# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended March 31, 2023**

**OR**

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

**Commission File Number 001-32502**

# Warner Music Group Corp.

**(Exact name of registrant as specified in its charter)**

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class A Common Stock, $0.001 par value per share | WMG | The Nasdaq Stock Market LLC |

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| Emerging growth company | ☐ | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

As of May 3, 2023, there were 138,324,103 shares of Class A Common Stock and 377,650,449 shares of Class B Common Stock of the registrant outstanding.

**WARNER MUSIC GROUP CORP.**
**QUARTERLY REPORT ON FORM 10-Q**
**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2023**

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**Warner Music Group Corp.**
**Condensed Consolidated Balance Sheets**
*(In millions, except share amounts which are reflected in thousands)*
*(Unaudited)*

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and equivalents | $ 601 | $ 584 |
| Accounts receivable, net of allowances of $19 million and $19 million | 1,017 | 984 |
| Inventories | 114 | 108 |
| Royalty advances expected to be recouped within one year | 371 | 372 |
| Prepaid and other current assets | 109 | 91 |
| Total current assets | 2,212 | 2,139 |
| Royalty advances expected to be recouped after one year | 557 | 503 |
| Property, plant and equipment, net of accumulated depreciation of $503 million and $461 million | 440 | 415 |
| Operating lease right-of-use assets, net | 233 | 226 |
| Goodwill | 1,960 | 1,920 |
| Intangible assets subject to amortization, net | 2,232 | 2,239 |
| Intangible assets not subject to amortization | 150 | 145 |
| Deferred tax assets, net | 28 | 29 |
| Other assets | 198 | 212 |
| Total assets | $ 8,010 | $ 7,828 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 282 | $ 268 |
| Accrued royalties | 2,057 | 1,918 |
| Accrued liabilities | 411 | 457 |
| Accrued interest | 17 | 17 |
| Operating lease liabilities, current | 41 | 40 |
| Deferred revenue | 311 | 423 |
| Other current liabilities | 68 | 245 |
| Total current liabilities | 3,187 | 3,368 |
| Long-term debt | 3,986 | 3,732 |
| Operating lease liabilities, noncurrent | 247 | 241 |
| Deferred tax liabilities, net | 220 | 220 |
| Other noncurrent liabilities | 104 | 99 |
| Total liabilities | $ 7,744 | $ 7,660 |
| Equity: | | |
| Class A common stock, $0.001 par value; 1,000,000 shares authorized, 138,324 and 137,199 shares issued and outstanding as of March 31, 2023 and September 30, 2022, respectively | $ — | $ — |
| Class B common stock, $0.001 par value; 1,000,000 shares authorized, 377,650 and 377,650 issued and outstanding as of March 31, 2023 and September 30, 2022, respectively | 1 | 1 |
| Additional paid-in capital | 2,000 | 1,975 |
| Accumulated deficit | (1,488) | (1,477) |
| Accumulated other comprehensive loss, net | (261) | (347) |
| Total Warner Music Group Corp. equity | 252 | 152 |
| Noncontrolling interest | 14 | 16 |
| Total equity | 266 | 168 |
| Total liabilities and equity | $ 8,010 | $ 7,828 |

See accompanying notes

## Warner Music Group Corp.
## Condensed Consolidated Statements of Operations
*(In millions, except share amounts which are reflected in thousands, and per share data)*
*(Unaudited)*

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue | $ 1,399 | $ 1,376 | $ 2,887 | $ 2,990 |
| Costs and expenses: | | | | |
| Cost of revenue | (721) | (697) | (1,482) | (1,515) |
| Selling, general and administrative expenses (a) | (452) | (444) | (892) | (941) |
| Restructuring | (41) | — | (41) | — |
| Amortization expense | (61) | (69) | (124) | (129) |
| Total costs and expenses | (1,275) | (1,210) | (2,539) | (2,585) |
| Net gain on divestiture | — | — | 41 | — |
| Operating income | 124 | 166 | 389 | 405 |
| Interest expense, net | (35) | (32) | (67) | (62) |
| Other (expense) income | (31) | (8) | (92) | 46 |
| Income before income taxes | 58 | 126 | 230 | 389 |
| Income tax expense | (21) | (34) | (69) | (109) |
| Net income | 37 | 92 | 161 | 280 |
| Less: Income attributable to noncontrolling interest | (3) | — | (5) | (1) |
| Net income attributable to Warner Music Group Corp. | $ 34 | $ 92 | $ 156 | $ 279 |
| | | | | |
| Net income per share attributable to common stockholders: | | | | |
| Class A – Basic and Diluted | $ 0.06 | $ 0.18 | $ 0.30 | $ 0.53 |
| Class B – Basic and Diluted | $ 0.06 | $ 0.18 | $ 0.30 | $ 0.53 |
| Weighted average common shares: | | | | |
| Class A – Basic and Diluted | 138,257 | 136,349 | 137,841 | 130,159 |
| Class B – Basic and Diluted | 377,650 | 378,432 | 377,650 | 384,442 |
| | | | | |
| (a) Includes depreciation expense: | $ (22) | $ (20) | $ (43) | $ (41) |

See accompanying notes

**Warner Music Group Corp.**
**Condensed Consolidated Statements of Comprehensive Income**
*(In millions)*
*(Unaudited)*

| | Three Months Ended March 31, | | Six Months Ended March 31, | |
|---|---|---|---|---|
| | **2023** | **2022** | **2023** | **2022** |
| Net income | $ 37 | $ 92 | $ 161 | $ 280 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency adjustment | 19 | (25) | 91 | (50) |
| Deferred (loss) gain on derivative financial instruments | (4) | 14 | (5) | 21 |
| Other comprehensive income (loss), net of tax | 15 | (11) | 86 | (29) |
| Total comprehensive income | 52 | 81 | 247 | 251 |
| Less: Income attributable to noncontrolling interest | (3) | — | (5) | (1) |
| Comprehensive income attributable to Warner Music Group Corp. | $ 49 | $ 81 | $ 242 | $ 250 |

See accompanying notes

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

| | Six Months Ended March 31, 2023 | Six Months Ended March 31, 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 161 | $ 280 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 167 | 170 |
| Unrealized (gains) losses and remeasurement of foreign-denominated loans and foreign currency forward exchange contracts | 93 | (57) |
| Deferred income taxes | (3) | 30 |
| Net loss (gain) on divestitures and investments | (38) | 28 |
| Non-cash interest expense | 3 | 3 |
| Non-cash stock-based compensation expense | 35 | 30 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | — | (82) |
| Inventories | 2 | 1 |
| Royalty advances | (25) | (123) |
| Accounts payable and accrued liabilities | (65) | (64) |
| Royalty payables | 67 | 55 |
| Accrued interest | — | 4 |
| Operating lease liabilities | (1) | (7) |
| Deferred revenue | (123) | (107) |
| Other balance sheet changes | (70) | 12 |
| Net cash provided by operating activities | 203 | 173 |
| **Cash flows from investing activities** | | |
| Acquisition of music publishing rights and music catalogs, net | (42) | (169) |
| Capital expenditures | (56) | (62) |
| Investments and acquisitions of businesses, net of cash received | (17) | (429) |
| Proceeds from the sale of investments | 22 | 11 |
| Proceeds from divestitures | 42 | — |
| Net cash used in investing activities | (51) | (649) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of 3.750% Senior Secured Notes due 2029 | — | 535 |
| Proceeds from incremental Senior Term Loan Facility | 147 | — |
| Proceeds from Term Loan Mortgage | 19 | — |
| Deferred financing costs paid | (2) | (5) |
| Distribution to noncontrolling interest holders | (7) | (1) |
| Dividends paid | (167) | (156) |
| Payment of deferred and contingent consideration | (133) | (4) |
| Taxes paid related to net share settlement of restricted stock units | — | (6) |
| Net cash (used in) provided by financing activities | (143) | 363 |
| Effect of exchange rate changes on cash and equivalents | 8 | (1) |
| Net increase (decrease) in cash and equivalents | 17 | (114) |
| Cash and equivalents at beginning of period | 584 | 499 |
| Cash and equivalents at end of period | $ 601 | $ 385 |

See accompanying notes

**Warner Music Group Corp.**
**Condensed Consolidated Statements of Equity**
*(In millions, except share amounts which are reflected in thousands, and per share data)*
*(Unaudited)*

**Six Months Ended March 31, 2023**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Warner Music Group Corp. Equity | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Value | Shares | Value | | | | | | |
| Balance at September 30, 2022 | 137,199 | $ — | 377,650 | $ 1 | $ 1,975 | $ (1,477) | $ (347) | $ 152 | $ 16 | $ 168 |
| Net income | — | — | — | — | — | 156 | — | 156 | 5 | 161 |
| Other comprehensive income, net of tax | — | — | — | — | — | — | 86 | 86 | — | 86 |
| Dividends ($0.32 per share) | — | — | — | — | — | (167) | — | (167) | — | (167) |
| Stock-based compensation expense | — | — | — | — | 25 | — | — | 25 | — | 25 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (7) | (7) |
| Shares issued under the Plan | 869 | — | — | — | — | — | — | — | — | — |
| Shares issued under Omnibus Incentive Plan | 256 | — | — | — | — | — | — | — | — | — |
| Balance at March 31, 2023 | 138,324 | $ — | 377,650 | $ 1 | $ 2,000 | $ (1,488) | $ (261) | $ 252 | $ 14 | $ 266 |

**Three Months Ended March 31, 2023**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Warner Music Group Corp. Equity | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Value | Shares | Value | | | | | | |
| Balance at December 31, 2022 | 138,073 | $ — | 377,650 | $ 1 | $ 1,984 | $ (1,439) | $ (276) | $ 270 | $ 12 | $ 282 |
| Net income | — | — | — | — | — | 34 | — | 34 | 3 | 37 |
| Other comprehensive income, net of tax | — | — | — | — | — | — | 15 | 15 | — | 15 |
| Dividends ($0.16 per share) | — | — | — | — | — | (83) | — | (83) | — | (83) |
| Stock-based compensation expense | — | — | — | — | 16 | — | — | 16 | — | 16 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (1) | (1) |
| Shares issued under Omnibus Incentive Plan | 251 | — | — | — | — | — | — | — | — | — |
| Balance at March 31, 2023 | 138,324 | $ — | 377,650 | $ 1 | $ 2,000 | $ (1,488) | $ (261) | $ 252 | $ 14 | $ 266 |

**Six Months Ended March 31, 2022**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Warner Music Group Corp. Equity | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Value | Shares | Value | | | | | | |
| Balance at September 30, 2021 | 122,415 | $ — | 391,971 | $ 1 | $ 1,942 | $ (1,710) | $ (202) | $ 31 | $ 15 | $ 46 |
| Net income | — | — | — | — | — | 279 | — | 279 | 1 | 280 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (29) | (29) | — | (29) |
| Dividends ($0.30 per share) | — | — | — | — | — | (156) | — | (156) | — | (156) |
| Stock-based compensation expense | — | — | — | — | 35 | — | — | 35 | — | 35 |
| Distribution to noncontrolling interest holders | — | — | — | — | — | — | — | — | (1) | (1) |
| Vesting of restricted stock units, net of shares withheld for employee taxes | 277 | — | — | — | (6) | — | — | (6) | — | (6) |
| Conversion of Class B shares to Class A shares | 14,320 | — | (14,321) | — | — | — | — | — | — | — |
| Shares issued under Omnibus Incentive Plan | 186 | — | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — | 4 | 4 |
| Balance at March 31, 2022 | 137,198 | $ — | 377,650 | $ 1 | $ 1,971 | $ (1,587) | $ (231) | $ 154 | $ 19 | $ 173 |

**Three Months Ended March 31, 2022**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total Warner Music Group Corp. Equity | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Value | Shares | Value | | | | | | |
| Balance at December 31, 2021 | 127,237 | $ — | 387,300 | $ 1 | $ 1,973 | $ (1,601) | $ (220) | $ 153 | $ 19 | $ 172 |
| Net income | — | — | — | — | — | 92 | — | 92 | — | 92 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (11) | (11) | — | (11) |
| Dividends ($0.15 per share) | — | — | — | — | — | (78) | — | (78) | — | (78) |
| Stock-based compensation expense | — | — | — | — | 4 | — | — | 4 | — | 4 |
| Vesting of restricted stock units, net of shares withheld for employee taxes | 277 | — | — | — | (6) | — | — | (6) | — | (6) |
| Conversion of Class B shares to Class A shares | 9,649 | — | (9,650) | — | — | — | — | — | — | — |
| Shares issued under Omnibus Incentive Plan | 35 | — | — | — | — | — | — | — | — | — |
| Balance at March 31, 2022 | 137,198 | $ — | 377,650 | $ 1 | $ 1,971 | $ (1,587) | $ (231) | $ 154 | $ 19 | $ 173 |

See accompanying notes

## 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 entertainment companies. We classify our business interests into two fundamental operations: Recorded Music and Music Publishing.

### *Recorded Music Operations*

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

### *Music Publishing Operations*

While Recorded Music is focused on marketing, promoting, distributing and licensing a particular recording of a musical composition, Music Publishing is an intellectual property business focused on generating revenue from uses of the musical composition itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rightsholders, our Music Publishing business shares the revenues generated from use of the musical compositions with the songwriter or other rightsholders.

## 2. Summary of Significant Accounting Policies

### Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“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 the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2023.

The consolidated balance sheet at September 30, 2022 has been derived from the audited consolidated financial statements at that date but does not include all the information and notes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022 (File No. 001-32502).

### Change in Fiscal Year End

On September 29, 2022, the Board of Directors approved a change, effective for the 2023 fiscal year, to the Company’s fiscal year from a modified 52-53-week calendar, in which reporting periods ended on the last Friday of the calendar quarter, to a reporting calendar in which the reporting periods end on the last day of the calendar quarter. Effective for the 2023 fiscal year, the Company’s fiscal year will begin on October 1 and end on September 30 of each year.

Prior to the start of the 2023 fiscal year, the Company maintained a 52-53 week fiscal year ending on the last Friday in each reporting period. The fiscal year ended September 30, 2022 included 53 weeks, with the additional week falling in the fiscal quarter ended December 31, 2021. Accordingly, the results of operations for the six months ended March 31, 2022 reflect 27 weeks, or 189 days, compared to 182 days for the six months ended March 31, 2023. For the six months ended March 31, 2022, the revenue benefit of the additional week was approximately $73 million, primarily reflected in Recorded Music streaming revenue.

### Basis of Consolidation

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

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

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

**Income Taxes**

The Company uses the estimated annual effective tax rate method in computing its interim tax provision. Certain items, including those deemed to be unusual and infrequent are excluded from the estimated annual effective tax rate. In such cases, the actual tax expense or benefit is reported in the same period as the related item. Certain tax effects are also not reflected in the estimated annual effective tax rate, primarily certain changes in the realizability of deferred tax assets and uncertain tax positions, and are recorded in the period in which the change occurs.

Global Intangible Low-Taxed Income (GILTI) imposes U.S. taxes on the excess of a deemed return on tangible assets of certain foreign subsidiaries. The Company made an election to recognize GILTI tax in the specific period in which it occurs.

**New Accounting Pronouncements**

Recently Adopted Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). The amendment provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarified that certain optional expedients and exceptions in Topic 848 apply to derivative instruments that are affected by the discounting transition due to reference rate reform. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date*, which extended the period in which Topic 848 may be applied until December 31, 2024. These ASUs were effective upon issuance and may be applied prospectively to contract modifications and hedging relationships entered into or evaluated through December 31, 2024. The discontinuation of LIBOR will impact the Senior Term Loan Facility and a pay-fixed receive-variable interest rate swap which will be outstanding as of the effective date of the discontinuation. The Revolving Credit Facility was amended during the three months ended March 31, 2023 as further described in Note 8. The Company is in the process of evaluating the effect that the adoption of these standards will have on its consolidated financial statements, but does not expect it will have a material effect.

Accounting Pronouncements Not Yet Adopted

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements* ("ASU 2023-01"). The amendment clarifies the accounting for leasehold improvements for leases between entities under common control. Specifically, the ASU requires that leasehold improvements associated with common control leases be both: (1) amortized by the lessee over the useful life of the leasehold improvement to the common control group, regardless of the lease term, and (2) accounted for as an adjustment to equity when leasehold improvements are transferred between entities under common control when the lessee no longer controls the leasehold improvements. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023. The Company is in the process of evaluating the effect that the adoption of these standards will have on its consolidated financial statements.

**3. Earnings per Share**

The Company utilizes the two-class method to report earnings per share. Basic earnings per share is computed by dividing net income available to each class of stock by the weighted average number of outstanding common shares for each class of stock. Diluted earnings per share is computed by dividing net income available to each class of stock by the weighted average number of outstanding common shares, plus dilutive potential common shares, which is calculated using the treasury-stock method. The potentially dilutive common shares did not have a dilutive effect on the Company's EPS calculation for the three and six months ended March 31, 2023 and 2022, respectively.

The following table sets forth the calculation of basic and diluted net income per common share under the two-class method for the three and six months ended March 31, 2023 and 2022 (in millions, except share amounts, which are reflected in thousands, and per share data):

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Class A | Class B | Class A | Class B |
| Basic and Diluted EPS: | | | | |
| Numerator | | | | |
| Net income attributable to Warner Music Group Corp. | $ 10 | $ 24 | $ 25 | $ 67 |
| Less: Net income attributable to participating securities | (1) | — | (1) | — |
| Net income attributable to common stockholders | $ 9 | $ 24 | $ 24 | $ 67 |
| Denominator | | | | |
| Weighted average shares outstanding | 138,257 | 377,650 | 136,349 | 378,432 |
| Basic and Diluted EPS | $ 0.06 | $ 0.06 | $ 0.18 | $ 0.18 |

| | Six Months Ended March 31, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Class A | Class B | Class A | Class B |
| Basic and Diluted EPS: | | | | |
| Numerator | | | | |
| Net income attributable to Warner Music Group Corp. | $ 43 | $ 113 | $ 73 | $ 206 |
| Less: Net income attributable to participating securities | (2) | — | (4) | — |
| Net income attributable to common stockholders | $ 41 | $ 113 | $ 69 | $ 206 |
| Denominator | | | | |
| Weighted average shares outstanding | 137,841 | 377,650 | 130,159 | 384,442 |
| Basic and Diluted EPS | $ 0.30 | $ 0.30 | $ 0.53 | $ 0.53 |

## 4. Revenue Recognition

### Disaggregation of Revenue

The Company's revenue consists of the following categories, which aggregate into the segments – Recorded Music and Music Publishing:

| | Three Months Ended March 31, 2023 | Three Months Ended March 31, 2022 | Six Months Ended March 31, 2023 | Six Months Ended March 31, 2022 |
|---|---|---|---|---|
| | (in millions) | | | |
| **Revenue by Type** | | | | |
| Digital | $ 796 | $ 804 | $ 1,599 | $ 1,674 |
| Physical | 118 | 122 | 251 | 317 |
| Total Digital and Physical | 914 | 926 | 1,850 | 1,991 |
| Artist services and expanded-rights | 131 | 141 | 337 | 373 |
| Licensing | 98 | 80 | 195 | 169 |
| Total Recorded Music | 1,143 | 1,147 | 2,382 | 2,533 |
| Performance | 45 | 36 | 90 | 74 |
| Digital | 146 | 127 | 295 | 260 |
| Mechanical | 16 | 13 | 30 | 27 |
| Synchronization | 46 | 50 | 85 | 92 |
| Other | 4 | 4 | 7 | 6 |
| Total Music Publishing | 257 | 230 | 507 | 459 |
| Intersegment eliminations | (1) | (1) | (2) | (2) |
| Total Revenues | $ 1,399 | $ 1,376 | $ 2,887 | $ 2,990 |
| **Revenue by Geographical Location** | | | | |
| U.S. Recorded Music | $ 522 | $ 518 | $ 1,061 | $ 1,126 |
| U.S. Music Publishing | 135 | 117 | 268 | 232 |
| Total U.S. | 657 | 635 | 1,329 | 1,358 |
| International Recorded Music | 621 | 629 | 1,321 | 1,407 |
| International Music Publishing | 122 | 113 | 239 | 227 |
| Total International | 743 | 742 | 1,560 | 1,634 |
| Intersegment eliminations | (1) | (1) | (2) | (2) |
| Total Revenues | $ 1,399 | $ 1,376 | $ 2,887 | $ 2,990 |

### Sales Returns and Uncollectible Accounts

Based on management's analysis of sales returns, refund liabilities of $21 million and $19 million were established at March 31, 2023 and September 30, 2022, respectively.

Based on management's analysis of estimated credit losses, reserves of $19 million and $19 million were established at March 31, 2023 and September 30, 2022, respectively.

