3 If by 5.00 p.m. on the Longstop Date:
- (a) the Condition at clause 4.1(f) has not been satisfied or waived by the Sellers' Representative pursuant to clause 4.2; and
- (b) each of the Conditions at clauses 4.1(a), (b), (c), (d) and (e) has been satisfied; ~~and~~
- (c) ~~the Date of Completion of the Consultation Process (as defined in the France Put Option) has not occurred;~~
- the Buyers' Representative shall be entitled in its absolute discretion to waive the Condition at clause 4.1(f) by notice in writing served on the Sellers' Representative in accordance with clause 33.
- 4.4 The Sellers and the Buyers agree that if any waiver is made in accordance with clause 4.2 or 4.3, they shall use their respective reasonable endeavours to agree such amendments as are necessary to be made to this Agreement, the France SPA and the Tax Deed, and to agree all such other documents and do all such other things, to put the parties in the same position as if completion of the sale of EMI France had occurred on the Completion Date.
- 4.5 If by 5.00 p.m. on the Longstop Date any of the Conditions have not been satisfied, or have not been deemed to have been satisfied under clause 4.1(c) or waived, or at any time prior to 5.00 p.m. on the Longstop Date the Sellers' Representative acting reasonably determines that any of the Conditions is no longer capable of being satisfied by 5.00 p.m. on the Longstop Date, then the Sellers' Representative may by notice to the Buyers' Representative:
- (a) extend the Longstop Date, subject to the approval of the Commission; or
- (b) terminate this Agreement, provided that such termination will not affect the Buyers' obligation to make the Longstop Date Payment pursuant to clause 6.
- 4.6 If the Buyers' Representative reasonably ~~request for~~ requests that the Longstop Date ~~to~~ be extended in circumstances other than those set out in clause 4.5, the Sellers' Representative may extend the Longstop Date (but is not obliged to do so), subject always to the prior approval of the Commission.
- 4.7 If the Sellers' Representative extends the Longstop Date in accordance with clause 4.5, the provisions of this Agreement (including clause 4.5 or clause 4.6 and clause 6 (but excluding the definition of Extension Interest Amount)) shall apply as if references herein to the Longstop Date are deemed to be references to the new Longstop Date.

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- 4.8 If the Sellers' Representative exercises its right of termination pursuant to ~~clauses clause 4.5, 4.19 or 4.20~~ of this Agreement (other than clauses 1, 6, 10.4, 17, 21, 22, 23, 24, 25, 29, 30, 31, 32, 33, 34, 35, 36, 37 and 38 which shall continue in full force and effect) shall terminate and no party shall have any claim of any nature whatsoever against the other parties under this Agreement, but termination shall not affect any party's accrued rights and obligations as at the date of termination (including, for the avoidance of doubt, any accrued rights and obligations pursuant to clause 6 ).
- 4.9 The Buyers shall procure that each member of the Buyers' Group shall use its best endeavours to procure that the Conditions in clauses 4.1(a) to 4.1(e) (inclusive) are satisfied as soon as reasonably practicable following the date of this Agreement and, in any event, prior to the Longstop Date. In particular, the Buyers shall procure that each member of the Buyers' Group shall:
- (a) ensure that any filings, submissions or notifications necessary or desirable to be made by it in connection with the satisfaction of the Conditions are made as soon as reasonably practicable; and
  - (b) provide such other information to any Authority as such Authority may request and which it is able to provide as well as making itself available to attend meetings in connection with the satisfaction of the Conditions as soon as reasonably practicable.
- 4.10 The Sellers and the Buyers shall procure that each member of the Sellers' Group and the Buyers' Group, as the case may be, shall use all reasonable endeavours to procure satisfaction of the Conditions at clauses 4.1(b) to 4.1(f), as well as in response to any other merger control investigation which may be initiated in relation to the Transaction. Further to the Buyers' obligations in clause 4.9 in relation to satisfaction of the Condition in clause 4.1(a), the Sellers shall procure that each member of the Sellers' Group shall use all reasonable endeavours to procure that the Condition in clause 4.1(a) is satisfied as soon as reasonably practicable following the date of this Agreement and, in any event, prior to the Longstop Date.
- 4.11 The Buyers shall immediately after the date of this Agreement, engage in pre-notification discussions with the Commission with a view to making a "Form CO" notification in accordance with the EU Merger Regulation and otherwise in accordance with all Applicable Laws, within two months of the date of this Agreement (or such later date as the Sellers' Representative, in its sole discretion, may determine).
- 4.12 Without limitation to the Buyers' obligations under clauses, 4.9, 4.10 and 4.11, if an Authority (including but not limited to the Commission), whose approval, clearance, consent, authorisation or permission (collectively, "Approval") is necessary to satisfy a Condition indicates in the course of formal discussions or communications that such Approval would only be given subject to compliance with certain conditions or commitments (including consent decrees and hold separate orders) by the Buyers or any member of the Buyers' Group, the Buyers shall accept and agree to the imposition of such conditions and/or offer and give such commitments to the Authority, including conditions or commitments requiring the sale, divestiture, licence or disposition of any of its assets or shares or the assets or shares of any member of the Target Group.
- 4.13 The Sellers shall, acting in good faith, provide such reasonable assistance as is requested by the Buyers and is reasonably practicable in connection with (i) the preparation of any filing, submission or notification as is reasonably necessary to satisfy the Conditions; or (ii) any formal inquiries by any Authority other than the Authorities relevant to the satisfaction of the Conditions.

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- 4.14 Each of the Sellers' Representative and the Buyers' Representative shall:
- (a) keep the other party fully informed regarding progress towards satisfaction of the Conditions;
  - (b) as soon as reasonably practicable provide the other party with copies of any written communications and full details of any material oral communications from any Authority whose Approval is necessary to satisfy the Conditions and to permit Completion to take place prior to 5.00 p.m. on the Longstop Date;
  - (c) promptly provide the other party where reasonably practicable with draft copies of all material communications to any Authority referred to in clause 4.14(b) at such time as will allow the other party a reasonable opportunity to provide comments on such communications before they are sent; and
    - (i) give due consideration to any such comments; and
    - (ii) promptly provide the other party with copies of all such communications in the form sent; provided that materials may be provided to external counsel only and/or redacted:
      - (A) to remove references concerning the valuation of the Target Companies;
      - (B) as necessary to comply with the relevant party's contractual arrangements; and
      - (C) as necessary to address reasonable legal professional privilege or other privilege or confidentiality concerns; and
  - (d) not arrange any substantive meeting or, to the extent reasonably practicable, telephone call or discussion with any Authority referred to in clause 4.14(b) in respect of any submissions, filings, investigation (including any settlement of the investigation), litigation or any other inquiry, in each case, in relation to the Conditions unless it consults with the other in advance and, to the extent permitted by such Authority, gives the other the opportunity to attend and participate at such meeting, telephone call or discussion.
- 4.15 The Buyers further undertake not to, and shall procure that each member of the Buyers' Group shall not:
- (a) enter into any transaction, or any agreement to effect any transaction (including any merger or acquisition), that might reasonably be expected to make it more difficult, or to increase the time required, to satisfy the Conditions; or
  - (b) impose or commence any litigation seeking the imposition of, or to effect the dissolution of, any injunction, temporary restraining order or other order in any proceeding, which would materially delay or prevent Completion prior to the Longstop Date.
- 4.16 Each of the Buyers and the Sellers shall promptly make any filings, submissions and other notifications and obtain any approvals required under any Applicable Law for the transfer of any Target Shares by or to them (as applicable).
- 4.17 Each of the Buyers' Representative and the Sellers' Representative undertakes to make promptly (but in no event later than ten Business Days after the date of this Agreement) its filing (an "HSR

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Filing”) pursuant to the HSR Act with respect to the Transaction and promptly submit to the appropriate Authority any information and documentary material that may be reasonably requested during the initial 30-day waiting period pursuant to the HSR Act.

- 4.18 If the Sellers’ Representative and the Buyers’ Representative have not received notice of early termination of the initial 30-day waiting period pursuant to the HSR Act by the second to last Business Day prior to the 30th day of such waiting period, each of the Sellers’ Representative and Warner Music Holdings Limited hereby agrees to withdraw its respective HSR Filing on the last Business Day prior to the 30th day of the initial waiting period and to re-file its HSR Filing (with any additional documents required to be included therewith) on the next succeeding Business Day. During the new 30-day waiting period initiated by such re-filing, each of the Sellers’ Representative and the Buyers’ Representative shall promptly submit to the appropriate Authority any information and documentary material that may be reasonably requested by such Authority.
- 4.19 If the Sellers’ Representative or the Buyers’ Representative receives a formal request for additional information and documentary materials concerning its HSR Filing (a “Second Request”), such party shall immediately notify the other party, and the Sellers’ Representative shall by written notice to the Buyers’ Representative delivered within two Business Days after the earlier of (i) the Sellers’ Representative’s receipt of a Second Request or (ii) the Sellers’ Representative’s delivery of notice of a Second Request to the Buyers’ Representative, trigger the accelerated substantial compliance process described in clause 4.20 below.
- 4.20 If the Sellers’ Representative triggers an accelerated substantial compliance process under clause 4.19, each of the Sellers’ Representative and the Buyers’ Representative shall comply with the Second Request as provided by Section 7A(e) of the HSR Act on or before the date that is 35 days after the date of service of the Second Request on such party. If a party receives a subpoena or a civil investigative demand (“CID”) requesting materials and information related to the Transaction, such party shall comply with such subpoena or CID on or before the date that is 35 days after the date of service of the subpoena or CID. If the relevant Authority disputes the adequacy of compliance by a party with respect to a Second Request, subpoena or CID, such party shall use its best endeavours to promptly satisfy the Authority so as to minimise any delay in the conduct or resolution of such dispute.

## **5 Position pending Completion**

- 5.1 The Sellers shall comply with the provisions of Schedule 7.
- 5.2 Nothing in this clause 5 or Schedule 7 shall prohibit, prevent or delay any of the Sellers, any member of the Sellers’ Group or any member of the Target Group from taking any action, entering into any agreement or arrangement or giving any undertaking or consent that may be required pursuant to or in connection with this Agreement and the other Transaction Documents.

## **6 Longstop Date Payment**

- 6.1 If by 5.00 p.m. on the Longstop Date, Condition 4.1(a) has been satisfied but any of the other Conditions (excluding the Condition set out in clause 4.1(f)) have not been satisfied the Buyers shall pay on or before the fifth Business Day following the Longstop Date to the Sellers’ Nominated Account (on behalf of the Sellers), an amount equal to [\*\*\*] (the “Longstop Date Payment”) provided that such payment shall not, in the Sellers’ Representative’s reasonable opinion, be in breach of any Applicable Law of the US. The Longstop Date Payment and any payment under clause 6.7 shall be exclusive of any VAT which shall be payable by the relevant Buyer in addition

thereto and the relevant Buyer shall indemnify the relevant Seller on an after-Tax basis (as defined in clause 6.10) for an amount equal to the VAT (if any) which the relevant Seller has to account for under the reverse charge procedure if the payment of the Longstop Date Payment or any additional payment by the Buyers under clause ~~6.10~~6.7 falls within the reverse charge provisions for VAT purposes.

- 6.2 If paid pursuant to clause 6.1 above, the Longstop Date Payment shall not:
- (a) give the Buyers or any member of the Buyers' Group any interest in or rights in respect of the Target Shares or any assets of any of the Target Companies;
  - (b) give the Buyers or any member of the Buyers' Group control of or cause the Buyers to have any influence over any of the Target Companies;
  - (c) cause any of the Sellers to hold the Target Shares or any assets of any of the Target Companies on trust for the Buyers or any member of the Buyers' Group; or
  - (d) give rise to any fiduciary duties or other similar obligations of any of the Sellers.
- 6.3 If the Longstop Date Payment is paid pursuant to clause 6.1 above, the Sellers shall use their respective reasonable endeavours to procure the sale of the Target Shares and EMI France (or the assets of the Target Group and EMI France or a combination of the Target Shares, EMI France and assets of the Target Group) to a third party as soon as reasonably practicable.
- 6.4 In respect of any sale to be made pursuant to clause 6.3, the Sellers shall have no obligation towards the Buyers or the Buyers' Guarantor or other liability (whether in negligence or otherwise) in relation to the price obtained for such sale or in relation to any other term or condition of such sale or in respect of the manner, timing or process of any step taken by any of them to achieve such sale and shall not in any circumstances act as a trustee or fiduciary for the Buyers or the Buyers' Guarantor in relation to the Target Shares (or the assets of the Target Group), save that the Sellers shall, to the extent permitted by Applicable Law, select the buyer whom the Sellers reasonably believe and acting in good faith is offering the best overall terms (including as to price, risk allocation and conditionality) for the assets which are the subject of that sale.
- 6.5 Subject to clause 6.8, the Sellers shall not be under any obligation to refund, set off or give credit to the Buyers in respect of the Longstop Date Payment.
- 6.6 Upon completion of any sale made pursuant to clause 6.3, the Sellers' Representative shall notify the Buyers' Representative of the sale, giving details (to include such supporting documentation as a reasonable person would require to understand how the Third Party EV has been calculated) of the enterprise value paid by such third party (the "Third Party EV").
- 6.7 Where the sum of the Enterprise Value plus the France EV and the Germany EV exceeds the sum of the Third Party EV plus the Longstop Date Payment, the relevant Buyers shall pay to the relevant Sellers such aggregate amount as is equal to the difference, plus:
- (a) all unpaid amounts then due from the relevant Buyers under clause 6.9 ;
  - (b) any costs and expenses reasonably incurred in respect of such sale by the Sellers or any member of the Sellers' Group having provided reasonable supporting evidence of the same; and
  - (c) an amount calculated as if it were interest on the amount of the difference between (i) the sum of the Enterprise Value plus the France EV and the Germany EV minus (ii) the sum

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of the Third Party EV plus the Longstop Date Payment, accruing in accordance with clause 26.2 from the date when the Longstop Date Payment is made until the date due for payment in accordance with this clause 6.

- 6.8 Where the sum of Third Party EV plus the Longstop Date Payment exceeds the sum of Enterprise Value plus France EV and the Germany EV, the relevant Sellers shall pay (as a whole or partial refund of the Longstop Date Payment) to the relevant Buyers such amount as is equal to the difference, minus:
- (a) all unpaid amounts then due from the relevant Buyers under clause 6.9;
  - (b) any costs or expenses, liabilities reasonably incurred in respect of such sale by the Sellers or any member of the Sellers' Group;
  - (c) an amount equal to the Sellers' Representative's good faith estimate of any Tax<sub>7</sub> liability of any of the Sellers arising in connection with the disposal of the Shares; and
  - (d) an amount calculated as if it were interest on the amount of the difference between (i) the sum of the Third Party EV plus the Longstop Date Payment minus (ii) the sum of Enterprise Value plus France EV and Germany EV.

- 6.9 The relevant Buyers shall indemnify and shall keep indemnified the relevant Sellers on demand on an after-Tax basis for any Tax liability of any of the Sellers arising as a result of, or by reference to, or in connection in any way with:

- (a) the Longstop Date Payment and any further payments made pursuant to this clause 6; and
- (b) the retention by all or any of the Sellers of the whole or part of the Longstop Date Payment.

