Warner Music Group Corp.
Form 10-Q
August 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014

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

1633 Broadway

New York, NY 10019

(Address of principal executive offices)

(212) 275-2000

(Registrant’s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer x (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

There is no public market for the Registrant’s common stock. As of August 7, 2014 the number of shares of the Registrant’s common stock, par value $0.001 per share, outstanding was 1,055. All of the Registrant’s common stock is owned by affiliates of Access Industries, Inc. The Registrant has filed all Exchange Act reports for the preceding 12 months.

WARNER MUSIC GROUP CORP.

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ITEM 1. FINANCIAL STATEMENTS
Warner Music Group Corp.

Consolidated Balance Sheets (Unaudited)

	June 30, 2014	September 30, 2013
	(in millions)	
Assets		
Current assets:		
Cash and equivalents	$142	$ 155
Accounts receivable, less allowances of $69 and $55 million	449	511
Inventories	37	33
Royalty advances expected to be recouped within one year	101	93
Deferred tax assets	43	43
Prepaid and other current assets	72	59
Total current assets	844	894
Royalty advances expected to be recouped after one year	190	173
Property, plant and equipment, net	206	180
Goodwill	1,675	1,668
Intangible assets subject to amortization, net	2,978	3,107
Intangible assets not subject to amortization	121	120
Other assets	102	110
Total assets	$6,116	$ 6,252
Liabilities and Equity		
Current liabilities:		
Accounts payable	$221	$ 280
Accrued royalties	1,163	1,147
Accrued liabilities	261	308
Accrued interest	50	75
Deferred revenue	230	139
Current portion of long-term debt	13	13
Other current liabilities	8	25
Total current liabilities	1,946	1,987
Long-term debt	3,033	2,854
Deferred tax liabilities, net	396	439
Other noncurrent liabilities	281	229
Total liabilities	$5,656	$ 5,509
Equity:		
Common stock ($0.001 par value; 10,000 shares authorized; 1,055 shares issued and outstanding)	$—	$ —
Additional paid-in capital	1,128	1,128
Accumulated deficit	(623)	(341)
Accumulated other comprehensive loss, net	(63)	(61)
Total Warner Music Group Corp. equity	442	726
Noncontrolling interest	18	17
Total equity	460	743

Total liabilities and equity	$6,116	$ 6,252

See accompanying notes

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Warner Music Group Corp.

Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Revenues	$788	$663	$2,256	$2,107
Costs and expenses:				
Cost of revenue	(417)	(369)	(1,177)	(1,103)
Selling, general and administrative expenses (a)	(319)	(238)	(885)	(745)
Amortization expense	(67)	(48)	(199)	(143)
Total costs and expenses	(803)	(655)	(2,261)	(1,991)
Operating (loss) income	(15)	8	(5)	116
Loss on extinguishment of debt	(141)	(2)	(141)	(85)
Interest expense, net	(48)	(47)	(157)	(149)
Other income (expense)	4	(2)	(3)	(11)
Loss before income taxes	(200)	(43)	(306)	(129)
Income tax benefit (expense)	16	(19)	27	(8)
Net loss	(184)	(62)	(279)	(137)
Less: Income attributable to noncontrolling interest	(1)	(1)	(3)	(4)
Net loss attributable to Warner Music Group Corp.	$(185)	$(63)	$(282)	$(141)
(a) Includes depreciation expense of:	$(14)	$(13)	$(39)	$(38)

See accompanying notes

Warner Music Group Corp.

Consolidated Statement of Comprehensive Loss (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Net loss	$(184)	$(62)	$(279)	$(137)
Other comprehensive income (loss), net of tax:				
Foreign currency adjustment	4	4	(2)	(8)
Deferred losses on derivative financial instruments	—	(2)	—	(2)
Other comprehensive income (loss), net of tax:	4	2	(2)	(10)
Total comprehensive loss	(180)	(60)	(281)	(147)
Less: Income attributable to noncontrolling interest	(1)	(1)	(3)	(4)
Comprehensive loss attributable to Warner Music Group Corp.	$(181)	$(61)	$(284)	$(151)

See accompanying notes

Warner Music Group Corp.

Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended June 30, 2014	2013
	(in millions)	
Cash flows from operating activities		
Net loss	$(279)	$(137)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Loss on extinguishment of debt	141	85
Depreciation and amortization	238	181
Deferred income taxes	(47)	(13)
Non-cash interest expense	11	8
Non-cash share-based compensation expense	5	8
Changes in operating assets and liabilities:		
Accounts receivable	67	81
Inventories	(4)	2
Royalty advances	(24)	(9)
Accounts payable and accrued liabilities	(96)	(80)
Royalty Payables	11	41
Accrued interest	(25)	(33)
Deferred revenue	93	25
Other balance sheet changes	(50)	(12)
Net cash provided by operating activities	41	147
Cash flows from investing activities		
Acquisition of music publishing rights	(20)	(35)
Capital expenditures	(46)	(23)
Investments and acquisitions of businesses	(26)	(18)
Net cash used in investing activities	(92)	(76)
Cash flows from financing activities		
Proceeds from the Revolving Credit Facility	490	111
Repayment of the Revolving Credit Facility	(490)	(86)
Proceeds from Acquisition Corp. Senior Term Loan Facility	—	594
Repayment of Acquisition Corp. Senior Term Loan Facility	(7)	(110)
Proceeds from issuance of Acquisition Corp. 5.625% Senior Secured Notes	275	—
Proceeds from issuance of Acquisition Corp. 6.00% Senior Secured Notes	—	500
Repayment of Acquisition Corp. 6.00% Senior Secured Notes	—	(50)
Proceeds from issuance of Acquisition Corp. 6.25% Senior Secured Notes	—	227
Repayment of Acquisition Corp. 6.25% Senior Secured Notes	—	(23)
Proceeds from issuance of Acquisition Corp. 6.750% Senior Notes	660	—
Repayment of Acquisition Corp. 9.5% Senior Secured Notes	—	(1,250)
Repayment of Acquisition Corp. 11.5% Senior Notes	(765)	—
Financing costs paid	(104)	(129)
Deferred financing costs paid	(12)	(42)

Distribution to noncontrolling interest holder	(2)	(2)
Repayment of capital lease obligations	(2)	—
Net cash provided by (used in) financing activities	43	(260)
Effect of exchange rate changes on cash and equivalents	(5)	(11)
Net decrease in cash and equivalents	(13)	(200)
Cash and equivalents at beginning of period	155	302
Cash and equivalents at end of period	$142	$102

See accompanying notes

Warner Music Group Corp.

Consolidated Statement of Equity (Unaudited)

	Common Stock Shares	Value	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Warner Music Group Corp. Equity	Noncontrolling Interest	Total Equity
	(in millions, except per share amounts)							
Balance at September 30, 2013	1,055	$0.001	$ 1,128	$ (341)	$ (61)	$ 726	$ 17	$ 743
Net loss	—	—	—	(282)	—	(282)	3	(279)
Other comprehensive loss, net of tax	—	—	—	—	(2)	(2)	—	(2)
Distribution to noncontrolling interest	—	—	—	—	—	—	(2)	(2)
Balance at June 30, 2014	1,055	$0.001	$ 1,128	$ (623)	$ (63)	$ 442	$ 18	$ 460

See accompanying notes

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Warner Music Group Corp.

Notes to Consolidated Interim Financial Statements (Unaudited)

1. Description of Business

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

Acquisition of Warner Music Group by Access Industries

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

Acquisition of Parlophone Label Group

On July 1, 2013, the Company completed its acquisition of Parlophone Label Group. See Note 4 for a further discussion.

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

Recorded Music Operations

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

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

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

The Company's Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation ("WEA Corp."), which markets and sells music and video products to retailers and wholesale distributors in the U.S., Alternative Distribution Alliance ("ADA"), which distributes the products of independent labels to retail and wholesale distributors in the U.S.; various distribution centers and ventures operated internationally, an 80% interest in Word, which specializes in the distribution of music products in the Christian retail marketplace, and the Company's worldwide artist and label-services organization, including ADA Worldwide, which provides distribution services outside of the U.S. through a network of affiliated and non-affiliated distributors.

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

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

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

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

Music Publishing Operations

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

The Company's Music Publishing operations include Warner/Chappell, its global Music Publishing company, headquartered in Los Angeles with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. The Company owns or controls rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, its award-winning catalog includes over 65,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, classical, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, techno, alternative, gospel and other Christian music. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Lucasfilm, Ltd., Hallmark Entertainment and Disney Music Publishing. Since 2012, Warner/Chappell has been making an effort to augment its film and TV music business, with the acquisitions of certain songs and recordings from numerous critically acclaimed films and TV shows. These acquisitions will help Warner/Chappell take advantage of the higher margins and strong synchronization and performance income in the TV/film space. The Company's production music library business includes Non-Stop Music, Groove Addicts Production Music Library, Carlin Recorded Music Library and 615 Music, collectively branded as Warner/Chappell Production Music.

2. Basis of Presentation

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended June 30, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ended September 30, 2014.

The consolidated balance sheet at September 30, 2013 has been derived from the audited consolidated financial statements at that date but does not include all of the information and notes required by U.S. GAAP for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013 (File No. 001-32502).

Basis of Consolidation

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

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

The Company maintains a 52-53 week fiscal year ending on the Friday nearest to each reporting date. As such, all references to June 30, 2014 and June 30, 2013 relate to the periods ended June 27, 2014 and June 28, 2013, respectively. For convenience purposes, the Company continues to date its financial statements as of June 30. All references to September 30, 2013 relate to the fiscal year ended on September 27, 2013. For convenience purposes, the Company continues to date its financial statements as of September 30.

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.

New Accounting Pronouncements

In May 2014, the FASB issued guidance codified in ASC 606, Revenue Recognition – Revenue from Contracts with Customers ("ASC 606"), which amends the guidance in former ASC 605, Revenue Recognition and ASC 928, Entertainment – Music. The amendment was the result of a joint effort by the FASB and the International Accounting Standards Board to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and international financial reporting standards ("IFRS"). The joint project clarifies the principles for recognizing revenue and develops a common revenue standard for U.S. GAAP and IFRS. ASC 606 is effective for annual periods beginning after December 15, 2016, and interim periods within those years. Early application is not permitted. The update may be applied using one of two methods: retrospective application to each prior reporting period presented, or retrospective application with the cumulative effect of initially applying the update recognized at the date of initial application. The Company is currently evaluating the transition method that will be elected and the impact of the update on its financial statements and disclosures.

In April 2014, the FASB issued Accounting Standards Updates ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"). This ASU increases the requirements for components to be classified as discontinued operations to require a strategic shift (major line of business, major geographical area) that has or will have a major effect on an entity's operations and financial results. ASU 2014-08 is effective prospectively for disposals that occur in annual periods beginning after December 15, 2014, and interim periods thereafter. The adoption of this standard is not expected to have a significant impact on the Company's financial statements.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (“ASU 2013-11”). ASU 2013-11 attempts to eliminate diversity in practice by requiring an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. ASU 2013-11 is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2013. The adoption of this standard is not expected to have a significant impact on the Company’s financial statements, other than presentation.

During the first quarter of fiscal 2014, the Company simultaneously adopted ASU 2011-11, Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”) and ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (“ASU 2013-01”). ASU 2011-11 and ASU 2013-01 require additional quantitative and qualitative disclosures over financial instruments and derivative instruments that are offset on the balance sheet or subject to master netting arrangements. The adoption of these standards did not have an impact on the Company’s financial statements, other than disclosure.

During the first quarter of fiscal 2014, the Company adopted ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (“ASU 2013-02”). ASU 2013-02 requires entities to disclose, in one place, information about the amounts reclassified out of accumulated other comprehensive income by component. The adoption of this standard did not have an impact on the Company's financial statements, other than disclosure.

3. Comprehensive Income (Loss)

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

	Foreign Currency Translation Loss	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Loss, net
	(in millions)		
Balance at September 30, 2013	$(57)	$ (4)	$ (61)
Other comprehensive loss (a)	(2)	—	(2)
Amounts reclassified from accumulated other comprehensive income	—	—	—
Balance at June 30, 2014	$(59)	$ (4)	$ (63)

(a) Foreign currency translation loss is net of a gain on intra-entity foreign currency transactions that are of a long-term investment nature of $21 million.

4. Acquisition of Parlophone Label Group

On July 1, 2013, the Company completed the acquisition of Parlophone Label Group ("PLG") from Universal for £487 million in an all-cash transaction (the "PLG Acquisition"). The PLG Acquisition was accounted for in accordance with FASB ASC Topic 805, Business Combination ("ASC 805"), using the acquisition method of accounting. The assets acquired and liabilities assumed in connection with the PLG Acquisition, including identifiable intangible assets, have been measured at their fair value primarily using Level 3 inputs (see Note 12 for additional information on fair value inputs). Determining the fair value of the assets acquired and liabilities assumed requires judgment and involved the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset useful lives and market multiples, among other items. The use of different estimates and judgments could yield materially different results.

In connection with the PLG Acquisition, the Company incurred $15 million in professional fees and integration costs during the three months ended June 30, 2014, $51 million during the nine months ended June 30, 2014 and $38 million in professional fees and integration costs, as well as an $11 million fee under the Management Agreement (defined below), during the fiscal year ended September 30, 2013.

The allocation of the purchase price was completed as of June 30, 2014 and any adjustments to goodwill made up to that date have been recorded in the Company's balance sheet as of June 30, 2014. The table below presents (i) the estimate of the PLG Acquisition consideration as it relates to the acquisition of PLG by the Buyers and (ii) the final allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed on the closing date of July 1, 2013 (in millions):

Purchase Price	£487
Preliminary Working Capital Adjustment	13
Adjusted Purchase Price	£500
Foreign Exchange Rate at July 1, 2013	1.53
Adjusted Purchase Price in U.S. dollars	$765
Fair Value of assets acquired and liabilities assumed:	
Cash	46
Accounts receivable*	83
Other current assets	8
Property, plant and equipment	39
Intangible assets	764
Accounts payable	(83)
Royalties payable	(147)
Other current liabilities	(21)
Deferred revenue	(25)
Deferred tax liabilities*	(140)
Other noncurrent liabilities *	(27)
Fair value of net assets acquired	497
Goodwill recorded *	268
Total purchase price allocated	$765

* Preliminary amounts were adjusted in the first and third quarters of fiscal 2014 based on new information obtained during the measurement period.

As of June 30, 2014 and as of the date this Quarterly Report on Form 10-Q was filed, the working capital adjustment had still not been determined. Any subsequent working capital adjustments will be reflected in the statement of operations as the measurement period for this acquisition has closed.

The excess of the purchase price, over the fair value of net assets acquired, including the amount assigned to identifiable intangible assets and deferred tax adjustments, has been recorded to goodwill. The goodwill recorded as part of the PLG Acquisition reflects the expected value to be generated from the continuing transition of the music industry and the expected resulting cost savings; cost and revenue synergies to be realized; as well as any intangible assets that do not qualify for separate recognition. The resulting goodwill has been allocated to our Recorded Music reportable segment. The Company does not expect the goodwill recognized to be deductible for income tax purposes. Any impairment charges made in future periods associated with goodwill will not be tax deductible.

The components of the intangible assets identified in the table above and the related useful lives, allocated to the Company's Recorded Music reportable segment, are as follows:

	Value (in millions)	Useful Life
Trademark and trade name	$ 17	Indefinite
Catalog	442	13 years
Artist contracts	305	10 years
Total intangible assets	$ 764	

Pro Forma Financial Information (unaudited)

The following unaudited pro forma information has been presented as if the PLG Acquisition occurred on October 1, 2012. This information is based on historical results of operations, adjusted to give effect to pro forma events that are (i) directly attributable to the PLG Acquisition; (ii) factually supportable; and (iii) expected to have a continuing impact on the Company's combined results. Additionally, certain pro forma adjustments have been made to the historical results of PLG in order to (i) convert them to U.S. GAAP; (ii) conform their accounting policies to those applied by the Company; (iii) present them in U.S. dollars; (iv) align accounting periods; and (v) eliminate revenue and expenses and related assets and liabilities for international licensing agreements to sell repertoire owned by non acquired entities that have been terminated as a result of the PLG Acquisition and (vi) excluded assets not acquired by the Company. The unaudited pro forma results do not reflect the realization of any cost savings as a result of restructuring activities and other cost savings initiatives planned subsequent to the PLG Acquisition or the related estimated restructuring charges contemplated in association with any such expected cost savings. Such charges will be expensed in the appropriate accounting periods. The unaudited pro forma results for the three and nine months ended June 30, 2013 includes the licensing income remitted to the repertoire owner by the selling territory, but does not reflect the licensing fee retained and related direct costs incurred by the selling territory. For the three and nine months ended June 30, 2014, where the Company is the selling territory, the licensing fee and direct costs are included in our consolidated results.

The pro forma information as presented below is for informational purposes only and is not indicative of the results of operations that would have been achieved if the PLG Acquisition had taken place at the beginning of fiscal 2013.

	Three Months Ended June 30, 2013	Nine Months Ended June 30, 2013
	(in millions)	
Revenue	$ 738	$ 2,371
Operating income	8	105
Net loss attributable to Warner Music Group Corp.	(64)	(168)

Actual results related to PLG included in the Consolidated Statements of Operations for the three and nine months ended June 30, 2014 consist of revenues of $102 million and $248 million, respectively and operating loss of $24 million and $82 million, respectively. Actual results for the three and nine months ended June 30, 2014 include professional fees and integration costs of $15 million and $51 million, respectively and restructuring costs of $18 million and $42 million, respectively, associated with the PLG Acquisition. The results related to PLG included in the above results for the three and nine months ended June 30, 2013 consist of revenues of $75 million and $264 million, respectively. There was no operating loss during the three months ended June 30, 2013 and operating loss was $11 million during the nine months ended June 30, 2013.

5. Goodwill and Intangible Assets

Goodwill

The following summary sets forth the changes in goodwill for each reportable segment during the nine months ended June 30, 2014:

	Recorded Music	Music Publishing	Total
	(in millions)		
Balance at September 30, 2013	$1,204	$ 464	$1,668

Acquisitions	5	—	5
Dispositions	—	—	—
Other adjustments	2	—	2
Balance at June 30, 2014	$1,211	$ 464	$1,675

Acquisitions during the nine months ended June 30, 2014 represent an adjustment to preliminary amounts recorded in the prior period as a result of the PLG Acquisition based on new information obtained during the measurement period. Other adjustments during the nine months ended June 30, 2014 represent foreign currency movements.

The Company performs its annual goodwill impairment test in accordance with FASB ASC Topic 350, Intangibles—Goodwill and Other ("ASC 350") during the fourth quarter of each fiscal year. 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.