### Deferred Revenue

Deferred revenue increased by $225 million during the six months ended March 31, 2023 related to cash received from customers for fixed fees and minimum guarantees in advance of performance, including amounts recognized in the period. Revenues of $248 million were recognized during the six months ended March 31, 2023 related to the balance of deferred revenue at September 30, 2022. There were no other significant changes to deferred revenue during the reporting period.

### Performance Obligations

For the six months ended March 31, 2023 and March 31, 2022, the Company recognized revenue of $41 million and $43 million, respectively, from performance obligations satisfied in previous periods.

Revenues expected to be recognized in the future related to performance obligations that are unsatisfied at March 31, 2023 are as follows:

| | Rest of FY23 | FY24 | FY25 | Thereafter | Total |
|---|---|---|---|---|---|
| | (in millions) | | | | |
| Remaining performance obligations | $ 350 | $ 450 | $ 6 | $ 2 | $ 808 |
| Total | $ 350 | $ 450 | $ 6 | $ 2 | $ 808 |

**5. Acquisition of 300 Entertainment**

On December 16, 2021, the Company purchased all outstanding shares of Theory Entertainment LLC d/b/a 300 Entertainment ("300 Entertainment"), an independent U.S. record label. The final consideration paid was determined to be $394 million, which reflects the base purchase price of $400 million, adjusted for, among other items, working capital. During the three months ended December 31, 2022, the Company updated and finalized the purchase price allocation recorded at September 30, 2022, which resulted in a decrease to intangible assets of approximately $1 million and a net decrease to other acquired assets and liabilities of approximately $2 million, with a corresponding net increase to goodwill of approximately $3 million.

See Note 5, "Acquisition of 300 Entertainment," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022 for the preliminary purchase price allocation, valuation methodology, and other information related to the 300 Entertainment acquisition.

**6. Comprehensive Income**

Comprehensive income, which is reported in the accompanying condensed consolidated statements of equity, consists of net income and other gains and losses affecting equity that, under U.S. GAAP, are excluded from net income. For the Company, the components of other comprehensive income primarily consist of foreign currency translation gains and losses, minimum pension liabilities, and deferred gains and losses on financial instruments designated as hedges under ASC 815, *Derivatives and Hedging*. The following summary sets forth the changes in the components of accumulated other comprehensive loss, net of related tax benefit of $2 million:

| | Foreign Currency Translation Loss (a) | Minimum Pension Liability Adjustment | Deferred Gains (Losses) On Derivative Financial Instruments | Accumulated Other Comprehensive Loss, net |
|---|---|---|---|---|
| | (in millions) | | | |
| Balances at September 30, 2022 | $ (358) | $ (2) | $ 13 | $ (347) |
| Other comprehensive income (loss) | 91 | — | (5) | 86 |
| Balances at March 31, 2023 | $ (267) | $ (2) | $ 8 | $ (261) |

(a) Includes historical foreign currency translation related to certain intra-entity transactions.

**7. Goodwill and Intangible Assets**

**Goodwill**

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

| | Recorded Music | Music Publishing | Total |
|---|---|---|---|
| | (in millions) | | |
| Balances at September 30, 2022 | $ 1,456 | $ 464 | $ 1,920 |
| Acquisitions | 3 | — | 3 |
| Other adjustments (a) | 37 | — | 37 |
| Balances at March 31, 2023 | $ 1,496 | $ 464 | $ 1,960 |

(a) Other adjustments during the six months ended March 31, 2023 represent foreign currency movements.

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

**Intangible Assets**

Intangible assets consist of the following:

| | Weighted-Average Useful Life | March 31, 2023 | September 30, 2022 |
|---|---|---|---|
| | | (in millions) | |
| Intangible assets subject to amortization: | | | |
| Recorded music catalog | 12 years | $ 1,391 | $ 1,316 |
| Music publishing copyrights | 25 years | 1,982 | 1,889 |
| Artist and songwriter contracts | 13 years | 1,055 | 1,014 |
| Trademarks | 15 years | 108 | 103 |
| Other intangible assets | 6 years | 97 | 89 |
| Total gross intangible assets subject to amortization | | 4,633 | 4,411 |
| Accumulated amortization | | (2,401) | (2,172) |
| Total net intangible assets subject to amortization | | 2,232 | 2,239 |
| Intangible assets not subject to amortization: | | | |
| Trademarks and tradenames | Indefinite | 150 | 145 |
| Total net intangible assets | | $ 2,382 | $ 2,384 |

## 8. Debt

**Debt Capitalization**

Long-term debt, all of which was issued by Acquisition Corp., consists of the following:

| | March 31, 2023 | September 30, 2022 |
|---|---|---|
| | (in millions) | |
| Revolving Credit Facility (a) | $ — | $ — |
| Senior Term Loan Facility due 2028 | 1,295 | 1,145 |
| 2.750% Senior Secured Notes due 2028 (€325 face amount) | 354 | 318 |
| 3.750% Senior Secured Notes due 2029 | 540 | 540 |
| 3.875% Senior Secured Notes due 2030 | 535 | 535 |
| 2.250% Senior Secured Notes due 2031 (€445 face amount) | 486 | 435 |
| 3.000% Senior Secured Notes due 2031 | 800 | 800 |
| Term Loan Mortgage | 19 | — |
| Total long-term debt, including the current portion | $ 4,029 | $ 3,773 |
| Issuance premium less unamortized discount and unamortized deferred financing costs | (43) | (41) |
| Total long-term debt, including the current portion, net | $ 3,986 | $ 3,732 |

(a) Reflects $300 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately $4 million at both March 31, 2023 and September 30, 2022. There were no loans outstanding under the Revolving Credit Facility at March 31, 2023 or September 30, 2022.

The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. As of March 31, 2023 Acquisition Corp. had issued and outstanding the 2.750% Senior Secured Notes due 2028, the 3.750% Senior Secured Notes due 2029, the 3.875% Senior Secured Notes due 2030, the 2.250% Senior Secured Notes due 2031 and the 3.000% Senior Secured Notes due 2031 (together, the "Acquisition Corp. Notes").

All of the Acquisition Corp. Notes are guaranteed by all of Acquisition Corp.'s domestic wholly-owned subsidiaries. The guarantee of the Acquisition Corp. Notes by Acquisition Corp.'s domestic wholly-owned subsidiaries is full, unconditional and joint and several. The secured notes are guaranteed on a senior secured basis.

The Company and Holdings are holding companies that conduct substantially all of their business operations through Acquisition Corp. Accordingly, while Acquisition Corp. and its subsidiaries are not currently restricted from distributing funds to the Company and Holdings under the indentures for the Acquisition Corp. Notes or the credit agreements for the Acquisition Corp. Senior Credit Facilities, including the Revolving Credit Facility and the Senior Term Loan Facility, should Acquisition Corp.'s Total Indebtedness to EBITDA Ratio increase above 3.50:1.00 and the term loans not achieve an investment grade rating, the covenants under the Revolving Credit Facility, which are currently suspended, will be reinstated and the ability of the Company and Holdings to obtain funds from their subsidiaries will be restricted by the Revolving Credit Facility. The Company was in compliance with its covenants under its outstanding notes, the Revolving Credit Facility and the Senior Term Loan Facility as of March 31, 2023.

**Fiscal 2023 Transactions**

***Senior Term Loan Facility Amendment***

On November 1, 2022, Acquisition Corp. entered into a Seventh Incremental Commitment Amendment (the "Seventh Incremental Commitment Amendment"), with Credit Suisse AG, New York Branch, as Tranche H term lender, and Credit Suisse AG, as administrative agent, and acknowledged by the guarantors party thereto and WMG Holdings Corp., to the Senior Term Loan Credit Agreement, pursuant to which Acquisition Corp. borrowed additional term loans in the amount of $150 million for an aggregate principal amount outstanding under the Senior Term Loan Credit Agreement of $1,295 million. The Seventh Incremental Commitment Amendment was entered into to fund certain deferred payment obligations owing in respect of certain prior acquisitions, to pay fees and expenses relating thereto and for general corporate purposes.

***Term Loan Mortgage Agreement***

On January 27, 2023, Acquisition Corp., along with Warner Records Inc. and Warner Music Inc., entered into an agreement with Truist Bank, which provides for a term loan of $19 million ("Term Loan Mortgage") secured by the Company's real estate properties in Nashville, Tennessee. Interest on the Term Loan Mortgage will accrue at a rate of 30-day SOFR plus the applicable margin of 1.40% subject to a zero floor. Equal principal installments and interest are due monthly.

***Revolving Credit Agreement Amendment***

On March 23, 2023, Acquisition Corp. entered into an amendment (the "Fourth Revolving Credit Agreement Amendment") to the Revolving Credit Agreement among Acquisition Corp., the several banks and other financial institutions party thereto and Credit Suisse AG, as administrative agent, governing Acquisition Corp.'s revolving credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Fourth Revolving Credit Agreement Amendment provides for the replacement of LIBOR-based rates with a SOFR-based rate and other rates for alternate currencies, such as EURIBOR and SONIA. We utilized the expedients set forth in ASC Topic 848, including those relating to derivative instruments used in hedging relationships. This transition does not result in a financial impact to our consolidated financial statements.

**Interest Rates**

The loans under the Revolving Credit Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the secured overnight financing rate as administered by the Federal Reserve Bank of New York for the applicable interest period ("Revolving Term SOFR"), and other rates for alternate currencies, such as EURIBOR and SONIA, as provided in the Revolving Credit Agreement, subject to a zero floor, plus 1.75% per annum in the case of Initial Revolving Loans (as defined in the Revolving Credit Agreement), or 1.875% per annum in the case of 2020 Revolving Loans (as defined in the Revolving Credit Agreement), or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) the one-month Revolving Term SOFR plus 1.0% per annum, plus, in each case, 0.75% per annum in the case of Initial Revolving Loans, or 0.875% per annum in the case of 2020 Revolving Loans; *provided* that, in respect of 2020 Revolving Loans, the applicable margin with respect to such loans is subject to adjustment as set forth in the pricing grid in the Revolving Credit Agreement. Based on the Senior Secured Indebtedness to EBITDA Ratio of 3.03x at March 31, 2023, the applicable margin for SOFR loans and RFR loans would be 1.625% instead of 1.875% and the applicable margin for ABR loans would be 0.625% instead of 0.875% in the case of 2020 Revolving Loans. 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 Tranche G loans under the Senior Term Loan Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the rate for deposits in U.S. dollars in the London interbank market (adjusted for maximum reserves) for the applicable interest period ("Term Loan LIBOR") subject to a zero floor, plus 2.125% per annum or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent as its prime rate in effect at its principal office in New York City from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) one-month Term Loan LIBOR, plus 1.00% per annum, subject to a 1.00% floor, plus, in each case, 1.125% per annum. 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 Tranche H loans under the Senior Term Loan Facility bear interest at Acquisition Corp.'s election at a rate equal to (i) the forward-looking term rate based on the secured overnight financing rate as administered by the Federal Reserve Bank of New York for the applicable interest period ("Term SOFR") subject to a 0.50% floor, plus 3.00% per annum or (ii) the base rate, which is the highest of (x) the corporate base rate established by the administrative agent as its prime rate in effect at its principal office in New York City from time to time, (y) 0.50% in excess of the overnight federal funds rate and (z) one-month Term SOFR, plus 1.00% per annum, subject to a 1.50% floor, plus, in each case, 2.00% per annum. 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 Loan Mortgage bears interest at a rate of 30-day SOFR plus the applicable margin of 1.40%, subject to a zero floor.

The Company has entered into, and in the future may enter into, interest rate swaps to manage interest rate risk. Please refer to Note 13 to our condensed consolidated financial statements for further discussion.

**Maturity of Senior Term Loan Facility**

The loans outstanding under the Senior Term Loan Facility mature on January 20, 2028.

**Maturity of Revolving Credit Facility**

The maturity date of the Revolving Credit Facility is April 3, 2025.

**Maturities of Senior Secured Notes**

As of March 31, 2023, there are no scheduled maturities of notes until 2028, when $354 million is scheduled to mature. Thereafter, $2.380 billion is scheduled to mature.

**Maturity of Term Loan Mortgage**

The maturity date of the Term Loan Mortgage is January 27, 2033, subject to a call option exercisable by Truist Bank at any time after January 27, 2028 if certain criteria relating to the Company's creditworthiness are met.

**Interest Expense, net**

Total interest expense, net was $35 million and $32 million for the three months ended March 31, 2023 and 2022, respectively, and $67 million and $62 million for the six months ended March 31, 2023 and 2022, respectively. Interest expense, net includes interest expense related to our outstanding indebtedness of $38 million and $32 million for the three months ended March 31, 2023 and 2022, respectively, and $75 million and $61 million for the six months ended March 31, 2023 and 2022, respectively. The weighted-average interest rate of the Company's total debt was 4.0% at March 31, 2023, 3.5% at September 30, 2022 and 3.3% at March 31, 2022.

## 9. Restructuring

In March 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to drive the evolution of the Company and position the Company for long-term growth, primarily through headcount reductions. Under the Restructuring Plan, the Company expects to reduce headcount by approximately 270 people, or approximately 4% of the Company's overall headcount. The Company expects to incur total non-recurring restructuring charges of approximately $41 million for severance costs, all of which is expected to be paid in cash. The Restructuring Plan is expected to be substantially completed by the end of the fiscal quarter ended June 30, 2023.

For the three and six months ended March 31, 2023, total restructuring costs were $41 million consisting of severance costs. All restructuring expenses were recorded in the Recorded Music segment during the three months ended March 31, 2023.

The following table sets forth the activity in the restructuring accrual included within accrued liabilities in the accompanying condensed consolidated balance sheets:

| | Severance Costs |
|---|---|
| | (in millions) |
| Balance at September 30, 2022 | $ — |
| Restructuring charges | 41 |
| Cash payments | (1) |
| Balance at March 31, 2023 | $ 40 |

## 10. Commitments and Contingencies

From time to time the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company is currently subject to several such claims and legal proceedings. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company's defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company's business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors.

## 11. Equity

### Stock-Based Compensation

The Company's stock-based compensation plans are described in Note 13, "Stock-Based Compensation Plans," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022. Stock-based compensation consists primarily of restricted stock units ("RSUs") granted to eligible employees and executives under the Omnibus Incentive Plan.

For the three months ended March 31, 2023, the Company recognized a total of $21 million of non-cash stock-based compensation expense, of which $9 million was recorded to additional paid-in capital and $12 million was recorded as a share-based compensation liability. For the six months ended March 31, 2023, the Company recognized a total of $35 million of non-cash stock-based compensation expense, of which $20 million was recorded to additional paid-in capital and $15 million was recorded as a share-based compensation liability. For the six months ended March 31, 2022, the Company recognized a total of $30 million of non-cash stock-based compensation expense, of which $26 million was recorded to additional paid-in capital and $4 million was recorded as a share-based compensation liability.

Share-based compensation liabilities, which are a component of accrued liabilities on the condensed consolidated balance sheets, are recorded for awards under the Omnibus Incentive Plan where a total value is known and settlement will occur in a variable number of shares of Class A Common Stock and RSUs. During the three months ended March 31, 2023, $7 million of stock-based compensation liability was reclassified to additional paid-in capital, representing the grant date fair value of RSUs granted which were previously classified as a share-based compensation liability as of December 31, 2022. During the six months ended March 31, 2023, $5 million of stock-based compensation liability was reclassified to additional paid-in capital, representing the grant date fair value of RSUs granted which were previously classified as a share-based compensation liability as of September 30, 2022.

During the three and six months ended March 31, 2023, the Company approved the issuance of RSUs under the Omnibus Incentive Plan to eligible employees and executives. For the three and six months ended March 31, 2023, non-cash stock-based compensation associated with these RSUs was $2 million and $10 million, respectively, which was recorded to additional paid-in capital.

During the three months ended March 31, 2023, a separation agreement between the Company and our previous Chief Executive Officer was executed. In connection with the separation agreement, the Company recognized $12 million of non-cash stock-based compensation expense associated with RSUs and common stock as there is no remaining service required for vesting. Such expense was recorded as a share-based compensation liability as of March 31, 2023.

During the three months ended March 31, 2023, the Company issued market-based performance share units ("PSUs") to our newly appointed Chief Executive Officer whereby the PSU award payout is determined based on the Company's total shareholder return compared to a designated peer group. Non-cash stock-based compensation associated with these PSUs recognized for the three and six months ended March 31, 2023 was approximately $1 million, which was recorded to additional paid-in capital.

During the three and six months ended March 31, 2023, in connection with the Restructuring Plan, the Company recognized $2 million of non-cash stock-based compensation related to the accelerated vesting of certain RSUs. Refer to Note 9 for further discussion.

**Common Stock**

During the six months ended March 31, 2023, in connection with the Senior Management Free Cash Flow Plan (the "Plan"), the Company issued a total of approximately 869,000 shares of Class A Common Stock to settle a portion of a participant's deferred equity units previously issued under the Plan.

During the three and six months ended March 31, 2023, the Company issued approximately 251,000 and 256,000 shares of Class A Common Stock, respectively, under the Omnibus Incentive Plan.

## 12. Income Taxes

For the three and six months ended March 31, 2023, the Company recorded an income tax expense of $21 million and $69 million, respectively. The income tax expense for the six months ended March 31, 2023 is higher than the expected tax expense at the statutory rate of 21% primarily due to U.S. state and local taxes, withholding taxes, foreign income taxed at rates higher than the U.S., and non-deductible executive compensation under IRC Section 162(m), offset by a deduction against foreign derived intangible income ("FDII").

For the three and six months ended March 31, 2022, the Company recorded an income tax expense of $34 million and $109 million, respectively. The income tax expense for the three months ended March 31, 2022 is higher than the expected tax benefit at the statutory tax rate of 21% primarily due to U.S. state and local taxes, withholding taxes, foreign income taxed at rates higher than the U.S., and non-deductible executive compensation under IRC Section 162(m), offset by a deduction against FDII.

The Company has determined that it is reasonably possible that the gross unrecognized tax benefits as of March 31, 2023 could decrease by up to approximately $1 million related to various ongoing audits and settlement discussions in various foreign jurisdictions during the next twelve months.

## 13. Derivative Financial Instruments

The Company uses derivative financial instruments, primarily foreign currency forward exchange contracts and interest rate swaps, for the purposes of managing foreign currency exchange rate risk and interest rate risk on expected future cash flows.

The Company's hedged interest rate transactions as of March 31, 2023 are expected to be recognized within one year. The fair value of interest rate swaps is based on dealer quotes of market rates (i.e., Level 2 inputs) which is discussed further in Note 19, "Fair Value Measurements," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022. Interest income or expense related to interest rate swaps is recognized in interest income (expense), net in the same period as the related expense is recognized. The ineffective portions of interest rate swaps are recognized in other income (expense) in the period measured.

As of March 31, 2023, the Company had outstanding foreign currency forward exchange contracts for the sale of $304 million and the purchase of $167 million of foreign currencies at fixed rates that will be settled by September 2023.

As of March 31, 2023, the Company had outstanding $500 million in a pay-fixed receive-variable interest rate swap with $8 million of unrealized deferred gains in comprehensive income related to the interest rate swap. As of September 30, 2022, the

Company had outstanding $820 million in pay-fixed receive-variable interest rate swaps with $13 million of unrealized deferred gains in comprehensive income related to the interest rate swaps.

The Company recorded realized pre-tax losses of $2 million and unrealized pre-tax losses of $4 million related to its foreign currency forward exchange contracts in the condensed consolidated statement of operations as other expense for the six months ended March 31, 2023. The Company recorded realized pre-tax gains of $3 million and unrealized pre-tax gains of $2 million related to its foreign currency forward exchange contracts in the condensed consolidated statement of operations as other income for the six months ended March 31, 2022.

The pre-tax losses of the Company's derivative interest rate swaps designated as cash flow hedges recorded in other comprehensive income during the six months ended March 31, 2023 were $7 million. The unrealized pre-tax gains of the Company's derivative interest rate swaps designated as cash flow hedges recorded in other comprehensive income during the six months ended March 31, 2022 were $28 million.

The following is a summary of amounts recorded in the consolidated balance sheets pertaining to the Company's derivative instruments at March 31, 2023 and September 30, 2022:

| | March 31, 2023 (a) | September 30, 2022 (b) |
|---|---|---|
| | (in millions) | |
| Other current assets | $ 13 | $ 2 |
| Other current liabilities | (6) | — |
| Other noncurrent assets | — | 16 |

(a) Includes $10 million and $14 million of foreign exchange derivative contracts which net to $2 million of current assets and $6 million of current liabilities, respectively, and $11 million of an interest rate swap in a current asset position.
(b) Includes $2 million and $16 million of interest rate swaps in current and noncurrent asset positions, respectively.