For the avoidance of doubt this clause 6.9 shall apply on a standalone basis.

- 6.10 For the purposes of clauses 6.1, 6.9, 12.4, 12.6 and 16.2 references to the indemnity being given on an "after-Tax basis" mean that the amount payable pursuant to such indemnity (the "Payment") will be calculated in such a manner as will ensure that:

- (a) if any Tax is required by law to be deducted or withheld from the Payment, the relevant Buyer shall pay to the relevant Seller such sum as will, after the deduction or withholding has been made, leave that Seller with the same amount as it would have been entitled to receive in the absence of any requirement to make a deduction or withholding; and
- (b) if any additional Tax Liability is incurred by any Seller as a result of, or in connection in any way with, the Payment, the Payment shall be increased by such amount as will ensure that, after payment of the Tax liability, that Seller is left with a net sum equal to the sum it would have received had no such Tax liability arisen.

For the avoidance of doubt this clause 6.10 shall apply on a standalone basis, notwithstanding the provisions of clause 6.7 and in particular where the amounts payable to the Buyers under clause 6.7 are not sufficient to otherwise cover in full the liability owed to the Sellers under this clause 6.10.

- 6.11 All payments required pursuant to this clause 6 shall be made in pounds sterling by way of electronic transfer to the Sellers' Nominated Account or (as the case may be) to the Buyers'

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Nominated Account. Payment to be made pursuant to clause 6.7 shall be made on the date falling five Business Days after payment, settlement and/or assumption of the Third Party EV by the relevant ~~Sellers~~ third party buyer.

- 6.12 Following signing of this Agreement, the Sellers and the Buyers shall promptly consider in good faith alternative structures for the payment by the Buyers of the amounts specified in clauses 6.1 and 6.7 taking into account applicable accounting, regulatory, Tax and legal issues in order to determine whether it would be mutually desirable for the amounts specified in those clauses to be paid in some alternative way, including by way of subscription for share capital in any of the Sellers or Sellers' Affiliates.

## 7 Completion

- 7.1 The Sellers' Representative shall, ~~on or before the date falling five Business Days~~ prior to the Completion Date, notify the Buyers' Representative of the Estimated Debt, Estimated Cash, Estimated Working Capital Adjustment, and Estimated Aggregated Intercompany Balance ~~and Estimated Extension Interest Amount~~.

- 7.2 Subject to the Conditions being satisfied or (in the case of Completion in accordance with clause 7.2(a)) waived in accordance with clause 4, Completion shall take place at the offices of the Sellers' Solicitors (or any other location agreed upon by the Sellers' Representative and the Buyers' Representative) on:

(a) ~~the accounting month end date following save where clause 7.2 (b) applies~~, the earlier of (i) the Longstop Date and (ii) the accounting month end date following ~~seven Business Days after the satisfaction or waiver of the Conditions (the "Completion Date")~~; or

(b) where the Conditions are satisfied at any time prior to or on 27 June 2013, on 1 July 2013.

- 7.3 At Completion:

- (a) the relevant Sellers and the relevant Buyers shall deliver or cause to be delivered the items listed in Parts 1 and 2 of Schedule 2 (the Buyers or Buyers' Representative (as applicable) receiving them, where appropriate, as agent for the Target Group); and
- (b) the Buyers shall pay an amount equal to the proportion of the Completion Payment set against their names in column 10 of Part 2 of Schedule 1 to ~~the Sellers' Solicitors, for the account of~~ the Sellers, by electronic transfer to the Sellers' Nominated Account, full payment of which shall constitute valid discharge of the Buyers' obligations under this clause 7.3(b) notwithstanding how such payment may be applied.

- 7.4 Where the Estimated Aggregated Intercompany Balance is negative, the relevant Buyers shall ensure that the relevant members of the Completion Statement Group shall pay, immediately after Completion, their respective proportions of the Estimated Aggregated Intercompany Balance to the relevant members of the Sellers' Group. Such payment shall be made to the Sellers' Nominated Account for the account of the relevant members of the Sellers' Group. The Sellers, as agent for each relevant member of the Sellers' Group, acknowledge and agree that from that time the debts comprising the Estimated Aggregated Intercompany Balance shall thereby be repaid and the debts between the relevant members of the Completion Statement Group and relevant members of the Sellers' Group fully discharged, except as adjusted pursuant to clause 8.3.

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- 7.5 Where the Estimated Aggregated Intercompany Balance is positive, the relevant Sellers shall pay the relevant members of the Buyers' Group, immediately after Completion, an amount equal to such member of the Buyers' Group's proportion of the Estimated Aggregated Intercompany Balance. The relevant Buyers shall then pay those amounts to the relevant members of the Completion Statement Group. Such payment shall be made to the Buyers' Nominated Account for the account of the relevant members of the Buyers' Group. The Buyers, as agent for each relevant member of the Completion Statement Group, acknowledge and agree that from that time the debts comprising the Aggregated Intercompany Balance shall thereby be repaid and the debts between the relevant members of the Completion Statement Group and relevant members of the Sellers' Group fully discharged, except as adjusted pursuant to clause 8.3.
- 7.6 If any party (referred to in this clause 7.6 as the "defaulting party") does not or is unable to comply with any of its obligations in any material respect pursuant to Schedule 2 at the time when Completion is due to take place under clause 7.2, the Buyers' Representative (where a Seller is the defaulting party) or the Sellers' Representative (where a Buyer is the defaulting party) may by notice to the defaulting party:
- (a) subject to obtaining the consent of the Commission (where required) postpone Completion for a period notified to the defaulting party, but not exceeding twenty Business Days;
  - (b) elect to proceed to Completion, in which case the defaulting party shall be obliged to fulfil those obligations under Schedule 2 which it is then able to fulfil and to fulfil the remaining obligations on or before any later date specified for the purpose in the notice; or
  - (c) if, having already given notice under clause 7.6(a), and the period of postponement so notified (not exceeding twenty Business Days) having elapsed without each unfulfilled obligation in question having been fulfilled, elect not to complete the sale and purchase of the Target Shares,
- subject always to Completion taking place on an accounting month end date (save where clause 7.2(b) applies).
- 7.7 If Completion is postponed on any occasion under clause 7.6(a), clause 7.6 shall apply with respect to each occasion to which it is so postponed.
- 7.8 If a party elects not to complete the sale and purchase of the Target Shares in accordance with clause 7.6(c), this Agreement (other than clauses 1, 6, 7, 10.4, 18, 22, 23, 24, 25, 26, 29, 30, 31, 32, 33, 34, 35, 36, 37 and 38, which shall continue in full force and effect) shall terminate and no party shall have any claim of any nature whatsoever against the other parties under this Agreement, but termination shall not affect any party's accrued rights and obligations as at the date of termination (including, for the avoidance of doubt, any accrued rights and obligations by reason of a failure by any party to comply with any of its obligations pursuant to Schedule 2 or made under clause 6).
- 7.9 Without prejudice to any other rights, powers, privileges or remedies that the Sellers may have, each of the Buyers acknowledges and agrees that damages alone would not be an adequate remedy for any breach by the Buyers of the payment obligations in clause 6 and clause 7 of this agreement and that, accordingly, the Sellers shall be entitled, without proof of special damages, to seek the remedies of injunction, specific performance or other equitable relief for any threatened or actual breach of clauses 6 and 7 of this Agreement.

~~7.10 If in relation to any Target Company, the aggregate of the Estimated Aggregated Intercompany Balance of that Company and any Debt in respect of that Company is greater than the amount of the Completion Payment apportioned to that Company then, upon the request of the Sellers' Representative, any relevant Buyer shall procure that any member of the Target Group shall:~~

7.10 If, at any time, the Sellers' Representative determines (acting reasonably) that the Aggregated Intercompany Balance owed by PLG Holdco will result, or may result, in the amount of Consideration apportioned to the PLG Share being less than £1,000,000, then the Buyers' Representative and the Sellers' Representative shall procure, as soon as possible thereafter (and, in any event prior to 15 September 2013), the reduction of the amount of the anticipated Aggregated Intercompany Balance owed by PLG Holdco in a way which the Sellers' Representative determines (acting reasonably and having first discussed any proposals with the Buyers' Representative) is, or is considered should be, tax neutral for both creditor and debtor ("tax neutral" for these purposes meaning that the creditor will not receive a tax deduction and the debtor will not receive a taxable credit or otherwise suffer a tax charge) or, if the Sellers' Representative (acting reasonably) determines that a tax neutral result is not, or is not expected to be, possible, in a way that the Sellers' Representative (acting reasonably and having first discussed any proposals with the Buyers' Representative) determines to be as close to being tax neutral as possible in the circumstances (the parties accepting that the position may be that it is either tax neutral or not tax neutral). Such methods of reduction may include (without limitation):

- ~~(a) enter the relevant parties entering into a deed of release to release an amount of such Estimated Aggregated Intercompany Balance at any time on or before Completion (including during the period after the date of this Agreement and before Completion); and/or~~
- (b) capitalise any the capitalisation of an amount of such Estimated Aggregated Intercompany Balance; followed by the transfer by the relevant creditor to Warner Music Holdings Limited, for nil consideration, of all and any shares in PLG Holdco issued as a result of the capitalisation.

~~in each case, of such an amount determined by the parties acting reasonably to ensure that the amount of the Consideration apportioned to the relevant Target Company shall be of an amount approximately equal to £500,000.~~

In such a case, the amount of the anticipated Aggregated Intercompany Balance to be reduced shall be determined by the parties acting reasonably by seeking to ensure that (i) the amount of the Consideration apportioned to the PLG Share (the "PLG Share Consideration") shall be £1,000,000 or as close a whole number to £1,000,000 as possible, and (ii) the amount of the Aggregated Intercompany Balance shall be the "EV" amount for PLG Holdco set out in Part 2 of Schedule 1 (the "PLG EV") less £1,000,000.

By way of example, if the PLG EV is £272m but the Aggregated Intercompany Balance is negative £300m such that the calculation of the PLG Share Consideration (ignoring, for the purposes of this example, the relevant amounts of Debt, Cash, the Working Capital Adjustment and any Extension Interest Amount) will give a result of negative £28m, then the parties intend the provisions of this clause to work such that the parties shall seek to reduce the Aggregated Intercompany Balance by £29m (in a tax neutral manner where possible) so that the PLG Share Consideration becomes £1m and the Aggregated Intercompany Balance becomes £271m.

~~7.11~~ 7.11 In circumstances where any amount of the anticipated Aggregated Intercompany Balance is ~~released or capitalised in accordance with clause 7.10 above;~~ reduced pursuant to clause 7.10, the parties agree that for the purposes of this Agreement, and in particular the provisions of clause 8 and Schedule 6, any such reduction shall be treated as taking place immediately prior to Completion such that:

~~(a)~~ (a) the amount of the ~~Estimated~~ Aggregated Intercompany Balance shall be reduced accordingly; and

~~(b)~~ (b) the amount of the Consideration shall be increased accordingly.

## **8 Completion Statement**

8.1 The Completion Statement shall be prepared in accordance with Schedule 6.

8.2 Within ten Business Days after the Determination Date, adjustment payments, comprising the net amount of the following adjustments, shall be made either from the:

- (a) relevant Sellers to the relevant Buyers where Cash is less than (being less positive or more negative) Estimated Cash; or
- (b) relevant Buyers to the relevant Sellers where Cash is greater than (being more positive or less negative) Estimated Cash; and
- (c) relevant Sellers to the relevant Buyers where the amount of Debt is greater than (being more positive or less negative) Estimated Debt; or
- (d) relevant Buyers to the relevant Sellers where the amount of Debt is less than (being less positive or more negative) Estimated Debt; and
- (e) relevant Sellers to the relevant Buyers if the amount of Working Capital Adjustment is less than (being less positive or more negative) Estimated Working Capital Adjustment; or
- (f) relevant Buyers to the relevant Sellers if the amount of the Working Capital Adjustment is greater than (being more positive or less negative) the Estimated Working Capital Adjustment; and
- (g) relevant Sellers to the relevant Buyers where the amount of the Aggregated Intercompany Balance is less ~~than~~ (being less positive or more negative) than the Estimated Aggregated Intercompany Balance; or
- (h) relevant Buyers to the relevant Sellers where the amount of the Aggregated Intercompany Balance is greater than (being more positive or less negative) the Estimated Aggregated Intercompany Balance.

8.3 Within ten Business Days after the Determination Date, adjustment payments, comprising the net amount of the following adjustments, shall be made either from the:

- (a) relevant member(s) of the Sellers' Group to the relevant Buyers on behalf of relevant member(s) of the Completion Statement Group in the event that the Aggregated Intercompany Balance is greater than (being more positive or less negative) the Estimated Aggregated Intercompany Balance. The relevant Buyers shall then pay those amounts to the relevant members of the Completion Statement Group. Such payment shall be made to the Buyers' Nominated Account for the account of the relevant

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members of the Completion Statement Group. The Buyers, as agent for each relevant member of the Completion Statement Group, acknowledge and agree that from that time the debts comprising Aggregated Intercompany Balance shall thereby be repaid and the debts between the relevant members of the Completion Statement Group and the relevant members of the Sellers' Group fully discharged; or

- (b) relevant Buyers on behalf of the relevant members of the Completion Statement Group to the relevant members of the Sellers' Group in the event that the Aggregated Intercompany Balance ~~owed to the relevant members of the Sellers' Group~~ is less than (being less positive or more negative) the Estimated Aggregated Intercompany Balance, each relevant Buyer being obliged to fund and having first funded the relevant members of the Completion Statement Group which they have acquired for an amount equal to such excess due from them, and the relevant Buyers being obliged to obtain and having first obtained authorisation from the relevant members of the Completion Statement Group which they have acquired to make a payment of such excess (for the avoidance of doubt, using one and the same amount as was first paid by the relevant Buyers to the relevant members of the Completion Statement Group) on behalf of the members of the Completion Statement Group to the relevant members of the Sellers' Group. The Sellers, as agent for each relevant member of the Sellers' Group, acknowledge and agree that from that time the debts comprising the Aggregated Intercompany Balance shall thereby be repaid and the debts between the relevant members of the Completion Statement Group and relevant members of the Sellers' Group fully discharged.

- 8.4 The payments in clauses 8.2, 8.3 and 8.7 are to be made to the Buyers' Nominated Account (in the case of any payment pursuant to clauses 8.2(a), (c), (e), (g) or 8.3(a) above, which shall constitute a full and valid discharge of the Sellers' obligations to make any such relevant payment notwithstanding how such payment may be applied) or to the Sellers' Nominated Account (in the case of any payment pursuant to clauses 8.2(b), (d), ~~(b), (f)~~, (h) or 8.3(b), which shall constitute a valid discharge of the Buyers' obligations to make any such relevant payment notwithstanding how such payment may be applied), as the case may be.
- 8.5 The relevant members of the Completion Statement Group referred to in clauses 7.4 and 8.3 may rely on and enforce those provisions against the relevant Sellers and the members of the Sellers' Group under clause 38.
- 8.6 The relevant Sellers shall indemnify the relevant Buyers against the amount of any Third Party Financial Debt as at the Completion Date which was not identified or considered by the parties during the preparation of its Completion Statement pursuant to Schedule 6, less any Cash which was similarly not identified.
- 8.7 Within ten Business Days after the Determination Date, the relevant ~~Sellers~~Buyers shall pay to the relevant ~~Buyers~~Sellers the Extension Interest Amount (if any).