Other Intangible Assets

Other intangible assets consisted of the following:

	Weighted Average Useful Life	June 30, 2014	September 30, 2013
		(in millions)	
Intangible assets subject to amortization:			
Recorded music catalog	10 years	$1,031	$ 1,006
Music publishing copyrights	28 years	1,579	1,546
Artist and songwriter contracts	13 years	998	983
Trademarks	7 years	7	7
Total gross intangible asset subject to amortization		3,615	3,542
Accumulated amortization		(637)	(435)
Total net intangible assets subject to amortization		2,978	3,107
Intangible assets not subject to amortization:			
Trademarks and tradenames	Indefinite	121	120
Total net other intangible assets		$3,099	$ 3,227

6. Debt

Debt Capitalization

Long-term debt, including the current portion, consisted of the following:

	June 30, 2014	September 30, 2013
	(in millions)	
Revolving Credit Facility—Acquisition Corp. (a)	$—	$ —
Term Loan Facility due 2020—Acquisition Corp. (b)	1,297	1,303
5.625% Senior Secured Notes due 2022—Acquisition Corp.	275	—
6.00% Senior Secured Notes due 2021—Acquisition Corp.	450	450
6.25% Senior Secured Notes due 2021—Acquisition Corp. (c)	214	213
6.75% Senior Notes due 2022—Acquisition Corp.	660	—
11.5% Senior Notes due 2018—Acquisition Corp. (d)	—	751
13.75% Senior Notes due 2019—Holdings	150	150
Total debt	3,046	2,867
Less: current portion	13	13
Total long-term debt	$3,033	$ 2,854

(a) Reflects $150 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately $11 million and $1 million at June 30, 2014 and September 30, 2013, respectively. There were no loans outstanding under the Revolving Credit Facility at June 30, 2014 or September 30, 2013.
(b) Principal amount of $1.303 billion less unamortized discount of $6 million at June 30, 2014. Principal amount of $1.310 billion less unamortized discount of $7 million at September 30, 2013. Of this amount, $13 million at both June 30, 2014 and September 30, 2013, representing the scheduled amortization, was included in the current portion of long term debt.
(c) Face amount of €158 million. Amounts above represent the dollar equivalent of such notes at June 30, 2014 and September 30, 2013.
(d) Face amount of $765 million less unamortized discounts of $14 million at September 30, 2013. The Company refinanced the $765 million of 11.5% Senior Notes due 2018 as part of the 2014 Refinancing.

2012 Debt Refinancing

On November 1, 2012, the Company completed a refinancing (the "2012 Refinancing") of its then outstanding senior secured notes due 2016. In connection with the 2012 Refinancing, the Company issued new senior secured notes consisting of $500 million aggregate principal amount of 6.00% Senior Secured Notes due 2021 ("the Dollar Notes") and €175 million aggregate principal amount of 6.25% Senior Secured Notes due 2021 (the "Euro Notes" and together with the Dollar Notes, the "Existing Senior Secured

Notes") and entered into new senior secured credit facilities consisting of a $600 million term loan facility (the "Senior Term Loan Facility") and a $150 million revolving credit facility (the "Revolving Credit Facility" and, together with the Senior Term Loan Facility, the "Senior Credit Facilities"). Acquisition Corp. is the borrower under the Revolving Credit Facility (the "Revolving Borrower") and under the Senior Term Loan Facility (the "Term Loan Borrower"). The proceeds from the 2012 Refinancing, together with $101 million of the Company's available cash, were used to pay the total consideration due in connection with the tender offers for all of the Company's previously outstanding $1.250 billion 9.50% senior secured notes due 2016 (the "Old Secured Notes") as well as associated fees and expenses and to redeem all of the remaining notes not tendered in the tender offers. The Company also retired its existing $60 million revolving credit facility (the "Old Revolving Credit Facility") in connection with the 2012 Refinancing, replacing it with the Revolving Credit Facility.

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

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

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

On May 9, 2013, Acquisition Corp. prepaid $102.5 million in aggregate principal amount of term loans under the Senior Term Loan Facility (the "Term Loan Repayment"). Also on May 9, 2013, the Term Loan Borrower entered into an amendment to the Senior Term Loan Facility among the Term Loan Borrower, Holdings, the subsidiaries of the Term Loan Borrower party thereto, Credit Suisse AG, as administrative agent, and the other financial institutions and lenders from time to time party thereto, providing for the refinancing of the then outstanding term loan and for a $820 million senior secured incremental term loan facility (the "Incremental Term Loan Facility"). As part of the amendment to the Senior Term Loan Facility, the interest rate, maturity date, and scheduled amortization were changed. On July 1, 2013, Acquisition Corp. drew down the $820 million Incremental Term Loan Facility to fund the PLG Acquisition, pay fees, costs and expenses related to the PLG Acquisition and for general corporate purposes of Acquisition Corp. and its subsidiaries. Currently, the Senior Term Loan Facility provides for term loans thereunder (the "Term Loans") in an amount of up to $1.310 billion.

Debt Redemptions

On June 21, 2013, Acquisition Corp. redeemed 10% of its Senior Secured Notes due 2021, representing repayment of $50 million in aggregate principal amount of its outstanding 6.00% Senior Secured Notes due 2021 and €17.5 million in aggregate principal amount of its outstanding 6.25% Senior Secured Notes due 2021. The Company recorded a loss on extinguishment of debt of approximately $2 million in the fiscal year ended September 30, 2013, which represents the premium paid on early redemption.

2014 Debt Refinancing

On April 9, 2014, the Company completed a refinancing of part of its outstanding debt (the "2014 Refinancing"). In connection with the 2014 Refinancing, the Company issued $275 million in aggregate principal amount of its 5.625% Senior Secured Notes due 2022 (the "New Senior Secured Notes") and $660 million in aggregate principal amount of its

6.750% Senior Notes due 2022 (the “New Unsecured Notes”).

In connection with the 2014 Refinancing, the Company used $869 million, to redeem or repurchase the Company’s previously outstanding $765 million 11.5% Senior Notes due 2018 and to pay tender/call premiums of $85 million and consent fees of approximately $19 million. The Company also paid approximately $3 million in accrued interest with respect to the notes redeemed or repurchased.

The Company recorded a loss on extinguishment of debt of approximately $141 million in the nine months ended June 30, 2014, which represents the difference between the redemption payment and the carrying value of the debt, which included the principal value of $765 million, less unamortized discounts of $13 million and unamortized debt issuance costs of $24 million.

Interest Rates

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

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

Amortization and Maturity of Term Loan Facility

The loans under the Senior Term Loan Facility amortize in equal quarterly installments due December, March, June and September in aggregate annual amounts equal to 1.00% of the original principal amount of the amended Senior Term Loan Facility with the balance payable on maturity date of the Term Loans. The loans outstanding under the Senior Term Loan Facility mature on July 1, 2020.

Maturity of Revolving Credit Facility

The Revolving Credit Facility matures on November 1, 2017. On March 25, 2014, Acquisition Corp. received lender consent to an amendment to the credit agreement for its Revolving Credit Facility. The amendment became effective on April 9, 2014 and extended the maturity date of the Revolving Credit Facility to April 1, 2019.

Maturities of Senior Notes and Senior Secured Notes

As of June 30, 2014, there are no scheduled maturities of notes until 2019, when $150 million is scheduled to mature. Thereafter, $1.599 billion is scheduled to mature.

Interest Expense, net

Total interest expense, net was $48 million and $47 million for the three months ended June 30, 2014 and June 30, 2013, respectively. Total interest expense, net was $157 million and $149 million for the nine months ended June 30, 2014 and June 30, 2013, respectively. The weighted-average interest rate of the Company's total debt was 5.6% at June 30, 2014 and 8.1% at June 30, 2013.

7. Restructuring

In conjunction with the PLG Acquisition, the Company undertook a plan to achieve cost savings (the “Restructuring Plan”), primarily through headcount reductions. The Restructuring Plan was approved by the CEO prior to the close of the PLG Acquisition. Under the Restructuring Plan, the Company currently expects to record an aggregate of approximately $86 million in restructuring charges, currently estimated to be made up of employee-related costs of $78 million, real estate costs of $7 million and other costs of $1 million. Total restructuring costs of $18 million were incurred in the three months ended June 30, 2014 with respect to these actions, which consist of $15 million of employee-related costs and $3 million of real estate costs. Total restructuring costs of $42 million were incurred in the nine months ended June 30, 2014 with respect to these actions, which consist of $37 million of employee-related costs, $4 million of real estate costs and $1 million of other costs. Total restructuring costs of $3 million were incurred in both the three and nine months ended June 30, 2013 with respect to these actions, which consist of $3 million of employee-related costs. Total costs to date under the Restructuring Plan are $64 million, including total cash payments of $42 million. The remainder of the Restructuring Plan is expected to be completed by the end of fiscal 2015.

Total restructuring activity is as follows:

	Employee-Related Costs	Real Estate Costs	Other	Total
	(in millions)			
Balance at September 30, 2013	$10	$ —	$ —	$10
Restructuring expense	37	4	1	42
Cash Payments	(27)	(2)	(1)	(30)
Balance at June 30, 2014	$20	$ 2	$ —	$22

The restructuring accrual is recorded in other current liabilities on the consolidated balance sheet. These balances reflect estimated future cash outlays.

A summary of the charges in the Consolidated Statement of Operations resulting from the Restructuring Plan is shown below:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2014	2013	2014	2013
	(in millions)			
Selling, general and administrative expenses	$18	$ 3	$42	$ 3
Total restructuring expense	$18	$ 3	$42	$ 3

All of the above expenses were recorded in the Recorded Music reportable segment.

8. Commitments and Contingencies

Pricing of Digital Music Downloads

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

Upon remand to the District Court, all defendants, including the Company, filed a renewed motion to dismiss challenging, among other things, plaintiffs' state law claims and standing to bring certain claims. The renewed motion was based mainly on arguments made in defendants' original motion to dismiss, but not addressed by the District Court. On July 18, 2011, the District Court granted defendants' motion in part, and denied it in part. Notably, all claims on behalf of the CD-purchaser class were dismissed with prejudice. However, a wide variety of state and federal claims remain, for the class of internet download purchasers. Plaintiffs filed an operative consolidated amended complaint on August 31, 2011. Pursuant to the terms of an August 15, 2011 stipulation and order, the case is currently in discovery. Disputes regarding the scope of discovery are ongoing. Plaintiffs filed a Class Certification brief on March 14, 2014. The Company's reply date has not yet been set. The Company intends to defend against these lawsuits vigorously, but is unable to predict the outcome of these suits. Regardless of the merits of the claims, this and any related litigation could continue to be costly, and divert the time and resources of management. The potential outcomes of these claims that are reasonably possible cannot be determined at this time and an estimate of the reasonably possible loss or range of loss cannot presently be made.

Music Download Putative Class Action Suits

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

On April 10, 2012, the Company filed a motion to dismiss various claims in one of the lawsuits, with the intention of filing similar motions in the remaining suits, on the various applicable response dates. Meanwhile, certain plaintiffs' counsel moved to be appointed as interim lead counsel, and other plaintiffs' counsel moved to consolidate the various actions. In a June 1, 2012 order, the court consolidated the cases and appointed interim co-lead class counsel. Plaintiffs filed a consolidated, master complaint on August 21, 2012.

On December 31, 2013, Plaintiffs filed a Motion for Preliminary Approval of Class Action Settlement. On January 23, 2014, the Court granted preliminary approval of the settlement. As part of the settlement, the Company will make available $11.5 million (less attorneys' fees, costs, and costs of claims administration and class notice) to compensate class members for past sales of downloads and ringtones. Plaintiffs will file their motion for final approval of the Settlement Agreement on or before November 26, 2014. The hearing on final approval of the settlement is scheduled for January 8, 2015. Based on an evaluation of potential outcomes of these claims that are reasonably possible and an estimate of the reasonably possible loss or range of loss possible, the Company has recorded what it believes is an appropriate reserve related to these cases, which amount is not material.

Other Matters

In addition to the matters discussed above, the Company is involved in various litigation and regulatory proceedings arising in the normal course of business. Where it is determined, in consultation with counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual. In none of the currently pending proceedings is the amount of accrual material. An estimate of the reasonably possible loss or range of loss in excess of the amounts already accrued cannot be made at this time due to various factors typical in contested proceedings, including (1) the results of ongoing discovery; (2) uncertain damage theories and demands; (3) a less than complete factual record; (4) uncertainty concerning legal theories and their resolution by courts or regulators; and (5) the unpredictable nature of the opposing party and its demands. However, the Company cannot predict with certainty the outcome of any litigation or the potential for future litigation. As such, the Company continuously monitors these proceedings as they develop and adjusts any accrual or disclosure as needed. Regardless of the outcome, litigation could have an adverse impact on the Company, including the Company's brand value, because of defense costs, diversion of management resources and other factors and it could have a material effect on the Company's results of operations for a given reporting period.

9. Derivative Financial Instruments

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

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

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

The fair value of foreign currency forward exchange contracts is determined by using observable market transactions of spot and forward rates (i.e., Level 2 inputs) which is discussed further in Note 12. Additionally, netting provisions are provided for in existing

International Swap and Derivative Association Inc. agreements in situations where the Company executes multiple contracts with the same counterparty. As a result, net assets or liabilities resulting from foreign exchange derivatives subject to these netting agreements are classified within other current assets or other current liabilities in the Company's consolidated balance sheets.

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

As of June 30, 2014, the Company had outstanding hedge contracts for the sale of $17 million of foreign currencies at fixed rates. As of June 30, 2014, the Company had no deferred gains or losses in comprehensive loss related to foreign exchange hedging. As of September 30, 2013, the Company had outstanding hedge contracts for the sale of $1.044 billion and the purchase of $249 million of foreign currencies at fixed rates. As of September 30, 2013, the Company had no deferred gains or losses in comprehensive loss related to foreign exchange hedging.

The following is a summary of amounts recorded in the Consolidated Balance Sheet pertaining to the Company's use of foreign currency derivatives at June 30, 2014 and September 30, 2013:

	June 30, 2014 (a)	September 30, 2013 (b)
	(in millions)	
Other current assets	$—	$ 1
Other current liabilities	—	(23)

(a) Includes less than $1 million of foreign exchange derivative contracts in asset and liability positions.
(b) Includes $5 million and $27 million of foreign exchange derivative contracts in asset and liability positions, respectively.

10. Segment Information

As discussed more fully in Note 1, based on the nature of its products and services, the Company classifies its business interests into two fundamental operations: Recorded Music and Music Publishing, which also represent 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, non-cash amortization of intangible assets ("OIBDA"). The Company has supplemented its analysis of OIBDA results by segment with an analysis of operating income (loss) by segment.

The accounting policies of the Company's business segments are the same as those described in the summary of significant accounting policies included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2013. 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. Segment information consisted of the following:

Three Months Ended	Recorded Music (in millions)	Music Publishing	Corporate expenses and eliminations	Total
June 30, 2014				
Revenues	$656	$ 137	$ (5)	$788
OIBDA	71	24	(29)	66
Depreciation of property, plant and equipment	(9)	(2)	(3)	(14)
Amortization of intangible assets	(51)	(16)	—	(67)
Operating income (loss)	$11	$ 6	$ (32)	$(15)
June 30, 2013				
Revenues	$534	$ 134	$ (5)	$663
OIBDA	62	28	(21)	69
Depreciation of property, plant and equipment	(8)	(1)	(4)	(13)
Amortization of intangible assets	(32)	(16)	—	(48)
Operating income (loss)	$22	$ 11	$ (25)	$8

Nine Months Ended	Recorded Music (in millions)	Music Publishing	Corporate expenses and eliminations	Total
June 30, 2014				
Revenues	$1,882	$ 387	$ (13)	$2,256
OIBDA	203	98	(68)	233
Depreciation of property, plant and equipment	(26)	(4)	(9)	(39)
Amortization of intangible assets	(150)	(49)	—	(199)
Operating income (loss)	$27	$ 45	$ (77)	$(5)
June 30, 2013				
Revenues	$1,745	$ 377	$ (15)	$2,107
OIBDA	262	97	(62)	297
Depreciation of property, plant and equipment	(24)	(4)	(10)	(38)
Amortization of intangible assets	(97)	(46)	—	(143)
Operating income (loss)	$141	$ 47	$ (72)	$116

11. Additional Financial Information

Cash Interest and Taxes

The Company made interest payments of approximately $70 million and $64 million during the three months ended June 30, 2014 and June 30, 2013, respectively. The Company made interest payments of approximately $171 million and $174 million during the nine months ended June 30, 2014 and June 30, 2013, respectively. The Company paid approximately $6 million and $10 million of income and withholding taxes, net of refunds, during the three months ended June 30, 2014 and June 30, 2013, respectively. The Company paid approximately $14 and $18 million of income and withholding taxes, net of refunds, during the nine months ended June 30, 2014 and June 30, 2013.

12. Fair Value Measurements

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

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

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

In accordance with the fair value hierarchy, described above, the following table shows the fair value of the Company's financial instruments that are required to be measured at fair value as of June 30, 2014 and September 30, 2013.

	Fair Value Measurements as of June 30, 2014			
	(Level 1)	(Level 2)	(Level 3)	Total
	(in millions)			
Other Current Assets:				
Foreign Currency Forward Exchange Contracts (a)	$ —	$ —	$ —	$ —
Other Current Liabilities:				
Foreign Currency Forward Exchange Contracts (a)	—	—	—	—
Other Current Liabilities:				
Contractual Obligations (b)	—	—	(2)	(2)
Other Non-Current Liabilities:				
Contractual Obligations (b)	—	—	(7)	(7)
Total	$ —	$ —	$ (9)	$ (9)

	Fair Value Measurements as of September 30, 2013			
	(Level 1)	(Level 2)	(Level 3)	Total
	(in millions)			
Other Current Assets:				
Foreign Currency Forward Exchange Contracts (a)	$ —	$ 1	$ —	$ 1
Other Current Liabilities:				
Foreign Currency Forward Exchange Contracts (a)	—	(23)	—	(23)
Other Current Liabilities:				
Contractual Obligations (b)	—	—	(13)	(13)
Other Non-Current Liabilities:				
Contractual Obligations (b)	—	—	(9)	(9)
Total	$ —	$ (22)	$ (22)	$ (44)

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

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

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

	Total
	(in millions)

Balance at September 30, 2013	$	22
Additions		2
Reductions		(2)
Payments		(13)
Balance at June 30, 2014	$	9

The decrease in net liabilities classified as Level 3 was primarily related to contingent consideration payments made during the period.

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

Fair Value of Debt

The Company had $3.052 billion of principal debt outstanding at June 30, 2014, of which $1.303 billion was variable rate debt and $1.749 billion was fixed rate debt. Based on the level of interest rates prevailing at June 30, 2014, the fair value of the Company’s debt was approximately $3.098 billion. The fair value of the Company’s debt instruments are determined using quoted market prices from less active markets or by using quoted market prices for instruments with identical terms and maturities; both approaches are considered a Level 2 measurement.