**14. Segment Information**

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

The accounting policies of the Company's business segments are the same as those described in Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022. The Company accounts for intersegment sales at fair value as if the sales were to third parties. While intercompany transactions are treated like third-party transactions to determine segment performance, the revenues (and corresponding expenses recognized by the segment that is counterparty to the transaction) are eliminated in consolidation, and therefore, do not themselves impact consolidated results.

| Three Months Ended | Recorded Music | Music Publishing | Corporate expenses and eliminations | Total |
|---|---|---|---|---|
| | (in millions) | | | |
| **March 31, 2023** | | | | |
| Revenues | $ 1,143 | $ 257 | $ (1) | $ 1,399 |
| Operating income (loss) | 151 | 52 | (79) | 124 |
| Amortization of intangible assets | 39 | 22 | — | 61 |
| Depreciation of property, plant and equipment | 13 | 1 | 8 | 22 |
| OIBDA | 203 | 75 | (71) | 207 |
| **March 31, 2022** | | | | |
| Revenues | $ 1,147 | $ 230 | $ (1) | $ 1,376 |
| Operating income (loss) | 189 | 38 | (61) | 166 |
| Amortization of intangible assets | 47 | 22 | — | 69 |
| Depreciation of property, plant and equipment | 14 | 1 | 5 | 20 |
| OIBDA | 250 | 61 | (56) | 255 |

| Six Months Ended | Recorded Music | Music Publishing | Corporate expenses and eliminations | Total |
|---|---|---|---|---|
| | (in millions) | | | |
| **March 31, 2023** | | | | |
| Revenues | $ 2,382 | $ 507 | $ (2) | $ 2,887 |
| Operating income (loss) | 434 | 101 | (146) | 389 |
| Amortization of intangible assets | 80 | 44 | — | 124 |
| Depreciation of property, plant and equipment | 26 | 2 | 15 | 43 |
| OIBDA | 540 | 147 | (131) | 556 |
| **March 31, 2022** | | | | |
| Revenues | $ 2,533 | $ 459 | $ (2) | $ 2,990 |
| Operating income (loss) | 465 | 70 | (130) | 405 |
| Amortization of intangible assets | 87 | 42 | — | 129 |
| Depreciation of property, plant and equipment | 28 | 3 | 10 | 41 |
| OIBDA | 580 | 115 | (120) | 575 |

## 15. Additional Financial Information

### Cash Interest and Taxes

The Company made interest payments of approximately $50 million and $44 million during the three months ended March 31, 2023 and 2022, respectively, and approximately $75 million and $57 million during the six months ended March 31, 2023 and 2022, respectively. The Company paid approximately $72 million and $37 million of income and withholding taxes, net of refunds, for the three months ended March 31, 2023 and 2022, respectively, and approximately $117 million and $66 million of income and withholding taxes, net of refunds, for the six months ended March 31, 2023 and 2022, respectively.

### Gain on Divestiture

During the six months ended March 31, 2023, the Company sold its interest in certain sound recording rights and recorded a pre-tax gain of $41 million which was recorded as a net gain on divestiture in the accompanying condensed consolidated statement of operations.

### Dividends

The Company's ability to pay dividends may be restricted by covenants in the credit agreement for the Revolving Credit Facility which are currently suspended but which will be reinstated if Acquisition Corp.'s Total Indebtedness to EBITDA Ratio increases above 3.50:1.00 and the term loans do not achieve an investment grade rating.

The Company intends to pay quarterly cash dividends to holders of its Class A Common Stock and Class B Common Stock. The declaration of each dividend will continue to be at the discretion of the Company's board of directors and will depend on the Company's financial condition, earnings, liquidity and capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by Delaware law, general business conditions and any other factors that the Company's board of directors deems relevant in making such a determination. Therefore, there can be no assurance that the Company will pay any dividends to holders of the Company's common stock, or as to the amount of any such dividends.

On February 10, 2023, the Company's board of directors declared a cash dividend of $0.16 per share on the Company's Class A Common Stock and Class B Common Stock, as well as related payments under certain stock-based compensation plans, which was paid to stockholders on March 1, 2023. The Company paid an aggregate of approximately $83 million and $167 million, or $0.16 and $0.32 per share, in cash dividends to stockholders and participating security holders for the three and six months ended March 31, 2023, respectively.

**Noncash Investment Activity**

Noncash investing activities was approximately $125 million related to the acquisition of music publishing rights and music catalogs, net during the six months ended March 31, 2022.

**16. Fair Value Measurements**

The following tables show the fair value of the Company's financial instruments that are required to be measured at fair value as of March 31, 2023 and September 30, 2022.

| | Fair Value Measurements as of March 31, 2023 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| | (in millions) | | | |
| *Other Current Assets:* | | | | |
| Foreign Currency Forward Exchange Contracts (a) | $ — | $ 2 | $ — | $ 2 |
| Interest Rate Swap (d) | — | 11 | — | 11 |
| *Other Current Liabilities:* | | | | |
| Foreign Currency Forward Exchange Contracts (a) | — | (6) | — | (6) |
| *Other Noncurrent Assets:* | | | | |
| Equity Investments with Readily Determinable Fair Value (c) | 9 | — | — | 9 |
| *Other Noncurrent Liabilities:* | | | | |
| Contractual Obligations (b) | — | — | (1) | (1) |

| | Fair Value Measurements as of September 30, 2022 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| | (in millions) | | | |
| *Other Current Assets:* | | | | |
| Interest Rate Swap (d) | $ — | $ 2 | $ — | $ 2 |
| *Other Noncurrent Assets:* | | | | |
| Interest Rate Swap (d) | — | 16 | — | 16 |
| Equity Investment with Readily Determinable Fair Value (c) | 36 | — | — | 36 |
| *Other Noncurrent Liabilities:* | | | | |
| Contractual Obligations (b) | — | — | (1) | (1) |

(a) The fair value of 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 contingent consideration related to acquisitions. This is based on a probability weighted performance approach and it is adjusted to fair value on a recurring basis and any adjustments are typically included as a component of operating income in the condensed consolidated statements of operations. This amount was mainly calculated using unobservable inputs such as future earnings performance of the acquiree and the expected timing of payments.

(c) These represent equity investments with a readily determinable fair value. The Company has measured its investments to fair value in accordance with ASC 321, *Investments—Equity Securities,* based on quoted prices in active markets.

(d) The fair value of the interest rate swaps is based on dealer quotes of market forward rates and reflects the amount that the Company would receive or pay as of March 31, 2023 for contracts involving the same attributes and maturity dates.

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

| | Total (in millions) |
|---|---|
| Balance at September 30, 2022 | $ (1) |
| Additions | — |
| Reductions | — |
| Payments | — |
| Balance at March 31, 2023 | $ (1) |

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

**Equity Investments Without Readily Determinable Fair Value**

The Company evaluates its equity investments without readily determinable fair values for impairment if factors indicate that a significant decrease in value has occurred. The Company has elected to use the measurement alternative to fair value that will allow these investments to be recorded at cost, less impairment, and adjusted for subsequent observable price changes. The Company did not record any impairment charges on these investments during the three and six months ended March 31, 2023 and 2022. In addition, there were no observable price changes events that were completed during the three and six months ended March 31, 2023 and 2022.

**Fair Value of Debt**

Based on the level of interest rates prevailing at March 31, 2023, the fair value of the Company's debt was $3.628 billion. Based on the level of interest rates prevailing at September 30, 2022, the fair value of the Company's debt was $3.181 billion. The fair value of the Company's debt instruments is 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.

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

You should read the following discussion of our results of operations and financial condition with the unaudited interim financial statements included elsewhere in this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023 (the "Quarterly Report").

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

This Quarterly Report includes forward-looking statements and cautionary statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Some of the forward-looking statements can be identified by the use of forward-looking terms such as "believes," "expects," "may," "will," "shall," "should," "would," "could," "seeks," "aims," "projects," "is optimistic," "intends," "plans," "estimates," "anticipates" or other comparable terms or the negative thereof. Forward-looking statements include, without limitation, all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include, without limitation, our ability to compete in the highly competitive markets in which we operate, statements regarding our ability to develop talent and attract future talent, our ability to reduce future capital expenditures, our ability to monetize our music, including through new distribution channels and formats to capitalize on the growth areas of the music entertainment 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 entertainment industry, the effectiveness of our ongoing efforts to reduce overhead expenditures and manage our variable and fixed cost structure and our ability to generate expected cost savings from such efforts, our success in limiting piracy, the growth of the music entertainment industry and the effect of our and the industry's efforts to combat piracy on the industry, our intention and ability to pay dividends or repurchase or retire our outstanding debt or notes in open market purchases, privately or otherwise, the impact on us of potential strategic transactions, our ability to fund our future capital needs and the effect of litigation on us.

Forward-looking statements are subject to known and unknown risks and uncertainties, many of which may be beyond our control. We caution you that forward-looking statements are not guarantees of future performance or outcomes and that actual performance and outcomes, including, without limitation, our actual results of operations, financial condition and liquidity, and the development of the market in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this Quarterly Report. In addition, even if our results of operations, financial condition and cash flows, and the development of the market in which we operate, are consistent with the forward-looking statements contained in this Quarterly Report, those results or developments may not be indicative of results or developments in subsequent periods. New factors emerge from time to time that may cause our business not to develop as we expect, and it is not possible for us to accurately predict all of them. Factors that could cause actual results and outcomes to differ from those reflected in forward-looking statements include, without limitation:

- our inability to compete successfully in the highly competitive markets in which we operate;
- our ability to identify, sign and retain recording artists and songwriters and the existence or absence of superstar releases;
- slower growth in streaming adoption and revenue;
- our dependence on a limited number of digital music services for the online distribution and marketing of our music and their ability to significantly influence the pricing structure for online music stores;
- the ability to further 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 entertainment business;
- the popular demand for particular recording artists and/or songwriters and music and the timely delivery to us of music by major recording artists and/or songwriters;
- risks related to the effects of natural or man-made disasters, including pandemics such as COVID-19;
- the diversity and quality of our recording artists, songwriters and releases;
- trends, developments or other events in some foreign countries in which we operate;
- risks associated with our non-U.S. operations, including limited legal protections of our intellectual property rights and restrictions on the repatriation of capital;
- unfavorable currency exchange rate fluctuations;

- the impact of heightened and intensive competition in the recorded music and music publishing industries and our inability to execute our business strategy;
- significant fluctuations in our operations, cash flows and the trading price of our common stock from period to period;
- our failure to attract and retain our executive officers and other key personnel;
- a significant portion of our revenues are subject to rate regulation either by government entities or by local third-party collecting societies throughout the world and rates on other income streams may be set by governmental proceedings, which may limit our profitability;
- risks associated with obtaining, maintaining, protecting and enforcing our intellectual property rights;
- our involvement in intellectual property litigation;
- threats to our business associated with digital piracy, including organized industrial piracy;
- an impairment in the carrying value of goodwill or other intangible and long-lived assets;
- the impact of, and risks inherent in, acquisitions or other business combinations;
- risks inherent to our outsourcing 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;
- our ability to maintain the security of information relating to our customers, employees and vendors and our music;
- risks related to evolving laws and regulations concerning data privacy which might result in increased regulation and different industry standards;
- legislation limiting the terms by which an individual can be bound under a “personal services” contract;
- new legislation that affects the terms of our contracts with recording artists and songwriters;
- a potential loss of catalog if it is determined that recording artists have a right to recapture U.S. rights in their recordings under the U.S. Copyright Act;
- any delays and difficulties in satisfying obligations incident to being a public company;
- the impact of our substantial leverage on our ability to raise additional capital to fund our operations, on our ability to react to changes in the economy or our industry and on our ability to meet our obligations under our indebtedness;
- the ability to generate sufficient cash to service all of our indebtedness, and the risk that we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful;
- the fact that our debt agreements contain restrictions that may limit our flexibility in operating our business;
- 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;
- 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;
- risks of downgrade, suspension or withdrawal of the rating assigned by a rating agency to us could impact our cost of capital;
- the dual class structure of our common stock and Access’s existing ownership of our Class B Common Stock have the effect of concentrating control over our management and affairs and over matters requiring stockholder approval with Access;
- the fact that we maintain certain cash deposits in excess of FDIC insurance limits, which could have an adverse effect on liquidity and financial performance in the event of a bank failure or receivership; and
- risks related to other factors discussed under “Risk Factors” of this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

You should read this Quarterly Report completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this Quarterly Report are qualified by these cautionary statements. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, and changes in future operating results over time or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Other risks, uncertainties and factors, including those discussed in the "Risk Factors" of our Quarterly Reports and our Annual Report on Form 10-K, 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 the "Risk Factors" section of our Quarterly Reports and our Annual Report on Form 10-K to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

**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 entertainment companies.

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

Management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as a supplement to the unaudited financial statements and related 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:

- *Business overview.* This section provides a general description of our business, as well as a discussion of factors that we believe are important in understanding our results of operations and comparability and in anticipating future trends.
- *Results of operations.* This section provides an analysis of our results of operations for the three and six months ended March 31, 2023 and March 31, 2022. This analysis is presented on both a consolidated and segment basis.
- *Financial condition and liquidity.* This section provides an analysis of our cash flows for the six months ended March 31, 2023 and March 31, 2022, as well as a discussion of our financial condition and liquidity as of March 31, 2023. The discussion of our financial condition and liquidity includes recent debt financings and a summary of the key debt covenant compliance measures under our debt agreements.

**Use of OIBDA**

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

**Use of Constant Currency**

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

## BUSINESS OVERVIEW

We are one of the world's leading music entertainment companies. Our renowned family of iconic record labels, including Atlantic Records, Warner Records, Elektra Records and Parlophone Records, is home to many of the world's most popular and influential recording artists. In addition, Warner Chappell Music, our global music publishing business, boasts an extraordinary catalog that includes timeless standards and contemporary hits, representing works by over 100,000 songwriters and composers, with a global collection of more than one million musical compositions. 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.

### Components of Our Operating Results

#### *Recorded Music Operations*

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

In the United States, our Recorded Music business is conducted principally through our major record labels—Atlantic Records and Warner Records. In October 2018, we launched Elektra Music Group in the United States as a standalone label group, which comprises the Elektra, Fueled by Ramen and Roadrunner labels, and in December 2021, we acquired 300 Entertainment and subsequently launched 300 Elektra Entertainment, or 3EE, a frontline label group that brings together the multi-genre power of 300 Entertainment and Elektra Music Group. Our Recorded Music business also includes Rhino Entertainment, a division that specializes in marketing our recorded music catalog through compilations, reissuances of previously released music and video titles and releasing previously unreleased material from our vault. We also conduct our Recorded Music business through a collection of additional record labels including Asylum, Big Beat, Canvasback, East West, Erato, FFRR, Nonesuch, Parlophone, Reprise, Sire, Spinnin' Records, Warner Classics and Warner Music Nashville.

Outside the United States, our Recorded Music business is conducted in more than 70 countries through various subsidiaries, affiliates and non-affiliated licensees. Internationally, we engage in the same activities as in the United States: discovering and signing artists and distributing, selling, marketing and promoting their music. In most cases, we also market, promote, distribute and sell the music of those recording artists for whom our domestic record labels have international rights. In certain smaller markets, we license the right to distribute and sell our music to non-affiliated third-party record labels.

Our Recorded Music business' operations include WMX, a next generation services division that connects artists with fans and amplifies brands in creative, immersive, and engaging ways. This division includes a rebranded WEA commercial services & marketing network (formerly Warner-Elektra-Atlantic Corporation, or WEA Corp.), which markets, distributes and sells music and video products to retailers and wholesale distributors, as well as acting as the Company's media and creative content arm. Our business' distribution operations also includes Alternative Distribution Alliance ("ADA"), which markets, distributes and sells the products of independent labels to retail and wholesale distributors; and various distribution centers and ventures operated internationally.

In addition to our music being sold in physical retail outlets, our music is also sold in physical form to online physical retailers, such as amazon.com, barnesandnoble.com and bestbuy.com, and distributed in digital form to an expanded universe of digital partners, including streaming services such as those of Amazon, Apple, Deezer, SoundCloud, Spotify, Tencent Music and YouTube, radio services such as iHeart Radio and SiriusXM and other download services.

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

We have diversified our revenues beyond our traditional businesses by entering into expanded-rights deals with recording artists in order to partner with such artists in other aspects of their careers. Under these agreements, we provide services to and participate in recording artists' activities outside the traditional recorded music business such as touring, merchandising and sponsorships. We have built and acquired artist services capabilities and platforms for marketing and distributing this broader set of music-related rights and participating more widely in the monetization of the artist brands we help create. We believe that entering into expanded-rights deals and enhancing our artist services capabilities in areas such as merchandising, VIP ticketing, fan clubs, concert promotion and management has permitted us to diversify revenue streams and capitalize on other revenue opportunities. This provides for improved long-term relationships with our recording artists and allows us to more effectively connect recording artists and fans.

Recorded Music revenues are derived from four main sources:

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

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

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

***Music Publishing Operations***

While Recorded Music is focused on marketing, promoting, distributing and licensing a particular recording of a musical composition, Music Publishing is an intellectual property business focused on generating revenue from uses of the musical composition itself. In return for promoting, placing, marketing and administering the creative output of a songwriter, or engaging in those activities for other rightsholders, our Music Publishing business shares the revenues generated from use of the musical compositions with the songwriter or other rightsholders.

The operations of our Music Publishing business are conducted principally through Warner Chappell Music, our global music publishing company headquartered in Los Angeles, with operations in over 70 countries through various subsidiaries, affiliates, and non-affiliated licensees and sub-publishers. We own or control rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, our award-winning catalog includes over 100,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, classical, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, electronic, alternative and gospel. Warner Chappell Music also administers the music and soundtracks of several third-party television and film producers and studios. We have an extensive production music catalog collectively branded as Warner Chappell Production Music.

Music Publishing revenues are derived from five main sources:

- *Digital*: the rightsholder receives revenues with respect to musical compositions embodied in recordings distributed in streaming services, download services, digital performance and other digital music services;
- *Performance*: the rightsholder receives revenues if the musical composition is performed publicly through broadcast of music on television, radio and cable and in retail locations (e.g., bars and restaurants), live performance at a concert or other venue (*e.g.*, arena concerts and nightclubs), and performance of music in staged theatrical productions;

- *Mechanical*: the rightsholder receives revenues with respect to musical compositions embodied in recordings sold in any physical format or configuration such as vinyl, CDs and DVDs;
- *Synchronization*: the rightsholder receives revenues for the right to use the musical composition in combination with visual images such as in films or television programs, television commercials and video games as well as from other uses such as in toys or novelty items and merchandise; and
- *Other*: the rightsholder receives revenues for use in sheet music and other uses.

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

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

**Recent Events and Factors Affecting Results of Operations and Comparability**

***Fiscal Quarter End***

Prior to the start of the 2023 fiscal year, the Company maintained a 52-53 week fiscal year ending on the last Friday in each reporting period. Starting with the 2023 fiscal year, the Company transitioned to a reporting calendar in which the reporting periods end on the last day of the calendar quarter. The fiscal year ended September 30, 2022 included 53 weeks, with the additional week falling in the fiscal quarter ended December 31, 2021. Accordingly, the results of operations for the six months ended March 31, 2022 reflect 27 weeks, or 189 days, compared to 182 days for the six months ended March 31, 2023. For the six months ended March 31, 2022, the revenue benefit of the additional week was approximately $73 million, primarily reflected in Recorded Music streaming revenue.

***Restructuring***

In March 2023, the Company announced a restructuring plan (the "Restructuring Plan") intended to drive the evolution of the Company and position the Company for long-term growth, primarily through headcount reductions. Under the Restructuring Plan, the Company expects to reduce headcount by approximately 270 people, or approximately 4% of the Company's overall headcount. The Company expects to incur total non-recurring restructuring charges of approximately $41 million for severance costs, all of which is expected to be paid in cash. The Restructuring Plan is expected to be substantially completed by the end of the fiscal quarter ended June 30, 2023, with related cash expenditures expected by the end of fiscal 2024.

The Company expects the headcount reductions to generate pre-tax cost savings of approximately $20 million in fiscal year 2023 and $49 million on an annualized run-rate basis in fiscal year 2024. The Company anticipates investing a portion of the cost savings from the headcount reductions in an amount to be determined for targeted hires, to add new skill sets and for other initiatives intended to position the Company for long-term growth.

For the three and six months ended March 31, 2023, the Company recognized total restructuring costs of $41 million, consisting of severance costs. All restructuring costs were recorded in the Recorded Music segment. During the three and six months ended March 31, 2023, in connection with the Restructuring Plan, the Company recognized $2 million of non-cash stock-based compensation related to the accelerated vesting of certain RSUs.