## **9 The Reorganisation**

- 9.1 Subject to clause 9.3, the Sellers shall, and shall procure that each member of the Target Group and the Sellers' Group shall, use their respective reasonable endeavours to complete the Reorganisation (to the extent not already completed prior to the date of this Agreement and subject to any Step Changes that the Sellers are permitted to effect in accordance with the following provisions of this clause 9) during the period from the date of this Agreement up to Completion in all material respects in accordance with the Separation Plan.

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- 9.2 If the Sellers' Representative reasonably determines that some part of the Reorganisation has not been fully implemented prior to Completion, the Buyers shall procure that each member of the Target Group (at the relevant Seller's cost) takes all such steps, does all such acts and things, provides all such assistance and executes any and all such documents as the Sellers' Representative determines are reasonably required to complete that part of the Reorganisation.
- 9.3 Subject to the Sellers' Representative's rights under clause 9.2, if the Buyers' Representative reasonably determines that some part of the Reorganisation which has not been fully implemented prior to Completion should instead be implemented after Completion, the Sellers shall procure that any relevant member of the Sellers' Group (at the relevant Seller's cost) takes all such steps, does all such acts and things, provides all such assistance and executes any and all such documents as the Buyers' Representative determines are reasonably required to complete that part of the Reorganisation.
- 9.4 If the Sellers wish to make any material change to the steps whether before or after Completion contemplated by the Separation Plan or the timing of those steps (any such change, a "Step Change"):
- (a) the Sellers' Representative shall notify the Buyers' Representative of the Step Change at least ten Business Days prior to taking any act or making any omission in connection with the Step Change and provide all information reasonably requested by the Buyers' Representative in respect of that Step Change, the reason for it and its potential implications;
  - (b) if the Sellers' Representative, acting reasonably and after taking into account any representations made by the Buyers' Representative within ten Business Days after the Buyers' Representative receives notice given in accordance with clause 9.4(a) or (if later) within 10 Business Days after the Sellers' Representative (acting reasonably) determines that the Buyers' Representative has received all information reasonably requested by the Buyers' Representative in accordance with clause 9.4(a), determines that the relevant Step Change will not have a materially adverse effect on any member of the Target Group or the Buyers, the Sellers may effect the relevant Step Change after the Sellers' Representative has given notice of such change to the Buyers' Representative in accordance with clause 9.4(a); and
  - (c) otherwise, the Sellers must obtain the Buyers' Representative's approval in writing (such approval not to be unreasonably withheld or delayed) prior to taking any act or making any omission in connection with the Step Change.
- 9.5 The Sellers shall keep the Buyers reasonably informed regarding progress towards completion of the Reorganisation. The Sellers shall provide the Buyers with a copy of any material documents to be entered into between the date of this Agreement and the Completion Date by any member of the Target Group in connection with the Reorganisation, shall give the Buyers' reasonable opportunity to comment on such material documents and shall give reasonable consideration to any reasonable comments of the Buyers in relation thereto.
- 9.6 Notwithstanding the preceding provisions of this clause 9, (but excluding in the case of any Step Change carried out with approval in accordance with clause 9.4(c)), the Sellers shall indemnify and keep indemnified the Buyers against all liabilities and losses incurred by any member of the Target Group as a result of any Step Change, to the extent not taken into account in the Completion Statement.

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9.7 Notwithstanding any other provision in this Agreement, dividends declared but unpaid for the year ended 31 March 2010 by EMI Music Poland may be paid prior to Completion to either of EMIGH or EMI Group International BV.

## 10 Seller Warranties

- 10.1 The relevant Sellers severally warrant to the relevant Buyers in the terms of the Seller Warranties in Schedule 3, in the case of each Seller only in relation to, as the case may be, itself and/or any member of the Target Group whose Target Shares such Seller is transferring pursuant to the terms of this Agreement as set out in Part 3 of Schedule 1, subject to:
- (a) any matter fairly disclosed (save in respect of the Fundamental Warranties) in the Disclosure Letter or the Disclosure Documents; and
  - (b) any matter provided for under the terms of the Transaction Documents as in force at the date of this Agreement.
- 10.2 For the avoidance of doubt, unless otherwise provided for in a Seller Warranty, each Seller Warranty is given as at the date of this Agreement.
- 10.3 Where any Seller Warranty is qualified by the expression “so far as the Seller is aware” or “to the best of the knowledge, information and belief of the Seller” or words having similar effect, such awareness, knowledge, information or belief is deemed to be the actual knowledge, information and belief of each of Richard Constant, Jeremy Erlich, Andy Brown, David Kassler, Justin Morris, Kyla Mullins and Kate Logan at the date of this Agreement, assuming that they have made such enquiries as are reasonable in the circumstances subject always to Applicable Laws and any duties of confidentiality in relation to the Transaction or otherwise that any such individuals are obliged to observe which may restrict the scope of such enquiries.
- 10.4 Each of the Buyers and the Buyers’ Guarantor acknowledges that it does not rely on, for the purpose of obtaining any legal remedy that might otherwise be available, (and hereby waives and undertakes not to bring any Claim, other than any Claim in accordance with the terms of this Agreement, in relation to), and has not been induced to enter into this Agreement on the basis of, any warranties, representations, covenants, undertakings, indemnities or other statements whatsoever (including in relation to the accuracy or completeness of any information (including any forecasts, estimates, projections, statements of intent or statements of opinion) provided to any Buyer or the Buyers’ Guarantor or any of their respective advisers or agents (howsoever provided)), other than those expressly set out in this Agreement and acknowledge that no member of the Sellers’ Group and no member of the Target Group, nor any of their respective employees, directors, agents, officers or employees have given any such warranties, representations, covenants, undertakings, indemnities or other statements. Each member of the Sellers’ Group (save for the Sellers and the Sellers’ Guarantor) and each employee, director, officer and agent of a member of the Sellers’ Group or any member of the Target Group may enforce the terms of this clause 10 to defend any action brought pursuant to any Reliance Letter signed by it. This clause 10.4 shall continue to apply after the termination of this Agreement without limit in time.
- 10.5 The sole remedy of the Buyers for any breach of any of the Seller Warranties or any other breach of this Agreement and any other Transaction Document by the Sellers shall be an action for damages, save that nothing in this clause 10.5 shall prohibit any of the Buyers from seeking any equitable relief in respect of any alleged breach of clauses 5, 7.3, 12.5 or 16.1 (or as otherwise provided for in clause 15.5). The Buyers shall not be entitled to rescind or terminate this Agreement in any circumstances whatsoever, other than any such right in respect of fraudulent misrepresentation or as otherwise provided in clause 7.6(c).

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10.6 The Sellers shall not, save in the case of fraud, make any claim in connection with the sale of the Target Shares against any director, employee, agent or officer of any member of the Target Group on whom any of the Sellers may have relied before agreeing any terms of this Agreement or the Tax Deed or any other Transaction Document or authorising any statement in the Disclosure Letter.

**11 Buyer Warranties**

11.1 The Buyers severally warrant to the Sellers in the terms of the Buyer Warranties in Schedule 4 in the case of each Buyer in relation to itself only.

11.2 For the avoidance of doubt, unless otherwise provided for in a Buyer Warranty, each Buyer Warranty is given as at the date of this Agreement.

**12 UK employment**

12.1 At or before Completion, EMIGH 1 shall deliver to the Buyers' Representative a complete and accurate list of the Exclusive Employees, giving names, job titles and (so far as reasonably ascertainable) employing entities.

12.2 [\*\*\*]

12.3 [\*\*\*]

12.4 [\*\*\*]

12.5 Prior to Completion, the Sellers shall ensure, so far as within their reasonable control, that outside the ordinary course of the Business, and without the consent of Warner Music Holdings Limited, such consent not to be unreasonably withheld, no person working (in whole or part) for the Business is dismissed or reassigned and no amendment is made to the terms and conditions of employment of any such person.

12.6 The Target Companies and the Subsidiaries shall pay all RP Bonuses that are payable by such Target Companies and Subsidiaries when due, and the Sellers covenant to the relevant Buyers that they shall promptly pay to such relevant Buyers, on an after-Tax basis, an amount equal to the net RP Bonuses paid to employees of such Target Company or Subsidiary by such Target Companies or Subsidiaries together with any income tax and primary class 1 (employee) and secondary class 1 (employer) national insurance contributions payable by such Target Company or Subsidiary in connection with the same.

12.7 The Buyers shall procure that an entity within the Buyers' Group shall, on or before Completion, offer to employ or engage any and all Seller Transferring Employees on terms which are no less favourable than those enjoyed by each such Seller Transferring Employee immediately prior to Completion (a "Buyer Employment Offer") and that such Buyer Employment Offer shall remain open for acceptance by such Seller Transferring Employee for three months from Completion, following which such Buyer Employment Offer will lapse. The Sellers shall procure that if such Seller Transferring Employee accepts a Buyer Employment Offer, the relevant member of the Sellers' Group shall waive any Seller Transferring Employee notice requirement so as to allow the Seller Transferring Employee to immediately leave his employment or engagement with the relevant member of the Sellers' Group.

12.8 EMIGH 1 shall procure that an entity within the Sellers' Group shall, on or before Completion, offer to employ or engage any and all Buyer Transferring Employees on terms which are no less favourable than those enjoyed by each such Buyer Transferring Employee immediately prior to Completion (a "Seller Employment Offer") and that such Seller Employment Offer shall remain open for acceptance by such Buyer Transferring Employee for three months from Completion, following which such Seller Employment Offer will lapse. The Buyers shall procure that if such Buyer Transferring Employee accepts a Seller Employment Offer, the relevant member of the Buyers' Group shall waive any Buyer Transferring Employee notice requirement so as to allow the Buyer Transferring Employee to immediately leave his employment or engagement with the relevant member of the Buyers' Group.

### 13 Buyer undertakings

13.1 Each of the Buyers undertakes to each of the Sellers that each Buyer shall and that following Completion, it shall procure that each member of the Target Group (in each case, in which such Buyer owns shares or has any other interest) shall treat as confidential all information received or obtained which relates to:

- (a) any EMI Group Global Undertaking;
- (b) the existence, provisions or subject matter of any agreement (including any and all ancillary and related agreements) ("EMI Group Global Transaction Documents") relating to any and all transactions whereby the direct or indirect ownership of any or all of the Target Group was transferred by EMI Group Global and/or any of its Affiliates to ~~UMGMH~~ UMHHL and/or any of its Affiliates and any claim or potential claim under the EMI Group Global Transaction Documents; or
- (c) the negotiations relating to the EMI Group Global Transaction Documents.

13.2 Clause 13.1 does not apply to disclosure of any such information as is referred to in clause 13.1 if and to the extent:

- (a) required by Applicable Laws;
- (b) required by any securities exchange on which its or any of its Affiliate's securities are listed or traded or any debt financing agreement directly related to such listed or traded securities;
- (c) required by any Authority (including a Taxing Authority) with relevant powers to which that party is subject or submits (whether or not the requirement has the force of law);

provided that prior to any such disclosure, the disclosing person shall, so far as is reasonably practicable:

- (i) promptly notify the Sellers' Representative of such requirement;
  - (ii) provide the Sellers' Representative with the opportunity to contest the disclosure; and
  - (iii) take into account the Sellers' Representative's reasonable requirements as to the timing, content and manner of making or despatch of the disclosure;
- (d) to an adviser for the purpose of advising in connection with the transactions contemplated by this Agreement provided that such disclosure is reasonably necessary

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for these purposes and is on the basis that clause 13.1 applies to any disclosure by the adviser and the disclosing person ensures that clause 13.1 is complied with by the adviser concerned;

(e) to a director, officer or employee of the disclosing person:

(i) where the disclosing person is a member of the Sellers' Group (including, on or before Completion, the Target Group); or

(ii) where the disclosing person is a member of the Buyers' Group (including, after Completion, the Target Group),

in each case, whose function requires him to have the relevant confidential information provided that the provisions of this clause 13 shall be drawn to the attention of the director, officer or employee to whom the information is disclosed and the disclosing person ensures that clause 13.1 is complied with by the person concerned; or

(f) to the extent that the information has been made public, other than by reason of a breach by the disclosing party of the provisions of this clause 13.

13.3 Each of the Buyers shall and, after Completion, shall procure that each member of the Target Group shall, cooperate fully, as and to the extent reasonably requested by the Sellers' Representative, in connection with the preparation and filing of Tax returns or reports by EMI Group Global or any EMI Group Global Undertaking and any audits, examinations, or other administrative or judicial proceedings with respect to Taxes of EMI Group Global or any EMI Group Global Undertaking in relation to any Tax period of any relevant entity which occurs before or includes Completion (such returns, reports, audits, examinations and proceedings, collectively, "Tax Matters"). In particular, each of the Buyers shall procure that each member of the Target Group promptly provides to the Sellers' Representative such Books and Records and information as the Sellers' Representative reasonably requests in connection with preparation by any EMI Group Global Undertaking of (and conduct by any EMI Group Global Undertaking of any audit, examination or other administrative or judicial proceeding relating in whole or part to) IRS Forms 1120, 5471, 8858 and 8865 for any Tax period during part or all of which a EMI Group Global Undertaking owned (directly or indirectly) shares of any member of the Target Group, and each of the Buyers shall procure that each member of the Target Group, make available their employees and (at the Sellers' cost) advisers on reasonable notice during normal business hours to discuss and answer questions of the Sellers' Representative, EMI Group Global or any other EMI Group Global Undertaking and any of their respective advisers concerning such Books and Records and information.