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Financial Statements

The Company is the direct parent of Holdings, which is the direct parent of Acquisition Corp. Holdings has issued and outstanding the 13.75% Senior Notes due 2019 (the "Holdings Notes"). In addition, Acquisition Corp. had issued and outstanding, as of June 30, 2014, the 5.625% Senior Secured Notes due 2022, the 6.00% Senior Secured Notes due 2021, the 6.25% Senior Secured Notes due 2021 and the 6.75% Senior Notes due 2022 (together, the "Acquisition Corp. Notes").

The Holdings Notes are guaranteed by the Company. This guarantee is full and unconditional. The following condensed consolidating financial statements are presented for the information of the holders of the Holdings Notes and present the results of operations, financial position and cash flows of (i) the Company, which is the guarantor of the Holdings Notes, (ii) Holdings, which is the issuer of the Holdings Notes, (iii) the subsidiaries of Holdings (Acquisition Corp. is the only direct subsidiary of Holdings), which are not guarantors of the Holdings Notes, and (iv) the eliminations necessary to arrive at the information for the Company on a consolidated basis. Investments in consolidated or combined subsidiaries are presented under the equity method of accounting.

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

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

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Balance Sheet (Unaudited)

June 30, 2014

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Assets:									
Current assets:									
Cash and equivalents	$—	$ 34	$ 108	$ —	$ 142	$ —	$ —	$ —	$ 142
Accounts receivable, net	—	161	288	—	449	—	—	—	449
Inventories	—	10	27	—	37	—	—	—	37
Royalty advances expected to be recouped within one year	—	56	45	—	101	—	—	—	101
Deferred tax assets	—	20	23	—	43	—	—	—	43
Prepaid and other current assets	5	8	59	—	72	—	—	—	72
Total current assets	5	289	550	—	844	—	—	—	844
Due (to) from parent companies	973	(191)	(782)	—	—	—	—	—	—
Investments in and advances to (from) consolidated subsidiaries	2,523	1,196	—	(3,719)	—	591	442	(1,033)	—
Royalty advances expected to be recouped after one year	—	106	84	—	190	—	—	—	190
Property, plant and equipment, net	—	123	83	—	206	—	—	—	206
Goodwill	—	1,379	296	—	1,675	—	—	—	1,675
Intangible assets subject to amortization, net	—	935	2,043	—	2,978	—	—	—	2,978
Intangible assets not subject to amortization	—	75	46	—	121	—	—	—	121
Other assets	48	20	28	—	96	6	—	—	102
Total assets	$3,549	$ 3,932	$ 2,348	$ (3,719)	$ 6,110	$ 597	$ 442	$ (1,033)	$ 6,116
Liabilities and Deficit:									
Current liabilities:									
Accounts payable	$1	$ 80	$ 140	$ —	$ 221	$ —	$ —	$ —	$ 221
Accrued royalties	—	518	645	—	1,163	—	—	—	1,163
Accrued liabilities	—	54	207	—	261	—	—	—	261
Accrued interest	45	—	—	—	45	5	—	—	50

Deferred revenue	—	143	87	—	230	—	—	—	230
Current portion of long-term debt	13	—	—	—	13	—	—	—	13
Other current liabilities	—	—	8	—	8	—	—	—	8
Total current liabilities	59	795	1,087	—	1,941	5	—	—	1,946
Long-term debt	2,883	—	—	—	2,883	150	—	—	3,033
Deferred tax liabilities, net	—	115	281	—	396	—	—	—	396
Other noncurrent liabilities	16	128	137	—	281	—	—	—	281
Total liabilities	2,958	1,038	1,505	—	5,501	155	—	—	5,656
Total Warner Music Group Corp. equity (deficit)	591	2,894	825	(3,719)	591	442	442	(1,033)	442
Noncontrolling interest	—	—	18	—	18	—	—	—	18
Total equity (deficit)	591	2,894	843	(3,719)	609	442	442	(1,033)	460
Total liabilities and equity (deficit)	$ 3,549	$ 3,932	$ 2,348	$ (3,719)	$ 6,110	$ 597	$ 442	$ (1,033)	$ 6,116

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Balance Sheet

September 30, 2013

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Assets:									
Current assets:									
Cash and equivalents	$—	$ 16	$ 139	$ —	$ 155	$ —	$ —	$ —	$ 155
Accounts receivable, net	—	185	326	—	511	—	—	—	511
Inventories	—	10	23	—	33	—	—	—	33
Royalty advances expected to be recouped within one year	—	59	34	—	93	—	—	—	93
Deferred tax assets	—	21	22	—	43	—	—	—	43
Prepaid and other current assets	5	8	46	—	59	—	—	—	59
Total current assets	5	299	590	—	894	—	—	—	894
Due (to) from parent companies	799	(27)	(772)	—	—	—	—	—	—
Investments in and advances to (from) consolidated subsidiaries	2,811	930	—	(3,741)	—	879	726	(1,605)	—
Royalty advances expected to be recouped after one year	—	109	64	—	173	—	—	—	173
Property, plant and equipment, net	—	101	79	—	180	—	—	—	180
Goodwill	—	1,379	289	—	1,668	—	—	—	1,668
Intangible assets subject to amortization, net	—	1,007	2,100	—	3,107	—	—	—	3,107
Intangible assets not subject to amortization	—	75	45	—	120	—	—	—	120
Other assets	68	14	21	—	103	7	—	—	110
Total assets	$3,683	$ 3,887	$ 2,416	$ (3,741)	$ 6,245	$ 886	$ 726	$ (1,605)	$ 6,252
Liabilities and Deficit:									
Current liabilities:									
Accounts payable	$—	$ 96	$ 184	$ —	$ 280	$ —	$ —	$ —	$ 280

Accrued royalties	—	570	577	—	1,147	—	—	—	1,147
Accrued liabilities	—	81	227	—	308	—	—	—	308
Accrued interest	65	—	—	—	65	10	—	—	75
Deferred revenue	—	56	83	—	139	—	—	—	139
Current portion of long-term debt	13	—	—	—	13	—	—	—	13
Other current liabilities	—	23	(4)	6	25	—	—	—	25
Total current liabilities	78	826	1,067	6	1,977	10	—	—	1,987
Long-term debt	2,704	—	—	—	2,704	150	—	—	2,854
Deferred tax liabilities, net	—	128	311	—	439	—	—	—	439
Other noncurrent liabilities	22	81	133	(7)	229	—	—	—	229
Total liabilities	2,804	1,035	1,511	(1)	5,349	160	—	—	5,509
Total Warner Music Group Corp. equity (deficit)	879	2,852	888	(3,740)	879	726	726	(1,605)	726
Noncontrolling interest	—	—	17	—	17	—	—	—	17
Total equity (deficit)	879	2,852	905	(3,740)	896	726	726	(1,605)	743
Total liabilities and equity (deficit)	$3,683	$ 3,887	$ 2,416	$ (3,741)	$ 6,245	$ 886	$ 726	$ (1,605)	$ 6,252

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statements of Operations (Unaudited)

For The Three Months Ended June 30, 2014

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Revenues	$—	$ 256	$ 585	$ (53)	$ 788	$—	$—	$ —	$ 788
Costs and expenses:									
Cost of revenue	—	(183)	(286)	52	(417)	—	—	—	(417)
Selling, general and administrative expenses	—	(139)	(181)	1	(319)	—	—	—	(319)
Amortization of intangible assets	—	(30)	(37)	—	(67)	—	—	—	(67)
Total costs and expenses	—	(352)	(504)	53	(803)	—	—	—	(803)
Operating (loss) income	—	(96)	81	—	(15)	—	—	—	(15)
Loss on extinguishment of debt	(141)	—	—	—	(141)	—	—	—	(141)
Interest expense (income), net	(23)	2	(22)	—	(43)	(5)	—	—	(48)
Equity (losses) gains from consolidated subsidiaries	(33)	52	—	(19)	—	(180)	(185)	365	—
Other income	1	—	3	—	4	—	—	—	4
(Loss) income before income taxes	(196)	(42)	62	(19)	(195)	(185)	(185)	365	(200)
Income tax benefit (expense)	16	2	22	(24)	16	—	—	—	16
Net loss (income)	(180)	(40)	84	(43)	(179)	(185)	(185)	365	(184)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Net (loss) income attributable to Warner Music Group Corp.	$(180)	$ (40)	$ 83	$ (43)	$ (180)	$(185)	$(185)	$ 365	$ (185)

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statements of Operations (Unaudited)

For The Three Months Ended June 30, 2013

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Revenues	$—	$ 332	$ 397	$ (66)	$ 663	$ —	$ —	$ —	$ 663
Costs and expenses:									
Cost of revenue	—	(186)	(246)	63	(369)	—	—	—	(369)
Selling, general and administrative expenses	—	(119)	(122)	3	(238)	—	—	—	(238)
Amortization of intangible assets	—	(30)	(18)	—	(48)	—	—	—	(48)
Total costs and expenses	—	(335)	(386)	66	(655)	—	—	—	(655)
Operating (loss) income	—	(3)	11	—	8	—	—	—	8
Loss on extinguishment of debt	(2)	—	—	—	(2)	—	—	—	(2)
Interest expense (income), net	(39)	1	(4)	—	(42)	(5)	—	—	(47)
Equity gains (losses) from consolidated subsidiaries	4	64	—	(68)	—	(58)	(63)	121	—
Other (expense) income	(2)	—	—	—	(2)	—	—	—	(2)
(Loss) income before income taxes	(39)	62	7	(68)	(38)	(63)	(63)	121	(43)
Income tax (expense) benefit	(19)	(17)	(8)	25	(19)	—	—	—	(19)
Net (loss) income	(58)	45	(1)	(43)	(57)	(63)	(63)	121	(62)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Net (loss) income attributable to Warner Music Group Corp.	$(58)	$ 45	$ (2)	$ (43)	$ (58)	$ (63)	$ (63)	$ 121	$ (63)

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WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statements of Operations (Unaudited)

For The Nine Months Ended June 30, 2014

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Revenues	$—	$ 959	$ 1,427	$ (130)	$ 2,256	$ —	$—	$ —	$ 2,256
Costs and expenses:									
Cost of revenue	—	(474)	(829)	126	(1,177)	—	—	—	(1,177)
Selling, general and administrative expenses	—	(373)	(516)	4	(885)	—	—	—	(885)
Amortization of intangible assets	—	(90)	(109)	—	(199)	—	—	—	(199)
Total costs and expenses	—	(937)	(1,454)	130	(2,261)	—	—	—	(2,261)
Operating income (loss)	—	22	(27)	—	(5)	—	—	—	(5)
Loss on extinguishment of debt	(141)	—	—	—	(141)	—	—	—	(141)
Interest (expense) income, net	(82)	6	(65)	—	(141)	(16)	—	—	(157)
Equity (losses) gains from consolidated subsidiaries	(86)	41	—	45	—	(266)	(282)	548	—
Other income (expense)	16	(21)	2	—	(3)	—	—	—	(3)
(Loss) income before income taxes	(293)	48	(90)	45	(290)	(282)	(282)	548	(306)
Income tax benefit (expense)	27	(6)	32	(26)	27	—	—	—	27
Net (loss) income	(266)	42	(58)	19	(263)	(282)	(282)	548	(279)
Less: income attributable to noncontrolling interest	—	—	(3)	—	(3)	—	—	—	(3)
Net (loss) income attributable to Warner Music Group Corp.	$(266)	$ 42	$ (61)	$ 19	$ (266)	$ (282)	$(282)	$ 548	$ (282)

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WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statements of Operations (Unaudited)

For The Nine Months Ended June 30, 2013

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Revenues	$—	$ 1,027	$ 1,251	$ (171)	$ 2,107	$ —	$—	$ —	$ 2,107
Costs and expenses:									
Cost of revenue	—	(513)	(746)	156	(1,103)	—	—	—	(1,103)
Selling, general and administrative expenses	—	(371)	(389)	15	(745)	—	—	—	(745)
Amortization of intangible assets	—	(88)	(55)	—	(143)	—	—	—	(143)
Total costs and expenses	—	(972)	(1,190)	171	(1,991)	—	—	—	(1,991)
Operating income	—	55	61	—	116	—	—	—	116
Loss on extinguishment of debt	(85)	—	—	—	(85)	—	—	—	(85)
Interest expense (income), net	(124)	4	(13)	—	(133)	(16)	—	—	(149)
Equity gains (losses) from consolidated subsidiaries	101	19	—	(120)	—	(125)	(141)	266	—
Other (expense) income	(9)	—	(2)	—	(11)	—	—	—	(11)
(Loss) income before income taxes	(117)	78	46	(120)	(113)	(141)	(141)	266	(129)
Income tax (expense) benefit	(8)	(7)	(8)	15	(8)	—	—	—	(8)
Net (loss) income	(125)	71	38	(105)	(121)	(141)	(141)	266	(137)
Less: income attributable to noncontrolling interest	—	—	(4)	—	(4)	—	—	—	(4)
Net (loss) income attributable to Warner Music Group Corp.	$(125)	$ 71	$ 34	$ (105)	$ (125)	$ (141)	$(141)	$ 266	$ (141)

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statement of Comprehensive Income (Unaudited)

For The Three Months Ended June 30, 2014

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Net loss (income)	$(180)	$ (40)	$ 84	$ (43)	$ (179)	$ (185)	$ (185)	$ 365	$ (184)
Other comprehensive income (loss), net of tax:									
Foreign currency adjustment	4	—	4	(4)	4	4	4	(8)	4
Other comprehensive income (loss), net of tax:	4	—	4	(4)	4	4	4	(8)	4
Total comprehensive (loss) income	(176)	(40)	88	(47)	(175)	(181)	(181)	357	(180)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Comprehensive (loss) income attributable to Warner Music Group Corp.	$(176)	$ (40)	$ 87	$ (47)	$ (176)	$ (181)	$ (181)	$ 357	$ (181)

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statement of Comprehensive Income (Unaudited)

For The Three Months Ended June 30, 2013

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Net (loss) income	$(58)	$ 45	$ (1)	$ (43)	$ (57)	$ (63)	$ (63)	$ 121	$ (62)
Other comprehensive income (loss), net of tax:									
Foreign currency adjustment	4	—	4	(4)	4	4	4	(8)	4
Deferred (losses) gains on derivative financial instruments	(2)	—	(2)	2	(2)	(2)	(2)	4	(2)
Other comprehensive income (loss), net of tax:	2	—	2	(2)	2	2	2	(4)	2
Total comprehensive (loss) income	(56)	45	1	(45)	(55)	(61)	(61)	117	(60)
Less: income attributable to noncontrolling interest	—	—	(1)	—	(1)	—	—	—	(1)
Comprehensive (loss) income attributable to Warner Music Group Corp.	$(56)	$ 45	$ —	$ (45)	$ (56)	$ (61)	$ (61)	$ 117	$ (61)

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statement of Comprehensive Income (Unaudited)

For The Nine Months Ended June 30, 2014

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Net (loss) income	$ (266)	$ 42	$ (58)	$ 19	$ (263)	$ (282)	$ (282)	$ 548	$ (279)
Other comprehensive (loss) income, net of tax:									
Foreign currency adjustment	(2)	—	(2)	2	(2)	(2)	(2)	4	(2)
Other comprehensive (loss) income, net of tax:	(2)	—	(2)	2	(2)	(2)	(2)	4	(2)
Total comprehensive (loss) income	(268)	42	(60)	21	(265)	(284)	(284)	552	(281)
Less: income attributable to noncontrolling interest	—	—	(3)	—	(3)	—	—	—	(3)
Comprehensive (loss) income attributable to Warner Music Group Corp.	$ (268)	$ 42	$ (63)	$ 21	$ (268)	$ (284)	$ (284)	$ 552	$ (284)

WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statement of Comprehensive Income (Unaudited)

For The Nine Months Ended June 30, 2013

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Net (loss) income	$(125)	$ 71	$ 38	$ (105)	$ (121)	$ (141)	$ (141)	$ 266	$ (137)
Other comprehensive (loss) income, net of tax:									
Foreign currency adjustment	(8)	—	(8)	8	(8)	(8)	(8)	16	(8)
Deferred (losses) gains on derivative financial instruments	(2)	—	(2)	2	(2)	(2)	(2)	4	(2)
Other comprehensive (loss) income, net of tax:	(10)	—	(10)	10	(10)	(10)	(10)	20	(10)
Total comprehensive (loss) income	(135)	71	28	(95)	(131)	(151)	(151)	286	(147)
Less: income attributable to noncontrolling interest	—	—	(4)	—	(4)	—	—	—	(4)
Comprehensive (loss) income attributable to Warner Music Group Corp.	$(135)	$ 71	$ 24	$ (95)	$ (135)	$ (151)	$ (151)	$ 286	$ (151)

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WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statement of Cash Flows (Unaudited)

For The Nine Months Ended June 30, 2014

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Cash flows from operating activities									
Net (loss) income	$(266)	$ 42	$ (58)	$ 19	$ (263)	$ (282)	$(282)	$ 548	$ (279)
Adjustments to reconcile net loss to net cash provided by operating activities:									
Loss on extinguishment of debt	141	—	—	—	141	—	—	—	141
Depreciation and amortization	—	117	121	—	238	—	—	—	238
Deferred income taxes	—	—	(47)	—	(47)	—	—	—	(47)
Non-cash interest expense	10	—	—	—	10	1	—	—	11
Equity losses (gains), including distributions	86	(41)	—	(45)	—	266	282	(548)	—
Non-cash share-based compensation expense	—	5	—	—	5	—	—	—	5
Changes in operating assets and liabilities:									
Accounts receivable	—	24	43	—	67	—	—	—	67
Inventories	—	—	(4)	—	(4)	—	—	—	(4)
Royalty advances	—	5	(29)	—	(24)	—	—	—	(24)
Accounts payable and accrued liabilities	1	(68)	(61)	32	(96)	—	—	—	(96)
Royalty payables	—	(52)	63	—	11	—	—	—	11
Accrued interest	(20)	—	—	—	(20)	(5)	—	—	(25)
Deferred revenue	—	84	9	—	93	—	—	—	93
Other balance sheet changes	—	(23)	(21)	(6)	(50)	—	—	—	(50)
Net cash (used in) provided by operating activities	(48)	93	16	—	61	(20)	—	—	41
Cash flows from investing activities									

Acquisition of music publishing rights	—	(13)	(7)	—	(20)	—	—	—	(20)
Capital expenditures	—	(31)	(15)	—	(46)	—	—	—	(46)
Investments and acquisitions of businesses	—	(10)	(16)	—	(26)	—	—	—	(26)
Advance to issuer	21	—	—	(21)	—	—	—	—	—
Net cash provided by (used in) investing activities	21	(54)	(38)	(21)	(92)	—	—	—	(92)
Cash flows from financing activities									
Dividend by Acquisition Corp. to Holdings Corp.	(20)	—	—	—	(20)	20	—	—	—
Proceeds from the Revolving Credit Facility	490	—	—	—	490	—	—	—	490
Repayment of the Revolving Credit Facility	(490)	—	—	—	(490)	—	—	—	(490)
Proceeds from issuance of Acquisition Corp. 5.625% Senior Secured Notes	275	—	—	—	275	—	—	—	275
Proceeds from issuance of Acquisition Corp. 6.75% Senior Notes	660	—	—	—	660	—	—	—	660
Repayment of Acquisition Corp. 11.5% Senior Notes	(765)	—	—	—	(765)	—	—	—	(765)
Financing costs paid	(104)	—	—	—	(104)	—	—	—	(104)
Deferred financing costs paid	(12)	—	—	—	(12)	—	—	—	(12)
Amortization of Term Loan	(7)	—	—	—	(7)	—	—	—	(7)
Repayment of capital lease obligations	—	—	(2)	—	(2)	—	—	—	(2)
Distribution to noncontrolling interest holder	—	—	(2)	—	(2)	—	—	—	(2)
Change in due (from) to issuer	—	(21)	—	21	—	—	—	—	—
Net cash provided by (used in) financing activities	27	(21)	(4)	21	23	20	—	—	43
Effect of exchange rate changes on cash and equivalents	—	—	(5)	—	(5)	—	—	—	(5)
Net increase (decrease) in cash and equivalents	—	18	(31)	—	(13)	—	—	—	(13)
Cash and equivalents at beginning of period	—	16	139	—	155	—	—	—	155
Cash and equivalents at end of period	$—	$ 34	$ 108	$ —	$ 142	$—	$—	$ —	$ 142

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WARNER MUSIC GROUP CORP.