***Executive Transition Costs***

During the three and six months ended March 31, 2023, the Company incurred costs associated with the departure of our Chief Executive Officer which occurred in January 2023 and our Chief Financial Officer which is expected to occur by the end of calendar 2023 (the "Executive Transition Costs"). For the three and six months ended March 31, 2023, the Executive Transition Costs were approximately $3 million which consisted of severance for our previous CEO and our departing CFO. Such costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

The aforementioned departure of our CEO resulted in the recognition of $12 million of non-cash stock-based compensation expense for the three and six months ended March 31, 2023 for RSUs and common stock as there is no remaining service required for vesting. Such costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

***Russia-Ukraine Conflict***

On February 24, 2022, the geopolitical situation in Eastern Europe intensified with Russia's invasion of Ukraine, and the sanctions and other measures imposed in response to this conflict have increased global economic and political uncertainty. WMG operates both its Recorded Music and Music Publishing businesses within Russia and, on March 10, 2022, the Company announced a suspension of these operations in Russia. While our operations in Russia do not constitute a material portion of our business, a significant escalation or expansion of the conflict's current scope, increased or sustained economic disruption, sanctions or countersanctions, further devaluation of the local currency or increased cyber-related disruptions could make it difficult to deliver our content, broaden inflationary costs, and have an adverse effect on our results of operations.

## RESULTS OF OPERATIONS

### Three Months Ended March 31, 2023 Compared with Three Months Ended March 31, 2022

***Consolidated Results***

***Revenues***

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

| | For the Three Months Ended March 31, 2023 | For the Three Months Ended March 31, 2022 | 2023 vs. 2022 $ Change | 2023 vs. 2022 % Change |
|---|---|---|---|---|
| **Revenue by Type** | | | | |
| Digital | $ 796 | $ 804 | $ (8) | -1 % |
| Physical | 118 | 122 | (4) | -3 % |
| Total Digital and Physical | 914 | 926 | (12) | -1 % |
| Artist services and expanded-rights | 131 | 141 | (10) | -7 % |
| Licensing | 98 | 80 | 18 | 23 % |
| Total Recorded Music | 1,143 | 1,147 | (4) | — % |
| Performance | 45 | 36 | 9 | 25 % |
| Digital | 146 | 127 | 19 | 15 % |
| Mechanical | 16 | 13 | 3 | 23 % |
| Synchronization | 46 | 50 | (4) | -8 % |
| Other | 4 | 4 | — | — % |
| Total Music Publishing | 257 | 230 | 27 | 12 % |
| Intersegment eliminations | (1) | (1) | — | — % |
| Total Revenues | $ 1,399 | $ 1,376 | $ 23 | 2 % |
| **Revenue by Geographical Location** | | | | |
| U.S. Recorded Music | $ 522 | $ 518 | $ 4 | 1 % |
| U.S. Music Publishing | 135 | 117 | 18 | 15 % |
| Total U.S. | 657 | 635 | 22 | 3 % |
| International Recorded Music | 621 | 629 | (8) | -1 % |
| International Music Publishing | 122 | 113 | 9 | 8 % |
| Total International | 743 | 742 | 1 | — % |
| Intersegment eliminations | (1) | (1) | — | — % |
| Total Revenues | $ 1,399 | $ 1,376 | $ 23 | 2 % |

***Total Revenues***

Total revenues increased by $23 million, or 2%, to $1,399 million for the three months ended March 31, 2023 from $1,376 million for the three months ended March 31, 2022. The increase includes $38 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 82% and 18% of total revenue for the three months ended March 31, 2023, respectively, and 83% and 17% of total revenue for the three months ended March 31, 2022, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 47% and 53% of total revenues for the three months ended March 31, 2023 and 46% and 54% of total revenues for the three months ended March 31, 2022.

Total digital revenues after intersegment eliminations increased by $11 million, or 1%, to $942 million for the three months ended March 31, 2023 from $931 million for the three months ended March 31, 2022. Total streaming revenue increased 2% with growth in Music Publishing of 16%, partially offset by a decrease in Recorded Music streaming revenue of $3 million, which includes $20 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, total digital revenues for the three months ended March 31, 2023 were composed of U.S. revenues of $473 million and international revenues of $469 million, or 50% of total digital revenues for each of U.S. and international revenues. Prior to intersegment eliminations, total digital revenues for the three months ended March 31, 2022 were composed of U.S. revenues of $457 million and international revenues of $474 million, or 49% and 51% of total digital revenues, respectively.

Recorded Music revenues decreased by $4 million to $1,143 million for the three months ended March 31, 2023 from $1,147 million for the three months ended March 31, 2022. The decrease includes $32 million of unfavorable currency exchange fluctuations. U.S. Recorded Music revenues were $522 million and $518 million, or 46% and 45% of consolidated Recorded Music revenues for the three months ended March 31, 2023 and March 31, 2022, respectively. International Recorded Music revenues were $621 million and $629 million, or 54% and 55% of consolidated Recorded Music revenues for the three months ended March 31, 2023 and March 31, 2022, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in artist services and expanded-rights, digital and physical revenues. Artist services and expanded-rights revenue decreased by $10 million due to an unfavorable impact of foreign currency exchange rates of $4 million and lower merchandising and advertising revenue, partially offset by higher concert promotion revenue. Digital revenue decreased by $8 million, which includes an unfavorable impact of foreign currency exchange rates of $20 million. Revenue from streaming services decreased by $3 million to $773 million for the three months ended March 31, 2023 from $776 million for the three months ended March 31, 2022 and was impacted by unfavorable foreign currency exchange rates of $20 million, or 3%. Streaming revenue reflects a lighter release schedule, as well as a market-related slowdown in ad-supported revenue. The quarter included success from Michael Bublé, Ed Sheeran, Zach Bryan and Dua Lipa. Download and other digital revenues decreased by $5 million, or 18%, to $23 million for the three months ended March 31, 2023 from $28 million for the three months ended March 31, 2022 due to the continued shift to streaming services. Physical revenue decreased by $4 million, driven by an unfavorable impact of foreign currency exchange rates of $5 million, which offset strong physical performance in the United States. Licensing revenue increased by $18 million, which includes growth in brand income and a licensing settlement, partially offset by an unfavorable impact of foreign currency exchange rates of $3 million.

Music Publishing revenues increased by $27 million, or 12%, to $257 million for the three months ended March 31, 2023 from $230 million for the three months ended March 31, 2022. U.S. Music Publishing revenues were $135 million and $117 million, or 53% and 51% of consolidated Music Publishing revenues, for the three months ended March 31, 2023 and March 31, 2022, respectively. International Music Publishing revenues were $122 million and $113 million, or 47% and 49% of consolidated Music Publishing revenues, for the three months ended March 31, 2023 and March 31, 2022, respectively.

The overall increase in Music Publishing revenue was mainly driven by increases in digital revenue of $19 million, or 15%, performance revenue of $9 million and mechanical revenue of $3 million, partially offset by a decrease in synchronization revenue of $4 million. The increase in digital revenue is primarily due to increases in streaming revenue driven by the continued growth in streaming services and the impact of digital deal renewals, partially offset by an unfavorable impact of foreign currency exchange rates of $3 million. Revenue from streaming services grew by $20 million, or 16%, to $142 million for the three months ended March 31, 2023 from $122 million for the three months ended March 31, 2022. Performance revenue increased due to the timing of payments from collection societies and continued recovery from COVID disruption, partially offset by an unfavorable impact of foreign currency exchange rates of $1 million. Mechanical revenue increased from strong share of physical sales. The decrease in synchronization revenue is attributable to lower commercial licensing activity in the United States and an unfavorable impact of foreign currency exchange rates of $2 million, partially offset by copyright infringement settlements.

***Revenue by Geographical Location***

U.S. revenue increased by $22 million, or 3%, to $657 million for the three months ended March 31, 2023 from $635 million for the three months ended March 31, 2022. U.S. Recorded Music revenue increased by $4 million, or 1%. The primary driver was the increase of U.S. Recorded Music licensing revenue of $12 million, which includes a licensing settlement. Increases are also attributable to higher U.S. Recorded Music physical revenue of $3 million due to the success of strong U.S. physical releases. Digital revenue was flat with streaming revenue increase of $1 million, which was impacted by a lighter release schedule, as well as a market-related slowdown in ad-supported revenue, offset by download and other digital decrease of $1 million. U.S. Recorded Music artist services and expanded-rights revenue decreased by $11 million primarily driven by lower advertising and merchandising revenue. U.S. Music Publishing revenue increased by $18 million, or 15%, to $135 million for the three months ended March 31, 2023 from $117 million for the three months ended March 31, 2022. This was primarily driven by the increase in U.S. Music Publishing of $16 million in digital revenue due to the continued growth in streaming services and the impact of digital deal renewals. U.S. Music Publishing streaming revenue increased by $14 million, or 20%. Performance revenue increased by $4 million driven by the timing of payments from collection societies. Mechanical revenue increased by $1 million. The decrease in synchronization revenue of $3 million is due to lower commercial licensing activity, partially offset by copyright infringement settlements.

International revenue increased by $1 million to $743 million for the three months ended March 31, 2023 from $742 million for the three months ended March 31, 2022. Excluding the unfavorable impact of foreign currency exchange rates of $38 million, International revenue increased by $39 million, or 6%. International Recorded Music revenue decreased by $8 million primarily due to decreases in digital revenue of $8 million and physical revenue of $7 million, partially offset by an increase in licensing revenue of $6 million and artist services and expanded-rights revenue of $1 million. International Recorded Music digital revenue decreased due to a $4 million, or 1%, decrease in streaming revenue which was primarily driven by an unfavorable impact of foreign currency exchange rates of $20 million. International Recorded Music physical revenue decreased by $7 million, primarily driven by an unfavorable impact of foreign currency exchange rates and a lighter release schedule. International Recorded Music licensing revenue increased by $6 million, which includes growth in brand income, partially offset by an unfavorable impact of foreign currency exchange rates. International Recorded Music artist services and expanded-rights revenue increased by $1 million due to higher concert promotion revenue, partially offset by lower direct-to-consumer merchandising revenue at EMP and the unfavorable impact of foreign currency exchange rates of $4 million. International Music Publishing revenue increased from the prior-year quarter by $9 million, or 8%, to $122 million for the three months ended March 31, 2023 from $113 million for the three months ended March 31, 2022. This was driven by the increase in performance revenue of $5 million, digital revenue of $3 million and mechanical revenue of $2 million, partially offset by a decrease in synchronization revenue of $1 million. Performance revenue increase was driven by continued recovery from COVID disruption. International Music Publishing streaming revenue increased by $6 million, or 11%, while download and other digital decreased by $3 million. Mechanical revenue increased from strong share of physical sales. Lower synchronization revenue is primarily due to the unfavorable impact of foreign currency exchange rates, which offset increased television licensing activity.

### *Cost of revenues*

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 462 | $ 448 | $ 14 | 3 % |
| Product costs | 259 | 249 | 10 | 4 % |
| Total cost of revenues | $ 721 | $ 697 | $ 24 | 3 % |

Artist and repertoire costs increased by $14 million, to $462 million for the three months ended March 31, 2023 from $448 million for the three months ended March 31, 2022. Artist and repertoire costs as a percentage of revenue remained constant at 33% for each of the three months ended March 31, 2023 and March 31, 2022.

Product costs increased by $10 million, to $259 million for the three months ended March 31, 2023 from $249 million for the three months ended March 31, 2022. Product costs as a percentage of revenue increased to 19% for the three months ended March 31, 2023 from 18% for the three months ended March 31, 2022. The overall increase as a percentage of revenue primarily relates to revenue mix due to higher third-party distributed label revenue.

### *Selling, general and administrative expenses*

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 253 | $ 229 | $ 24 | 10 % |
| Selling and marketing expense | 172 | 189 | (17) | -9 % |
| Distribution expense | 27 | 26 | 1 | 4 % |
| Total selling, general and administrative expense | $ 452 | $ 444 | $ 8 | 2 % |

(1) Includes depreciation expense of $22 million and $20 million for the three months ended March 31, 2023 and March 31, 2022, respectively.

Total selling, general and administrative expense increased by $8 million, or 2%, to $452 million for the three months ended March 31, 2023 from $444 million for the three months ended March 31, 2022. Expressed as a percentage of revenue, total selling, general and administrative expense remained constant at 32% for each of the three months ended March 31, 2023 and March 31, 2022.

General and administrative expense increased by $24 million to $253 million for the three months ended March 31, 2023 from $229 million for the three months ended March 31, 2022. The increase in general and administrative expense was mainly due to higher non-cash stock-based compensation and other related expenses of $14 million, primarily related to the separation agreement with our previous Chief Executive Officer, and the Executive Transition Costs of $3 million. Expressed as a percentage of revenue, general and administrative expense increased to 18% for the three months ended March 31, 2023 from 17% for the three months ended March 31, 2022 due to the factors described above.

Selling and marketing expense decreased by $17 million, or 9%, to $172 million for the three months ended March 31, 2023 from $189 million for the three months ended March 31, 2022 due to lower variable marketing spend. Expressed as a percentage of revenue, selling and marketing expense decreased to 12% for the three months ended March 31, 2023 from 14% for the three months ended March 31, 2022.

Distribution expense was $27 million for the three months ended March 31, 2023 and $26 million for the three months ended March 31, 2022. Expressed as a percentage of revenue, distribution expense remained constant at 2% for each of the three months ended March 31, 2023 and March 31, 2022.

***Restructuring***

For the three months ended March 31, 2023, total restructuring costs were $41 million consisting of severance costs for the Restructuring Plan.

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

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

| | For the Three Months Ended March 31, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Net income attributable to Warner Music Group Corp. | $ 34 | $ 92 | $ (58) | -63 % |
| Income attributable to noncontrolling interest | 3 | — | 3 | — % |
| Net income | 37 | 92 | (55) | -60 % |
| Income tax expense | 21 | 34 | (13) | -38 % |
| Income before income taxes | 58 | 126 | (68) | -54 % |
| Other expense | 31 | 8 | 23 | — % |
| Interest expense, net | 35 | 32 | 3 | 9 % |
| Operating income | 124 | 166 | (42) | -25 % |
| Amortization expense | 61 | 69 | (8) | -12 % |
| Depreciation expense | 22 | 20 | 2 | 10 % |
| OIBDA | $ 207 | $ 255 | $ (48) | -19 % |

*OIBDA*

OIBDA decreased by $48 million to $207 million for the three months ended March 31, 2023 as compared to $255 million for the three months ended March 31, 2022 as a result of higher revenues offset by higher cost of revenues and selling, general and administrative expenses, as well as the Restructuring Plan costs of $41 million. Expressed as a percentage of total revenue, OIBDA margin decreased to 15% for the three months ended March 31, 2023 from 19% for the three months ended March 31, 2022 primarily due to the Restructuring Plan costs of $41 million, the increase in non-cash stock-based compensation and other related expenses of $14 million and the Executive Transition Costs of $3 million.

*Depreciation expense*

Our depreciation expense increased by $2 million to $22 million for the three months ended March 31, 2023 from $20 million for the three months ended March 31, 2022 primarily due to an increase in IT capital spend and assets being placed into service.

*Amortization expense*

Our amortization expense decreased by $8 million, or 12%, to $61 million for the three months ended March 31, 2023 from $69 million for the three months ended March 31, 2022. The decrease is primarily due to certain intangible assets becoming fully amortized.

*Operating income*

Our operating income decreased by $42 million to $124 million for the three months ended March 31, 2023 from $166 million for the three months ended March 31, 2022. The decrease in operating income was due to the factors that led to the decrease in OIBDA, partially offset by lower amortization as noted above.

*Interest expense, net*

Our interest expense, net, increased to $35 million for the three months ended March 31, 2023 from $32 million for the three months ended March 31, 2022 due to a higher principal balance from the issuance of the incremental Senior Term Loan Facility in January 2023 and higher interest rates on variable rate debt, partially offset by interest income.

*Other expense*

Other expense for the three months ended March 31, 2023 primarily includes foreign currency losses on our Euro-denominated debt of $20 million and currency exchange losses on our intercompany loans of $13 million. This compares to aggregate realized and unrealized losses of $39 million on the mark-to-market of equity investments, partially offset by foreign currency gains on our Euro-denominated debt of $19 million and currency exchange gains on our intercompany loans of $11 million for the three months ended March 31, 2022.

*Income tax expense*

Our income tax expense decreased by $13 million to $21 million for the three months ended March 31, 2023 from $34 million for the three months ended March 31, 2022. The decrease of $13 million in income tax expense is primarily due to the impact of lower pre-tax income in the current-year quarter.

*Net income*

Net income decreased by $55 million to $37 million for the three months ended March 31, 2023 from $92 million for the three months ended March 31, 2022 as a result of the factors described above.

*Noncontrolling interest*

There was $3 million of income attributable to noncontrolling interest for the three months ended March 31, 2023 and no income attributable to noncontrolling interest for the three months ended March 31, 2022.

**Business Segment Results**

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Recorded Music** | | | | |
| Revenues | $ 1,143 | $ 1,147 | $ (4) | — % |
| Operating income | 151 | 189 | (38) | -20 % |
| OIBDA | 203 | 250 | (47) | -19 % |
| **Music Publishing** | | | | |
| Revenues | 257 | 230 | 27 | 12 % |
| Operating income | 52 | 38 | 14 | 37 % |
| OIBDA | 75 | 61 | 14 | 23 % |
| **Corporate expenses and eliminations** | | | | |
| Revenue eliminations | (1) | (1) | — | — % |
| Operating loss | (79) | (61) | (18) | 30 % |
| OIBDA loss | (71) | (56) | (15) | 27 % |
| **Total** | | | | |
| Revenues | 1,399 | 1,376 | 23 | 2 % |
| Operating income | 124 | 166 | (42) | -25 % |
| OIBDA | 207 | 255 | (48) | -19 % |

***Recorded Music***

***Revenues***

Recorded Music revenue decreased by $4 million to $1,143 million for the three months ended March 31, 2023 from $1,147 million for the three months ended March 31, 2022. U.S. Recorded Music revenues were $522 million and $518 million, or 46% and 45% of consolidated Recorded Music revenues, for the three months ended March 31, 2023 and March 31, 2022, respectively. International Recorded Music revenues were $621 million and $629 million, or 54% and 55% of consolidated Recorded Music revenues, for the three months ended March 31, 2023 and March 31, 2022, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in artist services and expanded-rights, digital and physical revenues, partially offset by licensing revenue growth as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

***Cost of revenues***

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 309 | $ 305 | $ 4 | 1 % |
| Product costs | 259 | 249 | 10 | 4 % |
| Total cost of revenues | $ 568 | $ 554 | $ 14 | 3 % |

Recorded Music cost of revenues increased by $14 million, or 3%, to $568 million for the three months ended March 31, 2023 from $554 million for the three months ended March 31, 2022. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs remained constant at 27% for each of the three months ended March 31, 2023 and March 31, 2022. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs increased to 23% for the three months ended March 31, 2023 from 22% for the three months ended March 31, 2022. The overall increase as a percentage of revenue primarily relates to revenue mix due to higher third-party distributed label revenue.

***Selling, general and administrative expense***

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 150 | $ 146 | $ 4 | 3 % |
| Selling and marketing expense | 167 | 185 | (18) | -10 % |
| Distribution expense | 27 | 26 | 1 | 4 % |
| Total selling, general and administrative expense | $ 344 | $ 357 | $ (13) | -4 % |

(1) Includes depreciation expense of $13 million and $14 million for the three months ended March 31, 2023 and March 31, 2022, respectively.

Recorded Music selling, general and administrative expense decreased by $13 million, or 4%, to $344 million for the three months ended March 31, 2023 from $357 million for the three months ended March 31, 2022. The increase in general and administrative expense includes higher non-cash stock-based compensation and other related expenses of $2 million. The decrease in selling and marketing expense was primarily due to lower variable marketing spend. The increase in distribution expense was primarily due to rising costs and revenue mix. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 30% for the three months ended March 31, 2023 from 31% for the three months ended March 31, 2022.

***Restructuring***

For the three months ended March 31, 2023, total restructuring costs were $41 million consisting of severance costs for the Restructuring Plan.

***Operating Income and OIBDA***

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Operating income | $ 151 | $ 189 | $ (38) | -20 % |
| Depreciation and amortization | 52 | 61 | (9) | -15 % |
| OIBDA | $ 203 | $ 250 | $ (47) | -19 % |

Recorded Music OIBDA decreased by $47 million to $203 million for the three months ended March 31, 2023 from $250 million for the three months ended March 31, 2022 as a result of lower revenues, higher cost of revenue and the Restructuring Plan costs of $41 million, partially offset by lower selling, general and administrative expenses. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA margin decreased to 18% for the three months ended March 31, 2023 from 22% for the three months ended March 31, 2022 primarily due to the Restructuring Plan costs of $41 million and revenue mix resulting from higher third-party distributed label revenue, partially offset by lower variable marketing spend.

Recorded Music operating income decreased by $38 million to $151 million for the three months ended March 31, 2023 from $189 million for the three months ended March 31, 2022 due to the factors that led to the decrease in Recorded Music OIBDA noted above, partially offset by a decrease in amortizable intangible assets.