13.4 Each of the Buyers shall and, after Completion, shall procure that each member of the Target Group shall:

(a) retain all Books and Records delivered or otherwise made available to them at Completion regarding or relevant to the position of any EMI Group Global Undertaking as owner of and/or lender to any member of the Target Group and/or the MP Group Companies; and

(b) retain all Books and Records delivered or otherwise made available to them at Completion that are relevant to Tax Matters concerning Tax periods of an EMI Group Global Undertaking that began prior to 28 September 2012 and abide by all record retention agreements entered into with any Taxing Authority; or

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- (c) give the Sellers' Representative reasonable written notice prior to transferring, destroying or discarding any such Books and Records and, if the Sellers' Representative so requests within 60 days following delivery of such notice, each of the Buyers shall allow the Sellers to take possession of such Books and Records.
- 13.5 Each of the Buyers shall and, after Completion shall procure that each member of the Target Group shall:
- (a) promptly provide to the Sellers such Books and Records and information as are reasonably requested by the Sellers' Representatives:
    - (i) in connection with Tax Matters; or
    - (ii) regarding or relevant to the position of any EMI Global Group Undertaking as owner and/or lender to any member of the Target Group and/or the MP Group Companies; and
  - (b) make available their employees and, at the Sellers' cost, advisers during normal business hours to discuss and answer questions of the Sellers and/or EMI Group Global and their respective advisers concerning such Books and Records and information.
- 13.6 In addition, each of the Buyers shall and, after Completion, shall procure that each member of the Target Group shall, provide such access to information and assistance as the Sellers' Representative may reasonably request, at the Sellers' cost, in order for ~~UMGMH~~UMHL and its Affiliates to comply with any of its obligations under the EMI Group Global Transaction Documents.
- 13.7 Notwithstanding anything to the contrary, each member of the Sellers' Group shall (at its cost) be permitted to use any Books and Records or other information obtained pursuant to this clause 13 in connection with the Tax Matters to which such Books and Records and information relate (including providing them to any applicable Taxing Authority or to any EMI Group Global Undertaking) and clause 22 shall not apply to any such use or disclosure.
- 13.8 The obligations of the Buyers under this clause 13 shall survive until 1 October 2018 or, in the case of Tax Matters, until the expiry of all periods of limitations under Applicable Law with respect to the relevant Tax Matter or Tax period, if later.
- 13.9 For the purposes of this clause 13, "EMI Group Global Undertaking" includes an EMI Group Global Undertaking as at 11 November 2011 (and also at the relevant time).
- 13.10 Notwithstanding any other provisions of this clause 13, no Buyer shall have any obligation pursuant to this clause 13 save to the extent that the performance of that obligation is necessary in order for ~~UMGMH~~UMHL to comply with any of its obligations under the EMI Group Global Transaction Documents. This clause 13.10 shall not apply to clauses 13.11 to 13.14 inclusive.

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- 13.11 Each of the Buyers acknowledges and agrees that their obligations to consummate the transactions contemplated by this Agreement are not conditional upon any Buyer obtaining any financing. For the avoidance of doubt, each of the Buyers acknowledges and agrees that the existence of any conditions contained in the Commitment Letters or any commitment letter for any alternative financing or any agreement relating thereto shall not constitute, nor be construed to constitute, a condition to the consummation of the transactions contemplated by this Agreement (except to the extent it is separately required by an express provision in this Agreement) and:
- (a) none of the Buyers shall permit any amendment or modification to be made to, or any waiver of any provision or remedy under, the Debt Commitment Letter if such amendment, modification or waiver would reasonably be expected to:
    - (i) reduce the aggregate amount of the Debt Financing;
    - (ii) impose new or additional conditions or otherwise expand, amend or modify any of the conditions to the receipt of the Debt Financing in a manner that would:
      - (A) materially delay or prevent the Completion Date;
      - (B) make the funding of the Debt Financing (or satisfaction of the conditions to obtaining the Debt Financing) less likely to occur; or
      - (C) materially and adversely impact the ability of the Buyers to enforce their rights against the other parties to the Debt Commitment Letter or the definitive agreements with respect thereto;
  - (b) each of the Buyers shall use all reasonable endeavours to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to arrange the Financing on the terms and conditions described in the Commitment Letters, subject to clause 13.11(e); provided that the Buyers may modify the terms (but not the conditions) of the Debt Commitment Letter to add lenders, lead arrangers, bookrunners, syndication agents or similar entities that had not executed the Debt Commitment Letter as of the date hereof; provided further that, except as contemplated by the Debt Commitment Letter as in effect on the date hereof and with the prior written consent of the Sellers' Representative, the obligations of the Debt Financing Sources providing the Debt Financing on the date hereof will not be modified or reduced as a result of any such addition);
  - (c) without limiting the generality of clauses 13.11(a) and (b), subject to the proviso to clause 13.11(b) and clause 13.11(e), the Buyers shall use all reasonable endeavours to:
    - (i) maintain in effect the Commitment Letters;
    - (ii) satisfy on a timely basis all conditions contained in the Commitment Letters to obtaining the Financing that are within their control;
    - (iii) enter into definitive agreements with respect thereto on the terms and conditions contemplated by the Debt Commitment Letter or on other terms and conditions acceptable to the Sellers' Representative that would not adversely impact the timing or amount of the Debt Financing (and provide copies thereof to the Sellers' Representative); and
    - (iv) in the event that the conditions to the Debt Commitment Letter (other than the funding of the Equity Financing) have been satisfied, cause the lenders and the other persons providing such Debt Financing to fund the Debt Financing on the Completion Date;
  - (d) the Buyers' Representative shall promptly notify the Sellers' Representative of:
    - (i) the termination of either of the Commitment Letters; or

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- (ii) the receipt of any written notice or other written communication from any Financing Source with respect to any actual or alleged breach, default, termination or repudiation by any party to either of the Commitment Letters or definitive agreements related to the Financing, of any provision of the Commitment Letters or of definitive agreements related to the Financing. In the event the Buyers believe in good faith that any portion of the Debt Financing will not be available within the timing contemplated in the Debt Commitment Letter, the Buyers' Representative shall promptly notify the Sellers' Representative and the Buyers' Representative shall use its reasonable endeavours to arrange to obtain alternative debt financing from alternative sources on terms and conditions no less favourable to the Buyers than those set forth in the Debt Commitment Letter and in an amount sufficient to consummate the transactions contemplated by this Agreement as soon as reasonably practicable following the occurrence of such event. The Buyers' Representative shall promptly deliver to the Sellers' Representative true and complete copies of all agreements pursuant to which any such alternative source shall have committed to provide the Buyers with any portion of the Debt Financing; or
- (e) notwithstanding anything to the contrary in this Agreement, on the Completion Date, the Buyers may fund the transaction with equity financing (in addition to the Equity Financing) and/or proceeds of an issuance of high yield debt securities, in which case the Buyers shall not be in breach of any of the above provisions in this clause 13.11, so long as the Buyers have sufficient funds available to satisfy their obligations on the Completion Date.
- 13.12 The Buyers' Representative shall procure that WEA International Inc. shall, within one month of the date of this Agreement enter into good faith discussions concerning the extension of the term of the Warner Licence.
- 13.13 The Buyers agree that:
- (a) notwithstanding anything to the contrary herein, each Seller and any of its Affiliates may make at any time, and upon the Sellers' Representative's request delivered to the relevant Buyer after the Completion Date, the relevant Buyer shall or shall procure that the relevant ~~Company~~member of the Completion Statement Group shall make or join in the making of, a timely, valid election under Section 338(g) of the Code (a "Section 338 Election") with respect to the acquisition of such ~~Company~~member of the Completion Statement Group by UMHL for each ~~Company~~member of the Completion Statement Group designated by the Sellers' Representative; provided that (i) if such ~~Company~~member of the Completion Statement Group was, at the time of such acquisition, treated as a domestic corporation or as engaged in a trade or business in the United States for U.S. federal income tax purposes, any U.S. federal, state or local taxes imposed as a result of such election (including any such taxes imposed on a later audit or investigation) shall be paid by the Sellers and any such payment shall not be subject to or otherwise be considered in computing any of the limitations of liability contained in this Agreement, including Schedule 5 hereto; and (ii) Sellers' Representative makes such request at least 5 Business Days prior to the due date of such Section 338 Election;

- (b) except as set forth in clause 13.13(a) the Buyers shall not, and after the Completion Date shall procure that each ~~Company member of the Completion Statement Group~~ does not, make any Section 338 Election for any ~~Company member of the Completion Statement Group~~ effective prior to April 1, 2013 without the prior written consent of the Sellers' Representative; and
- (c) the liability of the Buyers in the event of a breach of this clause 13 shall include an amount equal to the liability of the Sellers and/or their Affiliates pursuant to any breach of the EMI Group Global Transaction Documents arising by virtue of the breach by the Buyers of this clause 13.

13.14 Upon the request of the Buyers' Representative with respect to any ~~Company member of the Completion Statement Group~~, the Sellers' Representative shall, and shall cause each Seller and each ~~Company member of the Completion Statement Group~~ to, make (or join Buyer in making) an election pursuant to Section 301.7701-3(c) of the U.S. Treasury Regulations to cause such ~~Company member of the Completion Statement Group~~ to be treated as disregarded from its owner (a "check-the-box election") with respect to any ~~Company member of the Completion Statement Group~~ that is treated as an association taxable as a corporation for U.S. federal income tax purposes and that is eligible to make a check-the-box election; provided that (i) no such election shall be effective prior to April 1, 2013; (ii) such election shall be effective on or prior to the Completion Date, provided that the Completion Date is after March 31, 2013; and (iii) such ~~Company member of the Completion Statement Group~~ is not treated as a domestic corporation or as engaged in a trade or business in the United States for U.S. federal income tax purposes.

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15 **Protection of the interests of the Buyers**

15.1 The Sellers acknowledge that the Buyers are buying the Target Shares in accordance with the terms of this Agreement and that the Buyers are therefore entitled to protect the goodwill of each Target Company. Accordingly, each Seller agrees that it shall not directly or indirectly alone or jointly with any other person and whether as shareholder, partner, director or in any other capacity:

- (a) for a period of thirty months starting on the date of this Agreement, solicit or enter into an agreement pursuant to which it is entitled to rights in the recordings of that Current Artist and/or provides services or its Affiliates provide services to such Current Artist;
- (b) for a period of thirty months starting on the date of this Agreement, instruct any person to induce, or to endeavour to induce, any Senior Employee (~~excluding those persons listed in Schedule 10 of this Agreement~~) to leave his position, whether or not that person would commit a breach of his contract by so leaving; and
- (c) save as the parties may otherwise agree, for a period of thirty months starting on the date of this Agreement, instruct any person to induce, or to endeavour to induce, any person who falls within the definition of "key personnel" in the ~~Commitments~~Commission Decision (excluding those persons listed in Schedule 10 of this Agreement) to leave his position, whether or not that person would commit a breach of his contract by so leaving;

provided that the Sellers obligations under this clause 15.1 shall not apply (and the Buyers hereby waive any Claim in relation to this clause 15.1) in the event that Completion does not occur.

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- 15.2 Nothing in this clause 15 shall preclude any member of the Sellers' Group from hiring, employing or engaging any Senior Employee who approaches any member of the Sellers' Group of his own volition or responds to a bona fide recruitment advertisement placed in general circulation not specifically targeted at such Senior Employee and provided that no instruction or encouragement is given to any employment agency or other third party to approach such Senior Employee in connection with such advertisement campaign.
- 15.3 Each Seller shall ensure that no member of the Sellers' Group from time to time takes or omits to take any action which, if taken or omitted by that Seller, would constitute a breach of clause 15.1.
- 15.4 The parties acknowledge that each of the obligations in clause 15.1 is reasonable as to subject matter and duration and is necessary to protect the Buyers' legitimate interests in the goodwill of the Target Group.
- 15.5 Without prejudice to any other remedy which may be available to the Buyers, the parties agree that the Buyers may be entitled to seek injunctive or other equitable relief in relation to any breach of clause 15.1, it being acknowledged that an award of damages might not be an adequate remedy in the event of such a breach.
- 15.6 While the restrictions in clause 15.1 are considered by the parties to be reasonable, it is agreed that if any provision of clause 15.1 is found by any court of competent jurisdiction to go beyond what is reasonable for the protection of the goodwill of the Target Group but would be adjudged reasonable if any part of the wording of the provision were deleted, restricted or limited in a particular manner, the provision in question shall apply with such deletions, restrictions or limitations as may be necessary to make it valid.
- 15.7 Each of the obligations assumed by the Sellers in clause 15.1 is separate and severable and shall be construed and be enforceable independently of the others and is assumed without prejudice to any other obligation of the Sellers implied at law or in equity or imposed on the Sellers or other members of the Sellers' Group by an Authority.

## **16 Seller Undertaking**

- 16.1 The Sellers shall use all reasonable endeavours to provide, shall use all reasonable endeavours to procure that each member of the Sellers' Group provides, and shall use all reasonable endeavours to cause their officers, directors, employees, agents and advisers (including independent auditors) and those of each other member of the Sellers' Group to provide, such reasonable cooperation as may be requested by the Buyers as follows:
- (a) From the date of this Agreement to the date on which Warner Music Group Corp or one of its Affiliates collectively ("WMG") files with the U.S. Securities and Exchange Commission (the "SEC") a quarterly report on Form 10-Q (or, in the case of the fourth fiscal quarter of WMG, an annual report on Form 10-K) covering the fiscal quarter in which WMG files a report under the Securities Exchange Act of 1934 of the United States, as amended (the "1934 Act") that includes the financial statements and pro forma information required to be filed by WMG with the SEC pursuant to the 1934 Act, assistance in connection with the preparation, submission and finalisation, as applicable, of:
- (i) audited financial statements of the Completion Statement Group for each of the fiscal years ended March 31, 2011 and March 31, 2012, and for the nine month period ended December 31, 2012, in each case prepared:
- (A) (x) in compliance in all material respects with Regulation S-X under the Securities Act of 1933 of the United States, as amended (the "1933 Act") or (y) in accordance with any consent of or other applicable regulatory relief granted by the Office of Chief Accountant of the U.S. Securities and Exchange Commission (the "OCA Relief"); and

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- (B) in accordance with one or more bodies of accounting principles acceptable to the U.S. Securities and Exchange Commission and accompanied by the audit opinion of the Completion Statement Group's independent auditors, which audit opinion shall have been issued without any "going concern" or like qualification or exception, and without any other qualification or exception as to the scope of such audit other than such qualification or exception which (x) is the subject of, or expressly permitted by, the OCA Relief and (y) would not reasonably be expected to materially and adversely affect the terms of, or materially impair the consummation of, the Debt Financing;
  - (ii) unaudited financial statements of the Completion Statement Group for each subsequent completed fiscal quarter after December 31, 2012 ended at least 45 days prior to the Completion Date, together with unaudited financial statements for the corresponding prior year fiscal quarter, in each case prepared in accordance with the applicable body of accounting principles and on a basis consistent with the basis of preparation described in clause 16.1(a)(i) above, and which financial statements shall have been reviewed by the Completion Statement Group's independent auditors as provided in accordance with the applicable body of accounting principles;
  - (iii) such information that, in the reasonable judgment of the Buyers, is necessary to enable the Buyers to prepare or cause to be prepared all pro forma financial information that would be required by and that are prepared in compliance in all material respects with Regulation S-X under the Securities Act of 1933 of the United States, as amended, or that is required to be prepared in accordance with the OCA Relief; and
  - (iv) a request by or on behalf of Buyers to the Office of Chief Accountant of the U.S. Securities and Exchange Commission (the "OCA") for the purpose of obtaining the OCA Relief to permit the use by WMG of the financial statements and pro forma financial information of the Completion Statement Group as described in clauses 16.1(a)(i) through 16.1(a)(iii) above, in each case in fulfillment of their obligations to file or furnish annual, quarterly and current reports under the 1934 Act;
- (b) with respect to the Debt Financing:
- (i) as promptly as reasonably practicable assisting the Buyers in the preparation of:
    - (A) documents and materials reasonably requested by them and, if applicable, the Financing Sources, including any bank offering, syndication or information memoranda and materials for rating agency presentations; and