Supplementary Information

Consolidating Statement of Cash Flows (Unaudited)

For The Nine Months Ended June 30, 2013

	WMG Acquisition Corp. (issuer)	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	WMG Acquisition Corp. Consolidated	WMG Holdings Corp. (issuer)	Warner Music Group Corp.	Eliminations	Warner Music Group Corp. Consolidated
	(in millions)								
Cash flows from operating activities									
Net (loss) income	$(125)	$ 71	$ 38	$ (105)	$ (121)	$ (141)	$ (141)	$ 266	$ (137)
Adjustments to reconcile net loss to net cash provided by operating activities:									
Loss on extinguishment of debt	85	—	—	—	85	—	—	—	85
Depreciation and amortization	—	116	65	—	181	—	—	—	181
Deferred income taxes	—	—	(13)	—	(13)	—	—	—	(13)
Non-cash interest expense	7	—	—	—	7	1	—	—	8
Equity losses (gains), including distributions	(101)	(19)	—	120	—	125	141	(266)	—
Non-cash share-based compensation expense	—	8	—	—	8	—	—	—	8
Changes in operating assets and liabilities:									
Accounts receivable	—	13	68	—	81	—	—	—	81
Inventories	—	—	2	—	2	—	—	—	2
Royalty advances	—	(13)	4	—	(9)	—	—	—	(9)
Accounts payable and accrued liabilities	—	188	(268)	—	(80)	—	—	—	(80)
Royalty payables	—	(3)	44	—	41	—	—	—	41
Accrued interest	(28)	—	—	—	(28)	(5)			(33)
Deferred revenue	—	1	24	—	25	—	—	—	25
Other balance sheet changes	1	(15)	17	(15)	(12)	—	—	—	(12)
Net cash (used in) provided by operating activities	(161)	347	(19)	—	167	(20)	—	—	147

Cash flows from investing activities									
Acquisition of music publishing rights	—	(32)	(3)	—	(35)	—	—	—	(35)
Capital expenditures	—	(16)	(7)	—	(23)	—	—	—	(23)
Investments and acquisitions of businesses	—	(9)	(9)	—	(18)	—	—	—	(18)
Advance to issuer	385	—	—	(385)	—	—	—	—	—
Net cash provided by (used in) investing activities	385	(57)	(19)	(385)	(76)	—	—	—	(76)
Cash flows from financing activities									
Dividend by Acquisition Corp. to Holdings Corp.	(12)	—	—	—	(12)	12	—	—	—
Proceeds from the Revolving Credit Facility	111	—	—	—	111	—	—	—	111
Repayment of the Revolving Credit Facility	(86)	—	—	—	(86)	—	—	—	(86)
Proceeds from Acquisition Corp. Senior Term Loan Facility	594	—	—	—	594	—	—	—	594
Repayment of Acquisition Corp. Senior Term Loan Facility	(110)	—	—	—	(110)	—	—	—	(110)
Proceeds from issuance of Acquisition Corp. 6.00% Senior Secured Notes	500	—	—	—	500	—	—	—	500
Repayment of Acquisition Corp. 6.00% Senior Secured Notes	(50)	—	—	—	(50)	—	—	—	(50)
Proceeds from issuance of Acquisition Corp. 6.25% Senior Secured Notes	227	—	—	—	227	—	—	—	227
Repayment of Acquisition Corp. 6.25% Senior Secured Notes	(23)	—	—	—	(23)	—	—	—	(23)
Repayment of Acquisition Corp. 9.5% Senior Secured Notes	(1,250)	—	—	—	(1,250)	—	—	—	(1,250)
Financing costs paid	(129)	—	—	—	(129)	—	—	—	(129)
Deferred financing costs paid	(40)	—	—	—	(40)	(2)	—	—	(42)
Distribution to noncontrolling interest holder	—	—	(2)	—	(2)	—	—	—	(2)

Change in due (from) to issuer	—	(385)	—	385	—	—	—	—	—
Net cash used in financing activities	(268)	(385)	(2)	385	(270)	10	—	—	(260)
Effect of exchange rate changes on cash and equivalents	—	—	(11)	—	(11)	—	—	—	(11)
Net decrease in cash and equivalents	(44)	(95)	(51)	—	(190)	(10)	—	—	(200)
Cash and equivalents at beginning of period	44	105	143	—	292	10	—	—	302
Cash and equivalents at end of period	$—	$ 10	$ 92	$ —	$ 102	$ —	$—	$ —	$ 102

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

You should read the following discussion of our results of operations and financial condition with the unaudited interim financial statements included elsewhere in this Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014 (the "Quarterly Report").

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

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

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

- the continued decline in the global recorded music industry and the rate of overall decline in the music industry;
- downward pressure on our pricing and our profit margins and reductions in shelf space;
- our ability to identify, sign and retain artists and songwriters and the existence or absence of superstar releases;
- threats to our business associated with home copying and digital downloading;
- the significant threat posed to our business and the music industry by organized industrial piracy;
- the popular demand for particular recording artists and/or songwriters and albums and the timely completion of albums by major recording artists and/or songwriters;
- the diversity and quality of our portfolio of songwriters;
- the diversity and quality of our album releases;
- the impact of legitimate channels for digital distribution of our creative content;

our dependence on a limited number of digital music services, in particular Apple's iTunes Music Store, for the online sale of our music recordings and their ability to significantly influence the pricing structure for online music stores;
our involvement in intellectual property litigation;
our ability to continue to enforce our intellectual property rights in digital environments;
the ability to develop a successful business model applicable to a digital environment and to enter into artist services and expanded-rights deals with recording artists in order to broaden our revenue streams in growing segments of the music business;

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

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our reliance on one company as the primary supplier for the manufacturing, packaging and physical distribution of our products in the United States and Canada and part of Europe;
risks related to evolving regulations concerning data privacy which might result in increased regulation and different industry standards;
changes in law and government regulations; and
risks related to other factors discussed under Part II, Item 1A "Risk Factors" of this Quarterly Report and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013.
There may be other factors not presently known to us or which we currently consider to be immaterial that could cause our actual results to differ materially from those projected in any forward-looking statements we make. You should read carefully the factors described in the "Risk Factors" section of this Quarterly Report to better understand the risks and uncertainties inherent in our business and underlying any forward-looking statements.

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

INTRODUCTION

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

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

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

Overview. This section provides a general description of our business, as well as recent developments that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.
Results of operations. This section provides an analysis of our results of operations for the three and nine months ended June 30, 2014 and June 30, 2013. This analysis is presented on both a consolidated and segment basis.
Financial condition and liquidity. This section provides an analysis of our cash flows for the nine months ended June 30, 2014 and June 30, 2013 as well as a discussion of our financial condition and liquidity as of June 30, 2014. The discussion of our financial condition and liquidity includes a summary of the key debt compliance measures under our debt agreements.
Use of OIBDA

We evaluate our operating performance based on several factors, including our primary financial measure of operating income (loss) before non-cash depreciation of tangible assets and non-cash amortization of intangible assets (which we refer to as "OIBDA"). We consider OIBDA to be an important indicator of the operational strengths and performance of our businesses. 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 U.S. GAAP. In addition, our definition of OIBDA may differ from similarly titled measures used by other companies. A reconciliation of consolidated historical OIBDA to operating income (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 results on a constant-currency basis in addition to reported results helps improve the ability to understand our operating results and evaluate our performance in comparison to prior periods. Constant-currency information compares results between periods as if exchange rates had remained constant period over period. We use results on a constant-currency basis as one measure to evaluate our performance. We calculate constant-currency by calculating prior year results using current year foreign currency exchange rates. We generally refer to such amounts calculated on a constant-currency basis as "excluding the impact of foreign currency exchange rates." These results should be considered in addition to, not as a substitute for, results reported in accordance with U.S. GAAP. Results on a constant-currency basis, as we present them, may not be comparable to similarly titled measures used by other companies and are not a measure of performance presented in accordance with U.S. GAAP.

OVERVIEW

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

Recorded Music Operations

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

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

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

Our Recorded Music distribution operations include Warner-Elektra-Atlantic Corporation ("WEA Corp."), which markets and sells music and video products to retailers and wholesale distributors in the United States, Alternative Distribution Alliance ("ADA"), which distributes the products of independent labels to retail and wholesale distributors in the United States; various distribution centers and ventures operated internationally, an 80% interest in Word, which specializes in the distribution of music products in the Christian retail marketplace, and our worldwide artist and label-services organization, including ADA Worldwide, which provides distribution services outside of the United States through a network of affiliated and non-affiliated distributors.

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

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

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

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

Recorded Music revenues are derived from four main sources:

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

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

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

Music Publishing Operations

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

Our Music Publishing operations are conducted principally through Warner/Chappell, our global music publishing company headquartered in Los Angeles with operations in over 50 countries through various subsidiaries, affiliates and non-affiliated licensees. We own or control rights to more than one million musical compositions, including numerous pop hits, American standards, folk songs and motion picture and theatrical compositions. Assembled over decades, our award-winning catalog includes over 65,000 songwriters and composers and a diverse range of genres including pop, rock, jazz, classical, country, R&B, hip-hop, rap, reggae, Latin, folk, blues, symphonic, soul, Broadway, techno, alternative, gospel and other Christian music. Warner/Chappell also administers the music and soundtracks of several third-party television and film producers and studios, including Lucasfilm, Ltd., Hallmark Entertainment and Disney Music Publishing. Since 2012, Warner/Chappell has been making an effort to augment its film and TV music business, with the acquisitions of certain songs and recordings from numerous critically acclaimed films and TV shows. These acquisitions will help Warner/Chappell take advantage of the higher margins and strong synchronization and performance income in the TV/film space. Our production music library business includes Non-Stop Music, Groove Addicts Production Music Library, Carlin Recorded Music Library and 615 Music, collectively branded as Warner/Chappell Production Music.

Music Publishing revenues are derived from five main sources:

- Performance: the licensor receives royalties if the composition is performed publicly through broadcast of music on television, radio, cable and satellite, live performance at a concert or other venue (e.g., arena concerts, nightclubs), and performance of music in staged theatrical productions;
- Mechanical: the licensor receives royalties with respect to compositions embodied in recordings sold in any physical format or configuration such as CDs, LPs and DVDs;

Synchronization: the licensor receives royalties or fees for the right to use the composition in combination with visual images such as in films or television programs, television commercials and videogames as well as from other uses such as in toys or novelty items and merchandise;

Digital: the licensor receives royalties or fees with respect to digital download services, streaming services and other online and mobile digital music services; and

Other: the licensor receives royalties for use in printed sheet music.

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

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

General and administrative expenses—the costs associated with general overhead and other administrative costs.

Acquisition of the Parlophone Label Group

On July 1, 2013, the Company completed the acquisition of Parlophone Label Group ("PLG") from Universal for £487 million, subject to a closing working capital adjustment, in an all-cash transaction (the "PLG Acquisition") pursuant to a Share Sale and Purchase Agreement (the "PLG Agreement"). PLG includes a broad range of some of the world's best-known recordings and classic and contemporary artists spanning a wide array of musical genres. PLG is comprised of the historic Parlophone label and Chrysalis and Ensign labels in the UK, as well as EMI Classics and Virgin Classics, and EMI's recorded music operations in Belgium, Czech Republic, Denmark, France, Norway, Poland, Portugal, Slovakia, Spain and Sweden. PLG's artists include Air, Alain Souchon, Camille, Coldplay, Daft Punk, Danger Mouse, David Bowie, David Guetta, Deep Purple, Duran Duran, Eliza Doolittle, Gorillaz, Iron Maiden, Jean-Louis Aubert, Jethro Tull, Julien Clerc, Kylie Minogue, M. Pokora, Magic System, Pablo Alboran, Pink Floyd, Radiohead, Roxette, Tina Turner and Tinie Tempah, as well as many developing and up-and-coming artists. PLG's EMI Classics and Virgin Classics brand names were not included with the PLG Acquisition. WMG has rebranded these businesses, respectively, as Warner Classics and Erato following the PLG Acquisition.

Recent Developments

2014 Debt Refinancing

On April 9, 2014, the Company completed a refinancing of part of its outstanding debt (the "2014 Refinancing"). In connection with the 2014 Refinancing, the Company issued $275 million in aggregate principal amount of its 5.625% Senior Secured Notes due 2022 and $660 million in aggregate principal amount of its 6.750% Senior Notes due 2022.

See "—Financial Condition and Liquidity" for more information.

Acquisition of Gold Typhoon

On April 29, 2014, we announced that we had signed a definitive agreement to acquire the music catalog and current roster of recording artists of Gold Typhoon Group, one of the most successful independent music companies operating in the Greater China Region. The Gold Typhoon catalog is one of the largest and most acclaimed collections of local pop and rock music from China, Hong Kong and Taiwan, including many influential and popular releases from the early 1990's until the present day. The acquisition was completed on July 22, 2014.

Factors Affecting Results of Operations and Financial Condition

EMI and PLG Related Costs

We incurred certain costs, primarily representing professional fees, related to our participation in a sales process, which resulted in the sale of EMI's recorded music and music publishing businesses, including the subsequent review of the transactions by the U.S. Federal Trade Commission, the European Commission and other regulatory bodies, and the subsequent sale of Parlophone Label Group by Universal Music Group. Subsequent to the close of the PLG Acquisition, we also incurred other integration and other nonrecurring costs related to the PLG Acquisition. These costs amounted to approximately $51 million for the nine months ended June 30, 2014 and were recorded in the consolidated statements of operation, $4 million within product costs and $47 million within general and administrative expense. These costs amounted to approximately $10 million for the nine months ended June 30, 2013 and were recorded in the consolidated statements of operation within general and administrative expense. The total integration costs are expected to be approximately $77 million. All material integration costs are expected to be incurred by the end of fiscal 2015.

Restructuring Costs and Expected Cost Savings and Other Synergies from the PLG Acquisition

In conjunction with the PLG Acquisition, we undertook a plan to achieve cost savings (the "Restructuring Plan"), primarily through headcount reductions and real estate consolidation. The Restructuring Plan was approved by our CEO. Under the Restructuring Plan, we currently expect to record an aggregate of approximately $86 million in restructuring costs, currently estimated to be made up of employee-related costs of $78 million, real estate costs of $7 million and other costs of $1 million. Total restructuring costs of $42 million have been incurred during the nine months ended June 30, 2014 with respect to these actions, which consist of $37 million of employee-related costs, $4 million of real estate costs and $1 million of other costs. Total restructuring costs of $3 million were incurred during the nine months ended June 30, 2013 with respect to these actions, which consisted entirely of employee-related costs. Total restructuring costs of $64 million have been incurred to date under the Restructuring Plan. A significant portion of these charges have resulted in and will continue to result in cash expenditures. Total cash payments of $42 million to date have been made under the Restructuring Plan. Employee-related costs include all cash compensation and other employee benefits paid to terminated employees. Real estate costs include costs that will continue to be incurred without economic benefit to us, such as, among others, operating lease payments for office space no longer being used and moving costs incurred during relocation, costs incurred to close a facility and IT costs to wire a new facility. The remainder of the Restructuring Plan is expected to be completed by the end of fiscal 2015.

The $86 million in expected restructuring costs does not include other integration and other nonrecurring costs related to the PLG Acquisition noted above that are currently estimated to be $77 million, which do not qualify as restructuring costs.

When completed, these actions are expected to result in cost savings and other synergies of approximately $70 million, primarily within selling, general and administrative expenses. To date, we have realized approximately $30 million in cost savings. We expect to realize the remaining benefits of such synergies over the next 15 months. Although management currently believes such cost savings and other synergies will be realized following the PLG Acquisition, there can be no assurance that these cost savings or any other synergies will be achieved in full.

Severance Charges

We recorded severance charges (unrelated to the PLG Acquisition) of $1 million and $3 million, respectively, for the three and nine months ended June 30, 2014. We recorded severance charges (unrelated to the PLG Acquisition) of $3 million and $9 million, respectively, for the three and nine months ended June 30, 2013 as part of our actions to further align our cost structure with industry trends.

Expanding Business Models to Offset Declines in Physical Sales

Digital Sales

The global recorded music industry is now both a physical business and a digital business comprised of downloads and streaming. A key part of our strategy to offset declines in physical sales is to expand digital sales. New digital models have enabled us to find additional ways to generate revenues from our music content. We intend to continue to extend our global reach by executing deals with new partners and developing optimal business models that will enable us to monetize our content across various platforms, services and devices. In the United States, for the fiscal year ended September 30, 2013, our Recorded Music digital revenue exceeded our physical revenue. While there are signs of industry stabilization, the industry continues to be impacted as a result of the transition to digital sales. Part of the reason for this gap is the shift in consumer purchasing patterns made possible from new digital models. In the digital space, consumers are now presented with the opportunity to not only purchase entire albums, but to "unbundle" albums and purchase only favorite tracks as single-track downloads.