***Music Publishing***

***Revenues***

Music Publishing revenues increased by $27 million, or 12%, to $257 million for the three months ended March 31, 2023 from $230 million for the three months ended March 31, 2022. U.S. Music Publishing revenues were $135 million and $117 million, or 53% and 51% of consolidated Music Publishing revenues, for the three months ended March 31, 2023 and March 31, 2022, respectively. International Music Publishing revenues were $122 million and $113 million, or 47% and 49% of consolidated Music Publishing revenues, for the three months ended March 31, 2023 and March 31, 2022, respectively.

The overall increase in Music Publishing revenue was driven by growth in digital, performance and mechanical revenues, partially offset by lower synchronization revenue, as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

***Cost of revenues***

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 155 | $ 144 | $ 11 | 8 % |
| Total cost of revenues | $ 155 | $ 144 | $ 11 | 8 % |

Music Publishing cost of revenues increased by $11 million, or 8%, to $155 million for the three months ended March 31, 2023 from $144 million for the three months ended March 31, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues decreased to 60% for the three months ended March 31, 2023 from 63% for the three months ended March 31, 2022, primarily attributable to revenue mix and the favorable impact of foreign currency exchange rates.

***Selling, general and administrative expense***

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 27 | $ 26 | $ 1 | 4 % |
| Selling and marketing expense | 1 | — | 1 | — % |
| Total selling, general and administrative expense | $ 28 | $ 26 | $ 2 | 8 % |

(1) Includes depreciation expense of $1 million for each of the three months ended March 31, 2023 and March 31, 2022.

Music Publishing selling, general and administrative expense increased by $2 million, or 8%, to $28 million for the three months ended March 31, 2023 from $26 million for the three months ended March 31, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense remained constant at 11% for each of the three months ended March 31, 2023 and March 31, 2022.

***Operating Income and OIBDA***

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

| | For the Three Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Operating income | $ 52 | $ 38 | $ 14 | 37 % |
| Depreciation and amortization | 23 | 23 | — | — % |
| OIBDA | $ 75 | $ 61 | $ 14 | 23 % |

Music Publishing OIBDA increased by $14 million, or 23%, to $75 million for the three months ended March 31, 2023 from $61 million for the three months ended March 31, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA margin increased to 29% for the three months ended March 31, 2023 from 27% for the three months ended March 31, 2022, primarily due to strong operating performance.

Music Publishing operating income increased by $14 million to $52 million for the three months ended March 31, 2023 from $38 million for the three months ended March 31, 2022 due to the factors that led to the increase in Music Publishing OIBDA noted above.

***Corporate Expenses and Eliminations***

Our operating loss from corporate expenses and eliminations increased by $18 million for the three months ended March 31, 2023 to $79 million from $61 million for the three months ended March 31, 2022, due to higher employee related costs including non-cash stock-based compensation and other related expenses of $11 million, primarily related to the separation agreement with our previous Chief Executive Officer, and the Executive Transition Costs of $3 million, an increase in depreciation and expenses related to transformation initiatives, partially offset by lower professional services.

Our OIBDA loss from corporate expenses and eliminations increased by $15 million for the three months ended March 31, 2023 to $71 million from $56 million for the three months ended March 31, 2022, primarily due to the operating loss factors noted above.

## RESULTS OF OPERATIONS

### Six Months Ended March 31, 2023 Compared with Six Months Ended March 31, 2022

***Consolidated Results***

***Revenues***

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

| | For the Six Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| **Revenue by Type** | | | | |
| Digital | $ 1,599 | $ 1,674 | $ (75) | -4 % |
| Physical | 251 | 317 | (66) | -21 % |
| Total Digital and Physical | 1,850 | 1,991 | (141) | -7 % |
| Artist services and expanded-rights | 337 | 373 | (36) | -10 % |
| Licensing | 195 | 169 | 26 | 15 % |
| Total Recorded Music | 2,382 | 2,533 | (151) | -6 % |
| Performance | 90 | 74 | 16 | 22 % |
| Digital | 295 | 260 | 35 | 13 % |
| Mechanical | 30 | 27 | 3 | 11 % |
| Synchronization | 85 | 92 | (7) | -8 % |
| Other | 7 | 6 | 1 | 17 % |
| Total Music Publishing | 507 | 459 | 48 | 10 % |
| Intersegment eliminations | (2) | (2) | — | — % |
| Total Revenues | $ 2,887 | $ 2,990 | $ (103) | -3 % |
| **Revenue by Geographical Location** | | | | |
| U.S. Recorded Music | $ 1,061 | $ 1,126 | $ (65) | -6 % |
| U.S. Music Publishing | 268 | 232 | 36 | 16 % |
| Total U.S. | 1,329 | 1,358 | (29) | -2 % |
| International Recorded Music | 1,321 | 1,407 | (86) | -6 % |
| International Music Publishing | 239 | 227 | 12 | 5 % |
| Total International | 1,560 | 1,634 | (74) | -5 % |
| Intersegment eliminations | (2) | (2) | — | — % |
| Total Revenues | $ 2,887 | $ 2,990 | $ (103) | -3 % |

***Total Revenues***

Total revenues decreased by $103 million, or 3%, to $2,887 million for the six months ended March 31, 2023 from $2,990 million for the six months ended March 31, 2022. The prior year included an additional week, primarily reflected in Recorded Music streaming revenue. The decrease includes $122 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 82% and 18% of total revenues for the six months ended March 31, 2023, respectively, and 85% and 15% of total revenues for the six months ended March 31, 2022, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 46% and 54% for the six months ended March 31, 2023, respectively, and 45% and 55% for the six months ended March 31, 2022, respectively.

Total digital revenues after intersegment eliminations decreased by $39 million, or 2%, to $1,894 million for the six months ended March 31, 2023 from $1,933 million for the six months ended March 31, 2022. Total streaming revenue decreased 1% with growth in Music Publishing of 15%, offset by a decline in Recorded Music streaming revenue of 4% which includes $55 million of unfavorable currency exchange fluctuations. Prior to intersegment eliminations, total digital revenues for the six months ended March 31, 2023 were composed of U.S. revenues of $957 million and international revenues of $937 million, or 51% and 49% of total digital revenues, respectively. Prior to intersegment eliminations, total digital revenues for the six months ended March 31, 2022 were composed of U.S. revenues of $971 million and international revenues of $963 million, or 50% of total digital revenues for each of U.S. and international revenues.

Recorded Music revenues decreased by $151 million, or 6%, to $2,382 million for the six months ended March 31, 2023 from $2,533 million for the six months ended March 31, 2022. The decrease includes $106 million of unfavorable currency exchange fluctuations. U.S. Recorded Music revenues were $1,061 million and $1,126 million, or 45% and 44% of consolidated Recorded Music revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively. International Recorded Music revenues were $1,321 million and $1,407 million, or 55% and 56% of consolidated Recorded Music revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in digital, physical and artist services and expanded-rights revenues. Digital revenue decreased by $75 million, which includes an unfavorable impact of foreign currency exchange rates of $57 million. Revenue from streaming services decreased by $59 million, or 4%, to $1,553 million for the six months ended March 31, 2023 from $1,612 million for the six months ended March 31, 2022 and was impacted by unfavorable foreign currency exchange rates of $55 million, or 3%. Streaming revenue reflects a lighter release schedule and the impact of the additional week in the prior year, as well as market-related slowdown in ad-supported revenue. The current year included carryover success from Ed Sheeran, Dua Lipa, Zach Bryan and Michael Bublé. Download and other digital revenues decreased by $16 million, or 26%, to $46 million for the six months ended March 31, 2023 from $62 million for the six months ended March 31, 2022 due to the continued shift to streaming services. Physical revenue decreased by $66 million, or 21%, driven by an unfavorable impact of foreign currency exchange rates of $19 million and a lighter release schedule. Artist services and expanded-rights revenue decreased by $36 million due to an unfavorable impact of foreign currency exchange rates of $21 million, lower direct-to-consumer merchandising revenue at EMP and lower advertising revenue, partially offset by higher concert promotion revenue. Licensing revenue increased by $26 million, which includes a licensing settlement and growth in brand income and broadcast fees revenue, partially offset by an unfavorable impact of foreign currency exchange rates of $9 million.

Music Publishing revenues increased by $48 million, or 10%, to $507 million for the six months ended March 31, 2023 from $459 million for the six months ended March 31, 2022. U.S. Music Publishing revenues were $268 million and $232 million, or 53% and 51% of consolidated Music Publishing revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively. International Music Publishing revenues were $239 million and $227 million, or 47% and 49% of Music Publishing revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively.

The overall increase in Music Publishing revenue was mainly driven by increases in digital revenue of $35 million, or 13%, performance revenue of $16 million and mechanical revenue of $3 million, partially offset by a decrease in synchronization revenue of $7 million. The increase in digital revenue is primarily due to increases in streaming revenue driven by the continued growth in streaming services and the impact of digital deal renewals, partially offset by an unfavorable impact of foreign currency exchange rates of $7 million. Revenue from streaming services grew by $37 million, or 15%, to $288 million for the six months ended March 31, 2023 from $251 million for the six months ended March 31, 2022. Performance revenue increased due to the timing of payments from collection societies and continued recovery from COVID disruption, partially offset by an unfavorable impact of foreign currency exchange rates of $4 million. Mechanical revenue increased from strong share of physical sales, partially offset by an unfavorable impact of foreign currency exchange rates of $2 million. The decrease in synchronization revenue is attributable to lower commercial licensing activity in the United States and an unfavorable impact of foreign currency exchange rates of $3 million.

***Revenue by Geographical Location***

U.S. revenue decreased by $29 million, or 2%, to $1,329 million for the six months ended March 31, 2023 from $1,358 million for the six months ended March 31, 2022. U.S. Recorded Music revenue decreased by $65 million, or 6%. The primary driver was the decrease of U.S. Recorded Music digital revenue of $47 million. U.S. Recorded Music streaming revenue decreased by $41 million, or 5%, as a result of a lighter release schedule and the impact of the additional week in the prior year, as well as a market-related slowdown in ad-supported revenue. Download and other digital revenues decreased by $6 million. Decreases are also attributable to lower U.S. Recorded Music physical revenue of $17 million due to a lighter release schedule. U.S. Recorded Music artist services and expanded-rights revenue decreased by $16 million primarily driven by lower advertising revenues. The increase in licensing revenue of $15 million includes a licensing settlement. U.S. Music Publishing revenue increased by $36 million, or 16%, to $268 million for the six months ended March 31, 2023 from $232 million for the six months ended March 31, 2022. This was primarily driven by the increase in U.S. Music Publishing of $33 million in digital revenue due to the continued growth in streaming services and the impact of digital deal renewals. U.S. Music Publishing streaming revenue increased by $32 million, or 23%. Performance revenue increased by $9 million driven by the timing of payments from collection societies and continued recovery from COVID disruption. Mechanical revenue increased by $1 million. The decrease in synchronization revenue of $7 million is due to lower commercial licensing activity.

International revenue decreased by $74 million, or 5%, to $1,560 million for the six months ended March 31, 2023 from $1,634 million for the six months ended March 31, 2022. Excluding the unfavorable impact of foreign currency exchange rates, International revenue increased by $48 million, or 3%. International Recorded Music revenue decreased by $86 million due to decreases in physical revenue of $49 million, digital revenue of $28 million and artist services and expanded-rights revenue of $20 million, partially offset by an increase in licensing revenue of $11 million. International Recorded Music physical revenue decreased by $49 million, primarily driven by an unfavorable impact of foreign currency exchange rates and a lighter release schedule. International Recorded Music digital revenue decreased due to a $18 million, or 2%, decrease in streaming revenue which was primarily driven by an unfavorable impact of foreign currency exchange rates of $55 million. Download and other digital revenues decreased by $10 million. International Recorded Music artist services and expanded-rights revenue decreased by $20 million due to the unfavorable impact of foreign currency exchange rates of $21 million and lower direct-to-consumer merchandising revenue at EMP, partially offset by higher concert promotion revenue. International Recorded Music licensing revenue increased by $11 million, including growth in brand income and broadcast fees revenue, partially offset by the unfavorable impact of foreign currency exchange rates. International Music Publishing revenue increased by $12 million, or 5%, to $239 million for the six months ended March 31, 2023 from $227 million for the six months ended March 31, 2022. This was primarily driven by the increase in performance revenue of $7 million, mechanical revenue of $2 million and digital revenue of $2 million. Performance revenue increased driven by continued recovery from COVID disruption. Higher mechanical revenue is primarily driven by strong share of physical sales. International Music Publishing streaming revenue increased by $5 million, or 5%, which includes unfavorable impact of foreign currency exchange rates of $6 million. Download and other digital revenue decreased by $3 million. Synchronization revenue remained constant primarily due to an unfavorable impact of foreign currency exchange rates, which offset higher commercial and television licensing activity.

***Cost of revenues***

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

| | For the Six Months Ended March 31, 2023 | For the Six Months Ended March 31, 2022 | 2023 vs. 2022 $ Change | 2023 vs. 2022 % Change |
|---|---|---|---|---|
| Artist and repertoire costs | $ 926 | $ 941 | $ (15) | -2 % |
| Product costs | 556 | 574 | (18) | -3 % |
| Total cost of revenues | $ 1,482 | $ 1,515 | $ (33) | -2 % |

Artist and repertoire costs decreased by $15 million, to $926 million for the six months ended March 31, 2023 from $941 million for the six months ended March 31, 2022. Artist and repertoire costs as a percentage of revenue increased to 32% for the six months ended March 31, 2023 from 31% for the six months ended March 31, 2022, primarily due to timing of artist and repertoire investments.

Product costs decreased by $18 million, to $556 million for the six months ended March 31, 2023 from $574 million for the six months ended March 31, 2022. Product costs as a percentage of revenue remained constant at 19% for each of the six months ended March 31, 2023 and March 31, 2022.

***Selling, general and administrative expenses***

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

| | For the Six Months Ended March 31, 2023 | For the Six Months Ended March 31, 2022 | 2023 vs. 2022 $ Change | 2023 vs. 2022 % Change |
|---|---|---|---|---|
| General and administrative expense (1) | $ 474 | $ 471 | $ 3 | 1 % |
| Selling and marketing expense | 360 | 403 | (43) | -11 % |
| Distribution expense | 58 | 67 | (9) | -13 % |
| Total selling, general and administrative expense | $ 892 | $ 941 | $ (49) | -5 % |

(1) Includes depreciation expense of $43 million and $41 million for the six months ended March 31, 2023 and March 31, 2022, respectively.

Total selling, general and administrative expense decreased by $49 million, or 5%, to $892 million for the six months ended March 31, 2023 from $941 million for the six months ended March 31, 2022. Expressed as a percentage of revenue, total selling, general and administrative expense remained constant at 31% for each of the six months ended March 31, 2023 and March 31, 2022.

General and administrative expense increased by $3 million to $474 million for the six months ended March 31, 2023 from $471 million for the six months ended March 31, 2022. The increase in general and administrative expense was mainly due to higher employee related costs including non-cash stock-based compensation and other related expenses of $5 million and the Executive Transition Costs of $3 million and expenses related to transformation initiatives, partially offset by higher acquisition transaction costs and the impact of the additional week in the prior year and favorable movements in foreign currency exchange rates of $11 million. Expressed as a percentage of revenue, general and administrative expense remained constant at 16% for each of the six months ended March 31, 2023 and March 31, 2022.

Selling and marketing expense decreased by $43 million, or 11%, to $360 million for the six months ended March 31, 2023 from $403 million for the six months ended March 31, 2022. Expressed as a percentage of revenue, selling and marketing expense decreased to 12% for the six months ended March 31, 2023 from 13% for the six months ended March 31, 2022 due to lower variable marketing spend.

Distribution expense was $58 million for the six months ended March 31, 2023 and $67 million for the six months ended March 31, 2022. Expressed as a percentage of revenue, distribution expense remained constant at 2% for each of the six months ended March 31, 2023 and March 31, 2022.

***Restructuring***

For the six months ended March 31, 2023, total restructuring costs were $41 million consisting of severance costs for the Restructuring Plan.

***Net gain on divestiture***

During the six months ended March 31, 2023, the Company sold its interest in certain sound recording rights and recorded a pre-tax gain of $41 million, which was recorded as a net gain on divestiture in the accompanying condensed consolidated statement of operations.

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

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

| | For the Six Months Ended March 31, | | *2023 vs. 2022* | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Net income attributable to Warner Music Group Corp. | $ 156 | $ 279 | $ (123) | -44 % |
| Income attributable to noncontrolling interest | 5 | 1 | 4 | — % |
| Net income | 161 | 280 | (119) | -43 % |
| Income tax expense | 69 | 109 | (40) | -37 % |
| Income before income taxes | 230 | 389 | (159) | -41 % |
| Other expense (income) | 92 | (46) | 138 | — % |
| Interest expense, net | 67 | 62 | 5 | 8 % |
| Operating income | 389 | 405 | (16) | -4 % |
| Amortization expense | 124 | 129 | (5) | -4 % |
| Depreciation expense | 43 | 41 | 2 | 5 % |
| OIBDA | $ 556 | $ 575 | $ (19) | -3 % |

*OIBDA*

OIBDA decreased by $19 million to $556 million for the six months ended March 31, 2023 as compared to $575 million for the six months ended March 31, 2022 as a result of lower revenues and the Restructuring Plan costs of $41 million, partially offset by lower cost of revenues and selling, general and administrative expenses and the net gain on sale of the Company’s interest in certain sound recording rights. Expressed as a percentage of total revenue, OIBDA margin remained constant at 19% for each of the six months ended March 31, 2023 and March 31, 2022 with the Restructuring Plan costs offset by the net gain on sale of the Company's interest in certain sound recording rights.

*Depreciation expense*

Our depreciation expense increased by $2 million to $43 million for the six months ended March 31, 2023 from $41 million for the six months ended March 31, 2022. This increase is primarily due to an increase in IT capital spend and assets being placed into service.

*Amortization expense*

Our amortization expense decreased by $5 million, or 4%, to $124 million for the six months ended March 31, 2023 from $129 million for the six months ended March 31, 2022. The decrease is primarily due to certain intangible assets becoming fully amortized.

*Operating income*

Our operating income decreased by $16 million to $389 million for the six months ended March 31, 2023 from $405 million for the six months ended March 31, 2022. The decrease in operating income was due to the factors that led to the decrease in OIBDA, partially offset by lower amortization as noted above.

*Interest expense, net*

Our interest expense, net, increased to $67 million for the six months ended March 31, 2023 from $62 million for the six months ended March 31, 2022 due to a higher principal balance due to the issuance of the incremental Senior Term Loan Facility in January 2023 and higher interest rates, partially offset by interest income.

*Other expense (income)*

Other expense for the six months ended March 31, 2023 primarily includes foreign currency losses on our Euro-denominated debt of $88 million. This compares to foreign currency gains on our Euro-denominated debt of $50 million, currency exchange gains on our intercompany loans of $17 million and unrealized gains on hedging activity of $5 million, partially offset by aggregate realized and unrealized losses of $31 million on the mark-to-market of equity investments for the six months ended March 31, 2022.

*Income tax expense*

Our income tax expense decreased by $40 million to $69 million for the six months ended March 31, 2023 from $109 million for the six months ended March 31, 2022. The decrease of $40 million in income tax expense is primarily due to the impact of lower pre-tax income in the current year.

*Net income*

Net income decreased by $119 million to $161 million for the six months ended March 31, 2023 from $280 million for the six months ended March 31, 2022 as a result of the factors described above.

*Noncontrolling interest*

There was $5 million of income attributable to noncontrolling interest for the six months ended March 31, 2023 and $1 million of income attributable to noncontrolling interest for the six months ended March 31, 2022.

**Business Segment Results**

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

| | For the Six Months Ended March 31, 2023 | For the Six Months Ended March 31, 2022 | 2023 vs. 2022 $ Change | 2023 vs. 2022 % Change |
|---|---|---|---|---|
| **Recorded Music** | | | | |
| Revenues | $ 2,382 | $ 2,533 | $ (151) | -6 % |
| Operating income | 434 | 465 | (31) | -7 % |
| OIBDA | 540 | 580 | (40) | -7 % |
| **Music Publishing** | | | | |
| Revenues | 507 | 459 | 48 | 10 % |
| Operating income | 101 | 70 | 31 | 44 % |
| OIBDA | 147 | 115 | 32 | 28 % |
| **Corporate expenses and eliminations** | | | | |
| Revenue eliminations | (2) | (2) | — | — % |
| Operating loss | (146) | (130) | (16) | 12 % |
| OIBDA loss | (131) | (120) | (11) | 9 % |
| **Total** | | | | |
| Revenues | 2,887 | 2,990 | (103) | -3 % |
| Operating income | 389 | 405 | (16) | -4 % |
| OIBDA | 556 | 575 | (19) | -3 % |

***Recorded Music***

***Revenues***

Recorded Music revenue decreased by $151 million, or 6%, to $2,382 million for the six months ended March 31, 2023 from $2,533 million for the six months ended March 31, 2022. U.S. Recorded Music revenues were $1,061 million and $1,126 million, or 45% and 44% of consolidated Recorded Music revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively. International Recorded Music revenues were $1,321 million and $1,407 million, or 55% and 56% of consolidated Recorded Music revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively.