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- (B) any Current Reports on Form 8-K pursuant to the Securities Exchange Act of 1934 of the United States, as amended, to be filed with or furnished to the U.S. Securities and Exchange Commission, that contain any material non-public information relating to the Completion Statement Group that the Buyers determine are necessary to be publicly disclosed by WMG in connection with syndicating, offering or otherwise marketing the Debt Financing;
- (ii) cooperating with the marketing efforts of the Buyers and, if applicable, the Financing Sources, for any portion of any Debt Financing, including participating, on reasonable notice, in a reasonable number of meetings (including customary one-on-one meetings with the arrangers for, and prospective lenders of, such Debt Financing) and sessions with rating agencies;
- (iii) cooperating in respect of customary authorisation letters (including representations with respect to material non-public information) inasmuch as they relate to the Sellers' Group with respect to the bank information memoranda, lender presentations or similar materials to be used in connection with any Debt Financing and using all reasonable endeavours to obtain the approval of accountants of customary uses of financial information in any materials relating to such Debt Financing;
- (iv) delivering notices of redemption or prepayment within the time periods required by any relevant agreements governing indebtedness of the Completion Statement Group, if any, and obtaining customary payoff letters, releases, lien terminations and instruments of discharge to be delivered at Completion, and giving any other necessary notices, certificates or other documents or instruments, to allow for the payoff, discharge and termination in full on Completion, of all indebtedness of the Completion Statement Group, if any; and
- (v) furnishing Financing Sources as promptly as reasonably practicable and in any case not more than five Business Days prior to the anticipated Completion Date with all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations;
- (c) from the date of this Agreement to the Completion Date (as the same may be extended), upon notice by the Buyers of the intention of the Buyers or their Affiliates to effect all or a portion of the Debt Financing via one or more offerings of debt securities (each, a "Bond Offering");
- (i) providing such other information, data and projections as is customarily included in offering documents used in offering documents for Rule 144A high-yield offerings; provided, however, that the scope of any historical financial information provided in response to any such request need not exceed the scope described in clause 16.1(a) above; and

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- (ii) providing reasonable cooperation with the efforts of the Buyers in connection with the marketing and consummation of any Bond Offering, including, without limitation, cooperating with the due diligence requirements of any Debt Financing Sources, participating in customary meetings with underwriters, potential purchasers and ratings agencies, obtaining customary comfort letters in favour of the Debt Financing Sources and executing and delivering such documentation as is customary in Rule 144A high-yield offerings (which will be consistent with the scope described in clause 16.1(a)),

provided that, in the case of each of clause 16.1(a), 16.1(b) and 16.1(c):

- (a) no member of the Sellers' Group or Completion Statement Group shall be required to pay any commitment or other fee, provide any security or incur any other liability in connection with any Debt Financing prior to the Completion Date;
- (b) nothing herein shall require such cooperation to the extent that it would interfere unreasonably with the business or operations of any member of the Sellers' Group or Completion Statement Group; and
- (c) without prejudice to clause 16.1(b)(i)(B) all Confidential Information or other non-public information regarding the Sellers' Group obtained by any of the Buyers or their representatives pursuant to this clause 16.1 shall be kept confidential in accordance with clause 22, except that such information may be disclosed
  - (i) to potential syndicate members during syndication, other potential financing sources or potential participants, subject to confidentiality undertakings in favour of the Sellers' Group that are no less favourable to the Sellers Group than those contained in clause 22 (it being understood that "click through" screens may be used to satisfy this requirement) by such potential syndicate members, other potential lenders or potential participants; or
  - (ii) to ratings agencies, subject to confidentiality provisions or arrangements in customary form for information delivered to ratings agencies.

Notwithstanding the foregoing, compliance by the Sellers, or any failure of compliance by the Sellers, with this clause 16.1 shall not relieve any Buyer of its obligation to consummate the transactions contemplated by this Agreement. The Parties acknowledge that it may not be possible to prepare, finalise and submit the information described in clauses 16.1(a) and (c) in a timely manner or at all, and the Buyers agree that the Sellers will have no liability to the Buyers with respect thereto if all or any portion of such information is not prepared, finalised or submitted so long as the Sellers have used all reasonable endeavours to assist the Buyers to prepare, finalise and submit such information.

16.2 Each of the Buyers:

- (a) shall, promptly upon request by the Sellers' Representative, reimburse the relevant Sellers for all reasonable out-of-pocket costs and expenses (including fees of accountants or attorneys) incurred by any member of the Sellers' Group or any of their officers, directors, employees, agents or advisers, in connection with the obligations set out in clause 16.1(a);

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- (b) acknowledges and agrees that each member of the Sellers' Group and each of their employees, directors, agents, officers and advisers shall not have any responsibility for, or incur any liability to any person prior to the Completion Date under, the Debt Financing; and
  - (c) shall indemnify on an after-Tax basis and hold harmless each member of the Sellers' Group and each of their employees, directors, agents, officers and advisers from and against any and all losses, damages, claims, costs or expenses suffered or incurred by them in connection with the obligations referred to in clause 16.1(a) and any information used in connection therewith (other than any information provided by the Sellers or any other member of the Sellers' Group for use in connection therewith).
- 16.3 Each member of the Sellers' Group and each employee, director, agent, officer and adviser of each member of the Sellers' Group may enforce the terms of clause 16.2 subject to and in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999.

## **17 Buyers' Guarantee**

- 17.1 The Buyers' Guarantor hereby covenants to the Sellers to comply with the provisions of this clause 17.
- 17.2 The Buyers' Guarantor irrevocably and unconditionally:
- (a) guarantees to the Sellers as a continuing obligation the due and punctual performance and discharge by the Buyers of all their obligations (including the obligation to pay money) under this Agreement and the Separation Agreement and agrees to pay on demand from time to time each sum which any of the Buyers are liable to pay under this Agreement and/or the Separation Agreement at any time to the Sellers and which has not been paid at the time the demand is made; and
  - (b) agrees, as an additional and independent obligation, that if any of the obligations guaranteed by the Buyers' Guarantor under this clause are not recoverable from the Buyers' Guarantor under the guarantee in clause 17.2(a) for any reason, the Buyers' Guarantor shall be liable to the Sellers as a principal debtor by way of indemnity for the same amount for which it would have been liable had such obligations been recoverable and further agrees to discharge that liability on demand by the Sellers from time to time,
- (the Buyers' Guarantor's obligations under this clause being the "Buyers' Guaranteed Obligations").
- 17.3 The guarantee and indemnity set out in this clause 17 (the "Buyers' Guarantee") shall be a continuing guarantee and obligation. The Sellers may make claims and demands of the Buyers' Guarantor pursuant to the Buyers' Guaranteed Obligations without limit in number.
- 17.4 The Buyers' Guaranteed Obligations shall not be reduced, discharged, impaired or adversely affected by reason of:
- (a) any time, indulgence, waiver or concession which the Sellers may grant to the Buyers or any other person;
  - (b) any legal limitation, disability or incapacity or other circumstances relating to the Buyers or the Buyers' Guarantor;

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- (c) any termination, amendment, variation, release, novation or supplement of or to this Agreement or the Separation Agreement or any of their terms or of any of the Buyers' Guaranteed Obligations;
  - (d) any variation, extension, discharge, compromise, dealing with, exchange or renewal of any right or remedy which the Sellers may now or hereafter have from or against the Buyers and any other person in respect of any of the obligations and liabilities of the Buyers and any other person under and in respect of this Agreement, the Separation Agreement and the other Transaction Documents;
  - (e) any act or omission by the Sellers or any other person in taking up, perfecting or enforcing any security or guarantee from or against the Buyers and any other person;
  - (f) any claim or enforcement of payment from the Buyers and any other person;
  - (g) any defect, irregularity, unenforceability, invalidity, illegality, frustration or discharge by operation of law of any of the obligations of the Buyers or the Buyers' Guarantor;
  - (h) the insolvency, liquidation, winding up or dissolution of any of the Buyers or the appointment of a receiver, administrative receiver or administrator of any of the Buyers' assets or any change of control of any Buyer or the occurrence of any circumstance affecting the liability of any Buyer to discharge any Buyers' Guaranteed Obligation; or
  - (i) any act or omission which would not have discharged or affected the obligations of the Buyers' Guarantor had it been a principal debtor instead of guarantor or by anything done or omitted by any person which but for this provision might operate to exonerate or discharge the Buyers' Guarantor or otherwise reduce or extinguish its liability under the Buyers' Guarantee.
- 17.5 The obligations and liabilities expressed to be undertaken by the Buyers' Guarantor under the Buyers' Guarantee are those of primary obligor and not merely as a surety.
- 17.6 The Sellers shall not be obliged before taking steps to enforce any of their rights and remedies in respect of the Buyers' Guaranteed Obligations:
- (a) to take action or obtain judgment in any court against any Buyer or any other person;
  - (b) to make or file any claim in a bankruptcy, liquidation, administration or insolvency of any Buyer or any other person; or
  - (c) to make, demand, enforce or seek to enforce any claim, right or remedy against any Buyer or any other person.
- 17.7 Except as expressly provided in this Agreement, until all sums owing or capable of becoming owed to the Sellers by the Buyers under this Agreement and the Separation Agreement have been paid in full, the Buyers' Guarantor shall not, and shall procure that no other member of the Buyers' Group shall, take, exercise or receive the benefit of any security or other right or benefit (whether by set-off, counterclaim, subrogation, indemnity, proof in liquidation or otherwise and whether from contribution or otherwise) from or against any Buyer and any other person in respect of any liability of or payment by the Buyers' Guarantor pursuant to the Buyers' Guaranteed Obligations or otherwise in connection with the Buyers' Guarantee.

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- 17.8 The Buyers' Guarantee shall be in addition to and shall not affect or be affected by or merge with any other judgment, security, right or remedy obtained or held by the Sellers from time to time for the discharge and performance of any of the liabilities and obligations of the Buyers to the Sellers.
- 17.9 Any settlement or discharge in whole or in part by the Sellers of the Buyers' Guaranteed Obligations shall be deemed to be given or made on condition that it shall be of no effect as a settlement or discharge if the assurance, security or payment on the faith of which it was made shall afterwards be avoided, set aside or ordered to be refunded by virtue of any provision, enactment or Applicable Law for the time being in force relating to breach of duty, bankruptcy, insolvency, liquidation, administration or protection from creditors generally or for any other reason so that at any time after such avoidance, setting aside or order for refund the Sellers shall be entitled to exercise their rights under the Buyers' Guarantee as if no such settlement or discharge had been made.
- 18 Buyers' Representative**
- 18.1 Each Buyer appoints, authorises and empowers the Buyers' Representative as such Buyer's true and lawful agent and attorney-in-fact to give any consent, direction, notice or take any other action required or permitted pursuant to this Agreement, or any other Transaction Document to which that Buyer is a party on behalf of such Buyer, including the power to:
- (a) organise payment of all or any part of any payment due from any of the Buyers under this Agreement;
  - (b) vary, amend or waive any provision of this Agreement or such other Transaction Document;
  - (c) act for such Buyer with regard to all warranty and indemnification matters referred to in this Agreement or such other Transaction Document, including the power to acknowledge responsibility for any claim, the power to compromise and to settle any claim on behalf of such Buyer and the power to set off any claim under this Agreement or such other Transaction Document;
  - (d) receive all demands, notices or other communications directed to such Buyer under this Agreement or such other Transaction Documents; and
  - (e) sign, execute and deliver on its behalf, any deeds and documents and to do or refrain from doing all acts and things as the Buyers' Representative deems necessary or appropriate to give effect to the terms of this Agreement or such other Transaction Document, securing to the Sellers the full benefit of the rights, powers and privileges and remedies conferred upon the Sellers in this Agreement or such other Transaction Document.
- 18.2 The parties agree that, for whatever reason, the Buyers' Representative shall be replaced by another Buyer immediately upon the Sellers' Representative receiving notice of that replacement signed by all of the Buyers. Upon appointment, any such replacement Buyers' Representative shall carry out its role pursuant to the provisions of clause 18.1 as if it had always been the Buyers' Representative.
- 18.3 Save in respect of fraud, the Buyers' Representative shall not be liable to the Buyers for any claims whatsoever arising from any act of the Buyers' Representative made pursuant to clause 18.1 above.

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18.4 The Buyers agree that the Sellers and the Sellers' Representative shall be entitled to rely on clauses 18.1, 18.2 and 18.3 in particular any notice of replacement pursuant to clause 18.2 signed by all the Buyers in dealing with the Buyers' Representative on behalf of any of the Buyers. Neither the Sellers nor the Sellers' Representative shall be bound by, and their respective rights shall not be limited by, any agreement among the Buyers in this clause 18.

**19 Sellers' Guarantee**

19.1 The Sellers' Guarantor hereby covenants to the Buyers to comply with the provisions of this clause 19.

19.2 The Sellers' Guarantor irrevocably and unconditionally:

- (a) guarantees to the Buyers as a continuing obligation the due and punctual performance and discharge by the Sellers of all their obligations (including the obligation to pay money) under this Agreement and the Separation Agreement and agrees to pay on demand from time to time each sum which any of the Sellers are liable to pay under this Agreement and/or the Separation Agreement at any time to the Buyers and which has not been paid by the Sellers at the time the demand is made; and
- (b) agrees, as an additional and independent obligation, that if any of the obligations guaranteed by the Sellers' Guarantor under this clause are not recoverable from the Sellers' Guarantor under the guarantee in clause 19.2(a) for any reason, the Sellers' Guarantor shall be liable to the Buyers as a principal debtor by way of indemnity for the same amount for which it would have been liable had those Sellers' Guaranteed Obligations been recoverable and further agrees to discharge that liability on demand by the Sellers from time to time,

(the Sellers' Guarantor's obligations under this clause being the "Sellers' Guaranteed Obligations").

19.3 The guarantee and indemnity set out in this clause 19 (the "Sellers' Guarantee") shall be a continuing guarantee and obligation. The Buyers may make claims and demands of the Sellers' Guarantor pursuant to the Sellers' Guaranteed Obligations without limit in number.