While to date, sales of online and mobile downloads have constituted the majority of our digital Recorded Music and Music Publishing revenue, that may change over time as new digital models, such as streaming and subscription services, continue to develop. According to industry shipments and revenue data released by the RIAA, streaming revenues rose 39% year-over-year in 2013 in the United States, growing streaming’s share of overall industry revenues from 15% to 21%. While streaming revenue growth has offset the decline in download revenue, declines in physical revenue continue to outpace digital revenue’s growth in the recorded music industry. While it is believed within the recorded music industry that growth in digital sales will re-establish a growth pattern for recorded music sales, the timing of the recovery cannot be established with accuracy, nor can it be determined how those changes will affect individual markets. We believe it is reasonable to expect that digital margins will generally be higher than physical sales margins as a result of the elimination of certain costs associated with physical products, such as manufacturing, distribution, inventory and return costs. Partially eroding that benefit are certain digital-specific variable costs and infrastructure investments necessary to produce, market and sell music in digital formats, as well as increases in mechanical copyright royalties payable to music publishers, which apply in the digital space. As consumer purchasing patterns change over time and new digital models are launched and continue to grow, we may see fluctuations in contribution margin depending on the overall sales mix.

Artist Services and Expanded-Rights Deals

We have also been seeking to expand our relationships with recording artists as another means to offset declines in physical revenues in Recorded Music. For example, we have been signing recording artists to expanded-rights deals for the last several years. Under these expanded-rights deals, we participate in the recording artist's revenue streams, other than from recorded music sales, such as live performances, merchandising and sponsorships. We believe that additional revenue from these revenue streams will help to offset declines in physical revenue over time. As we have generally signed newer artists to these deals, increased expanded-rights revenue from these deals is expected to come several years after these deals have been signed as the artists become more successful and are able to generate revenue other than from recorded music sales. Artist services and expanded-rights Recorded Music revenue, which includes revenue from expanded-rights deals as well as revenue from our artist services business, represented approximately 11% of our total revenue during the nine months ended June 30, 2014. Artist services and expanded-rights revenue will fluctuate from period to period depending upon touring schedules, among other things. We also believe that the strategy of entering into expanded-rights deals and continuing to develop our artist services business will contribute to Recorded Music growth over time. Margins for the various artist services and expanded-rights Recorded Music revenue streams can vary significantly. The overall impact on margins will, therefore, depend on the composition of the various revenue streams in any particular period. For instance, revenue from passive touring under our expanded-rights deals typically flows straight through to net income with little cost. Revenue from our management business and revenue from sponsorship and touring under expanded-rights deals are all high margin, while merchandise revenue under expanded-rights deals and concert promotion revenue from our concert promotion businesses tend to be lower margin than our traditional revenue streams from Recorded Music and Music Publishing.

Management Agreement

Upon completion of the Merger, the Company and Holdings entered into a management agreement with Access, dated as of the Merger Closing Date (the "Management Agreement"), pursuant to which Access provides the Company and its subsidiaries with financial, investment banking, management, advisory and other services. Pursuant to the Management Agreement, the Company, or one or more of its subsidiaries, will pay Access a specified annual fee initially equal to the greater of (i) the sum of (x) a base amount of approximately $9 million and (y) 1.5% of the aggregate amount of Acquired EBITDA (as defined in the Management Agreement) as at such time or (ii) 1.5% of the EBITDA (as defined in the indenture governing the WMG Holdings Corp. 13.75% Senior Notes due 2019 as required by the Management Agreement) of the Company for the applicable fiscal year, plus expenses, and a specified transaction fee for certain types of transactions completed by Holdings or one or more of its subsidiaries, plus expenses. The amount of "Acquired EBITDA" at any time shall be equal to the sum of the amounts of positive EBITDA of businesses, companies or operations acquired directly or indirectly by the Company from and after the completion of the Merger, each such amount of positive EBITDA as calculated (by Access in its sole discretion) for the four fiscal quarters most recently ended for which internal financial statements are available at the date of the pertinent acquisition. In fiscal 2013, the base amount for the annual fee due under the Management Agreement was increased from $6 million to approximately $9 million to reflect the aggregate amount of Acquired EBITDA, primarily associated with the acquisition of PLG. The annual fee shall be calculated and payable as follows: (i) one-quarter of the Base Amount in effect on the first day of each fiscal quarter shall be paid on such date, in advance for the fiscal quarter then commencing and (ii) following the completion of every full fiscal year after the date hereof, once internal financial statements for such fiscal year are available, the Company and Access shall jointly calculate the EBITDA of the Company for such fiscal year and the Company shall pay to Access the amount, if any, by which 1.5% of such EBITDA exceeds the sum of the amounts paid in respect of such fiscal year pursuant to clause (i) above. The Company and Holdings agreed to indemnify Access and certain of its affiliates against all liabilities arising out of performance of the Management Agreement.

Such costs incurred by the Company were approximately $6 million and $7 million for the nine months ended June 30, 2014 and June 30, 2013, respectively, which includes the annual fee and reimbursement of certain expenses in connection with the Management Agreement, but excludes $1 million of reimbursed expenses in each period related to certain consultants with full time roles at the Company.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2014 Compared with Three Months Ended June 30, 2013

Consolidated Historical Results

Revenues

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

	For the Three Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
Revenue by Type				
Physical	$ 202	$ 178	$24	13 %
Digital	299	236	63	27 %
Total Physical and Digital	501	414	87	21 %
Artist services and expanded-rights	92	68	24	35 %
Licensing	63	52	11	21 %
Total Recorded Music	656	534	122	23 %
Performance	52	51	1	2 %
Mechanical	31	33	(2)	-6 %
Synchronization	25	26	(1)	-4 %
Digital	27	22	5	23 %
Other	2	2	—	— %
Total Music Publishing	137	134	3	2 %
Intersegment eliminations	(5)	(5)	—	— %
Total Revenue	$ 788	$ 663	$125	19 %
Revenue by Geographical Location				
U.S. Recorded Music	$ 253	$ 225	$28	12 %
U.S. Music Publishing	51	48	3	6 %
Total U.S.	304	273	31	11 %
International Recorded Music	403	309	94	30 %
International Music Publishing	86	86	—	— %
Total International	489	395	94	24 %
Intersegment eliminations	(5)	(5)	—	— %
Total Revenue	$ 788	$ 663	$125	19 %

Total Revenue

Total revenue increased by $125 million, or 19%, to $788 million for the three months ended June 30, 2014 from $663 million for the three months ended June 30, 2013. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 83% and 17% of total revenue for the three months ended June 30, 2014, respectively, compared to 80% and 20% for the three months ended June 30, 2013, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 38% and 62% of total revenue, respectively, for the three months ended June 30, 2014 and 41% and 59% of total revenue, respectively, for the three months ended June 30, 2013. Excluding the favorable impact of foreign currency exchange rates, total revenue increased by $114 million, or 17%.

Total revenue for the three months ended June 30, 2014 included the impact of PLG revenue of $102 million. Excluding the impact of PLG, total revenue increased by $23 million, or 4%. This total revenue increase, both including and excluding PLG, reflected the success of a strong Recorded Music release schedule in the current period.

Total digital revenue after intersegment eliminations increased by $67 million, or 26%, to $324 million for the three months ended June 30, 2014 from $257 million for the three months ended June 30, 2013. Total digital revenue represented 41% and 39% of consolidated revenue for the three months ended June 30, 2014 and June 30, 2013, respectively. Prior to intersegment eliminations, total digital revenue for the three months ended June 30, 2014 was comprised of U.S. revenue of $164 million and international revenue of $162 million, or 50% and 50% of total digital revenue, respectively. Prior to intersegment eliminations, total digital revenue for the three months ended June 30, 2013 was comprised of U.S. revenue of $142 million and international revenue of $116 million, or 55% and 45% of total digital revenue, respectively.

Recorded Music revenue increased by $122 million, or 23%, to $656 million for the three months ended June 30, 2014 from $534 million for the three months ended June 30, 2013. Prior to intersegment eliminations, Recorded Music revenues represented 83% and 80% of consolidated revenues, for the three months ended June 30, 2014 and June 30, 2013, respectively. U.S. Recorded Music revenues were $253 million and $225 million, or 39% and 42% of consolidated Recorded Music revenues for the three months ended June 30, 2014 and June 30, 2013, respectively. International Recorded Music revenues were $403 million and $309 million, or 61% and 58% of consolidated Recorded Music revenues for the three months ended June 30, 2014 and June 30, 2013, respectively.

The overall Recorded Music results reflect the success of a strong release schedule in the current period which included Coldplay's "Ghost Stories" as well as releases from The Black Keys and Ed Sheeran. Excluding the impact of PLG, Recorded Music revenue increased $20 million mainly due to digital revenue growth and higher artist services and expanded-rights revenue. Excluding the impact of PLG revenue, physical revenue declined $25 million. The decline was driven by the ongoing shift in demand towards digital products. Excluding the impact of PLG revenue, digital revenue increased $26 million mainly due to the strong release schedule and growth in streaming services. Streaming services revenue grew $69 million in total, and $53 million excluding the impact of PLG, reflecting the increased consumer demand for streaming services. Offsetting this growth was an $8 million decline in digital download revenue, or a $29 million decline excluding the impact of PLG revenue. Artist services and expanded-rights revenue increased $24 million, or $23 million excluding the impact of PLG, as a result of strong merchandise and managed tour income in the United States and strong concert promotion revenue in Italy. Licensing revenue increased $11 million primarily due to $15 million of licensing revenue from PLG. Excluding the favorable impact of foreign currency exchange rates, total Recorded Music revenue increased by $113 million, or 21%.

Music Publishing revenues increased by $3 million, or 2%, to $137 million for the three months ended June 30, 2014 from $134 million for the three months ended June 30, 2013. Prior to intersegment eliminations, Music Publishing revenues represented 17% and 20% of consolidated revenues for the three months ended June 30, 2014 and June 30, 2013, respectively. U.S. Music Publishing revenues were $51 million and $48 million, or 37% and 36%, of Music Publishing revenues for the three months ended June 30, 2014 and June 30, 2013, respectively. International Music Publishing revenues were $86 million, or 63% and 64%, of Music Publishing revenues for the three months ended June 30, 2014 and June 30, 2013, respectively.

The increase in Music Publishing revenue was mainly driven by an increase in digital revenue, which more than offset the decrease in mechanical revenue. The increase in digital revenue was due to an increase in streaming services revenue. The decrease in mechanical revenue was driven by the ongoing transition towards digital product in the music industry. Excluding the favorable impact of foreign currency exchange rates, total Music Publishing revenue increased by $1 million, or 1%.

Revenue by Geographical Location

U.S. revenue increased by $31 million, or 11%, to $304 million for the three months ended June 30, 2014 from $273 million for the three months ended June 30, 2013. U.S. Recorded Music revenue increased $28 million, or $6 million excluding the impact of PLG revenue. The PLG results reflected the strong performance from Coldplay's "Ghost Stories". U.S. Recorded Music Physical revenue increased $7 million, but decreased $3 million excluding the impact of PLG revenue. Despite the ongoing shift in demand towards digital product, there was strong performance from certain releases that were more heavily weighted toward physical sales including three deluxe edition catalog reissues from Led Zeppelin. U.S. Recorded Music Digital revenue increased $19 million, or $7 million excluding the impact of PLG revenue mainly due to the strong release schedule and growth in streaming services. U.S. Recorded Music artist services and expanded-rights revenue increased $7 million due to higher merchandise and managed tour income. U.S. Recorded Music licensing revenue decreased $5 million due to lower synchronization revenue. U.S. Music Publishing revenue increased $3 million mainly due to an increase in digital revenue.

International revenue increased by $94 million, or 24%, to $489 million for the three months ended June 30, 2014 from $395 million for the three months ended June 30, 2013. International Recorded Music revenue increased $94 million, or $14 million excluding the impact of PLG revenue. International Recorded Music physical revenue increased $17 million, but decreased $22 million excluding the impact of PLG revenue. The comparative prior quarter included the success of multiple releases more heavily weighted towards physical sales including those from Michael Bublé, Kyary Pamyu Pamyu and Christophe Maé. International Recorded Music digital revenue increased $44 million, or $19 million excluding the impact of PLG revenue mainly due to the strong release schedule and growth in streaming services. International Recorded Music artist services and expanded-rights revenue increased $17 million due to higher concert promotion revenue in Italy for the Ligabue tour. International Recorded Music Licensing revenue increased $16 million, primarily due to $15 million of licensing revenue from PLG. International Music Publishing revenue remained flat, mainly due to a decline in mechanical revenue that was offset by an increase in digital revenue. Excluding the favorable impact of foreign currency exchange rates, total international revenue increased $83 million, or 20%.

Cost of revenues

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

	For the Three Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
Artist and repertoire costs	$ 270	$ 239	$ 31	13 %
Product costs	147	130	17	13 %
Total cost of revenues	$ 417	$ 369	$ 48	13 %

Total cost of revenues increased by $48 million, or 13%, to $417 million for the three months ended June 30, 2014 from $369 million for the three months ended June 30, 2013. Expressed as a percentage of revenues, cost of revenues decreased to 53% for the three months ended June 30, 2014 from 56% for the three months ended June 30, 2013 primarily as a result of revenue mix.

Artist and repertoire costs increased by $31 million, or 13%, to $270 million for the three months ended June 30, 2014 from $239 million for the three months ended June 30, 2013 primarily due to higher royalty expense associated with higher revenue. Artist and repertoire costs as a percentage of revenue decreased to 34% for the three months ended June 30, 2014 from 36% for the three months ended June 30, 2013.

Product costs increased by $17 million, or 13%, to $147 million for the three months ended June 30, 2014 from $130 million for the three months ended June 30, 2013. The increase was primarily driven by an increase in revenue. Product costs as a percentage of revenue decreased to 19% for the three months ended June 30, 2014 from 20% for the three months ended June 30, 2013 primarily due to the revenue mix resulting from an increase in the artist services and expanded-rights product costs associated with higher concert promotion revenue, partially offset by lower product costs associated with lower third party distribution revenue. Both concert promotion revenue and revenue associated with third party distribution tend to yield lower margins than our traditional revenue streams.

Selling, general and administrative expense

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

	For the Three Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
General and administrative expense (1)	$ 176	$ 130	$ 46	35 %
Selling and marketing expense	128	95	33	35 %
Distribution expense	15	13	2	15 %
Total selling, general and administrative expense	$ 319	$ 238	$ 81	34 %

(1) Includes depreciation expense of $14 million and $13 million for the three months ended June 30, 2014 and June 30, 2013, respectively.

Total selling, general and administrative expense increased by $81 million, or 34%, to $319 million for the three months ended June 30, 2014 from $238 million for the three months ended June 30, 2013. Expressed as a percentage of revenues, selling, general and administrative expense increased to 41% for the three months ended June 30, 2014 from 36% for the three months ended June 30, 2013. Total selling, general and administrative expense includes $14 million of PLG overhead costs.

General and administrative expense increased by $46 million, or 35%, to $176 million for the three months ended June 30, 2014 from $130 million for the three months ended June 30, 2013. The increase in general and administrative expense was primarily due to a $15 million increase in PLG restructuring costs, an $8 million increase in PLG Acquisition related professional fees and other integration costs, including transitional employees, PLG overhead costs, an $8 million increase in variable compensation driven by comparatively low variable compensation in the prior year quarter, and a $14 million increase in facilities cost due to the overlap in terms on the lease of our new corporate headquarters with our existing headquarters lease and costs associated with terminating one of our New York office leases. These increases were partially offset by a $2 million decrease in share-based compensation. Expressed as a percentage of revenue, general and administrative expense increased to 22% for the three months ended June 30, 2014 from 20% for the three months ended June 30, 2013 as a result of these non-recurring charges.

Selling and marketing expense increased by $33 million, or 35%, to $128 million for the three months ended June 30, 2014 from $95 million for the three months ended June 30, 2013. The increase in selling and marketing expense was largely the result of higher variable marketing spending related to current quarter releases as well as PLG overhead. Expressed as a percentage of revenue, selling and marketing expense increased to 16% for the three months ended June 30, 2014 from 14% for the three months ended June 30, 2013.

Distribution expense increased by $2 million, or 15%, to $15 million for the three months ended June 30, 2014 from $13 million for the three months ended June 30, 2013 due to increases in volume. Expressed as a percentage of revenue, distribution expense remained flat at 2% for the three months ended June 30, 2014 and June 30, 2013.

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

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

	For the Three Months Ended			
	June 30, 2014	2013	2014 vs. 2013 $ Change	% Change
OIBDA	$ 66	$ 69	$(3)	-4 %
Depreciation expense	(14)	(13)	(1)	8 %
Amortization expense	(67)	(48)	(19)	40 %
Operating (loss) income	(15)	8	(23)	— %
Loss on extinguishment of debt	(141)	(2)	(139)	— %
Interest expense, net	(48)	(47)	(1)	2 %
Other income (expense), net	4	(2)	6	— %
Loss before income taxes	(200)	(43)	(157)	— %
Income tax benefit (expense)	16	(19)	35	— %
Net loss	(184)	(62)	(122)	— %
Less: Income attributable to noncontrolling interest	(1)	(1)	—	— %
Net loss attributable to Warner Music Group Corp.	$ (185)	$ (63)	$(122)	— %

OIBDA

OIBDA decreased by $3 million, or 4%, to $66 million for the three months ended June 30, 2014 as compared to $69 million for the three months ended June 30, 2013 as a result of the flow through of higher revenue which was more than offset by increased selling, general and administrative expense mainly due to non-recurring charges related to PLG restructuring and integration costs as well as facilities costs related to moving our headquarters, as noted above. Expressed as a percentage of total revenue, OIBDA decreased to 8% for the three months ended June 30, 2014 from 10% for the three months ended June 30, 2013 as a result of these non-recurring charges.

Depreciation expense

Depreciation expense increased by $1 million, or 8%, to $14 million for the three months ended June 30, 2014 from $13 million for the three months ended June 30, 2013 primarily as a result of the accelerated depreciation related to consolidating our New York office space into our new headquarters.

Amortization expense

Amortization expense increased by $19 million, or 40%, to $67 million for the three months ended June 30, 2014 from $48 million for the three months ended June 30, 2013 due to the PLG Acquisition and the resulting increase in amortizable intangible assets.

Operating (loss) income

Operating (loss) income decreased by $23 million, to an operating loss of $15 million, for the three months ended June 30, 2014 from operating income of $8 million for the three months ended June 30, 2013. The decrease in operating income was primarily due to the factors that led to the decrease in OIBDA noted above and the increase in amortization expense, as noted above.

Loss on extinguishment of debt

On April 9, 2014, we completed the 2014 Refinancing. We made a redemption payment of $869 million, which included the repayment of our previously outstanding $765 million 11.5% Senior Notes due 2018, tender/call premiums of $85 million and consent fees of approximately $19 million. As a result, we recorded a $141 million loss on the extinguishment of debt for the three months ended June 30, 2014, which represents the difference between the redemption payment and the carrying value of the debt, including unamortized discounts of $13 million and unamortized debt and issuance costs of $24 million as of the refinancing date. On June 21, 2013, we redeemed 10% of our then outstanding Senior Secured Notes due 2021. As a result, we recorded a loss on extinguishment of debt of $2 million for the three months ended June 30, 2013, which represents the premium paid on early redemption.