The overall decrease in Recorded Music revenue was driven by decreases in digital, physical and artist services and expanded-rights revenues, partially offset by licensing revenue growth, as described in the “Total Revenues” and “Revenue by Geographical Location” sections above.

***Cost of revenues***

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

| | For the Six Months Ended March 31, 2023 | For the Six Months Ended March 31, 2022 | 2023 vs. 2022 $ Change | 2023 vs. 2022 % Change |
|---|---|---|---|---|
| Artist and repertoire costs | $ 620 | $ 648 | $ (28) | -4 % |
| Product costs | 556 | 574 | (18) | -3 % |
| Total cost of revenues | $ 1,176 | $ 1,222 | $ (46) | -4 % |

Recorded Music cost of revenues decreased by $46 million, or 4%, to $1,176 million for the six months ended March 31, 2023 from $1,222 million for the six months ended March 31, 2022. Expressed as a percentage of Recorded Music revenue, Recorded Music artist and repertoire costs remained constant at 26% for each of the six months ended March 31, 2023 and March 31, 2022. Expressed as a percentage of Recorded Music revenue, Recorded Music product costs remained constant at 23% for each of the six months ended March 31, 2023 and March 31, 2022.

***Selling, general and administrative expense***

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

| | For the Six Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 282 | $ 297 | $ (15) | -5 % |
| Selling and marketing expense | 352 | 395 | (43) | -11 % |
| Distribution expense | 58 | 67 | (9) | -13 % |
| Total selling, general and administrative expense | $ 692 | $ 759 | $ (67) | -9 % |

(1) Includes depreciation expense of $26 million and $28 million for the six months ended March 31, 2023 and March 31, 2022, respectively.

Recorded Music selling, general and administrative expense decreased by $67 million, or 9%, to $692 million for the six months ended March 31, 2023 from $759 million for the six months ended March 31, 2022. The decrease in general and administrative expense was primarily due to the favorable movements in foreign currency exchange rates of $11 million and lower expenses related to acquisition transaction costs and employee related costs. The decrease in selling and marketing expense was primarily due to lower variable marketing spend. The decrease in distribution expense was primarily due to lower physical and artist services and expanded-rights revenue, partially offset by rising costs. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense decreased to 29% for the six months ended March 31, 2023 from 30% for the six months ended March 31, 2022.

***Restructuring***

For the six months ended March 31, 2023, total restructuring costs were $41 million consisting of severance costs for the Restructuring Plan.

***Net gain on divestiture***

During the six months ended March 31, 2023, the Company sold its interest in certain sound recording rights and recorded a pre-tax gain of $41 million, which was recorded as a net gain on divestiture in the accompanying condensed consolidated statement of operations.

***Operating Income and OIBDA***

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

| | For the Six Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Operating income | $ 434 | $ 465 | $ (31) | -7 % |
| Depreciation and amortization | 106 | 115 | (9) | -8 % |
| OIBDA | $ 540 | $ 580 | $ (40) | -7 % |

Recorded Music OIBDA decreased by $40 million, to $540 million for the six months ended March 31, 2023 from $580 million for the six months ended March 31, 2022 as a result of lower revenues and the Restructuring Plan costs of $41 million, partially offset by lower costs of revenue and selling, general and administrative expenses and the net gain on sale of the Company's interest in certain sound recording rights. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA margin remained constant at 23% for each of the six months ended March 31, 2023 and March 31, 2022 with the Restructuring Plan costs offset by the net gain on sale of the Company's interest in certain sound recording rights.

Recorded Music operating income decreased by $31 million to $434 million for the six months ended March 31, 2023 from $465 million for the six months ended March 31, 2022 due to the factors that led to the decrease in Recorded Music OIBDA noted above, partially offset by a decrease in amortization due to certain intangible assets becoming fully amortized.

***Music Publishing***

***Revenues***

Music Publishing revenues increased by $48 million, or 10%, to $507 million for the six months ended March 31, 2023 from $459 million for the six months ended March 31, 2022. U.S. Music Publishing revenues were $268 million and $232 million, or 53% and 51% of consolidated Music Publishing revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively. International Music Publishing revenues were $239 million and $227 million, or 47% and 49% of consolidated Music Publishing revenues, for the six months ended March 31, 2023 and March 31, 2022, respectively.

The overall increase in Music Publishing revenue was driven by growth in digital, performance and mechanical revenue, partially offset by lower synchronization revenue, as described in the "Total Revenues" and "Revenue by Geographical Location" sections above.

***Cost of revenues***

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

| | For the Six Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Artist and repertoire costs | $ 309 | $ 295 | $ 14 | 5 % |
| Total cost of revenues | $ 309 | $ 295 | $ 14 | 5 % |

Music Publishing cost of revenues increased by $14 million, or 5%, to $309 million for the six months ended March 31, 2023 from $295 million for the six months ended March 31, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues decreased to 61% for the six months ended March 31, 2023 from 64% for the six months ended March 31, 2022, primarily attributable to revenue mix and the favorable impact of foreign currency exchange rates.

***Selling, general and administrative expense***

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

| | For the Six Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| General and administrative expense (1) | $ 52 | $ 51 | $ 1 | 2 % |
| Selling and marketing expense | 1 | 1 | — | — % |
| Total selling, general and administrative expense | $ 53 | $ 52 | $ 1 | 2 % |

(1) Includes depreciation expense of $2 million and $3 million for the six months ended March 31, 2023 and March 31, 2022, respectively.

Music Publishing selling, general and administrative expense increased to $53 million for the six months ended March 31, 2023 from $52 million for the six months ended March 31, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense decreased to 10% for the six months ended March 31, 2023 from 11% for the six months ended March 31, 2022.

***Operating Income and OIBDA***

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

| | For the Six Months Ended March 31, | | 2023 vs. 2022 | |
|---|---|---|---|---|
| | 2023 | 2022 | $ Change | % Change |
| Operating income | $ 101 | $ 70 | $ 31 | 44 % |
| Depreciation and amortization | 46 | 45 | 1 | 2 % |
| OIBDA | $ 147 | $ 115 | $ 32 | 28 % |

Music Publishing OIBDA increased by $32 million, or 28%, to $147 million for the six months ended March 31, 2023 from $115 million for the six months ended March 31, 2022. Expressed as a percentage of Music Publishing revenue, Music Publishing

OIBDA margin increased to 29% for the six months ended March 31, 2023 from 25% for the six months ended March 31, 2022. The increase was due to strong operating performance and the favorable impact of foreign currency exchange rates.

Music Publishing operating income increased by $31 million to $101 million for the six months ended March 31, 2023 from $70 million operating income for the six months ended March 31, 2022 largely due to the factors that led to the increase in Music Publishing OIBDA noted above, partially offset by an increase in amortizable intangible assets related to the acquisition of music-related assets.

***Corporate Expenses and Eliminations***

Our operating loss from corporate expenses and eliminations increased by $16 million to $146 million for the six months ended March 31, 2023 from $130 million for the six months ended March 31, 2022, primarily due to higher employee related costs including non-cash stock-based compensation and other related expenses of $6 million and the Executive Transition Costs of $3 million, higher depreciation and expenses related to transformation initiatives, partially offset by the impact of the additional week in the prior year and a decrease in professional services.

Our OIBDA loss from corporate expenses and eliminations increased by $11 million to $131 million for the six months ended March 31, 2023 from $120 million for the six months ended March 31, 2022 due to the operating loss factors noted above.

## FINANCIAL CONDITION AND LIQUIDITY

### Financial Condition at March 31, 2023

At March 31, 2023, we had $3.986 billion of debt (which is net of $43 million of premiums, discounts and deferred financing costs), $601 million of cash and equivalents (net debt of $3.385 billion, defined as total debt, less cash and equivalents and premiums, discounts and deferred financing costs) and $252 million of Warner Music Group Corp. equity. This compares to $3.732 billion of debt (which is net of $41 million of premiums, discounts and deferred financing costs), $584 million of cash and equivalents (net debt of $3.148 billion) and $152 million of Warner Music Group Corp. equity at September 30, 2022.

### Cash Flows

The following table summarizes our historical cash flows (in millions). The financial data for the six months ended March 31, 2023 and March 31, 2022 are unaudited and have been derived from our condensed consolidated interim financial statements included elsewhere herein.

| | Six Months Ended March 31, 2023 | Six Months Ended March 31, 2022 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities | $ 203 | $ 173 |
| Investing activities | (51) | (649) |
| Financing activities | (143) | 363 |

***Operating Activities***

Cash provided by operating activities was $203 million for the six months ended March 31, 2023 as compared with cash provided by operating activities of $173 million for the six months ended March 31, 2022. The $30 million increase in cash provided by operating activities was primarily due to timing of A&R investments and other movements within working capital.

***Investing Activities***

Cash used in investing activities was $51 million for the six months ended March 31, 2023 as compared with cash used in investing activities of $649 million for the six months ended March 31, 2022. The $51 million of cash used in investing activities in the six months ended March 31, 2023 consisted of $17 million relating to investments and acquisitions of businesses, $42 million to acquire music-related assets, and $56 million relating to capital expenditures, partially offset by $42 million of proceeds from divestitures and $22 million of proceeds from the sale of investments. The $649 million of cash used in investing activities in the six months ended March 31, 2022 consisted of $429 million relating to investments and acquisitions of businesses, a portion of which was debt-financed, $169 million to acquire music-related assets, a portion of which was debt-financed, and $62 million relating to capital expenditures, partially offset by $11 million of proceeds from the sale of investments.

***Financing Activities***

Cash used in financing activities was $143 million for the six months ended March 31, 2023 as compared with cash provided by financing activities of $363 million for the six months ended March 31, 2022. The $143 million of cash used in financing activities for the six months ended March 31, 2023 consisted of cash paid to settle deferred consideration related to prior year acquisitions of music publishing rights and music catalogs of $133 million, dividends paid of $167 million, deferred financing costs of $2 million and distributions to noncontrolling interest holders of $7 million, partially offset by proceeds from the incremental Senior Term Loan Facility of $147 million and proceeds from the Term Loan Mortgage of $19 million. The $363 million of cash provided by financing activities for the six months ended March 31, 2022 consisted of proceeds from debt issuance of $535 million which was used to fund the acquisition of a business and music-related assets, partially offset by dividends paid of $156 million, taxes paid related to net share settlement of restricted stock units of $6 million, deferred financing costs of $5 million, cash paid to settle contingent consideration of $4 million and distributions to noncontrolling interest holders of $1 million.

### Liquidity

Our primary sources of liquidity are the cash flows generated from our subsidiaries' operations, available cash and equivalents and funds available for drawing under our Revolving Credit Facility. These sources of liquidity are needed to fund our debt service requirements, working capital requirements, capital expenditure requirements, strategic acquisitions and investments, and dividends, prepayments of debt, repurchases or retirement of our outstanding debt or notes or repurchases of our outstanding equity securities in open market purchases, privately negotiated purchases or otherwise, we may elect to pay or make in the future. We maintain our cash in various banks and other financial institutions around the world, and in some cases those cash deposits are in excess of FDIC or other deposit insurance. In the event of a bank failure or receivership, we may not have access to those cash deposits in excess of the relevant deposit insurance, which could have an adverse effect on our liquidity and financial performance.

We believe that our primary sources of liquidity will be sufficient to support our existing operations over the next twelve months.

We are continuing our financial transformation initiative, launched in August 2019, to upgrade our information technology and finance infrastructure, including related systems and processes, for which we currently expect upfront costs to be approximately $235 million, which includes capital expenditures of approximately $100 million. The timing of global deployment has been delayed as the size and scale of this global system implementation requires rigorous system testing and data validation to ensure go-live readiness. In April 2023, we successfully launched certain components of our new technology platform in select territories. The Company will continue to deploy our new technology platform to remaining territories in a wave-based approach with additional territories expected to implement during fiscal year 2023 and fiscal year 2024. Annualized run-rate savings from the financial transformation initiative are expected to be between approximately $35 million and $40 million once fully implemented. We expect that our primary sources of liquidity will be sufficient to fund these expenditures.

**Debt Capital Structure**

Since Access acquired us in 2011, we have sought to extend the maturity dates on our outstanding indebtedness, reduce interest expense and improve our debt ratings. For example, our S&P corporate credit rating improved from B in 2017 to BB+ in July 2021 with a stable outlook, and our Moody's corporate family rating improved from B1 in 2016 to Ba2 in April 2023. In addition, our weighted-average interest rate on our outstanding indebtedness has decreased from 10.5% in 2011 to 4.0% as of March 31, 2023. Our nearest-term maturity date is in 2028. Subject to market conditions, we expect to continue to take opportunistic steps to extend our maturity dates and reduce related interest expense. From time to time, we may incur additional indebtedness for, among other things, working capital, repurchasing, redeeming or tendering for existing indebtedness and acquisitions or other strategic transactions.

***Senior Term Loan Facility Amendment***

On November 1, 2022, Acquisition Corp. entered into a Seventh Incremental Commitment Amendment (the "Seventh Incremental Commitment Amendment"), with Credit Suisse AG, New York Branch, as Tranche H term lender, and Credit Suisse AG, as administrative agent, and acknowledged by the guarantors party thereto and WMG Holdings Corp., to the Senior Term Loan Credit Agreement, pursuant to which Acquisition Corp. borrowed additional term loans in the amount of $150 million for an aggregate principal amount outstanding under the Senior Term Loan Credit Agreement of $1,295 million. The Seventh Incremental Commitment Amendment was entered into to fund certain deferred payment obligations owing in respect of certain prior acquisitions, to pay fees and expenses relating thereto and for general corporate purposes.

***Term Loan Mortgage Agreement***

On January 27, 2023, Acquisition Corp., along with Warner Records Inc. and Warner Music Inc., entered into an agreement with Truist Bank, which provides for a term loan of $19 million ("Term Loan Mortgage") secured by the Company's real estate properties in Nashville, Tennessee. Interest on the Term Loan Mortgage will accrue at a rate of 30-day SOFR plus the applicable margin of 1.40% subject to a zero floor. Equal principal installments and interest are due monthly.

***Revolving Credit Agreement Amendment***

On March 23, 2023, Acquisition Corp. entered into an amendment (the "Fourth Revolving Credit Agreement Amendment") to the Revolving Credit Agreement among Acquisition Corp., the several banks and other financial institutions party thereto and Credit Suisse AG, as administrative agent, governing Acquisition Corp.'s revolving credit facility with Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto. The Fourth Revolving Credit Agreement Amendment provides for the replacement of LIBOR-based rates with a SOFR-based rate and other rates for alternate currencies, such as EURIBOR and SONIA. We utilized the expedients set forth in ASC Topic 848, including those relating to derivative instruments used in hedging relationships. This transition does not result in a financial impact to our consolidated financial statements.

***Existing Debt as of March 31, 2023***

As of March 31, 2023, our long-term debt, all of which was issued by Acquisition Corp., was as follows (in millions):

| | | |
|---|---|---|
| Revolving Credit Facility (a) | $ | — |
| Senior Term Loan Facility due 2028 | | 1,295 |
| 2.750% Senior Secured Notes due 2028 (€325 face amount) | | 354 |
| 3.750% Senior Secured Notes due 2029 | | 540 |
| 3.875% Senior Secured Notes due 2030 | | 535 |
| 2.250% Senior Secured Notes due 2031 (€445 face amount) | | 486 |
| 3.000% Senior Secured Notes due 2031 | | 800 |
| Term Loan Mortgage | | 19 |
| Total long-term debt, including the current portion | $ | 4,029 |
| Issuance premium less unamortized discount and unamortized deferred financing costs | | (43) |
| Total long-term debt, including the current portion, net | $ | 3,986 |

(a) Reflects $300 million of commitments under the Revolving Credit Facility available at March 31, 2023, less letters of credit outstanding of approximately $4 million at March 31, 2023. There were no loans outstanding under the Revolving Credit Facility at March 31, 2023.

For further discussion of our debt agreements, see "Liquidity" in the "Financial Condition and Liquidity" section of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

**Dividends**

The Company's ability to pay dividends may be restricted by covenants in the credit agreement for the Revolving Credit Facility which are currently suspended but which will be reinstated if Acquisition Corp.'s Total Indebtedness to EBITDA Ratio increases above 3.50:1.00 and the term loans do not achieve an investment grade rating.

The Company intends to pay quarterly cash dividends to holders of its Class A Common Stock and Class B Common Stock. The declaration of each dividend will continue to be at the discretion of the Company's board of directors and will depend on the Company's financial condition, earnings, liquidity and capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends, restrictions imposed by Delaware law, general business conditions and any other factors that the Company's board of directors deems relevant in making such a determination. Therefore, there can be no assurance that the Company will pay any dividends to holders of the Company's common stock, or as to the amount of any such dividends.

On February 10, 2023, the Company's board of directors declared a cash dividend of $0.16 per share on the Company's Class A Common Stock and Class B Common Stock, as well as related payments under certain stock-based compensation plans, which was paid to stockholders on March 1, 2023. The Company paid an aggregate of approximately $83 million and $167 million, or $0.16 and $0.32 per share, in cash dividends to stockholders and participating security holders for the three and six months ended March 31, 2023, respectively.

**Covenant Compliance**

The Company was in compliance with its covenants under its outstanding notes, the Revolving Credit Facility and the Senior Term Loan Facility as of March 31, 2023.

On January 18, 2019, we delivered a notice to the trustee under the 2012 Secured Indenture and 2014 Unsecured Indenture changing the Fixed GAAP Date, as defined under the indentures, to October 1, 2018. Under the Senior Term Loan Facility, the Revolving Credit Facility and the Secured Notes Indenture, the Fixed GAAP Date is set for April 3, 2020, other than in respect of capital leases, which are frozen at November 1, 2012.

The Revolving Credit Facility contains a springing leverage ratio that is tied to a ratio based on EBITDA, which is defined under the Revolving Credit Agreement. Our ability to borrow funds under the Revolving Credit Facility may depend upon our ability to meet the leverage ratio test at the end of a fiscal quarter to the extent we have drawn a certain amount of revolving loans. On May 4, 2021, certain covenants set forth in our Revolving Credit Facility were suspended, including the restriction on incurring certain additional indebtedness, based on the determination that the total indebtedness to EBITDA ratio is below the required threshold specified therein. EBITDA as defined in the Revolving Credit Facility is based on Consolidated Net Income (as defined in the Revolving Credit Facility), both of which terms differ from the terms "EBITDA" and "net income" as they are commonly used. For example, the calculation of EBITDA under the Revolving Credit Facility, 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 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; (5) business optimization expenses (including consolidation initiatives, severance costs and other costs relating to initiatives aimed at profitability improvement); (6) transaction expenses; (7) equity-based compensation expense; and (8) certain extraordinary, unusual or non-recurring items. The definition of EBITDA under the Revolving Credit Facility also includes adjustments for the pro forma impact of certain projected cost savings, operating expense reductions and synergies and any quality of earnings analysis prepared by independent certified public accountants in connection with an acquisition, merger, consolidation or other investment. The Senior Term Loan Facility and the Secured Notes Indenture use financial measures called "Consolidated EBITDA" or "EBITDA" and "Consolidated Net Income" that have substantially the same definitions to EBITDA and Consolidated Net Income, each as defined under the Revolving Credit Agreement.

EBITDA as defined in the Revolving Credit Facility (referred to in this section as "Adjusted EBITDA") is presented herein because it is a material component of the leverage ratio contained in the Revolving Credit Agreement. Non-compliance with the leverage ratio could result in the inability to use the Revolving Credit Facility, which could have a material adverse effect on our results of operations, financial position and cash flow. Adjusted EBITDA does not represent net income or cash from operating activities as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. While Adjusted 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. Adjusted 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 Adjusted 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.

Adjusted EBITDA as presented below 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.

In addition, Adjusted EBITDA is a key measure used by our management to understand and evaluate our operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of those limitations include: (1) it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenue for our business; (2) it does not reflect the significant interest expense or cash requirements necessary to service interest or principal payments on our indebtedness; and (3) it does not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments. In particular, this measure adds 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. In addition, Adjusted EBITDA is not the same as net income or cash flow provided by operating activities as those terms are defined by U.S. GAAP and does not necessarily indicate whether cash flows will be sufficient to fund cash needs. Accordingly, Adjusted EBITDA should be considered in addition to, not as a substitute for, net income (loss) and other measures of financial performance reported in accordance with U.S. GAAP.