19.4 The Sellers' Guaranteed Obligations shall not be reduced, discharged, impaired or adversely affected by reason of:

- (a) any time, indulgence, waiver or concession which the Buyers may grant to any of the Sellers or any other person;
- (b) any legal limitation, disability or incapacity or other circumstances relating to the Sellers or the Sellers' Guarantor;
- (c) any termination, amendment, variation, release, novation or supplement of or to this Agreement or the Separation Agreement or any of their terms or of any Sellers' Guaranteed Obligations;
- (d) any variation, extension, discharge, compromise, dealing with, exchange or renewal of any right or remedy which the Buyers may now or hereafter have from or against the Sellers and any other person in respect of any of the obligations and liabilities of the Sellers and any other person under and in respect of this Agreement, the Separation Agreement and the other Transaction Documents;

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- (e) any act or omission by the Buyers or any other person in taking up, perfecting or enforcing any security or guarantee from or against the Sellers and any other person;
  - (f) any claim or enforcement of payment from the Sellers and any other person;
  - (g) any defect, irregularity, unenforceability, invalidity, illegality, frustration or discharge by operation of law of any of the obligations of the Sellers or the Sellers' Guarantor;
  - (h) the insolvency, liquidation, winding up or dissolution of any of the Sellers or the appointment of a receiver, administrative receiver or administrator of any of the Sellers' assets or any change of control of the Sellers or the occurrence of any circumstance affecting the liability of the Sellers to discharge any Sellers' Guaranteed Obligation; or
  - (i) any act or omission which would not have discharged or affected the obligations of the Sellers' Guarantor had it been a principal debtor instead of guarantor or by anything done or omitted by any person which but for this provision might operate to exonerate or discharge the Sellers' Guarantor or otherwise reduce or extinguish its liability under the Sellers' Guarantee.
- 19.5 The obligations and liabilities expressed to be undertaken by the Sellers' Guarantor under the Sellers' Guarantee are those of primary obligor and not merely as a surety.
- 19.6 The Buyers shall not be obliged before taking steps to enforce any of its rights and remedies in respect of the Sellers' Guaranteed Obligations:
- (a) to take action or obtain judgment in any court against any of the Sellers or any other person;
  - (b) to make or file any claim in a bankruptcy, liquidation, administration or insolvency of any of the Sellers or any other person; or
  - (c) to make, demand, enforce or seek to enforce any claim, right or remedy against any of the Sellers or any other person.
- 19.7 Except as expressly provided in this Agreement, until all sums owing or capable of becoming owed to the Buyers by the Sellers under this Agreement and the Separation Agreement have been paid in full, the Sellers' Guarantor shall not, and shall procure that no other member of the Sellers' Group shall, take, exercise or receive the benefit of any security or other right or benefit (whether by set-off, counterclaim, subrogation, indemnity, proof in liquidation or otherwise and whether from contribution or otherwise) from or against the Sellers and any other person in respect of any liability of or payment by the Sellers' Guarantor pursuant to the Sellers' Guaranteed Obligations or otherwise in connection with the Sellers' Guarantee.
- 19.8 The Sellers' Guarantee in this clause 19 shall be in addition to and shall not affect or be affected by or merge with any other judgment, security, right or remedy obtained or held by the Buyers from time to time for the discharge and performance of any of the liabilities and obligations of the Sellers to the Buyers.
- 19.9 Any settlement or discharge in whole or in part by the Buyers of the Sellers' Guaranteed Obligations shall be deemed to be given or made on condition that it shall be of no effect as a settlement or discharge if the assurance, security or payment on the faith of which it was made shall afterwards be avoided, set aside or ordered to be refunded by virtue of any provision, enactment or Applicable Law for the time being in force relating to breach of duty, bankruptcy,

insolvency, liquidation, administration or protection from creditors generally or for any other reason so that at any time after such avoidance, setting aside or order for refund the Buyers shall be entitled to exercise its rights under the Sellers' Guarantee as if no such settlement or discharge had been made.

## **20 Sellers' Representative**

- 20.1 Each Seller appoints, authorises and empowers the Sellers' Representative as such Seller's true and lawful agent and attorney-in-fact to give any consent, direction, notice or take any other action required or permitted pursuant to this Agreement and the other Transaction Documents on behalf of such Seller, including the power to:
- (a) receive, hold and deliver to the Buyers the certificates for the Target Shares accompanied by executed stock transfer forms and any other documents relating thereto on behalf of such Seller and any other document to be delivered by that Seller on Completion pursuant to Part 1 of Schedule 2;
  - (b) receive and give a valid receipt for all or any part of the Consideration and any payment in respect of any adjustment to the Consideration to be satisfied in cash;
  - (c) vary, amend or waive any provisions of this Agreement and any other Transaction Documents;
  - (d) act for such Seller with regard to all warranty or indemnification matters referred to in this Agreement and other Transaction Documents, including the power to acknowledge responsibility for any claim, the power to compromise and to settle any claim on behalf of such Seller and the power to set off any claim under this Agreement;
  - (e) receive all demands, notices or other communications directed to such Seller under this Agreement and any other Transaction Documents; and
  - (f) sign, execute and deliver on its behalf, any deeds and documents and to do or refrain from doing all acts and things as the Sellers' Representative deems necessary or appropriate to give effect to the terms of this Agreement or such other Transaction Document, securing to the Buyers the full benefit of the rights, powers, privileges and remedies conferred upon the Buyer in this Agreement or such other Transaction Documents.
- 20.2 The Sellers agree that the Sellers' Representative shall be replaced for whatever reason by another Seller immediately upon the Buyers' Representative receiving notice of that replacement signed by all of the Sellers. Upon appointment, any such replacement Sellers' Representative shall carry out its role pursuant to the provisions of clause 20.1 as if it had always been the Sellers' Representative.
- 20.3 Save in respect of fraud, the Sellers' Representative shall not be liable to the other Sellers for any claims whatsoever arising from any act of the ~~Buyers~~Sellers' Representative carried out pursuant to clauses 20.1 and 20.2 above.
- 20.4 The Sellers agree that the Buyers and the Buyers' Representative shall be entitled to rely on clauses 20.1 and 20.2 and ~~21.3~~20.3 in particular on any notice of replacement pursuant to clause 20.2 signed by all the Sellers in dealing with the Sellers' Representative on behalf of any of the Sellers. Neither the Buyers nor the Buyers' Representative shall be bound by, and their respective rights shall not be limited by, any agreement among the Sellers in this clause 20.

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## **21 Announcements**

- 21.1 Except to the extent otherwise expressly permitted by this Agreement, the parties shall not make any public announcement or issue a press release or respond to any enquiry from the press or other media concerning or relating to this Agreement or its subject matter or any ancillary matter save as permitted by this clause 21.
- 21.2 Notwithstanding any other provision in this Agreement, any party may, after consultation with the other parties whenever practicable, make or permit to be made an announcement concerning or relating to this Agreement or its subject matter or any ancillary matter if and to the extent required by:
- (a) Applicable Laws;
  - (b) any securities exchange on which either party's securities are listed or traded or any debt financing agreement directly related to such listed or traded securities; or
  - (c) any regulatory or governmental or other Authority (including a Taxing Authority) with relevant powers to which that party is subject or submits, whether or not the requirement has the force of law.
- 21.3 The Buyers' Representative and the Sellers' Representative shall release a joint announcement in the agreed form after the date of this Agreement and shall release a further announcement in terms to be agreed between them upon or following Completion.

## **22 Confidentiality**

- 22.1 Subject to clause 13, each of the parties undertakes that it will not at any time after the date of this Agreement use, divulge or communicate to any person any Confidential Information and each of the parties shall use its reasonable endeavours to prevent the publication or disclosure of any Confidential Information, unless expressly permitted in accordance with clause 22.2 below.
- 22.2 Notwithstanding any other provision in this Agreement, and without prejudice to disclosures permitted to be made in accordance with clause 16, each Seller and each Buyer may, after consultation with the other parties whenever practicable, disclose Confidential Information if and to the extent:
- (a) required by Applicable Laws;
  - (b) required by any securities exchange on which its or any of its Affiliate's securities are listed or traded or any debt financing agreement directly related to such listed or traded securities;
  - (c) required by any Authority (including a Taxing Authority) with relevant powers to which that party is subject or submits (whether or not the requirement has the force of law);
  - (d) required to vest the full benefit of this Agreement and any other Transaction Document in that party or to enforce any of the rights of that party in this Transaction Document;
  - (e) required by its professional advisers, officers, employees, consultants, subcontractors or agents to provide their services (and subject always to similar duties of confidentiality);
  - (f) that information is in or has come into the public domain through no fault of that party;
  - (g) the parties have given prior written consent to the disclosure; or

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(h) it is necessary to obtain any relevant Tax clearances from any appropriate Taxing Authority, provided that Buyers and the Sellers may disclose or otherwise provide Confidential Information to each other and to any of their respective Affiliates and shall ensure that their Affiliates comply with the terms of this clause 22 as if binding on them directly.

22.3 The restrictions contained in this clause 22 shall continue to apply after Completion until the date falling two years thereafter, provided that this clause 22 shall not prevent the Buyers from using or disclosing Confidential Information following Completion unless it relates primarily to a member of the Sellers' Group and does not need to be used by any member of the Target Group for the continuation of the Business.

22.4 The Sellers acknowledge and agree that the Buyers may wish to sell, license or distribute certain assets of the Target Group to one or more third parties following Completion and that the Buyer may, in advance of Completion, disclose Confidential Information to such third parties for the purposes of facilitating negotiations in respect of any such transactions (and subject always to similar duties of confidentiality).

### **23 Entire agreement**

23.1 This Agreement and the other Transaction Documents constitute the entire agreement between the parties relating to the subject matter of this Agreement and supersede and extinguish any and all prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature whatsoever, whether or not in writing, between the parties in relation to the subject matter of this Agreement.

23.2 Each of the parties acknowledges and agrees that it has not entered into this Agreement in reliance on, and shall have no rights or remedies in respect of any statement or representation, warranty or undertaking of any person (whether a party to this Agreement or not) other than as expressly incorporated in this Agreement.

23.3 Nothing in this Agreement or any other Transaction Document shall be read or construed as excluding any liability or remedy as a result of fraud.

23.4 Without limiting the generality of the foregoing, each of the parties agrees that its only right and remedy in relation to any statement, representation, warranty or undertaking made or given in connection with this Agreement shall be for breach of the terms of the relevant Transaction Document and each of the parties irrevocably and unconditionally waives all other rights or remedies (including those in test or under statute) in relation to any such statement representation, warranty or undertaking.

### **24 Assignment and transfer**

24.1 Subject to clauses 24.2 and 24.3 below, the Sellers, the Buyers, the Sellers' Guarantor and the Buyers' Guarantor may not:

- (a) assign, transfer, charge or deal in any way with the benefit of, or any of their respective rights under or interest in, this Agreement; or
- (b) sub-contract any or all of their respective obligations under it,

or do any such thing in relation to any document or arrangement expressed to be supplemental to this Agreement, or which this Agreement expressly preserves or requires to be executed, except in

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accordance with a prior written consent given by (in the case of the Buyers or the Buyers' Guarantor) the Sellers' Representative or (in the case of any of the Sellers or the Sellers' Guarantor) the Buyers' Representative, provided that, any time prior to Completion, each of the Buyers and the Buyers' Guarantor may assign this Agreement, together with all other Transaction Documents (notwithstanding anything to the contrary therein), and all of their respective rights and obligations hereunder and thereunder to one or more entities under common control with the Buyers' Guarantor (each an "Assignee"), so long as no assignment would materially delay, or would reasonably be expected to materially delay, the Completion Date, prevent Completion or have an adverse economic effect on any of the Sellers. The Buyers' Guarantor and the Buyers shall be released from their respective obligations under this Agreement in connection with an assignment pursuant to the proviso in the previous sentence if and only if, at the time of such assignment, at least one of the Assignees' financial condition is substantially equivalent to, or better than, the financial condition of the Buyers' Guarantor and such Assignee acts as a guarantor for all other Assignees. The parties shall cooperate in good faith to assign or otherwise modify, as appropriate, the other Transaction Documents to give full effect to such an assignment.

- 24.2 Each of the Sellers and each of the Buyers acknowledges and agrees that each of the Sellers and each of the Buyers, may at any time following Completion assign to an Affiliate (in whole or in part) its rights under this Agreement and, accordingly, each of the Sellers and the Buyers agrees that the rights under this Agreement may be assigned (in whole or in part) by any of the Sellers and any of the Buyers without the consent of (in the case of the Buyers) the Sellers' Representative or (in the case of any of the Sellers) the Buyers or Buyers' Representative, and may be enforced by, any Affiliate of any of the Sellers or the Buyers (as the case may be) provided that, in the case of an assignment to an Affiliate of the Sellers or the Buyers (under this clause 24.2 or clause 24.3 below), if such Affiliate ceases to be an Affiliate of any of the Sellers or the Buyers (as the case may be) such rights are re-assigned to another Seller or Buyer (as the case may be) or Affiliate of any Seller or Buyer (as the case may be) and provided that where a party has assigned its rights under this clause or under clause 24.1, the other parties shall have no greater liability under this Agreement than they would have had if no such assignment had taken place.
- 24.3 If the rights under the whole or any part of this Agreement are assigned by any of the Sellers or the Buyers to an Affiliate in accordance with clause 24.2 that Affiliate may at any time assign those rights to any other Affiliate of any of the Buyers or any of the Sellers (as the case may be) without the need for any prior written consent of any other party hereto.

## **25 Costs and expenses**

- 25.1 Except as otherwise stated in this Agreement, each party shall pay its own costs and expenses in relation to the negotiation, preparation, execution, performance and implementation of this Agreement, the Transaction Documents and every other document referred to in it or forming part of the Transaction, save that this clause shall not prejudice the right of any party to seek to recover its costs in any litigation or dispute resolution procedure which may arise out of this Agreement.
- 25.2 Any costs, charges or expenses incurred by any member of the Target Group prior to Completion in connection with the transactions contemplated by this Agreement shall be paid by the Sellers.
- 25.3 Any stamp duty and other transfer, sales, value added, stamp or registration Tax, duty fee, filing fee, charge, levy or notarial charge or fee arising from or as a consequence of the transfer of the Target Shares shall be for the sole account of the Buyers without the need for any prior written consent of any other party hereto.

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**26 Interest on late payments**

- 26.1 If a party fails to pay any sum payable by it on the due date for payment under this Agreement, it shall pay interest on the overdue sum for the period from and including the due date of payment up to the date of actual payment (after as well as before judgment) in accordance with clause 26.2.
- 26.2 The interest referred to in clause 26.1 shall accrue from day to day and shall be paid on demand at the rate of three per cent. above the base rate from time to time of Barclays Bank plc. Unpaid interest shall compound quarterly.

**27 No set-off**

- 27.1 Except as expressly provided in this Agreement all payments to be made under this Agreement shall be made in full without any set-off or counterclaim and free from any deduction or withholding save as may be required by Applicable Law in which event such deduction or withholding shall not exceed the minimum amount which it is required by such Applicable Law to deduct or withhold and the payer will simultaneously pay to the payee such additional amounts as will result in the receipt by the payee of a net amount equal to the full amount which would otherwise have been receivable had no such deduction or withholding been required.
- 27.2 Subject to clause 27.3, if any Taxing Authority charges to Tax any sum paid (the "Original Payment") to the payee under this Agreement for breach of the Seller Warranties or the Buyer Warranties, as applicable, the payer shall be obliged to pay to the payee such additional amount (the "Additional Amount") as will ensure that, after the payment of Tax so charged on the Original Payment and any Tax chargeable on the Additional ~~Payment~~ Amount, there shall remain in the hands of the payee a net sum equal to the amount of the Original Payment.
- 27.3 If any payment liable to be made under this Agreement would give rise to an obligation to pay an Additional Amount pursuant to clause 27.2, the relevant Buyer and the relevant Seller shall (if so requested by the party liable to make the relevant payment) consult together in good faith and in a timely fashion with a view to reaching agreement on an alternative method, including under clause 11.1 of the Tax Deed or, for example, the relevant Seller subscribing for a share in one of the Target Companies for a premium equal to the Additional Amount payable pursuant to clause 27.2 and selling the share to the relevant Buyer for £1 (the "Subscription Method") by which the payer may satisfy the relevant payment obligation whilst eliminating or reducing or mitigating to the greatest extent possible such Taxation. If the surrender of any Relief under clause 11.1 of the Tax Deed or the Subscription Method would eliminate, reduce or mitigate such Taxation and the relevant Buyer will not agree to use such alternative methods to eliminate, reduce or mitigate the relevant payment obligation then clause 27.2 shall not apply to the relevant sum paid by or on behalf of the relevant Seller (or, where applicable) the Sellers' Guarantor.