Interest expense, net

Our interest expense, net, increased by $1 million, or 2%, to $48 million for the three months ended June 30, 2014 from $47 million for the three months ended June 30, 2013. The increase was primarily driven by the additional debt incurred as a result of the PLG Acquisition, partially offset by lower interest rates as a result of the refinancing of certain debt obligations in the prior fiscal year as well as the paydown of debt in the prior fiscal year.

Other income (expense), net

Other income (expense), net, includes net hedging gains or losses on foreign exchange contracts, which represent currency exchange movements associated with intercompany receivables and payables that are short term in nature, and equity gains or losses on our share of net income or loss on investments recorded in accordance with the equity method of accounting for an unconsolidated investee.

Income tax benefit (expense)

We incurred an income tax benefit of $16 million for the three months ended June 30, 2014 as compared to an income tax expense of $19 million for the three months ended June 30, 2013. The increase in the income tax benefit primarily relates to a higher pretax loss as a result of the loss on extinguishment of debt related to the 2014 Refinancing, the PLG restructuring costs and the PLG Acquisition related professional fees and other integration costs for the three months ending June 30, 2014.

Net loss

Net loss increased by $122 million, to a net loss of $184 million for the three months ended June 30, 2014 from net loss of $62 million for the three months ended June 30, 2013 mainly as a result of the loss on extinguishment of debt and increased operating losses, offset by an income tax benefit described above.

Noncontrolling interest

Income attributable to noncontrolling interest was $1 million for both the three months ended June 30, 2014 and the three months ended June 30, 2013.

Business Segment Results

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

	For the Three Months Ended			
	June 30, 2014	2013	2014 vs. 2013 $ Change	% Change
Recorded Music				
Revenue	$ 656	$ 534	$122	23 %
OIBDA	71	62	9	15 %
Operating income	$ 11	$ 22	$(11)	-50 %
Music Publishing				
Revenue	$ 137	$ 134	$3	2 %
OIBDA	24	28	(4)	-14 %
Operating income	$ 6	$ 11	$(5)	-45 %
Corporate expenses and eliminations				
Revenue elimination	$ (5)	$ (5)	$—	— %
OIBDA	(29)	(21)	(8)	38 %
Operating loss	$ (32)	$ (25)	$(7)	28 %
Total				
Revenue	$ 788	$ 663	$125	19 %
OIBDA	66	69	(3)	-4 %
Operating (loss) income	$ (15)	$ 8	$(23)	— %

Recorded Music

Revenues

Recorded Music revenue increased by $122 million, or 23%, to $656 million for the three months ended June 30, 2014 from $534 million for the three months ended June 30, 2013. Prior to intersegment eliminations, Recorded Music revenues represented 83% and 80% of consolidated revenues, for the three months ended June 30, 2014 and June 30, 2013, respectively. U.S. Recorded Music revenues were $253 million and $225 million, or 39% and 42% of consolidated Recorded Music revenues for the three months ended June 30, 2014 and June 30, 2013, respectively. International Recorded Music revenues were $403 million and $309 million, or 61% and 58% of consolidated Recorded Music revenues for the three months ended June 30, 2014 and June 30, 2013, respectively.

The overall Recorded Music results reflect the success of a strong release schedule in the current period which included Coldplay's "Ghost Stories" as well as releases from The Black Keys and Ed Sheeran. Excluding the impact of PLG, Recorded Music revenue increased $20 million mainly due to digital revenue growth and higher artist services and expanded-rights revenue. Excluding the impact of PLG revenue, physical revenue declined $25 million. The decline was driven by the ongoing shift in demand towards digital products. Excluding the impact of PLG revenue, digital revenue increased $26 million mainly due to the strong release schedule and growth in streaming services. Streaming services revenue grew $69 million in total, and $53 million excluding the impact of PLG, reflecting the increased consumer demand for streaming services. Offsetting this growth was an $8 million decline in digital download revenue, or a $29 million decline excluding the impact of PLG revenue. Artist services and expanded-rights revenue increased $24 million, or $23 million excluding the impact of PLG, as a result of strong merchandise and managed tour income in the United States and strong concert promotion revenue in Italy. Licensing revenue increased $11 million primarily due to $15 million of licensing revenue from PLG. Excluding the favorable impact of foreign currency exchange rates, total Recorded Music revenue increased by $113 million, or 21%.

Cost of revenues

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

	For the Three Months Ended June 30, 2014	2013	2014 vs. 2013 $ Change	% Change
Artist and repertoire costs	$ 178	$ 153	$ 25	16 %
Product costs	147	130	17	13 %
Total cost of revenues	$ 325	$ 283	$ 42	15 %

Recorded Music cost of revenues increased by $42 million, or 15%, to $325 million for the three months ended June 30, 2014 from $283 million for the three months ended June 30, 2013. Recorded Music artist and repertoire costs increased by $25 million, or 16%, to $178 million for the three months ended June 30, 2014 from $153 million for the three months ended June 30, 2013 primarily due to higher royalty expense associated with higher revenue. Recorded Music product costs increased by $17 million, or 13%, to $147 million for the three months ended June 30, 2014 from $130 million for the three months ended June 30, 2013. The increase was primarily driven by an increase in revenue. Expressed as a percentage of Recorded Music revenue, Recorded Music cost of revenues decreased to 50% for the three months ended June 30, 2014 from 53% for the three months ended June 30, 2013 primarily due to the revenue mix resulting from an increase in the artist services and expanded-rights product costs associated with higher concert promotion revenue, partially offset by lower product costs associated with lower third party distribution revenue. Both concert promotion revenue and revenue associated with third party distribution tend to yield lower margins than our traditional revenue streams.

Selling, general and administrative expense

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

	For the Three Months Ended			
	June 30, 2014	2013	2014 vs. 2013 $ Change	% Change
General and administrative expense (1)	$ 128	$ 90	$38	42 %
Selling and marketing expense	126	94	32	34 %
Distribution expense	15	13	2	15 %
Total selling, general and administrative expense	$ 269	$ 197	$72	37 %

(1) Includes depreciation expense of $9 million and $8 million for the three months ended June 30, 2014 and June 30, 2013, respectively.

Recorded Music selling, general and administrative expense increased by $72 million, or 37%, to $269 million for the three months ended June 30, 2014 from $197 million for the three months ended June 30, 2013. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense increased to 41% for the three months ended June 30, 2014 from 37% for the three months ended June 30, 2013. Recorded Music selling, general and administrative expense includes $14 million of PLG overhead costs.

Recorded Music general and administrative expense increased by $38 million, or 42%, to $128 million for the three months ended June 30, 2014 from $90 million for the three months ended June 30, 2013. The increase in general and administrative expense was primarily due to a $15 million increase in PLG restructuring costs, an $11 million increase in PLG Acquisition related professional fees and other integration costs, including transitional employees, PLG overhead costs and a $4 million increase in variable compensation driven by comparatively low variable compensation in the prior year quarter. Expressed as a percentage of Recorded Music revenue, Recorded Music general and administrative expense increased to 20% for the three months ended June 30, 2014 from 17% for the three months ended June 30, 2013 as a result of these non-recurring charges.

Recorded Music selling and marketing expense increased by $32 million, or 34%, to $126 million for the three months ended June 30, 2014 from $94 million for the three months ended June 30, 2013. The increase in selling and marketing expense was largely the result of higher variable marketing spending related to current quarter releases as well as PLG overhead. Expressed as a percentage of revenue, selling and marketing expense increased to 19% for the three months ended June 30, 2014 from 18% for the three months ended June 30, 2013.

Recorded Music distribution expense increased by $2 million, or 15%, to $15 million for the three months ended June 30, 2014 from $13 million for the three months ended June 30, 2013. Expressed as a percentage of revenue, distribution expense remained flat at 2% or the three months ended June 30, 2014 and June 30, 2013.

OIBDA and Operating (Loss) Income

Recorded Music operating (loss) income was composed of the following amounts (in millions):

	For the Three Months Ended		2014 vs. 2013	
	June 30, 2014	2013	$ Change	% Change
OIBDA	$ 71	$ 62	$9	15 %
Depreciation and amortization	(60)	(40)	(20)	50 %
Operating income	$ 11	$ 22	$(11)	-50 %

Recorded Music OIBDA increased by $9 million, or 15%, to $71 million for the three months ended June 30, 2014 from $62 million for the three months ended June 30, 2013 as a result of the flow through of higher Recorded Music revenue offset by the increased Recorded Music selling general and administrative expense mainly due to non-recurring charges related to PLG restructuring and integration costs, as noted above. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA decreased to 11% for the three months ended June 30, 2014 from 12% for the three months ended June 30, 2013 as a result of these non-recurring charges.

Recorded Music operating income decreased by $11 million due to the $20 million increase in Recorded Music depreciation and amortization expense due to the PLG Acquisition and the resulting increase in amortizable intangible assets partially offset by the factors that led to the increase in Recorded Music OIBDA noted above.

Music Publishing

Music Publishing revenues increased by $3 million, or 2%, to $137 million for the three months ended June 30, 2014 from $134 million for the three months ended June 30, 2013. Prior to intersegment eliminations, Music Publishing revenues represented 17% and 20% of consolidated revenues for the three months ended June 30, 2014 and June 30, 2013, respectively. U.S. Music Publishing revenues were $51 million and $48 million, or 37% and 36%, of Music Publishing revenues for the three months ended June 30, 2014 and June 30, 2013, respectively. International Music Publishing revenues were $86 million, or 63% and 64%, of Music Publishing revenues for the three months ended June 30, 2014 and June 30, 2013, respectively.

The increase in Music Publishing revenue was mainly driven by an increase in digital revenue, which more than offset the decrease in mechanical revenue. The increase in digital revenue was due to an increase in streaming services revenue. The decrease in mechanical revenue was driven by the ongoing transition towards digital product in the music industry. Excluding the favorable impact of foreign currency exchange rates, total Music Publishing revenue increased by $1 million, or 1%.

Cost of revenues

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

For the Three Months Ended 2014 vs. 2013

	June 30,			
	2014	2013	$ Change	% Change
Artist and repertoire costs	$ 97	$ 91	$ 6	7 %
Total cost of revenues	$ 97	$ 91	$ 6	7 %

Music Publishing cost of revenues increased by $6 million, or 7%, to $97 million for the three months ended June 30, 2014 from $91 million for the three months ended June 30, 2013, primarily driven by the increase in revenue. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues increased to 71% for the three months ended June 30, 2014 from 68% for the three months ended June 30, 2013 primarily due to the flow through of certain higher margin deals in the prior-year quarter.

Selling, general and administrative expense

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

	For the Three Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
General and administrative expense (1)	$ 17	$ 15	$ 2	13 %
Selling and marketing expense	1	1	—	— %
Total selling, general and administrative expense	$ 18	$ 16	$ 2	13 %

(1) Includes depreciation expense of $2 million and $1 million for the three months ended June 30, 2014 and June 30, 2013, respectively.

Music Publishing selling, general and administrative expense increased by $2 million, or 13%, to $18 million for the three months ended June 30, 2014 from $16 million for the three months ended June 30, 2013 primarily driven by an increase in variable compensation. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense increased to 13% for the three months ended June 30, 2014 from 12% for the three months ended June 30, 2013.

OIBDA and Operating Income

Music Publishing operating income was composed of the following amounts (in millions):

	For the Three Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
OIBDA	$ 24	$ 28	$(4)	-14 %
Depreciation and amortization	(18)	(17)	(1)	6 %
Operating income	$ 6	$ 11	$(5)	-45 %

Music Publishing OIBDA decreased by $4 million, or 14%, to $24 million for the three months ended June 30, 2014 from $28 million for the three months ended June 30, 2013 as a result of the flow through of higher Music Publishing cost of revenues due to the revenue mix which varies from quarter to quarter, and higher Music Publishing general and administrative expense. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA decreased to 18% for the three months ended June 30, 2014 from 21% for the three months ended June 30, 2013 primarily due to the flow through of certain higher margin deals in the prior-year quarter.

Music Publishing operating income decreased by $5 million due to the factors that led to the decrease in Music Publishing OIBDA noted above as well as the $1 million increase in Music Publishing depreciation expense.

Corporate Expenses and Eliminations

Our OIBDA loss from corporate expenses and eliminations increased by $8 million to $29 million for the three months ended June 30, 2014 from $21 million for the three months ended June 30, 2013. The increase was primarily due to an $11 million increase in facilities cost due to the costs associated with terminating one of our New York office leases and overlap in terms on the lease of our new corporate headquarters with our existing headquarters lease, partially offset by a $3 million decrease in professional fees related to our participation in the sales process and acquisition of PLG.

Our operating loss from corporate expenses and eliminations increased by $7 million to $32 million for the three months ended June 30, 2014 from $25 million for the three months ended June 30, 2013 due to the increase in OIBDA loss noted above offset by a $1 million decrease in depreciation expense.

Nine Months Ended June 30, 2014 Compared with Nine Months Ended June 30, 2013

Consolidated Historical Results

Revenues

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

	For the Nine Months Ended		2014 vs. 2013	
	June 30, 2014	2013	$ Change	% Change
Revenue by Type				
Physical	$ 620	$ 667	$ (47)	-7 %
Digital	828	735	93	13 %
Total Physical and Digital	1,448	1,402	46	3 %
Artist services and expanded-rights	238	178	60	34 %
Licensing	196	165	31	19 %
Total Recorded Music	1,882	1,745	137	8 %
Performance	150	146	4	3 %
Mechanical	80	86	(6)	-7 %
Synchronization	78	75	3	4 %
Digital	71	62	9	15 %
Other	8	8	—	— %
Total Music Publishing	387	377	10	3 %
Intersegment eliminations	(13)	(15)	2	-13 %
Total Revenue	$ 2,256	$ 2,107	$ 149	7 %
Revenue by Geographical Location				
U.S. Recorded Music	$ 702	$ 733	$ (31)	-4 %
U.S. Music Publishing	144	139	5	4 %
Total U.S.	846	872	(26)	-3 %
International Recorded Music	1,180	1,012	168	17 %
International Music Publishing	243	238	5	2 %
Total International	1,423	1,250	173	14 %
Intersegment eliminations	(13)	(15)	2	-13 %
Total Revenue	$ 2,256	$ 2,107	$ 149	7 %

Total Revenue

Total revenue increased by $149 million, or 7%, to $2.256 billion for the nine months ended June 30, 2014 from $2.107 billion for the nine months ended June 30, 2013. Prior to intersegment eliminations, Recorded Music and Music Publishing revenues represented 83% and 17% of total revenue for the nine months ended June 30, 2014 compared to 82% and 18% for the nine months ended June 30, 2013, respectively. Prior to intersegment eliminations, U.S. and international revenues represented 37% and 63% of total revenue for the nine months ended June 30, 2014 and 41% and 59% of total revenue for the nine months ended June 30, 2013. The weighting of U.S. versus international revenue changed primarily due to the additional PLG revenue which is more internationally weighted.

Excluding the favorable impact of foreign currency exchange rates, total revenue increased by $148 million, or 7%.

Total revenue for the nine months ended June 30, 2014 included the impact of PLG revenue of $248 million. Excluding the impact of PLG, total revenue decreased by $99 million, or 5%. The total revenue decline, excluding PLG, was primarily due to an overall light year-to-date release schedule that was stronger in the current quarter but lighter in the first half of the fiscal year, partially offset by Music Publishing strength in performance, synchronization and digital revenue.

Total digital revenue after intersegment eliminations increased by $102 million, or 13%, to $895 million for the nine months ended June 30, 2014 from $793 million for the nine months ended June 30, 2013. Total digital revenue represented 40% and 38% of consolidated revenue for the nine months ended June 30, 2014 and June 30, 2013, respectively. Prior to intersegment eliminations, total digital revenue for the nine months ended June 30, 2014 was comprised of U.S. revenue of $450 million and international revenue of $449 million, or 50% and 50% of total digital revenue, respectively. Prior to intersegment eliminations, total digital revenue for the nine months ended June 30, 2013 was comprised of U.S. revenue of $438 million and international revenue of $359 million, or 55% and 45% of total digital revenue, respectively.

Recorded Music revenue increased by $137 million, or 8%, to $1.882 billion for the nine months ended June 30, 2014 from $1.745 billion for the nine months ended June 30, 2013. Prior to intersegment eliminations, Recorded Music revenues represented 83% and 82% of consolidated revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively. U.S. Recorded Music revenues were $702 million and $733 million, or 37% and 42%, of consolidated Recorded Music revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively. International Recorded Music revenues were $1.180 billion and $1.012 billion, or 63% and 58%, of consolidated Recorded Music revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively.

The overall Recorded Music results include $248 million in revenue from PLG. Excluding PLG, Recorded Music revenue declined $111 million due to an overall light year-to-date release schedule, which was reflected in our physical and digital results, partially offset by strong artist services and expanded-rights revenue. Excluding the impact of PLG revenue, physical revenue declined $169 million. The decline was driven by the ongoing shift in demand towards digital product, and was further compounded by a comparatively light release schedule in the current period. We continued to see growth in streaming services revenue, which grew $157 million in total, and $117 million excluding the impact of PLG revenue, reflecting the increased consumer demand for streaming services. Offsetting this growth was a $59 million decline in digital download revenue, or a $106 million decline excluding the impact of PLG revenue. Artist services and expanded-rights revenue increased $60 million, or $56 million excluding the impact of PLG, primarily as a result of strong concert promotion revenue in Europe due to the timing of tours. Licensing revenue increased $31 million primarily due to $34 million of licensing revenue from PLG. Excluding the favorable impact of foreign currency exchange rates, total Recorded Music revenue increased by $138 million, or 8%.

Music Publishing revenues increased by $10 million, or 3%, to $387 million for the nine months ended June 30, 2014 from $377 million for the nine months ended June 30, 2013. Prior to intersegment eliminations, Music Publishing revenues represented 17% and 18% of consolidated revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively. U.S. Music Publishing revenues were $144 million and $139 million, or 37%, of Music Publishing revenues for both the nine months ended June 30, 2014 and June 30, 2013. International Music Publishing revenues were $243 million and $238 million, or 63%, of Music Publishing revenues for both the nine months ended June 30, 2014 and June 30, 2013.

The increase in Music Publishing revenue was due to increases in performance revenue, synchronization revenue and digital revenue partially offset by a decrease in mechanical revenue. The increase in performance revenue was driven by the timing of collection society distributions. The increase in synchronization revenue was driven by increases in commercial income, karaoke licensing income and video game income due to new licensing deals, partially offset by a decline in television program income. In addition, digital revenue continued to grow primarily due to a $10 million increase in streaming services revenue. The decrease in mechanical revenue was driven by the ongoing transition towards digital product in the music industry. Excluding the favorable impact of foreign currency exchange rates, total Music Publishing revenue increased by $8 million, or 2%.