The following is a reconciliation of net income (loss), which is a U.S. GAAP measure of our operating results, to Adjusted EBITDA as defined, for the most recently ended four fiscal quarters, or the twelve months ended March 31, 2023, for the twelve months ended March 31, 2022 and for the three months ended March 31, 2023 and March 31, 2022. In addition, the reconciliation includes the calculation of the Senior Secured Indebtedness to Adjusted EBITDA ratio, which we refer to as the Leverage Ratio, under the Revolving Credit Agreement for the most recently ended four fiscal quarters, or the twelve months ended March 31, 2023. The terms and related calculations are defined in the Revolving Credit Agreement. All amounts in the reconciliation below reflect Acquisition Corp. (in millions, except ratios):

| | Twelve Months Ended March 31, | | Three Months Ended March 31, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Net Income** | $ 436 | $ 371 | $ 37 | $ 92 |
| Income tax expense | 145 | 172 | 21 | 34 |
| Interest expense, net | 130 | 121 | 35 | 32 |
| Depreciation and amortization | 336 | 328 | 83 | 89 |
| Loss on extinguishment of debt (a) | — | 22 | — | — |
| Net (gains) losses on divestitures and sale of securities (b) | (42) | 7 | (1) | 9 |
| Restructuring costs (c) | 65 | 28 | 45 | 1 |
| Net hedging and foreign exchange (gains) losses (d) | (30) | (78) | 31 | (32) |
| Transaction costs (e) | 1 | 14 | — | 2 |
| Business optimization expenses (f) | 56 | 51 | 14 | 13 |
| Non-cash stock-based compensation expense (g) | 44 | 53 | 21 | 6 |
| Other non-cash charges (h) | 13 | 51 | 4 | 25 |
| Pro forma impact of cost savings initiatives and specified transactions (i) | 81 | 70 | 18 | 11 |
| **Adjusted EBITDA** | **$ 1,235** | **$ 1,210** | **$ 308** | **$ 282** |
| **Senior Secured Indebtedness (j)** | **$ 3,736** | | | |
| **Leverage Ratio (k)** | **3.03x** | | | |

(a) Reflects loss on extinguishment of debt, primarily including tender fees and unamortized deferred financing costs.
(b) Reflects net gains on sale of securities and divestitures.
(c) Reflects severance costs and other restructuring related expenses, including those related to the Restructuring Plan as well as the Executive Transition Costs in the current quarter.
(d) Reflects unrealized (gains) losses due to foreign exchange on our Euro-denominated debt, losses (gains) from hedging activities and intercompany transactions.
(e) Reflects mainly transaction related costs and mark-to-market adjustments of an earn-out liability related to a transaction in 2021.
(f) Reflects costs associated with our transformation initiatives and IT system updates, which includes costs of $12 million and $42 million related to our finance transformation and other related costs for the three and twelve months ended March 31, 2023, respectively, as well as $10 million and $39 million for the three and twelve months ended March 31, 2022, respectively.
(g) Reflects non-cash stock-based compensation expense related to the Omnibus Incentive Plan and the Warner Music Group Corp. Senior Management Free Cash Flow Plan.
(h) Reflects non-cash activity, including the unrealized losses (gains) on the mark-to-market adjustment of equity investments, investment losses (gains), mark-to-market adjustments of an earn-out liability in 2022 and other non-cash impairments.
(i) Reflects expected savings resulting from transformation initiatives, including the Restructuring Plan, and the pro forma impact of certain specified transactions for the three and twelve months ended March 31, 2023. Certain of these cost savings initiatives and transactions impacted quarters prior to the quarter during which they were identified within the last twelve-month period. The pro forma impact of these specified transactions and initiatives resulted in a $38 million increase in the twelve months ended March 31, 2023 Adjusted EBITDA.
(j) Reflects the balance of senior secured debt at Acquisition Corp. of approximately $3.986 billion less cash of $250 million.
(k) Reflects the ratio of Senior Secured Indebtedness, including Revolving Credit Agreement Indebtedness, to Adjusted EBITDA. This is calculated net of cash and equivalents of the Company as of March 31, 2023 not exceeding $250 million. If the outstanding aggregate principal amount of borrowings and drawings under letters of credit which have not been reimbursed under our Revolving Credit Facility is greater than $105 million at the end of a fiscal quarter, the maximum leverage ratio permitted under the Revolving Credit Facility is 5.00:1.00. The Company’s Revolving Credit Facility does not impose any “leverage ratio” maintenance requirement on the Company when the aggregate principal amount of borrowings

and drawings under letters of credit, which have not been reimbursed under the Revolving Credit Facility, is less than or equal to $105 million at the end of a fiscal quarter. On May 4, 2021, certain covenants set forth in our Revolving Credit Facility were suspended, including the restriction on incurring certain additional indebtedness, based on the determination that the total indebtedness to EBITDA ratio is below the required threshold specified therein.

**Summary**

Management believes that funds generated from our operations and borrowings under the Revolving Credit Facility and available cash and equivalents will be sufficient to fund our debt service requirements, working capital requirements and capital expenditure requirements for the foreseeable future. We also have additional borrowing capacity under our indentures and the Senior Term Loan Facility. However, our ability to continue to fund these items and to reduce debt may be affected by general economic, financial, competitive, legislative and regulatory factors, as well as other industry-specific factors such as the ability to control music piracy and the continued transition from physical to digital formats in the recorded music and music publishing industries. It could also be affected by the severity and duration of geopolitical conflicts or natural or man-made disasters, including pandemics such as COVID-19. We and our affiliates continue to evaluate opportunities to, from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to pay dividends or prepay outstanding debt or repurchase or retire Acquisition Corp.'s outstanding debt or debt securities or repurchase our outstanding equity securities in open market purchases, privately negotiated purchases or otherwise. The amounts involved in any such transactions, individually or in the aggregate, may be material and may be funded from available cash or from additional borrowings. In addition, from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, we may seek to refinance the Senior Credit Facilities or our outstanding debt or debt securities with existing cash and/or with funds provided from additional borrowings.

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

As discussed in Note 16 to our audited consolidated financial statements for the fiscal year ended September 30, 2022, the Company is exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates. As of March 31, 2023, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2022.

### Foreign Currency Risk

Within our global business operations we have transactional exposures that may be adversely affected by changes in foreign currency exchange rates relative to the U.S. dollar. We may at times choose to use foreign exchange currency derivatives, primarily forward contracts, to manage the risk associated with the volatility of future cash flows denominated in foreign currencies, such as unremitted or future royalties and license fees owed to our U.S. companies for the sale or licensing of U.S.-based music and merchandise abroad that may be adversely affected by changes in foreign currency exchange rates. We focus on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on major currencies, which can include the Euro, British pound sterling, Japanese yen, Canadian dollar, Swedish krona, Australian dollar, Brazilian real, Korean won and Norwegian krone, and in many cases we have natural hedges where we have expenses associated with local operations that offset the revenue in local currency and our Euro-denominated debt, which can offset declines in the Euro. As of March 31, 2023, the Company had outstanding foreign currency forward exchange contracts for the sale of $304 million and the purchase of $167 million of foreign currencies at fixed rates. Subsequent to March 31, 2023, certain of our foreign exchange contracts expired and were not replaced.

The fair value of foreign exchange contracts is subject to changes in foreign currency exchange rates. For the purpose of assessing the specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments. For foreign exchange forward contracts outstanding at March 31, 2023, we typically perform a sensitivity analysis assuming a hypothetical 10% depreciation of the U.S. dollar against foreign currencies from prevailing foreign currency exchange rates and assuming no change in interest rates. The fair value of the foreign exchange forward contracts would have decreased by $14 million based on this analysis. Hypothetically, even if there was a decrease in the fair value of the forward contracts, because our foreign exchange contracts are entered into for hedging purposes, these losses would be largely offset by gains on the underlying transactions.

### Interest Rate Risk

We had $4.029 billion of principal debt outstanding at March 31, 2023, of which $1.314 billion was variable-rate debt and $2.715 billion was fixed-rate debt. As such, we are exposed to changes in interest rates. At March 31, 2023, 67% of the Company's debt was at a fixed rate. In addition, as of March 31, 2023, we have the option under our floating rate Tranche G loans under the Senior Term Loan Facility to select a one, two, three or six month LIBOR rate, and we have the option under our floating rate Tranche H loans under the Senior Term Loan Facility to select one, three or six month Term SOFR. To manage interest rate risk on $1.314 billion of U.S. dollar-denominated variable-rate debt, the Company has entered into an interest rate swap to effectively convert the floating interest rate to a fixed interest rate on a portion of its variable-rate debt. As a result, as of March 31, 2023, 80% of the Company's debt was effectively at a fixed rate. As of March 31, 2023, the Company's interest rate swap is expected to mature within one year.

Based on the level of interest rates prevailing at March 31, 2023, the fair value of the Company's fixed-rate and variable-rate debt was approximately $3.628 billion. Further, as of March 31, 2023, based on the amount of the Company's fixed-rate debt, a 25 basis point increase or decrease in the level of interest rates would decrease the fair value of the fixed-rate debt by approximately $36 million or increase the fair value of the fixed-rate debt by approximately $37 million. This potential fluctuation 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.

### Inflation Risk

Inflationary factors such as increases in overhead costs may adversely affect our results of operations. We do not believe that inflation has had a material effect on our business, financial condition or results of operations to date. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases for services. Our inability or failure to do so could harm our business, financial condition or results of operations.

## 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 Exchange Act (the "Certifications") are filed as exhibits to this report. This section of the report contains the information concerning the evaluation of the Company's 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 SEC'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 SEC'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 the Company's 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.

The Company's management, including its 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 the 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 management's evaluation (with the participation of the Company's principal executive officer and principal financial officer), as of the end of the period covered by this report, the Company's principal executive officer and principal financial officer have concluded that the Company's Disclosure Controls are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that it files or submits 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 control over financial reporting or other factors that occurred during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time the Company is involved in claims and legal proceedings that arise in the ordinary course of business. The Company is currently subject to several such claims and legal proceedings. Based on currently available information, the Company does not believe that resolution of pending matters will have a material adverse effect on its financial condition, cash flows or results of operations. However, litigation is subject to inherent uncertainties, and there can be no assurances that the Company’s defenses will be successful or that any such lawsuit or claim would not have a material adverse impact on the Company’s business, financial condition, cash flows and results of operations in a particular period. Any claims or proceedings against the Company, whether meritorious or not, can have an adverse impact because of defense costs, diversion of management and operational resources, negative publicity and other factors.

### ITEM 1A. RISK FACTORS

There are no material changes to the risk factors discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

### 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

**CFO Succession**

As previously disclosed, on March 14, 2023, the Company announced that it had begun planning for the succession of our Chief Financial Officer (“CFO”), Eric Levin. On May 4, 2023, the Company entered into a separation agreement with Mr. Levin regarding the terms of his remaining service and his separation from the Company (the “Mutual Separation Agreement”).

Under the terms of the Mutual Separation Agreement, Mr. Levin’s employment with the Company will continue through January 15, 2024 (the “Separation Date”). If the Company appoints a successor CFO prior to the Separation Date, Mr. Levin will cease to serve as CFO as of the date such successor commences service with the Company, and will continue to serve as an advisor to the Company through the Separation Date.

Subject to his execution of a general release of claims in favor of the Company, under the Mutual Separation Agreement, Mr. Levin will be entitled to receive cash severance payments totaling $1,000,000, payable over a one-year period following the Separation Date, and a lump sum cash payment having net proceeds to Mr. Levin of $57,602.57 on an after-tax basis. Mr. Levin will also be eligible to receive an annual bonus for the Company’s 2023 fiscal year having a target amount of $1,000,000, and a prorated annual bonus for the Company’s 2024 fiscal year having an annualized target amount of $1,000,000, with the actual amounts of each bonus to be determined by the Compensation Committee of the Board (the “Compensation Committee”) based on Company performance measures established and determined by the Compensation Committee. In addition, in January 2024, Mr. Levin will receive an award of RSUs under the terms of the Omnibus Incentive Plan having a value of $1,000,000, determined based on the average closing share price of the Company’s Class A Common Stock for the 20 trading days preceding the grant date. The RSUs will become vested on the fourth anniversary of the grant date subject to Mr. Levin’s continued compliance with the non-competition and non-solicitation covenants set forth in the award agreement. The unvested Company RSUs previously granted to Mr. Levin will also remain outstanding and subject to continued vesting subject to Mr. Levin’s continued compliance with the non-competition and non-solicitation covenants set forth in the applicable award agreements.

The foregoing description of the Mutual Separation Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the complete text of the Mutual Separation Agreement, which is filed as Exhibit 10.3 hereto.

## 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.

| Exhibit Number | Exhibit Description |
|---|---|
| 10.1 | Fourth Amendment to Credit Agreement, dated as of March 23, 2023, by and among Acquisition Corp., the several banks and other financial institutions party thereto and Credit Suisse AG, as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 23, 2023) |
| 10.2 | Employment Separation Agreement and Release, dated as of January 17, 2023, between Stephen Cooper and Warner Music Group Corp. (incorporated by reference to the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2022 (File No. 001-32502)) |
| 10.3* | Mutual Separation Agreement and Release with Eric Levin, dated May 4, 2023 |
| 31.1* | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended |
| 31.2* | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended |
| 32.1** | Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2** | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith.

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

## SIGNATURES

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

May 9, 2023

WARNER MUSIC GROUP CORP.

| | |
|---|---|
| By: | /s/ ROBERT KYNCL |
| **Name:** | **Robert Kyncl** |
| **Title:** | **Chief Executive Officer**<br>**(Principal Executive Officer)** |
| By: | /s/ ERIC LEVIN |
| **Name:** | **Eric Levin** |
| **Title:** | **Chief Financial Officer**<br>**(Principal Financial Officer and Principal Accounting Officer)** |

# MUTUAL SEPARATION AGREEMENT AND RELEASE

This MUTUAL SEPARATION AGREEMENT AND RELEASE ("Agreement") is between Eric Levin ("you") and Warner Music Inc. ("Company"). You and Company agree as follows:

1. Separation Date and Transition. Your employment with Company will end on January 15, 2024 (the "Separation Date"); provided that during the period running from the date of commencement of the employment of Company's new Chief Financial Officer (the "Transition Date") and through the Separation Date (the "Transition Period"), you will remain employed by Company in an advisory capacity and you agree to render transition services to Company, as directed by Company's CEO, conscientiously, devoting your good faith efforts and abilities thereto. As of the Transition Date, you hereby resign as an officer and/or director of Company and its subsidiaries and affiliates (as applicable), and you hereby further agree to execute promptly at Company's request any additional documents necessary to effectuate this resignation. As of the Separation Date, you will have no further authority or responsibilities as an employee of Company and the Term of the Employment Agreement between you and Company dated September 30, 2014, as amended by the letter agreements dated October 6, 2015, December 2, 2016, May 2, 2018 and October 21, 2020 (as amended, the "Employment Agreement") will be terminated, with no liability to either you or Company thereunder. Notwithstanding anything to the contrary contained in this Agreement, if Company terminates your employment for any act or omission that constitutes Cause under the Employment Agreement or you terminate your employment for any reason prior to the Separation Date, you will forfeit all rights and entitlements to any amounts otherwise due and owing to you under this Agreement, including the Separation Benefits (as defined below).

2. Separation Benefits. The following separation benefits described in Paragraphs (a) through (e) (collectively, the "Separation Benefits") are in exchange for the promises you are making in this Agreement, and specifically the release in Paragraph 4(a) and the Re-affirmation (as defined below), provided that (x) this Agreement is executed in full no later than twenty-one (21) days following the date you receive this Agreement; (y) the Re-affirmation is executed and delivered to Company by you within five (5) business days following the Separation Date; and (z) neither this Agreement nor the Re-affirmation is revoked pursuant to Paragraph 11(b).

(a) Company will pay you severance in the form of salary continuation, consistent with regular payroll practices. The total gross severance amount will be $1,000,000 (the "Severance"), which represents fifty-two (52) weeks of salary, payable in substantially equal installments commencing on the next possible pay cycle following the later of the Separation Date and the date the Re-affirmation is executed by you and is no longer revocable pursuant to Paragraph 11(b). You are not required to seek other employment to receive these payments, and Company will not reduce your severance if you obtain other earnings.

(b) Company will grant to you an annual bonus with a target amount of $1,000,000 with respect to Company's 2023 fiscal year, payable when bonuses in respect of the 2023 fiscal year are paid to employees of Company generally. The actual bonus amount earned by you will be determined by the Compensation Committee of the Board of Directors (the "Board") of Warner Music Group Corp. ("WMG Corp.") based on corporate performance measures for the 2023 fiscal year as established and determined by the Compensation Committee of the Board.

(c) Company will grant to you a prorated annual bonus with an annual target amount of $1,000,000 with respect to the first quarter of Company's 2024 fiscal year, payable when bonuses in respect of the 2024 fiscal year are paid to employees of Company generally. The actual bonus amount earned by you will be determined by the Compensation Committee of the Board based on corporate performance measures for the 2024 fiscal year as established and determined by the Compensation Committee of the Board.

(d) Company will pay you in a lump sum on the next possible pay cycle following the later of the Separation Date and the date the Re-affirmation is executed by you and is no longer revocable pursuant to Paragraph 11(b), an amount such that after deduction of required withholding thereon, the net amount payable to you equals $57,602.57.

(e) You will be eligible to receive an annual award of RSUs for Company's 2023 fiscal year pursuant to the Plan (as defined below). The award will be granted under the Plan on a date selected by the Administrator (as defined in the Plan) during the 2024 calendar year, which is expected to be in January 2024. The aggregate annual pre-tax, grant date value of RSUs granted to you in respect of the 2023 fiscal year will be $1,000,000, with the number of shares of WMG Corp.'s Class A common stock covered by such awards determined by the average closing share price of WMG Corp.'s Class A Common Stock for the twenty (20) trading days preceding the grant date selected by the Administrator.

Notwithstanding the foregoing, if you become re-employed with Company or any of its parent companies, subsidiaries or affiliates, the Severance and all other Separation Benefits under this Paragraph 2 will stop as of the date you begin that employment and Company shall have no further obligations to you under this Paragraph 2.

3. Payment of Accrued Wages and Time Off; COBRA Coverage; Equity Awards.

(a) Company will pay your wages accrued through the Separation Date, and accrued and unused vacation time and personal time as of the Separation Date, in each case in accordance with Company's policies.

(b) During the period commencing immediately after the Separation Date and through the last day of the calendar month in which your termination occurs (such period, the "Benefits Period"), Company shall continue to provide you and your eligible family members with medical health insurance coverage, including dental and vision insurance coverage, under the group insurance plans maintained by Company in accordance with the terms of the applicable plans and to the extent that you had elected such coverage prior to the Separation Date ("Benefits Coverage"). Following the Benefits Period, you and/or your eligible family members may have the right, in accordance with and subject to the Consolidated Omnibus Budget Reconciliation Act, as amended ("COBRA"), to elect to continue Benefits Coverage at your expense (subject to any premium subsidy required under applicable law) for such period of time as required under COBRA. Further information regarding COBRA coverage, including enrollment forms and premium quotations, will be sent to you separately.

(c) Equity Awards. Any outstanding awards granted to you under the WMG Corp. 2020 Omnibus Incentive Plan, as amended, any successor equity plan or any other current or former equity plan or arrangement of Company (each, a "Plan") will be governed by the terms of the Plan and the applicable award agreements pursuant to which such awards were granted (collectively, the "Award Agreements"). This Agreement, including Paragraph 4(b), is not intended to and does not waive or limit any of Company's rights or any of your obligations under the Award Agreements or the Clawback Policy (as defined below). Notwithstanding the foregoing nor anything to the contrary in the Award Agreement provided to you on or about January 4, 2021 (the "2021 Award Agreement"), Company agrees, as authorized and approved by the Compensation Committee of the Board, that you shall retain a number of unvested restricted stock units equal to the number of restricted stock units that would otherwise be forfeited under the 2021 Award Agreement as a result of the termination of your employment hereunder (the "Deferred RSUs"), and such Deferred RSUs shall remain outstanding and unvested and shall become vested on the original vesting date specified in the 2021 Award Agreement, provided that you (i) have not violated Section 13(b) of the 2021 Award Agreement through the original vesting date stated therein and (ii) have provided annual certification of such ongoing compliance with Section 13(b) of the 2021 Award Agreement (i.e., non-compete and non-solicit) and Paragraph 6 (i.e., confidentiality) of this Agreement in writing to WMG Corp. no more than ninety (90) days prior to the original vesting date.