**28 Effect of Completion**

This Agreement together with the Tax Deed shall, to the extent that it remains to be performed, continue in full force and effect notwithstanding Completion.

**29 Waiver**

- 29.1 A waiver of any right, power, privilege or remedy provided by this Agreement must be in writing and may be given subject to any conditions thought fit by the grantor. For the avoidance of doubt, any omission to exercise, or delay in exercising, any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of that or any other right, power, privilege or remedy.

- 29.2 A waiver of any right, power, privilege or remedy provided by this Agreement shall not constitute a waiver of any other breach or default by any other party and shall not constitute a continuing waiver of the right, power, privilege or remedy waived or a waiver of any other right, power, privilege or remedy.
- 29.3 Any single or partial exercise of any right, power, privilege or remedy arising under this Agreement shall not preclude or impair any other or further exercise of that or any other right, power, privilege or remedy.

**30 Variation**

Any variation of this Agreement or of any of the documents referred to in it is valid only if it is in writing and signed by or on behalf of each party.

**31 Severance**

- 31.1 If any provision of this Agreement is held to be invalid or unenforceable by any judicial or other competent Authority, all other provisions of this Agreement will remain in full force and effect and will not in any way be impaired.
- 31.2 If any provision of this Agreement is held to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, or the period of the obligation reduced in time, or the range of activities or area covered, reduced in scope, the provision in question will apply with the minimum modifications necessary to make it valid and enforceable.

**32 Further assurance**

- 32.1 The Sellers shall use all reasonable endeavours from time to time on or following Completion, on being required to do so by the Buyers' Representative, to do or procure the doing of all such acts and/or execute or procure the execution of all such documents required to give full effect to this Agreement save in respect of clauses 9 and 14.
- 32.2 The Buyers shall use all reasonable endeavours from time to time on or following Completion, on being required to do so by the Sellers' Representative, to do or procure the doing of all such acts and/or execute or procure the execution of all such documents required to give full effect to this Agreement.

**33 Notices**

- 33.1 Any communication to be given in connection with this Agreement shall be in writing in English except where expressly provided otherwise and shall either be delivered by hand or sent by first class prepaid post or by email. Delivery by courier shall be regarded as delivery by hand.
- 33.2 Such communication shall be sent to the address of the relevant party referred to in this Agreement or email address set out below or to such other address or email address as may previously have been communicated to the other party in accordance with this clause 33.2 and clause 33.5. Each communication shall be marked for the attention of the relevant person.

Party	Email address	Address	For the attention of:
Sellers and Sellers' Guarantor	[***]	[***]	[***]
Copy to SJ Berwin LLP	[***]	[***]	[***]

Party	Email address	Address	For the attention of:
Copy to Shearman & Sterling LLP	[***]	[***]	[***]
Buyers and Buyers' Guarantors	[***]	[***]	[***]
Copy to:			
Olswang LLP	[***]	[***]	[***]
Copy to:			
Debevoise Plimpton LLP	[***]	[***]	[***]

33.3 A communication shall be deemed to have been served:

- (a) if delivered by hand at the address referred to in clause 33.2, at the time of delivery;
- (b) if sent by first class prepaid post to the address referred to in clause 33.2, at the expiration of two clear days after the time of posting; and
- (c) if sent by email to the email address specified in that clause at the time of completion of transmission by the sender.

If a communication would otherwise be deemed to have been delivered outside normal business hours (being 9:30 a.m. to 5:30 p.m. on a Business Day) in the time zone of the territory of the recipient under the preceding provisions of this clause 33.3, it shall be deemed to have been delivered at the next opening of such business hours in the territory of the recipient.

33.4 In proving service of the communication, it shall be sufficient to show that delivery by hand was made or that the envelope containing the communication was properly addressed and posted as a first class prepaid letter or that the email was transmitted to the correct email address, whether or not opened or read by the recipient.

33.5 A party may notify the other parties to this Agreement of a change to its name, relevant person, address or email address for the purposes of clause 33.2 provided that such notification shall only be effective on:

- (a) the date specified in the notification as the date on which the change is to take place; or
- (b) if no date is specified or the date specified is less than five clear Business Days after the date on which notice is deemed to have been served, the date falling five clear Business Days after notice of any such change is deemed to have been given.

33.6 For the avoidance of doubt, the parties agree that the provisions of clauses 33.1, 33.2, 33.3, 33.4 and 33.5 shall not apply in relation to the service of any claim form, application notice, order, judgment or other document relating to or in connection with any proceeding, suit or action arising out of or in connection with this Agreement.

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33.7 Each of ~~the~~ Sellers irrevocably appoints ~~WarnerUniversal Music HoldingsGroup International Limited of 90364 Kensington High HolbornStreet,~~ London ~~WC1V 6XX-W14 8TS~~ as its agent to receive on its and the Sellers' Representative's behalf in England or Wales service of any proceedings under this Agreement. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the relevant Seller or Sellers' Representative) and shall be valid until such time as the relevant Buyer or Buyers' Representative has received prior written notice from the relevant Seller or Sellers' Representative that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in England or Wales, the relevant Seller or Sellers' Representative shall forthwith appoint a substitute and deliver to the Buyers' Representative the new agent's name and address within England and Wales.

33.8 Each of ~~the~~ Buyers irrevocably appoints ~~UniversalWarner Music Group InternationalHoldings Limited of 364 Kensington90 High StreetHolborn,~~ London ~~W14 8TS-WC1V 6XX~~ as its agent to receive on its and the Buyers' Representative's behalf in England or Wales service of any proceedings under this Agreement. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the relevant Buyer or Buyers' Representative) and shall be valid until such time as the relevant Seller or Sellers' Representative has received prior written notice from the relevant Buyer or Buyers' Representative that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in England or Wales, the relevant Buyer or Buyers' Representative shall forthwith appoint a substitute and deliver to the Sellers' Representative the new agent's name and address within England and Wales.

#### **34 Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall constitute an original, and all the counterparts shall together constitute one and the same agreement.

#### **35 Governing law**

35.1 This Agreement and any dispute or claim arising out of or in connection with it or its subject matter, whether of a contractual or non-contractual nature, shall be governed by and construed in accordance with the law of England and Wales.

35.2 Notwithstanding the foregoing, each party to this Agreement agrees that:

- (a) it will not, and it will not cause any of its Affiliates to, bring or support any action, cause of action, claim, cross-claim or third-party claim of any kind or description, whether in law or in equity, whether in contract or in tort or otherwise, against the Debt Financing Sources, in any way relating to this Agreement or any of the transactions contemplated by this Agreement, including, without limitation, any dispute arising out of or relating in any way to the Debt Financing or the performance thereof, in any forum other than a court of competent jurisdiction located within the City of New York, New York, whether a state or Federal court and any appellate court from any thereof;
- (b) the provisions of clause 35.3 below relating to the waiver of jury trial shall apply to any such action, cause of action, claim, cross-claim or third-party claim; and
- (c) that any claim, controversy or dispute arising in connection with any Debt Financing or the performance of services thereunder or related thereto shall be governed by, and construed in accordance with, the laws of the State of New York.

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35.3 With regard to an action, cause of action, claim, cross-claim or third party claim referred to in clause 35.2, the parties hereto, to the extent permitted by Applicable Law, waive all right to trial by jury in any action, suit, or proceeding arising out of, in connection with or relating to this Agreement and any transaction contemplated hereby. This waiver applies to any action, suit or proceeding whether sounding in tort, contract or otherwise.

**36 Jurisdiction**

The parties irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Agreement provided that solely with respect to any action, cause of action, claim, cross-claim or third-party claim referred to in clause 35.2 involving Financing Sources, clause 35.2 shall govern.

**37 Interpretation**

- 37.1 The clause and paragraph headings and the table of contents used in this Agreement are inserted for ease of reference only and shall not affect construction.
- 37.2 References in this Agreement and the Schedules to the parties, the Introduction, Schedules and clauses are references respectively to the parties, the Introduction and Schedules to and clauses of this Agreement.
- 37.3 References to “writing” or “written” include any other non-transitory form of visible reproduction of words.
- 37.4 References to times of the day are to that time in London and references to a day are to a period of 24 hours running from midnight.
- 37.5 References to any English legal term or legal concept shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to such English legal term or legal concept.
- 37.6 References to persons shall include bodies corporate, unincorporated associations and partnerships, in each case whether or not having a separate legal personality.
- 37.7 References to the word “include” or “including” (or any similar term) are not to be construed as implying any limitation and general words introduced by the word “other” (or any similar term) shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things.
- 37.8 Save where the context specifically requires otherwise, words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof.
- 37.9 References to statutory provisions, enactments or EC Directives shall include references to any amendment, modification, extension, consolidation, replacement or re-enactment of any such provision, enactment or Directive (whether before or after the date of this Agreement), to any previous enactment which has been replaced or amended and to any regulation, instrument or order or other subordinate legislation made under such provision, enactment or Directive unless any such change imposes upon any party any liabilities or obligations which are more onerous than as at the date of this Agreement.

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- 37.10 A company or other entity shall be a “holding company” for the purposes of this Agreement if it falls within either the meaning attributed to that term in section 1159 and Schedule 6 Companies Act 2006 (“CA 2006”) or the meaning attributed to the term “parent undertaking” in section 1162 and Schedule 7 of such Act, and a company or other entity shall be a “subsidiary” for the purposes of this Agreement if it falls within any of the meanings attributed to a “subsidiary” in section 1159 and Schedule 6 CA 2006 or any of the meanings attributed to the term “subsidiary undertaking” in section 1162 and Schedule 7 of such Act, and the terms “subsidiaries” and “holding companies” are to be construed accordingly, save that an undertaking shall also be treated, for the purposes only of the membership requirement contained in subsections 1162(2)(b) and (d) CA 2006, as a member of another undertaking if any shares in that other undertaking are held by a person (or its nominee) by way of security or in connection with the taking of security granted by the undertaking or any of its subsidiary undertakings.
- 37.11 The obligations of each of the Sellers and each of the Buyers under this Agreement shall be several.
- 37.12 The sole purpose of the estimates referred to in the definitions of “~~Estimated Aggregated Intercompany Balance~~”, “~~Estimated Cash~~”, “~~Estimated Debt~~”, ~~and~~ “~~Estimated Working Capital Adjustment~~” and “Estimated Aggregated Intercompany Balance” is to calculate the Completion Payment and the Longstop Date Payment. For the avoidance of doubt, none of the Sellers shall have any liability in relation to the accuracy or otherwise of those estimates.
- 37.13 Any sum in any currency which is required to be construed, for the purposes of this Agreement, as a sum in pounds sterling (including determining, for the purposes of Schedule 5, the amount of a Claim which is not denominated in pounds sterling but excluding, for the avoidance of doubt, any such sum required to be determined pursuant to clause 8 or Schedule 6) shall, unless expressly stated otherwise, be regarded as converted into pounds sterling at the Exchange Rate.
- 37.14 References to “relevant Seller” and “relevant Buyer” in this Agreement shall mean the Seller or Buyer (as the case may be) of the Target Shares set out next to its name in Part 2 of Schedule 1.

### **38 Rights of third parties**

- 38.1 Except as otherwise expressly stated, this Agreement does not confer any rights on any person or party (other than the parties to this Agreement) pursuant to the Contracts (Rights of Third Parties) Act 1999. For the avoidance of doubt, subject to clause 38.2, any person who does have rights pursuant to this Agreement shall have no rights in relation to any amendment of this Agreement.
- 38.2 Notwithstanding any of the foregoing, the Financing Sources shall be deemed to be third party beneficiaries of clauses 35.2, 35.3, 36 and this clause 38.2 of this Agreement. To the extent any change or amendment to clauses 35.2, 35.3, 36 and this clause 38.2 is sought which is adverse to the rights of the Financing Sources, the prior written consent of each of the Financing Sources shall be required before such change or amendment is rendered effective. The seller (under the France SPA) of EMI France shall be entitled to rely on the limitations on liability in clause 10 and Schedule 5 of this Agreement.

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SIGNATURES

This Agreement is executed as a deed by the parties and is delivered and takes effect on the date at the beginning of this Agreement.