Revenue by Geographical Location

U.S. revenue decreased by $26 million, or 3%, to $846 million for the nine months ended June 30, 2014 from $872 million for the nine months ended June 30, 2013. U.S. Recorded Music revenue decreased $31 million, or $75 million excluding the impact of PLG revenue. The primary driver was the decrease in U.S. Recorded Music physical revenue which declined $46 million, or $61 million excluding the impact of PLG revenue. The physical decline was due to the ongoing shift in demand towards digital product and as well as the timing of the release schedule in the current period. U.S. Recorded Music digital revenue increased $8 million, but decreased $19 million excluding the impact of PLG revenue. This decline reflected a comparatively light release schedule in the current period. U.S. Recorded Music artist services and expanded-rights revenue increased $8 million due to higher merchandise and managed tour income. U.S. Music Publishing revenue increased $5 million primarily due to an increase of $4 million in synchronization revenue as a result of an increase in commercial income, a $4 million increase in digital revenue due to an increase in streaming services revenue, partially offset by a decline in mechanical revenue of $1 million.

International revenue increased by $173 million, or 14%, to $1.423 billion for the nine months ended June 30, 2014 from $1.250 billion for the nine months ended June 30, 2013. International Recorded Music revenue increased $168 million, but decreased $36 million excluding the impact of PLG revenue. International Recorded Music physical revenue decreased $1 million, or $108 million excluding the impact of PLG revenue. The physical decline was due to the ongoing shift in demand towards digital product and a comparatively light release schedule in the current period. Offsetting this decrease was an increase in digital revenue of $85 million, or $24 million excluding the impact of PLG revenue. The main driver of the $24 million increase was a $70 million increase in streaming services revenue, reflecting the increased consumer demand and increasing availability of streaming access models internationally, offset by a $42 million decline in digital download revenue and a $4 million decline in mobile revenue. International Recorded Music artist services and expanded-rights revenue increased $52 million, or $48 million excluding PLG revenue, due to higher concert promotion revenue. The $48 million increase was due to a $34 million increase in Italy for tours from artists including Ligabue, a $24 million increase in France for tours from artists including Christophe Maé, partially offset by a $14 million decrease in Japan, resulting from the Superfly tour in the prior year period. International Recorded Music Licensing revenue increased $32 million primarily due to PLG. International Music Publishing revenue increased $5 million primarily due to a $5 million increase in performance revenue due to the timing of a collection society distribution and a $5 million increase in digital revenue due to an increase in streaming services revenue, partially offset by a $5 million decline in mechanical revenue driven by the ongoing transition towards digital product in the music industry. Excluding the favorable impact of foreign currency exchange rates, total international revenue increased $172 million, or 14%.

Cost of revenues

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

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
Artist and repertoire costs	$ 753	$ 718	$35	5 %
Product costs	424	385	39	10 %
Total cost of revenues	$ 1,177	$ 1,103	$74	7 %

Total cost of revenues increased by $74 million, or 7%, to $1.177 billion for the nine months ended June 30, 2014 from $1.103 billion for the nine months ended June 30, 2013. Expressed as a percentage of revenues, cost of revenues remained flat at 52% for both the nine months ended June 30, 2014 and June 30, 2013.

Artist and repertoire costs increased by $35 million, or 5%, to $753 million for the nine months ended June 30, 2014 from $718 million for the nine months ended June 30, 2013 primarily due to higher royalty expense associated with higher revenues. Artist and repertoire costs as a percentage of revenue revenues decreased slightly to 33% for the nine months ended June 30, 2014 from 34% for the nine months ended June 30, 2013.

Product costs increased by $39 million, or 10%, to $424 million for the nine months ended June 30, 2014 from $385 million for the nine months ended June 30, 2013. The increase was primarily driven by an increase in revenue. Product costs also includes $4 million of other integration costs associated with the PLG Acquisition, primarily related to supply chain integration. Product costs as a percentage of revenue increased slightly to 19% for the nine months ended June 30, 2014 from 18% for the nine months ended June 30, 2013, primarily due to the revenue mix resulting from an increase in the artist services and expanded-rights product costs associated with higher concert promotion revenue, partially offset by lower product costs associated with lower third party distribution revenue. Both concert promotion revenue and revenue associated with third party distribution tend to yield lower margins than our traditional revenue streams.

Selling, general and administrative expense

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

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change

General and administrative expense (1)	$ 496	$ 392	$ 104	27 %
Selling and marketing expense	344	311	33	11 %
Distribution expense	45	42	3	7 %
Total selling, general and administrative expense	$ 885	$ 745	$ 140	19 %

(1) Includes depreciation expense of $39 million and $38 million for the nine months ended June 30, 2014 and June 30, 2013, respectively.

Total selling, general and administrative expense increased by $140 million, or 19%, to $885 million for the nine months ended June 30, 2014 from $745 million for the nine months ended June 30, 2013. Expressed as a percentage of revenues, selling, general and administrative expense increased to 39% for the nine months ended June 30, 2014 from 35% for the nine months ended June 30, 2013. Total selling, general and administrative expense includes $40 million of PLG overhead costs.

General and administrative expense increased by $104 million, or 27%, to $496 million for the nine months ended June 30, 2014 from $392 million for the nine months ended June 30, 2013. The increase in general and administrative expense was primarily due to a $39 million increase in PLG restructuring costs, a $37 million increase in PLG Acquisition related professional fees from our participation in the sales process and other integration costs, including transitional employees, PLG overhead costs, and an $18 million increase in facilities cost due to the overlap in terms on the lease of our new corporate headquarters with our existing headquarters lease and costs associated with terminating one of our New York office leases. These increases were partially offset by a $9 million decrease in variable compensation, a $6 million decrease in severance charges unrelated to the PLG Acquisition and a $3 million decrease in share-based compensation expense. Expressed as a percentage of revenue, general and administrative expense increased to 22% for the nine months ended June 30, 2014 from 19% for the nine months ended June 30, 2013 as a result of these non-recurring charges.

Selling and marketing expense increased by $33 million, or 11%, to $344 million for the nine months ended June 30, 2014 from $311 million for the nine months ended June 30, 2013. Selling and marketing expense increased in line with the increase in revenue and was largely the result of higher variable marketing spending. Expressed as a percentage of revenue, selling and marketing expense remained flat at 15% for both the nine months ended June 30, 2014 and June 30, 2013.

Distribution expense increased by $3 million, or 7%, to $45 million for the nine months ended June 30, 2014 from $42 million for the nine months ended June 30, 2013. Expressed as a percentage of revenue, distribution expense remained flat at 2% for both the nine months ended June 30, 2014 and June 30, 2013.

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

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

	For the Nine Months Ended			
	June 30, 2014	2013	2014 vs. 2013 $ Change	% Change
OIBDA	$ 233	$ 297	$ (64)	-22 %
Depreciation expense	(39)	(38)	(1)	3 %
Amortization expense	(199)	(143)	(56)	39 %
Operating (loss) income	(5)	116	(121)	-104 %
Loss on extinguishment of debt	(141)	(85)	(56)	66 %
Interest expense, net	(157)	(149)	(8)	5 %
Other expense, net	(3)	(11)	8	-73 %
Loss before income taxes	(306)	(129)	(177)	137 %
Income tax benefit (expense)	27	(8)	35	— %
Net loss	(279)	(137)	(142)	104 %
Less: Income attributable to noncontrolling interest	(3)	(4)	1	-25 %
Net loss attributable to Warner Music Group Corp.	$ (282)	$ (141)	$ (141)	100 %

OIBDA

OIBDA decreased by $64 million, or 22%, to $233 million for the nine months ended June 30, 2014 as compared to $297 million for the nine months ended June 30, 2013 primarily as a result of increased selling, general and administrative expense mainly due to non-recurring charges related to PLG restructuring and integration costs as well as facilities costs related to moving our headquarters, as noted above. Expressed as a percentage of total revenue, OIBDA decreased to 10% for the nine months ended June 30, 2014 from 14% for the nine months ended June 30, 2013.

Depreciation expense

Depreciation expense increased by $1 million, or 3%, to $39 million for the three months ended June 30, 2014 from $38 million for the three months ended June 30, 2013.

Amortization expense

Amortization expense increased by $56 million, or 39%, to $199 million for the nine months ended June 30, 2014 from $143 million for the nine months ended June 30, 2013 due to the PLG Acquisition and the resulting increase in amortizable intangible assets.

Operating (loss) income

Operating (loss) income decreased by $121 million, or 104%, to an operating loss of $5 million for the nine months ended June 30, 2014 from operating income of $116 million for the nine months ended June 30, 2013. The decrease in operating (loss) income was due to the factors that led to the decrease in OIBDA noted above and the increase in depreciation and amortization expense, as noted above.

Loss on extinguishment of debt

On April 9, 2014, we completed the 2014 Refinancing. We made a redemption payment of $869 million, which included the repayment of our previously outstanding $765 million 11.5% Senior Notes due 2018, tender/call premiums of $85 million and consent fees of approximately $19 million. As a result, we recorded a $141 million loss on the extinguishment of debt for the nine months ended June 30, 2014, which represents the difference between the redemption payment and the carrying value of the debt, including unamortized discounts of $13 million and unamortized debt and issuance costs of $24 million as of the refinancing date.

On November 1, 2012, we completed a refinancing of our then outstanding Senior Secured Notes due 2016. We made a redemption payment of $1.377 billion, which included the repayment of our previously outstanding $1.250 billion Old Secured Notes, tender/call premiums of $93 million and consent fees of approximately $34 million. As a result, we recorded an $83 million loss on the extinguishment of debt for the nine months ended June 30, 2013, which represents the difference between the redemption payment and the carrying value of the debt as of the refinancing date. Additionally, on June 21, 2013, we redeemed 10% of our then outstanding Senior Secured Notes due 2021. As a result, we recorded an additional loss on the extinguishment of debt of $2 million for the nine months ended June 30, 2013, which represents the premium paid on early redemption.

Interest expense, net

Interest expense, net, increased by $8 million, or 5%, to $157 million for the nine months ended June 30, 2014 from $149 million for the nine months ended June 30, 2013. The increase was primarily driven by the additional debt incurred as a result of the PLG Acquisition, partially offset by lower interest rates as a result of the refinancing of certain debt obligations in the prior fiscal year as well as the paydown of debt in the prior fiscal year.

Other expense, net

Other expense, net, decreased by $8 million, or 73%, to $3 million for the nine months ended June 30, 2014 as compared to $11 million for the nine months ended June 30, 2013. Other expense, net, includes net hedging losses on foreign exchange contracts, which represent currency exchange movements associated with intercompany receivables and payables that are short term in nature, and equity losses on our share of net income or loss on investments recorded in accordance with the equity method of accounting for an unconsolidated investee.

Income tax benefit (expense)

We incurred an income tax benefit of $27 million for the nine months ended June 30, 2014 as compared to an income tax expense of $8 million for the nine months ended June 30, 2013. The increase in the income tax benefit primarily relates to a higher pretax loss as a result of the 2014 Refinancing and related loss on extinguishment of debt, the PLG restructuring costs and the PLG Acquisition related professional fees and other integration costs for the nine months ended June 30, 2014.

Net loss

Net loss increased by $142 million, or 104%, to $279 million for the nine months ended June 30, 2014 from $137 million for the nine months ended June 30, 2013 as a result of the factors described above.

Noncontrolling interest

Income attributable to noncontrolling interest was $3 million for the nine months ended June 30, 2014 and $4 million for the nine months ended June 30, 2013.

Business Segment Results

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

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
Recorded Music				
Revenue	$ 1,882	$ 1,745	$137	8 %
OIBDA	203	262	(59)	-23 %
Operating income	$ 27	$ 141	$(114)	-81 %
Music Publishing				
Revenue	$ 387	$ 377	$10	3 %
OIBDA	98	97	1	1 %
Operating income	$ 45	$ 47	$(2)	-4 %
Corporate expenses and eliminations				
Revenue elimination	$ (13)	$ (15)	$2	-13 %
OIBDA	(68)	(62)	(6)	10 %
Operating loss	$ (77)	$ (72)	$(5)	7 %
Total				
Revenue	$ 2,256	$ 2,107	$149	7 %
OIBDA	233	297	(64)	-22 %
Operating (loss) income	$ (5)	$ 116	$(121)	-104 %

Recorded Music

Revenues

Recorded Music revenue increased by $137 million, or 8%, to $1.882 billion for the nine months ended June 30, 2014 from $1.745 billion for the nine months ended June 30, 2013. Prior to intersegment eliminations, Recorded Music revenues represented 83% and 82% of consolidated revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively. U.S. Recorded Music revenues were $702 million and $733 million, or 37% and 42%, of consolidated Recorded Music revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively. International Recorded Music revenues were $1.180 billion and $1.012 billion, or 63% and 58%, of consolidated Recorded Music revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively.

The overall Recorded Music results include $248 million in revenue from PLG. Excluding PLG, Recorded Music revenue declined $111 million due to an overall light year-to-date release schedule, which was reflected in our physical and digital results, partially offset by strong artist services and expanded-rights revenue. Excluding the impact of PLG revenue, physical revenue declined $169 million. The decline was driven by the ongoing shift in demand towards digital product, and was further compounded by a comparatively light release schedule in the current period. We continued to see growth in streaming services revenue, which grew $157 million in total, and $117 million excluding the impact of PLG revenue, reflecting the increased consumer demand for streaming services. Offsetting this growth was a $59 million decline in digital download revenue, or a $106 million decline excluding the impact of PLG revenue. Artist services and expanded-rights revenue increased $60 million, or $56 million excluding the impact of PLG, primarily as a result of strong concert promotion revenue in Europe due to the timing of tours. Licensing revenue increased $31 million primarily due to $34 million of licensing revenue from PLG. Excluding the favorable impact of foreign currency exchange rates, total Recorded Music revenue increased by $138 million, or 8%.

Cost of revenues

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

	For the Nine Months Ended June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
Artist and repertoire costs	$ 529	$ 500	$ 29	6 %
Product costs	424	385	39	10 %
Total cost of revenues	$ 953	$ 885	$ 68	8 %

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Recorded Music cost of revenues increased by $68 million, or 8%, to $953 million for the nine months ended June 30, 2014 from $885 million for the nine months ended June 30, 2013. The increase in Recorded Music artist and repertoire costs was primarily due to higher royalty expense associated with higher revenues. The increase in Recorded Music product costs was primarily driven by an increase in revenue. Recorded Music product costs also includes $4 million of other integration costs associated with the PLG Acquisition, primarily related to supply chain integration. Expressed as a percentage of Recorded Music revenue, Recorded Music cost of revenues remained flat at 51% for both the nine months ended June 30, 2014 and June 30, 2013, primarily due to the revenue mix resulting from an increase in the artist services and expanded-rights product costs associated with higher concert promotion revenue, partially offset by lower product costs associated with lower third party distribution revenue. Both concert promotion revenue and revenue associated with third party distribution tend to yield lower margins than our traditional revenue streams.

Selling, general and administrative expense

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

	For the Nine Months Ended			
	June 30, 2014	2013	2014 vs. 2013 $ Change	% Change
General and administrative expense (1)	$ 367	$ 273	$94	34 %
Selling and marketing expense	340	307	33	11 %
Distribution expense	45	42	3	7 %
Total selling, general and administrative expense	$ 752	$ 622	$130	21 %

(1) Includes depreciation expense of $26 million and $24 million for the nine months ended June 30, 2014 and June 30, 2013, respectively.

Recorded Music selling, general and administrative expense increased by $130 million, or 21%, to $752 million for the nine months ended June 30, 2014 from $622 million for the nine months ended June 30, 2013. Expressed as a percentage of Recorded Music revenue, Recorded Music selling, general and administrative expense increased to 40% for the nine months ended June 30, 2014 from 36% for the nine months ended June 30, 2013. Recorded Music selling, general and administrative expense includes $40 million of PLG overhead costs.

Recorded Music general and administrative expense increased by $94 million, or 34%, to $367 million for the nine months ended June 30, 2014 from $273 million for the nine months ended June 30, 2013. The increase in Recorded Music general and administrative expense was primarily due to a $39 million increase in PLG restructuring costs, a $43 million increase in PLG Acquisition related professional fees and other integration costs, including transitional employees and PLG overhead costs. These increases were partially offset by a $10 million decrease in variable compensation, a $6 million decrease in severance charges unrelated to the PLG Acquisition and a $2 million decrease in share-based compensation expense. Expressed as a percentage of Recorded Music revenue, Recorded Music general and administrative expense increased to 20% for the nine months ended June 30, 2014 from 16% for the nine months ended June 30, 2013 as a result of these non-recurring charges.

Recorded Music selling and marketing expense increased by $33 million, or 11%, to $340 million for the nine months ended June 30, 2014 from $307 million for the nine months ended June 30, 2013. Recorded Music selling and marketing expense increased in line with the increase in revenue and was largely the result of higher variable marketing spending. Expressed as a percentage of Recorded Music revenue, Recorded Music selling and marketing expense remained flat at 18% for both the nine months ended June 30, 2014 and June 30, 2013.

Recorded Music distribution expense increased by $3 million, or 7%, to $45 million for the nine months ended June 30, 2014 from $42 million for the nine months ended June 30, 2013. Expressed as a percentage of Recorded Music revenue, Recorded Music distribution expense remained flat at 2% for both the nine months ended June 30, 2014 and June 30, 2013.

OIBDA and Operating Income

Recorded Music operating income was composed of the following amounts (in millions):

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
OIBDA	$ 203	$ 262	$ (59)	-23 %
Depreciation and amortization	(176)	(121)	(55)	45 %
Operating income	$ 27	$ 141	$ (114)	-81 %

Recorded Music OIBDA decreased by $59 million, or 23%, to $203 million for the nine months ended June 30, 2014 from $262 million for the nine months ended June 30, 2013 as a result of the flow through of higher Recorded Music revenue offset by increased Recorded Music selling, general and administrative expense mainly due to non-recurring charges related to PLG restructuring and integration costs, as noted above. Expressed as a percentage of Recorded Music revenue, Recorded Music OIBDA decreased to 11% for the nine months ended June 30, 2014 from 15% for the nine months ended June 30, 2013. This percentage decrease was primarily driven by the increase in costs as a percentage of revenue for Recorded Music selling, general and administrative expense as a result of these non-recurring charges.

Recorded Music operating income decreased by $114 million, or 81%, due to the factors that led to the decrease in Recorded Music OIBDA noted above and the increase in Recorded Music amortization expense due to the PLG Acquisition and the resulting increase in amortizable intangible assets.

Music Publishing

Revenues

Music Publishing revenues increased by $10 million, or 3%, to $387 million for the nine months ended June 30, 2014 from $377 million for the nine months ended June 30, 2013. Prior to intersegment eliminations, Music Publishing revenues represented 17% and 18% of consolidated revenues for the nine months ended June 30, 2014 and June 30, 2013, respectively. U.S. Music Publishing revenues were $144 million and $139 million, or 37%, of Music Publishing revenues for both the nine months ended June 30, 2014 and June 30, 2013. International Music Publishing revenues were $243 million and $238 million, or 63%, of Music Publishing revenues for both the nine months ended June 30, 2014 and June 30, 2013.