4. Mutual Waiver and Release.

(a) Waiver and Release by You. You agree that you are not otherwise entitled to receive the Separation Benefits under Paragraph 2 or Company's release pursuant to Paragraph 4(b), and that these benefits are sufficient consideration for the following waiver and release:

In exchange for the payments and other benefits you are receiving under this Agreement, you, on behalf of yourself, your personal representatives, heirs, estate, successors and assigns (collectively, "Your Group"), agree to waive, release and forever discharge Company, its successors, direct or indirect parents, direct or indirect subsidiaries and affiliates, and each of their respective current and former directors, officers, equityholders, partners (general or limited), members, agents, representatives and employees, and the employee benefit plans and programs of each, including any long term incentive plans (all such plans and programs and any successor plan thereto, collectively, the "Employee Benefit Plans"), and the plan sponsors, plan administrators, benefit officers, administrative committees, investment committees and administrative committees of the Employee Benefit Plans, and all successors and assigns of all of the foregoing (collectively, "Company Group") from **all claims of any kind**. You, on behalf of yourself and Your Group, release Company Group from liability for any claims or damages you may have against it as of the date you sign this Agreement, whether those claims are known to you or unknown, *except* for claims that cannot be waived or released under the law or as otherwise provided in Paragraphs 15 and 16. Your release on behalf of yourself and Your Group includes all claims relating to the Employment Agreement, your employment with Company, your benefits through Company or the termination of your employment, whether arising under common law, federal, state or local law, regulation, ordinance or order. Examples of claims waived and released by you on behalf of yourself and Your Group include any alleged violation of the following laws and other sources of legal rights, each as amended and including regulations issued thereunder:

- Title VII of the Civil Rights Act of 1964;

- Sections 1981 through 1988 of Title 42 of the United States Code;
- the Employee Retirement Income Security Act of 1974 (except to the extent provided otherwise in Paragraph 15);
- the Immigration Reform and Control Act of 1986;
- the Americans with Disabilities Act of 1990;
- the Age Discrimination in Employment Act of 1967;
- the Worker Adjustment and Retraining Notification Act;
- the Occupational Safety and Health Act;
- the Rehabilitation Act of 1973;
- the Fair Credit Reporting Act;
- the Equal Pay Act;
- the Family and Medical Leave Act;
- the Civil Rights Act of 1991;
- the Genetic Information Nondiscrimination Act;
- the New York Human Rights Law;
- the New York Executive Law;
- the New York Labor Law;
- the New York Civil Rights Law;
- the New York Equal Pay Law;
- the New York Whistleblower Law;
- the New York Wage-Hour and Wage Payment Laws and Regulations;
- the New York Minimum Wage Law;
- the Anti-Retaliation/Non-Discrimination Provisions of the New York Workers' Compensation Law and the New York State Disabilities Benefits Law;
- the New York State Worker Adjustment and Retraining Notification Act;
- the New York Paid Family Leave Law;
- the New York City Human Rights Law;
- the New York City Administrative Code and Charter;
- any other federal, state, local or other law, rule, regulation, constitution, code, executive order, guideline or ordinance;
- any public policy, contract (oral or written, express or implied), tort law or common law; and
- any act, statute, common law, agreement or other basis for seeking or recovering any award of costs, fees or other expenses, including attorneys' fees and/or costs.

(b) Waiver and Release by Company. Subject to Paragraphs 3(c) and 19 and provided that you have not revoked the waiver and release of claims or the Re-affirmation, Company, on behalf of itself and its subsidiaries, waives, releases and forever discharges you and Your Group from all claims Company and its subsidiaries may have against you and Your Group as of the date Company signs this Agreement, under any common law, federal, state or local law, regulation, ordinance or order, arising out of your employment with Company, except for any claim to enforce this Agreement or any claim that you or Your Group committed a crime or engaged in acts or omissions to act constituting fraud, other willful misconduct, gross negligence or a material violation of material Company policies.

(c) Re-affirmation of Your Waiver and Release. In addition to the other provisions of this Agreement, in exchange for the consideration described in Paragraph 2 and Company's release pursuant to Paragraph 4(b), you shall execute and deliver to Company within five (5) business days following the Separation Date the re-affirmation of the waiver and release of claims and acknowledgments that are set forth in Paragraph 4(a) and Paragraph 5 in the form attached hereto as Exhibit A (the "Re-affirmation"). The seven (7) day revocation period applicable to your waiver and release of claims set forth in Paragraph 4(a), which is described in Paragraph 11(b), shall also apply to your execution and delivery of the Re-affirmation.

5. Acknowledgments and Affirmations. You affirm that:

(a) you have not filed, caused to be filed, or presently are a party to any claim against Company Group;

(b) except for the payments and benefits expressly set forth in this Agreement, as of the date you sign this Agreement (i) you have been paid and/or have received all compensation, wages, bonuses, commissions and/or benefits which are due and payable, including any vacation time you have earned but have not used as of the Separation Date and (ii) you are not entitled to any other payments or benefits from Company, including pursuant to the Warner Music Inc. Severance Plan for Regular U.S. Employees. You have reported all of the hours you worked while you were employed by Company. You will not accrue any vacation time or other employee benefits following the Separation Date;

(c) Company has granted you any leave to which you were entitled from Company under the Family and Medical Leave Act or related state or local leave or disability accommodation laws;

(d) you have no known workplace injuries or occupational diseases;

(e) you are not Medicare eligible and have not filed a claim for Medicare benefits;

(f) you are not aware of any fraud or wrongdoing by Company Group and you have not been retaliated against for reporting any allegations of fraud or other wrongdoing by Company Group;

(g) all of Company's decisions regarding your pay and benefits through the date you sign this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin or any other classification protected by law; and

(h) Company owns all rights of every kind and character throughout the world in perpetuity in and to any material and/or ideas written, suggested or in any way created by you in connection with or related to your employment with Company and all other results and proceeds of your employment services to Company, including all copyrightable material created by you within the scope of your employment, and you agree to execute and deliver to Company such assignments or other instruments as Company may require to evidence Company's ownership of the results and proceeds of your employment.

6. Confidentiality and Non-Disclosure. Except as otherwise provided in Paragraph 8 or Paragraph 16, you shall not at any time exploit, use, sell, publish, disclose or communicate to any person, corporation or entity, either directly or indirectly, any trade secrets, privileged information, confidential information, business information or proprietary information regarding Company Group, including the terms of any agreements including this Agreement between Company or any of its affiliates and any third party (except that you may disclose the financial terms of this Agreement to tax authorities and to your attorneys and accountants). You shall not during the one-year period following the date hereof, without the prior written approval of Executive Vice President, Corporate Communications and Marketing for WMG Corp., discuss any Company Topic (as defined below) with any press or media representative, nor shall you provide any information regarding any Company Topic to any press or media representative. "Company Topic" shall mean any matter relating to Company or its affiliates, including any of their respective employees or artists.

7. Cooperation. To the extent allowed by law, you agree to cooperate reasonably and truthfully with Company in the prosecution, defense, investigation, regulatory action or pursuit of any matter in which Company determines you were involved during your employment or about which you may have knowledge. You also agree not to voluntarily aid or assist any legal action or proceeding filed by third parties against Company, unless your participation is required under the law.

8. Protected Disclosures and Statements. Nothing in this Agreement prohibits you from (a) responding truthfully to a lawfully issued subpoena, court order, or other binding request by a regulatory agency or governmental authority; (b) reporting possible violations of U.S. federal law or regulation to any governmental agency or entity; (c) making any statement or engaging in any activity to the extent protected by the National Labor Relations Act; or (d) making other disclosures that are protected under the whistleblower provisions of U.S. federal law or regulation. However, except as provided otherwise in this Agreement, you are not authorized to disclose any

information covered by Company Group's attorney-client privilege or attorney work product or Company Group's trade secrets without prior written consent of the Executive Vice President and General Counsel of Warner Music Inc. Further, Company hereby informs you, and you hereby acknowledge, in accordance with 18 U.S.C. Section 1833(b), that you may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret where the disclosure (a) is made (i) in confidence to a federal, state or local government official, either directly or indirectly, or to any attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

9. Return of Property. You agree to promptly return to Company all property of Company in your possession, including: keys, identification cards, files, records, credit cards, electronic equipment, books and manuals issued to you by Company, and all confidential memoranda, notes, records, reports and other documents (and all copies thereof) relating to the business of Company which you possess or have under your control; provided that you may retain your personal files (i.e., your files not related to Company) and a copy of your address book. You authorize Company to deduct from any payments contemplated by Paragraph 2, any money owed to Company as a result of Company property that is not promptly returned.

10. Card Pay-Off Requirement. You hereby represent and agree that any outstanding balances on corporate credit cards provided to you by Company have been paid in full or will be fully paid by you prior to the due date specified by the credit card provider. Company reserves the right to cease payment of the Separation Benefits under Paragraph 2 if your corporate credit card balance is not paid off in full within seven (7) days of the due date.

11. Representations and Effective Date.

(a) Consideration Period. You understand that this Agreement is a legally binding document under which you are giving up certain rights, including any rights you have or may have under the Age Discrimination in Employment Act of 1967 and the Older Workers Benefit Protection Act of 1990 arising from your employment with Company, the termination of that employment or any other dealings of any kind between you and Company Group as of the date you sign this Agreement and as of the date you sign the Re-affirmation unless you have revoked this Agreement or the Re-affirmation pursuant to Paragraph 11(b), in consideration for the monies and/or benefits specified in Paragraph 2 and Company's release of claims against you pursuant to Paragraph 4(b). You acknowledge that you have been advised to discuss this Agreement and the Re-affirmation with an attorney and other professional persons unrelated to Company before you sign it, and that you have been given the time necessary to seek such advice and counsel. You have had at least twenty-one (21) days to consider this Agreement and the Re-affirmation. You also agree that the twenty-one (21)-day consideration period will not restart if changes, material or immaterial, are made to this Agreement or the Re-affirmation, and you waive any right you might have to restart the running of the twenty-one (21)-day consideration period. You acknowledge that you have read this Agreement and the Re-affirmation and that you have signed this Agreement and agree to the form of the Re-affirmation freely and voluntarily, with full knowledge of all material facts.

(b) Revocation Period. You understand you may revoke this Agreement within seven (7) days of its execution, by notifying Company in writing of your desire to revoke this Agreement. If you revoke this Agreement, this Agreement will have no legal effect. Any revocation within this period must be submitted, in writing, to Executive Vice President and General Counsel, Warner Music Inc., and must state: "I hereby revoke my acceptance of our Separation Agreement and Release." The revocation must be either: (i) personally delivered to Executive Vice President and General Counsel, Warner Music Inc., 1633 Broadway, New York, NY 10019, within seven (7) days after you sign this Agreement; (ii) mailed to Executive Vice President and General Counsel, at the address specified above by First Class United States mail and postmarked within seven (7) days after you sign this Agreement; or (iii) delivered to Executive Vice President and General Counsel, at the address specified above through a reputable overnight service with documented evidence that it was sent within seven (7) days after you signed this Agreement. The provisions of this Agreement, including any obligation of Company to provide payment or the Separation Benefits under Paragraph 2, are not binding until eight (8) days after the execution of both this Agreement and the Re-affirmation by you (and provided you have not revoked your acceptance pursuant to this Paragraph). All references to the Agreement in this Paragraph 11(b) shall apply with equal force and effect to the Re-affirmation.

12. Complete Agreement. This Agreement (for purposes of this Paragraph, together with the Re-affirmation, this "Agreement") reflects the final and complete agreement between you and Company with respect to the subjects addressed by it. This Agreement supersedes any and all prior agreements between you and Company, excluding the Award Agreements and the Clawback Policy but shall supersede the Employment Agreement. No modification or waiver of the terms of this Agreement will be valid unless made in writing and signed by an officer of Company and you. This Agreement may be executed in two or more counterparts, each of which when executed

shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile transmission or by email or other electronic transmission method, and signatures created or transmitted by electronic means, including DocuSign (or any other signature complying with the federal ESIGN Act of 2000 or any applicable Uniform Electronic Transactions Act or Electronic Signatures and Records Act), PDF or JPEG, shall constitute original signatures, shall be deemed to have been duly and validly created and delivered, and shall be valid and binding for all purposes.

13. Severability, Definitions and Interpretations. If any provision of this Agreement is ruled invalid, that will not affect any other provisions of this Agreement that can be given effect without the invalid provision. The provisions of this Agreement are severable. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. The words (a) "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation," and (b) "herein," "hereof" and "hereunder," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof.

14. Choice of Law and Jury Trial Waiver.

(a) Choice of Law. This Agreement will be governed by and construed according to the laws of the State of New York without regard to any choice of law provisions. Exclusive jurisdiction of any dispute, action, proceeding or claim arising out of or relating to this Agreement shall lie in the state or federal courts in the State of New York, located in New York County.

(b) JURY TRIAL WAIVER. IN THE UNLIKELY EVENT THAT DIFFERENCES ARISE BETWEEN THE PARTIES RELATED TO OR ARISING FROM THIS AGREEMENT THAT ARE NOT RESOLVED BY MUTUAL AGREEMENT, TO FACILITATE A JUDICIAL RESOLUTION AND SAVE TIME AND EXPENSE OF BOTH PARTIES, COMPANY AND YOU AGREE NOT TO DEMAND A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM.

15. Claims Not Released. You are not waiving any rights you may have to: (a) your own vested accrued employee benefits under any health, welfare or retirement benefit plans of Company as of the Separation Date; (b) benefits and/or the right to seek benefits under applicable workers' compensation and/or unemployment compensation statutes; (c) pursue claims which by law cannot be waived by signing this Agreement; (d) enforce this Agreement; and/or (e) challenge the validity of this Agreement.

16. Government Agencies. Nothing in this Agreement prohibits or prevents you from filing a charge or communicating with, providing documents or information to, or participating, testifying or assisting in any investigation, hearing or other proceeding before, any federal, state or local government agency or regulatory authority, including the EEOC, NLRB, OSHA, SEC and any applicable state or local civil rights agency. This Agreement does not limit your right to receive an award or bounty for information provided to any governmental agencies, including under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any non-disclosure, confidentiality or waiver provision in this Agreement does not prohibit you from initiating communications directly with, responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding Company, your employment, this Agreement or its underlying facts or circumstances. Any cooperation provision in this Agreement does not require you to contact Company regarding the subject matter of any such communications. By signing this Agreement, however, you waive the right to receive damages or monetary recovery from any such charge you may file or which is filed on your behalf, but it will not limit your right to receive an incentive award authorized under federal or state statute or regulation for information provided to any federal or state regulatory, government or law enforcement agencies, if applicable.

17. Collective/Class Action Waiver. If any claim is not subject to release, to the extent permitted by law, you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which Company or any of its affiliates is a party.

18. Non-Solicitation. While you are employed by Company and for a period of one year thereafter, you shall not, without the prior written consent of Company, directly or indirectly, as an employee, agent, consultant, partner, joint venturer, owner, officer, director, member of any other firm, partnership, corporation or other entity, or in any other capacity: (a) solicit, negotiate with, induce or encourage any recording artist (including a duo or a group), publisher or songwriter who at the time is, or who within the one-year prior period was, either directly or through a furnishing entity, under contract to Company or any affiliate of Company or a label distributed by Company or an affiliate of Company, to end its relationship with Company, Company affiliate or label, to violate any provision of his or her contract or to enter into an exclusive recording or music publishing agreement with any other party or (b) solicit, negotiate with, induce or encourage any individual who at the time is, or who within the

six-month prior period was, an employee of Company or any Company affiliate in the United States to leave his or her employment or to commence employment with any other party.

19. Remedies for Breach and Clawback and Forfeiture of Incentive Compensation. You acknowledge that your violation of any of the covenants contained in this Agreement would cause irreparable damage to Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, you agree that, notwithstanding any provision of this Agreement to the contrary, in addition to any other damages it is able to show and without limiting any rights of WMG Corp. pursuant to its Clawback and Forfeiture Policy (as in effect from time to time, the "Clawback Policy") to seek recoupment of any Incentive Compensation (as defined in the Clawback Policy) paid to you, in the event of your violation of any of the covenants contained in this Agreement or in the event that Company, in its sole discretion, determines at any time after the execution in full of this Agreement that during your employment you engaged in any act or omission that constitutes Cause as defined in the Employment Agreement, Company shall be entitled (without the necessity of showing economic loss or other actual damage but with written notice to you of the reason for such determination) to cease payment of the Severance and all other Separation Benefits under Paragraph 2 to the extent not previously paid or provided and to require your prompt return of all or any portion of such compensation and the value of such benefits previously paid or provided. In addition to the foregoing, Company shall be entitled to specific performance and other injunctive relief (including temporary restraining orders, preliminary injunctions and permanent injunctions), without the requirement to post bond, in any court of competent jurisdiction for your actual or threatened breach of any of the covenants set forth in this Agreement. The period during which any such covenant applies shall be deemed automatically extended by any period during which you are in violation of the provisions thereof.

20. Withholding. All payments made to you hereunder shall be subject to applicable withholding, social security taxes and other ordinary and customary payroll deductions, as applicable, including medical and other insurance premiums.

21. Section 409A. This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (including the regulations and guidance promulgated thereunder, "Section 409A") and will be interpreted in a manner intended to comply with Section 409A. Amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions set forth in Treas. Reg. Section 1.409A-1(b)(4) ("short-term deferrals") and Treas. Reg. Section 1.409A-1(b)(9) ("separation pay plans") and other applicable provisions of Treas. Reg. Section 1.409A-1 through A-6. References under this Agreement to a termination of your employment shall be deemed to refer to the date upon which you have experienced a "separation from service" within the meaning of Section 409A. Notwithstanding anything herein to the contrary, (a) if at the time of your separation from service with Company you are a "Specified Employee" as defined in the WMG Corp. Section 409A Specified Employee Policy as then in effect, payment of any "nonqualified deferred compensation" amounts (within the meaning of Section 409A and after taking into account all exclusions applicable to such payments under Section 409A) required to be made to you upon or as a result of your separation from service shall be delayed (without any reduction in such payments or benefits ultimately paid or provided to you) to the extent necessary to comply with and avoid the imposition of taxes, interest and penalties under Section 409A until the first payroll following the six-month anniversary of your separation from service, at which point all payments delayed pursuant to this Paragraph shall be paid to you in a lump sum and (b) if any other payments of money or other benefits due to you hereunder could cause the imposition of any accelerated or additional taxes, interest or penalties under Section 409A, such payments or other benefits shall be deferred if deferral will make such payment or other benefits compliant under Section 409A, or otherwise such payment or other benefits shall be restructured, to the extent possible, in a manner, determined by Company, that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to you under this Agreement constitute "deferred compensation" under Section 409A, any such reimbursements or in-kind benefits shall be paid to you in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Each payment made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A. For the avoidance of doubt, any continued health benefit plan coverage that you are entitled to receive following your termination of employment is expected to be exempt from Section 409A and, as such, shall not be subject to delay pursuant to this Paragraph.

Date: May 4, 2023 __________/s/ Eric Levin__________

Eric Levin

WARNER MUSIC INC.

Date: May 4, 2023 By: ______/s/ Paul Robinson________

Name: ______Paul Robinson___________

**Exhibit A**

Re-affirmation of Waiver and Release

As of January 15, 2024

To: Warner Music Inc. (“Company”)

Reference is made to that certain Separation Agreement and Release, dated as of May 4, 2023 (the “Separation Agreement”), previously entered into by and between Eric Levin and Company. Capitalized terms used but not defined in this Re-affirmation of Waiver and Release shall the meanings ascribed to such terms in the Separation Agreement.

As provided in the Separation Agreement, effective as of the date hereof, Eric Levin hereby restates and re-affirms and again provides Company with the waiver and release of claims and acknowledgements set forth in Paragraph 4(a) and Paragraph 5 of the Separation Agreement.

Sincerely,

________________________________

Eric Levin

**Exhibit 31.1**

**CHIEF EXECUTIVE OFFICER CERTIFICATION**

I, Robert Kyncl, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2023 of Warner Music Group Corp. (the "Registrant");

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

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

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

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

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

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

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

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

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

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

Dated: May 9, 2023

/S/ ROBERT KYNCL

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

**Exhibit 31.2**

**CHIEF FINANCIAL OFFICER CERTIFICATION**

I, Eric Levin, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended March 31, 2023 of Warner Music Group Corp. (the "Registrant");

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

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

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

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

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

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

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

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

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

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

Dated: May 9, 2023

/S/ ERIC LEVIN

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

**Exhibit 32.1**

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

In connection with the Quarterly Report of Warner Music Group Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Robert Kyncl, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: May 9, 2023

/S/ ROBERT KYNCL

**Robert Kyncl**
**Chief Executive Officer**

**Exhibit 32.2**

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

In connection with the Quarterly Report of Warner Music Group Corp. (the “Company”) on Form 10-Q for the period ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Eric Levin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: May 9, 2023

/S/ ERIC LEVIN

**Eric Levin**
**Chief Financial Officer**