Executed as a deed by EGH1 BV acting by:

Signed by Andrew Brown

[signature of authorised signatory]

Andrew Brown

[print name of authorised signatory]

Director

in the presence of:

Signed by Matthew Pearson

[signature of witness]

Matthew Pearson

[print name of witness]

Address

SJ Berwin LLP

10 Queen Street Place

London

Occupation

Trainee Solicitor

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Executed as a deed by EMI GROUP HOLDINGS BV  
acting by:

Signed by Richard Constant

[signature of authorised signatory]

Richard Constant

[print name of director]

Director

in the presence of:

Signed by Matthew Pearson

[signature of witness]

Matthew Pearson

[print name of witness]

Address

SJ Berwin LLP

10 Queen Street Place

London

Occupation

Trainee Solicitor

78878152-563-

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Executed as a deed by DELTA HOLDINGS BV acting by:

Signed by Richard Constant

[signature of director]

Richard Constant

[print name of director]

Director

in the presence of:

Signed by Matthew Pearson

[signature of witness]

Matthew Pearson

[print name of witness]

Address

SJ Berwin LLP

10 Queen Street Place

London

Occupation

Trainee Solicitor

~~78878152-564-~~

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Executed as a deed by UNIVERSAL INTERNATIONAL  
MUSIC BV acting by:

Signed by N. P. Van Den Hoven

[signature of director]

N. P. Van Den Hoven

[print name of director]

Director

in the presence of:

Signed by J. Toorop

[signature of witness]

J. Toorop

[print name of witness]

Address

Kapittelweg 408

1216 JS Hilversum 1216

Occupation

Management Assistant

78878152-565-

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Executed as a deed by WARNER MUSIC HOLDINGS  
LIMITED acting by:

Signed by Paul Robinson

[signature of director]

Paul Robinson

[print name of director]

Director

in the presence of:

Signed by Thomas Marcotullio

[signature of witness]

Thomas Marcotullio

[print name of witness]

Address

75 Rockefeller Plaza

New York, NY 10019

Occupation

Lawyer

78878152-566-

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Executed as a deed by WARNER MUSIC BENELUX N.V.  
acting by:

Signed by M.R. Jessurun

[signature of director]

M.R. Jessurun

[print name of director]

Director

in the presence of:

Signed by J.W.F.M. Van der Schoot

[signature of witness]

J.W.F.M. Van der Schoot

[print name of witness]

Address

Olympia 2

1213 NT Hilversum

The Netherlands

Occupation

Finance Director

78878152-567-

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Executed as a deed by WARNER MUSIC GROUP  
GERMANY HOLDING GMBH  
acting by:

Signed by Bernd Dopp                      06/02/2013

[signature of director]

Bernd Dopp

[print name of director]

Director

in the presence of:

Signed by Nadia Petersen                      06/02/2013

[signature of witness]

Nadia Petersen

[print name of witness]

Address

Alter Wandrahm 14

20457 Hamburg

Germany

Occupation

Tax Manager

78878152-568-

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Executed as a deed by WARNER MUSIC DENMARK A/S  
acting by:

Signed by Jonas Siljemark and Martin Forsman

[signature of director]

Jonas Siljemark and Martin Forsman

[print name of director]

Director

in the presence of:

Signed by Jacob Key

[signature of witness]

Jacob Key

[print name of witness]

Address

Lotsvagen 11

18166 Lidingo

Occupation

Head of BD

78878152-569-

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Executed as a deed by WARNER MUSIC NORWAY A/S

acting by:

Signed by Jonas Siljemark and Martin Forsman

[signature of director]

Jonas Siljemark and Martin Forsman

[print name of director]

Director

in the presence of:

Signed by Jacob Key

[signature of witness]

Jacob Key

[print name of witness]

Address

Lotsvagen 11

18166 Lidingo

Occupation

Head of BD

78878152-570-

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Executed as a deed by WARNER MUSIC POLAND SPZOO  
acting by:

Signed by Bernd Dopp                      06/02/2013

[signature of director]

Bernd Dopp

[print name of director]

Director

in the presence of:

Signed by Nadia Petersen                      06/02/2013

[signature of witness]

Nadia Petersen

[print name of witness]

Address

Alter Wandrahm 14

20457 Hamburg

Germany

Occupation

Tax Manager

78878152-571-

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Executed as a deed by WARNER MUSIC SPAIN S.L.  
acting by:

Signed by Jose Carlos Sanchez

[signature of director]

Jose Carlos Sanchez

[print name of director]

Director

in the presence of:

Signed by Kenneth E. Cole

[signature of witness]

Kenneth E. Cole

[print name of witness]

Address

Juan Hurtado Mendoza, 3

28036 Madrid

Spain

Occupation

Executive Warner Music Spain S.L.

78878152-572-

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Executed as a deed by WARNER MUSIC SWEDEN AB  
acting by:

Signed by Jonas Siljemark

[signature of director]

Jonas Siljemark

[print name of director]

Director

in the presence of:

Signed by Jacob Key

[signature of witness]

Jacob Key

[print name of witness]

Address

Lotsvagen 11

18166 Lidingo

Occupation

Head of BD

78878152-573-

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Executed as a deed by WMG ACQUISITION CORP.  
acting by:

Signed by Paul Robinson

[signature of authorised signatory]

Paul Robinson

[print name of authorised signatory]

Authorised Signatory

in the presence of:

Signed by Thomas Marcotullio

[signature of witness]

Thomas Marcotullio

[print name of witness]

Address

75 Rockefeller Plaza

New York, NY 10019

Occupation

Lawyer

78878152-574-

STRICTLY PRIVATE AND CONFIDENTIAL

**Share Sale and Purchase Agreement**  
relating to EMI Music France SAS

Dated

1 July 2013

EMI Records France Holdco Limited (1)  
Universal International Music BV (2)  
Warner Music Holdings BV (3)  
WMG Acquisition Corp. (4)

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## PARTIES

- (1) EMI RECORDS FRANCE HOLDCO LIMITED (formerly known as EMI Music France Holdco Limited), a company duly incorporated and existing under the laws of England and Wales with number 06405604, whose principal place of business is at 364-366 Kensington High Street, London, W14 8NS United Kingdom (the “Seller”);
- (2) UNIVERSAL INTERNATIONAL MUSIC BV, a company duly incorporated and existing under the laws of the Netherlands with number 31018439, whose principal place of business is at Gerrit van der Veenlaan 4, 3743 DN Baarn, the Netherlands (the “Seller’s Guarantor”);
- (3) WARNER MUSIC HOLDINGS BV, a company duly incorporated and existing under the laws of the Netherlands with number 32067757, whose principal place of business is at Olympia 2, 1213 NT Hilversum, the Netherlands (the “Buyer”); and
- (4) WMG ACQUISITION CORP., a company duly incorporated and existing under the laws of the US State of Delaware, whose principal place of business is at 75 Rockefeller Plaza, New York, NY 10019 (the “Buyer’s Guarantor”).

## INTRODUCTION

- (A) EMI Music France SAS is a *société par actions simplifiée* registered under the laws of France under number 542 103 569 RCS Paris having its registered office located at 118-126 rue du Mont Cenis, 75018 Paris, France (the “French Target Company”).
- (B) The Seller owns an aggregate number of 1,109,813 shares of the French Target Company (the “French Target Shares”), representing 100% of the issued and outstanding share capital and voting rights of the French Target Company (short particulars of which are set out in Schedule 3 (together with short particulars of the French Target Shares)).
- (C) The French Target Company owns 510 shares in the share capital of Play On SAS, a *société par actions simplifiée* registered under the laws of France under number 488 124 819 RCS Nanterre having its registered office located at 110 boulevard Jean Jaurès, 92100 Boulogne Billancourt, France (the “French Subsidiary” and, together with the French Target Company, the “French Companies”) (short particulars of which are set out in Schedule 3).
- (D) Reference is made to the share sale and purchase agreement relating to PLG Holdco Limited and others entered into on 6 February 2013 as may be amended and restated from time to time, between, *inter alia*, the Seller’s Guarantor and the Buyer’s Guarantor, a copy of which is attached as Schedule 1 hereto (the “Main SPA”).
- (E) As contemplated in Recital (B) of the Main SPA, the Buyer (being a member of the Buyers’ Group) wishes to purchase, and the Seller wishes to sell, the French Target Shares in the manner and on and subject to the terms of this Agreement and the France Put Option (and to which the parties hereto are parties).
- (F) The parties hereto and the French Target Company have, where required, complied with the provisions of the French *Code du travail* regarding prior information and consultation of the French Target Company’s workers council, and in particular with articles L. 2323-19 thereof, and the Buyer and the Buyer’s Guarantor have complied with any laws or regulations of a similar nature applicable to them that are relevant to the transactions contemplated by this Agreement.

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(G) The parties hereto have agreed to enter into this Agreement which provides, *inter alia*, for the acquisition of the Target Shares by the Buyer.

OPERATIVE PROVISIONS

**1 Definitions**

In this Agreement, except where a different interpretation is necessary in the context, the words and expressions set out below shall have the following meanings:

Agreement	this agreement including the Introduction and the Schedules
Consideration	has the meaning given in clause 3.1
France Completion	completion of the sale and purchase of the Target Shares in accordance with the terms of this Agreement
French Companies	has the meaning given in paragraph (C) of the Introduction
French Subsidiary	has the meaning given in paragraph (C) of the Introduction
French Target Company	has the meaning given in paragraph (A) of the Introduction
French Target Shares	has the meaning given in paragraph (B) of the Introduction
Main SPA	has the meaning given in paragraph (D) of the Introduction
Main SPA Completion	has the meaning given in the definition of “Completion” in clause 1 of the Main SPA
Main SPA Completion Date	has the meaning given to “Completion Date” in clause 7.2 of the Main SPA

All other capitalised terms, not otherwise defined in this Agreement shall have the meaning specified in the Main SPA, in each case *mutatis mutandis*.

**2 Sale and purchase of the Target Shares**

The Seller shall at France Completion sell and the Buyer shall purchase the French Target Shares together with all rights attaching to them at France Completion and free from all Encumbrances.

**3 Consideration**

- 3.1 In consideration of the sale of the French Target Shares in accordance with the terms of this Agreement, the Buyer shall, at France Completion, pay the Seller £122,132,823 (the “Consideration”).
- 3.2 Any payment made by or on behalf of the Seller to the Buyer under or in respect of any breach of this Agreement (including, for the avoidance of doubt, in respect of any Claim for breach of the Seller Warranties or pursuant to the indemnity set out in clause 5.3 of this Agreement) or pursuant to the Tax Deed, shall be and shall be deemed to be a reduction in the price paid by the Buyer to the Seller for the French Target Shares under this Agreement to the extent legally possible.

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**4 France Completion**

4.1 France Completion is conditional upon Main SPA Completion.

4.2 At France Completion:

- (a) the Seller and the Buyer shall deliver or cause to be delivered the items listed in Parts 1 and 2, respectively, of Schedule 2 of this Agreement (the Buyer or the Buyers' Representative (as applicable) receiving them where appropriate as agent for the French Companies or the Buyer's Guarantor (as applicable) and the Seller or the Sellers' Representative (where applicable) receiving them as agent for the Seller's Guarantor); and
- (b) the Buyer shall pay an amount equal to the Consideration to the Sellers' Nominated Account, full payment of which shall constitute valid discharge of the Buyer's obligations under this clause 4.2(b).

**5 Completion Statement**

5.1 For the avoidance of doubt, the parties agree that the Consideration shall be subject to adjustment pursuant to clause 8 and Schedule 6 of the Main SPA and, further, that the French Companies are deemed to be Target Companies for the purposes of the foregoing clause and schedule. In the event that any adjustment payment or payments are required to be made in accordance with the foregoing clause and schedule which relate to the French Target Company or the French Subsidiary, such payments shall be made as between the Buyer and the Seller of the French Target Shares, each as defined under this Agreement.

**6 Seller's Warranties**

The Seller warrants to the Buyer, in relation to the French Target Shares, the French Target Company, the French Subsidiary and itself only, in the terms of the Seller Warranties *mutatis mutandis*.

**7 Limitations on liability**

For the avoidance of doubt, any and all claims under this Agreement shall be subject to the limitations on liability set out in Schedule 5 of the Main SPA, in accordance with the provisions of that Schedule *mutatis mutandis*.

**8 Buyer's Warranties**

The Buyer warrants to the Seller in the terms of the Buyer Warranties in clause 11 and Schedule 4 of the Main SPA *mutatis mutandis*.

**9 Buyer's Guarantee**

The Buyer's Guarantor hereby covenants to the Seller in the terms of the Buyers' Guarantee in clause 17 of the Main SPA *mutatis mutandis*.

**10 Seller's Guarantee**

The Seller's Guarantor hereby covenants to the Buyer in the terms of the Seller's Guarantee in clause 19 of the Main SPA *mutatis mutandis*.

**11 Buyer undertakings**

The Buyer, in respect of the French Target Company and the French Subsidiary only (where applicable), hereby covenants to the Seller in the terms of clauses 9.2, 9.4 and 13 of the Main SPA in each case *mutatis mutandis*.

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**12 Seller undertakings**

The Seller, in respect of the French Target Company and the French Subsidiary only (where applicable), hereby covenants to the Buyer in the terms of clauses 9.1, 9.3, 9.4, 9.5, 9.6, 15 and 16 of the Main SPA in each case *mutatis mutandis*.

**13 Miscellaneous**

13.1 Save as otherwise or already expressly stated in this Agreement, the following provisions of the Main SPA shall apply to this Agreement where applicable and in each case *mutatis mutandis*: clause 1, clause 5, clause 6, clause 7, clause 8, clause 10, clause 11, clause 14, clause 16, clause 17, clause 18, clause 19, clause 20, clause 21, clause 22, clause 23, clause 24, clause 25, clause 26, clause 27, clause 28, clause 29, clause 30, clause 31, clause 32, clause 33, clause 34, clause 35, clause 36, clause 37 and clause 38.

13.2 For the avoidance of doubt, any notice to be served under this Agreement shall be validly served:

- (a) in the case of the Buyer or the Buyer's Guarantor, if served upon the Buyers' Representative; and
- (b) in the case of the Seller or the Seller's Guarantor, if served on the Sellers' Representative,

in each case in accordance with clause 33 of the Main SPA *mutatis mutandis*.

13.3 In compliance with the provisions of article 223 B, 7, c, of the French Tax Code and with the Tax Guidelines BOI-IS-GPE-20-20-80 n° 250 and seq., the Buyer has expressed its interest in acquiring all of the French Target Shares, with a view to on-selling them immediately to its subsidiary Warner Music France, a *société par actions simplifiée*, organized under the laws of France, with a share capital of € 67,377,504, whose registered office is at 29 Avenue Mac Mahon - 75809 Paris Cedex 17, registered under number 712 029 370 RCS Paris (the "Ultimate Buyer").

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SIGNATURES

Executed by EMI RECORDS FRANCE HOLDCO LIMITED  
acting by:

/s/ Richard M. Constant

[signature of director]

Richard M. Constant

[print name of director]

Director

in the presence of:

/s/ Julia J. Edge

[signature of witness]

Julia J. Edge

[print name of witness]

Address

364-366 Kensington High Street

London

W14 8NS

Occupation

Legal P.A.

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Executed by UNIVERSAL INTERNATIONAL MUSIC BV  
acting by:

/s/ N.P. Van Den Hoven

[signature of director]

N.P. Van Den Hoven

[print name of director]

Director

in the presence of:

/s/ W.M. Wagenaar

[signature of witness]

W.M. Wagenaar-van Oppen

[print name of witness]

Address

Chopinstraat 1

3533 EJ Litrecht

Nederland

Occupation

Legal Affairs Director

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Executed by WARNER MUSIC HOLDINGS BV acting by:

/s/ M.R. Jessurun

[signature of director]

M.R. Jessurun

[print name of director]

Director

in the presence of:

/s/ Michiel Zwanikhen

[signature of witness]

Michiel Zwanikhen

[print name of witness]

Address

Diamaniweg g3

3017gy Amersfoort

Holland

Occupation

Owner of a telecom company

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Executed by WMG ACQUISITION CORP. acting by:

/s/ Paul Robinson

[signature of director]

Paul Robinson

[print name of director]

Director

in the presence of:

/s/ Trent N. Tappe

[signature of witness]

Trent N. Tappe

[print name of witness]

Address

75 Rockefeller Plaza

New York, NY 10014

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Occupation

Attorney

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Stephen Cooper, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2013 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: August 8, 2013

/s/ STEPHEN COOPER

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**Chief Executive Officer**  
**(Principal Executive Officer)**

## CHIEF FINANCIAL OFFICER CERTIFICATION

I, Brian Roberts, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2013 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: August 8, 2013

/s/ BRIAN ROBERTS

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**Chief Financial Officer (Principal Financial and  
Accounting Officer)**

**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 June 30, 2013 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: August 8, 2013

/s/ STEPHEN COOPER

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**Stephen Cooper**  
**Chief Executive Officer**

**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 June 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian Roberts, 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: August 8, 2013

/s/ BRIAN ROBERTS

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**Brian Roberts**  
**Chief Financial Officer**