The increase in Music Publishing revenue was due to increases in performance revenue, synchronization revenue and digital revenue partially offset by a decrease in mechanical revenue. The increase in performance revenue was driven by the timing of collection society distributions. The increase in synchronization revenue was driven by increases in commercial income, karaoke licensing income and video game income due to new licensing deals, partially offset by a decline in television program income. In addition, digital revenue continued to grow primarily due to a $10 million increase in streaming services revenue. The decrease in mechanical revenue was driven by the ongoing transition towards digital product in the music industry. Excluding the favorable impact of foreign currency exchange rates, total Music Publishing revenue increased by $8 million, or 2%.

Cost of revenues

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

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
Artist and repertoire costs	$ 237	$ 233	$ 4	2 %
Total cost of revenues	$ 237	$ 233	$ 4	2 %

Music Publishing cost of revenues increased by $4 million, or 2%, to $237 million for the nine months ended June 30, 2014 from $233 million for the nine months ended June 30, 2013, primarily driven by the increase in revenue. Expressed as a percentage of Music Publishing revenue, Music Publishing cost of revenues decreased slightly to 61% for the nine months ended June 30, 2014 from 62% for the nine months ended June 30, 2013 due to the revenue mix.

Selling, general and administrative expense

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

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
General and administrative expense (1)	$ 55	$ 49	$ 6	12 %
Selling and marketing expense	1	2	(1)	-50 %
Total selling, general and administrative expense	$ 56	$ 51	$ 5	10 %

(1) Includes depreciation expense of $4 million for both the nine months ended June 30, 2014 and June 30, 2013.
Music Publishing selling, general and administrative expense increased by $5 million, or 10%, to $56 million for the nine months ended June 30, 2014 from $51 million for the nine months ended June 30, 2013 primarily driven by an increase in variable compensation, an increase in professional fees including non-capitalized computer consulting costs related to IT investments. Expressed as a percentage of Music Publishing revenue, Music Publishing selling, general and administrative expense remained flat at 14% for both the nine months ended June 30, 2014 and June 30, 2013.

OIBDA and Operating Income

Music Publishing operating income was composed of the following amounts (in millions):

	For the Nine Months Ended			
	June 30,		2014 vs. 2013	
	2014	2013	$ Change	% Change
OIBDA	$ 98	$ 97	$ 1	1 %
Depreciation and amortization	(53)	(50)	(3)	6 %
Operating income	$ 45	$ 47	$ (2)	-4 %

Music Publishing OIBDA increased by $1 million, or 1%, to $98 million for the nine months ended June 30, 2014 from $97 million for the nine months ended June 30, 2013 as a result of the flow through of higher Music Publishing revenue slightly offset by increased Music Publishing selling, general and administrative expense. Expressed as a percentage of Music Publishing revenue, Music Publishing OIBDA decreased to 25% for the nine months ended June 30, 2014 from 26% for the nine months ended June 30, 2013.

Music Publishing operating income decreased by $2 million, or 4%, due to the factors that led to the increase in Music Publishing OIBDA noted above offset by the $3 million increase in Music Publishing depreciation and amortization expense.

Corporate Expenses and Eliminations

Our OIBDA loss from corporate expenses and eliminations increased by $6 million to $68 million for the nine months ended June 30, 2014 from $62 million for the nine months ended June 30, 2013. The increase was primarily due to a $12 million increase in facilities cost due to the costs associated with terminating one of our New York office leases and overlap in terms on the lease of our new corporate headquarters with our existing headquarters lease offset by a $6 million decrease in professional fees related to our participation in the sales process and acquisition of PLG.

Our operating loss from corporate expenses and eliminations increased by $5 million to $77 million for the nine months ended June 30, 2014 from $72 million for the nine months ended June 30, 2013 due to the increase in OIBDA loss noted above offset by a $1 million decrease in depreciation expense.

FINANCIAL CONDITION AND LIQUIDITY

Financial Condition

At June 30, 2014, we had $3.046 billion of debt, $142 million of cash and equivalents (net debt of $2.904 billion, defined as total debt less cash and equivalents) and $442 million in Warner Music Group Corp. equity. This compares to $2.867 billion of debt, $155 million of cash and equivalents (net debt of $2.712 billion, defined as total debt less cash and equivalents) and $726 million of Warner Music Group Corp. equity at September 30, 2013. Net debt increased by $192 million during the nine months ended June 30, 2014 primarily as a result of the 2014 Refinancing and a $13 million decrease in cash and equivalents.

The $284 million decrease in Warner Music Group Corp. equity during the nine months ended June 30, 2014 was primarily due to $282 million of net loss for the nine months ended June 30, 2014.

Cash Flows

The following table summarizes our cash flows. The financial data for the nine months ended June 30, 2014 and June 30, 2013 are unaudited and are derived from our interim financial statements included elsewhere herein. The cash flow was composed of the following (in millions):

	For the Nine Months Ended	
	June 30,	
	2014	2013
Cash provided by (used in):		
Operating Activities	$ 41	$ 147
Investing Activities	(92)	(76)
Financing Activities	43	(260)

Operating Activities

Cash provided by operating activities was $41 million for the nine months ended June 30, 2014 as compared with cash provided by operating activities of $147 million for the nine months ended June 30, 2013. A large driver of the decline in operating cash was the $64 million decline in OIBDA due to PLG related restructuring and other integration costs. Additionally, accounts payable and royalties payable drove the decline in operating cash due to payout of back-ended prior year expenses. Partially offsetting this was an increase in operating cash from deferred revenue which was a source of operating cash due to timing of contractual advances on large digital service deals.

Investing Activities

Cash used in investing activities was $92 million for the nine months ended June 30, 2014 as compared with cash used in investing activities of $76 million for the nine months ended June 30, 2013. The $92 million of cash used in investing activities for the nine months ended June 30, 2014 consisted of $26 million of business acquisitions, $20 million to acquire music publishing rights and $46 million of capital expenditures. The business acquisition payments represent cash paid for new acquisitions as well as contingent consideration on business acquisitions completed in prior years. The $76 million of cash used in investing activities for the nine months ended June 30, 2013, consisted of $35 million to acquire music publishing rights, $23 million for capital expenditures, and $18 million to acquire businesses. The $23 million increase in capital expenditures was primarily due to further IT investments and leasehold improvements related to our new corporate headquarters.

Financing Activities

Cash provided by financing activities was $43 million for the nine months ended June 30, 2014 as compared with cash used in financing activities of $260 million for the nine months ended June 30, 2013. The $43 million of cash provided by financing activities for the nine months ended June 30, 2014 reflected the $54 million net proceeds from the 2014 Refinancing, which included proceeds from the issuance of $935 million in new notes offset by $765 million in repayment of principal debt, $104 million of premiums and consent fees and $12 million of deferred financing costs. It also included $7 million in amortization payments on the Senior Term Loan Facility, a $2 million repayment on our capital lease obligation and a $2 million distribution to our non-controlling interest holders.

The total gross amount of proceeds from the Revolving Credit Facility of $490 million was an aggregate of all drawdowns during the period. Individual amounts were drawn and repaid in full during the period, with no Revolving Credit Facility balance outstanding at period end, mainly to supplement short-term U.S. operating liquidity needs throughout the period. As of June 30, 2014, a significant portion of our operating cash balance resided outside of our U.S. operating companies.

The $260 million of cash used in financing activities for the nine months ended June 30, 2013 included the repayment of $1.250 billion of Existing Secured Notes due 2016, proceeds from the issuance of the Existing Senior Secured Notes of $727 million and subsequent repayment of $73 million, proceeds from the Senior Term Loan Facility of $594 million and subsequent repayment of $110 million, net proceeds of $25 million from the Revolving Credit facility, $129 million of premiums and consent fees, $42 million of deferred financing costs, and $2 million of distributions to non-controlling interest holders.

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, including the closing working capital adjustment in connection with our acquisition of PLG, if any, and any dividends, prepayments of debt or repurchases of our outstanding notes in open market purchases, privately negotiated purchases or otherwise, we may elect to pay or make in the future. We believe that our existing sources of cash will be sufficient to support our existing operations over the next fiscal year.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity" in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 for a description of the terms of our indebtedness.

Existing Debt as of June 30, 2014

As of June 30, 2014, our long-term debt, including the current portion, was as follows (in millions):

Revolving Credit Facility (a)	$—
Term Loan Facility due 2020—Acquisition Corp. (b)	1,297
5.625% Senior Secured Notes due 2022—Acquisition Corp.	275
6.00% Senior Secured Notes due 2021—Acquisition Corp.	450
6.25% Senior Secured Notes due 2021—Acquisition Corp. (c)	214
6.75% Senior Notes due 2022—Acquisition Corp.	660
13.75% Senior Notes due 2019—Holdings	150
Total long-term debt, including the current portion	$3,046

(a) Reflects $150 million of commitments under the Revolving Credit Facility, less letters of credit outstanding of approximately $11 million at June 30, 2014. There were no loans outstanding under the Revolving Credit Facility at June 30, 2014.
(b) Principal amount of $1.303 billion less unamortized discount of $6 million at June 30, 2014. Of this amount, $13 million at June 30, 2014, representing the scheduled amortization of the Term Loan Facility, was included in the current portion of long-term debt.
(c) Face amount of €158 million. Amount above represents the dollar equivalent of such notes at June 30, 2014.

Covenant Compliance

The Company was in compliance with its covenants under its outstanding notes, Revolving Credit Facility and Senior Term Loan Credit Facility as of June 30, 2014.

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

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

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

The following is a reconciliation of net loss, which is a U.S. GAAP measure of our operating results, to Consolidated EBITDA as defined, and the calculation of the Consolidated Funded Indebtedness to Consolidated EBITDA ratio, which we refer to as the Leverage Ratio, under our Revolving Credit Agreement for the most recently ended four fiscal quarters, or twelve months ended June 30, 2014. The terms and related calculations are defined in the Revolving Credit Agreement. All amounts in the reconciliation below reflect WMG Acquisition Corp. (in millions, except ratios):

	Twelve Months Ended June 30, 2014		
Net Loss	$	(314	)
Income tax expense		(64	)
Interest expense, net		188	
Depreciation and amortization		315	
Restructuring costs (a)		67	
Net hedging and foreign exchange losses (b)		7	
Management fees (c)		9	
Transaction costs (d)		93	
Business optimization expenses (e)		14	
Loss on extinguishment of debt (f)		141	
Share-based compensation expense (g)		16	
Other non-cash charges (h)		18	
Pro forma impact of specified transactions (i)		82	
Pro Forma Consolidated EBITDA	$	572	
Consolidated Funded Indebtedness (j)	$	2,996	
Leverage Ratio (k)		4.99x	

(a) Reflects severance costs and other restructuring related expenses.
(b) Reflects net losses from hedging activities and realized losses due to foreign exchange.
(c) Reflects management fees paid to Access, including an annual fee and related expenses (excludes expenses reimbursed related to certain consultants with full-time roles at the Company).
(d) Reflects costs mainly related to the Company's participation in the EMI sale process, including the subsequent regulatory review, as well as other integration and nonrecurring costs related to the PLG Acquisition.
(e) Primarily reflects costs associated with IT systems updates.

(f) Reflects the loss incurred on the early extinguishment of our debt incurred as part of the 2014 Refinancing.
(g) Reflects compensation expense related to the Warner Music Group Corp. Senior Management Free Cash Flow Plan.
(h) Reflects all non-cash charges not included in other items above, including but not limited to impairment and purchase accounting charges.
(i) Reflects the $76 million impact for the PLG Acquisition and the $6 million impact for the Gold Typhoon Group acquisition, as if the specified transactions had occurred on the first day of the June 30, 2014 measurement period. This amount does not include the actual results related to PLG already included in the Consolidated Statements of Operations for the three or nine months ended June 30, 2014 as set forth in Note 4 to the Consolidated Interim Financial Statements. Pro forma savings reflected in the table above related to PLG reflect a portion, approximately $40 million, of previously announced targeted savings following the PLG Acquisition of approximately $70 million (less already achieved savings of approximately $30 million) and other synergies resulting from or related to the PLG Acquisition.
(j) Reflects the pro forma principal balance of external debt at Acquisition Corp of $2.9 billion as if the 2014 Refinancing occurred on the first day of the June 30, 2014 measurement period, plus the annualized daily revolver borrowings of $58 million, plus contractual obligations of deferred purchase price of $7 million, plus contingent consideration related to acquisitions of $9 million, plus the implied principal component under capital lease obligation of $20 million.

(k) Reflects the ratio of Consolidated Funded Indebtedness to Consolidated EBITDA for the twelve months ended June 30, 2014. This is calculated net of cash and equivalents of the Company as of June 30, 2014 not exceeding $150 million. If the outstanding aggregate principal amount of borrowings under our New Revolving Credit Facility is greater than $30 million at the end of a fiscal quarter, the maximum leverage ratio permitted under our New Revolving Credit Facility was 5.75x as of the end of any remaining fiscal quarter in fiscal 2014. The Company's New Revolving Credit Facility does not impose any "leverage ratio" restrictions on the Company when the aggregate principal amount of borrowings under the new revolving credit facility is less than $30 million at the end of a fiscal quarter.

Summary

Management believes that funds generated from our operations and borrowings under our Revolving Credit Facility will be sufficient to fund our debt service requirements, working capital requirements and capital expenditure requirements for the foreseeable future. We also have additional borrowing capacity under our indentures and Term Loan Facility. However, our ability to continue to fund these items and to reduce debt may be affected by general economic, financial, competitive, legislative and regulatory factors, as well as other industry-specific factors such as the ability to control music piracy and the continued transition from physical to digital sales in the recorded music business. We or any of our affiliates may also, from time to time depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to prepay outstanding debt or repurchase our or Holdings' outstanding debt securities open market purchases, privately negotiated purchases or otherwise. The amounts involved in any such transactions, individually or in the aggregate, may be material and may be funded from available cash or from additional borrowings. In addition, we may from time to time, depending on market conditions and prices, contractual restrictions, our financial liquidity and other factors, seek to refinance our Senior Credit Facilities or our, or Holdings', outstanding 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, 2013, we are exposed to market risk arising from changes in market rates and prices, including movements in foreign currency exchange rates and interest rates. As of June 30, 2014, other than as described below, there have been no material changes to the Company's exposure to market risk since September 30, 2013.

Foreign Currency Risk

We have transactional exposure to changes in foreign currency exchange rates relative to the U.S. dollar due to the global scope of our operations. We may at times choose to use foreign exchange contracts, primarily to hedge the risk that unremitted or future royalties and license fees owed to our domestic companies for the sale, or anticipated sale, of U.S.-copyrighted products abroad may be adversely affected by changes in foreign currency exchange rates. We focus on managing the level of exposure to the risk of foreign currency exchange rate fluctuations on our major currencies, which include the British pound sterling, euro, Japanese yen, Canadian dollar, Swedish krona and Australian dollar. As of June 30, 2014, the Company had outstanding hedge contracts for the sale of $17 million of foreign currencies at fixed rates. Subsequent to June 30, 2014, certain of our foreign exchange contracts expired and were renewed with new foreign exchange contracts with similar features.

The fair value of foreign exchange contracts is subject to changes in foreign currency exchange rates. For the purpose of assessing the specific risks, we use a sensitivity analysis to determine the effects that market risk exposures may have on the fair value of our financial instruments. For foreign exchange forward contracts outstanding at June 30, 2014, 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 $2 million. Because our foreign exchange contracts are entered into for hedging purposes, these losses would be largely offset by gains on the underlying transactions.

Interest Rate Risk

We had $3.052 billion of principal debt outstanding at June 30, 2014, of which $1.303 billion was variable rate debt and $1.749 billion was fixed rate debt. As such, we are exposed to changes in interest rates. At June 30, 2014, 57% of the Company’s debt was at a fixed rate. In addition, at June 30, 2014, all of our floating rate debt under our Senior Term Loan Facility was subject to a LIBOR floor of 1.0%, which is in excess of the current LIBOR rate. The LIBOR floor has effectively turned these LIBOR loans into fixed rate debt until such time as the LIBOR rate moves higher than the floor.

Based on the level of interest rates prevailing at June 30, 2014, the fair value of the fixed-rate and variable rate debt was approximately $3.098 billion. Further, based on the amount of its fixed-rate debt, a 25 basis point increase or decrease in the level of interest rates would decrease or increase the fair value of the fixed-rate debt by approximately $20 million or $19 million, respectively. Due to the LIBOR floor of 1%, a 25 basis point increase or decrease in the level of interest rates would have no impact on the fair value of the Company's variable rate debt. This potential increase or decrease is based on the simplified assumption that the level of fixed-rate debt remains constant with an immediate across the board increase or decrease in the level of interest rates with no subsequent changes in rates for the remainder of the period.

ITEM 4. CONTROLS AND PROCEDURES

Certification

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

Introduction

The Securities and Exchange Commission's rules define "disclosure controls and procedures" as controls and procedures that are designed to ensure that information required to be disclosed by public companies in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by public companies in the reports that they file or submit under the Exchange Act is accumulated and communicated to a company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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

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

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

There have been no changes in our Internal Controls over financial reporting or other factors during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our Internal Controls.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 8 of Notes to Consolidated Interim Financial Statements (Unaudited) contained herein. Except as disclosed in Note 8 of Notes to the Consolidated Interim Financial Statements (Unaudited), there have been no new material legal proceedings and no new material developments in legal proceedings previously reported in the Annual Report on Form 10-K for the year ended September 30, 2013.

ITEM 1A. RISK FACTORS

In addition to the other information contained in this Quarterly Report on Form 10-Q, certain risk factors should be considered carefully in evaluating our business. A wide range of risks may affect our business and financial results, now and in the future. We consider the risks described in Part I, Item 1A"Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended September 30, 2013, and as updated in Part II, Item 1A"Risk Factors" of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, to be the most significant. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results.

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

Not applicable.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

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

Exhibit No.	Description
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-15(a) of the Securities Exchange Act of 1934, as amended*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Exhibit No.	Description
101.1	Financial statements from the Quarterly Report on Form 10-Q of Warner Music Group Corp. for the quarter ended June 30, 2014, filed on August 7, 2014, formatted in XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Cash Flows, (iv) Consolidated Statements of Equity Deficit and (v) Notes to Consolidated Interim Audited Financial Statements*

* Filed herewith.

** This certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject the liability of Section 18 of the Securities Exchange Act of 1934, as amended, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

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.

August 7, 2014

WARNER MUSIC GROUP CORP.

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

By:	/S/ BRIAN ROBERTS
Name:	Brian Roberts
Title:	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

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