UNIVERSAL MUSIC GROUP

Universal Music Group N.V. Reports Financial Results for the Fourth Quarter and Full Year Ended December 31, 2023

Summary Q4 2023 Results[1]

- Revenue of €3,208 million increased 9.0% year-over-year, or 15.6% in constant currency, driven by strong growth across all segments.
- Recorded Music subscription revenue grew 8.9% year-over-year, or 15.0% in constant currency and streaming revenue declined 1.3% year-over-year, but grew 5.6% in constant currency.
- Adjusted EBITDA of €677 million increased 9.2% year-over-year, or 15.1% in constant currency, and Adjusted EBITDA margin remained constant at 21.1% due in part to the headwind from a €15 million one-time item.
- Top sellers included Taylor Swift, The Rolling Stones, Drake, Jung Kook and Stray Kids.

Summary FY 2023 Results[1]

- Revenue of €11,108 million increased 7.4% year-over-year, or 11.1% in constant currency, driven by strong growth across all segments.
- Recorded Music subscription revenue grew 9.6% year-over-year, or 12.8% in constant currency and streaming revenue grew 0.4% year-over-year, or 3.6% in constant currency.
- Adjusted EBITDA of €2,369 million increased 11.0% year-over-year, or 14.6% in constant currency, and Adjusted EBITDA margin expanded 0.7 percentage points to 21.3% including headwinds from one-time items. Excluding all one-time items detailed in the Appendix, Adjusted EBITDA margin increased 1.2 percentage points year-over-year.
- Net cash provided by operating activities before income tax paid of €2,278 million increased 14.6% compared to €1,987 million in 2022.
- Subject to shareholder approval, final dividend proposal of €492 million, or €0.27 per share, which would bring total dividend for 2023 to €929 million, or €0.51 per share.

Strategic Organizational Redesign

- Announced a strategic organizational redesign which will generate €250m in annual run-rate savings by 2026, all of which is accretive to EBITDA, through a combination of headcount reduction and other operational efficiencies.
- First phase will achieve €125m in annual run-rate savings in 2025, including €75m in 2024.
- Plan is designed to achieve efficiencies in targeted cost areas while strengthening labels capabilities to deepen artist and fan connections.

2023 Business Highlights

- Global artist success, including: 9 of the Top 10 on the IFPI Global Recording Artist of the Year chart; 6 of the Top 10 global artists on Spotify; and 13 of the Top 20 most-streamed songs globally on Apple Music.
- Implementation of first artist-centric royalty models with Deezer and Spotify: Initial deals have been structured to better reward artists and music that are attracting and engaging fans, attack fraud and gaming, and reduce the amount of low-value content available on DSP platforms.

[1] This press release includes certain alternative performance indicators which are not defined in the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board as endorsed by the EU. The descriptions of these alternative performance indicators and reconciliations of non-IFRS to IFRS measures are included in the Appendix to this press release.

- Progress on strategy to accelerate investment in high-growth music markets: Closed catalogue acquisitions of RS Group in Thailand, and Oriental Star Agency, a British label focused on South Asian repertoire; and also closed the acquisition of UAE artist services business Chabaka, among other items.
- Responsible AI Initiatives: First music company to call on U.S. Congress for federal right of publicity to prevent deepfakes, and protect fans and artists from unethical uses of AI; established innovative partnerships focused on AI content development and responsible practices with early-stage entrepreneurs; forged a historic partnership with YouTube founded on key principles embracing creative community interests.

Hilversum, The Netherlands, February 28, 2024 -- Universal Music Group N.V. ("UMG" or "the Company") today announced its financial results for the fourth quarter and full year ended December 31, 2023.

"2023 was another exceptional year for UMG: creatively; financially; and strategically. From our artists' and songwriters' record-breaking performance, to our work advancing the industry through innovative business models, to our leadership fostering responsible AI, to driving our long-term strategy through partnership and thoughtful investment, UMG is uniquely positioned to seize the next wave of growth opportunities on behalf of its artists, employees and shareholders," said Sir Lucian Grainge, UMG's Chairman and CEO.

Boyd Muir, EVP, CFO and President of Operations for UMG, said, "We continued our strong performance in 2023, with robust top- and bottom-line growth driven by both our artists' and songwriters' exceptional performance, as well as progress across our strategic initiatives. The strong cash flow generated by our operations also allows us to make strategic, long-term investments in our company, while maintaining a healthy balance sheet and still returning significant cash to shareholders through our dividend program."

UMG Results

	Three Months Ended December 31,		%	%	Year ended December 31,		%	%
(in millions of euros)	2023	2022	YoY	const.	2023	2022	YoY	const.
	(unaudited)	*(unaudited)*			*(unaudited)*	*(unaudited)*		
Revenue	3,208	2,942	*9.0%*	*15.6%*	11,108	10,340	7.4%	*11.1%*
EBITDA	564	529	*6.6%*	*13.3%*	1,808	2,028	*(10.8%)*	*(7.8%)*
EBITDA margin	*17.6%*	*18.0%*	*(0.4pp)*		*16.3%*	*19.6%*	*(3.3pp)*	
Adjusted EBITDA	677	620	*9.2%*	*15.1%*	2,369	2,135	11.0%	*14.6%*
Adjusted EBITDA margin	*21.1%*	*21.1%*	*0.0pp*		*21.3%*	*20.6%*	*0.7pp*	
Operating Profit					1,418	1,600	*(11.4%)*	*(8.3%)*
Net profit attributable to equity holders of the parent					1,259	782	*61.0%*	
Adjusted Net Profit					1,595	1,454	*9.7%*	
Net Debt					1,689	1,810	*(6.7%)*	
Net cash provided by operating activities before income tax paid					2,278	1,987	*14.6%*	
Free Cash Flow					1,082	1,086	*(0.4%)*	
Weighted Average Number of Shares Outstanding					1,819	1,813		
EPS - basic					0.69	0.43		
EPS - diluted					0.68	0.43		
Adjusted EPS - basic					0.88	0.80		
Adjusted EPS - diluted					0.87	0.80		

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency. Constant currency is calculated by taking current year results and comparing against prior year results restated at current year rates.

Q4 2023 Results

Revenue for the fourth quarter of 2023 was €3,208 million, an increase of 9.0% year-over-year, or 15.6% in constant currency. UMG's Recorded Music, Music Publishing and Merchandising and Other segments all had strong revenue growth, as discussed further below.

EBITDA for the quarter grew 6.6% year-over-year, or 13.3% in constant currency, to €564 million, driven by the revenue growth. EBITDA margin was 17.6%, compared to 18.0% in the fourth quarter of 2022. EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €113 million during the fourth quarter of 2023, and by €91 million of non-cash share-based compensation expenses during the fourth quarter of 2022. Excluding these amounts, Adjusted EBITDA for the quarter was €677 million, up 9.2% year-over-year, or 15.1% in constant currency, driven by the revenue growth and €22 million in cash compensation savings associated with our equity plan rollout. Adjusted EBITDA margin remained constant at 21.1% compared to the fourth quarter of 2022.

As detailed in the Appendix, EBITDA and Adjusted EBITDA were negatively impacted by a €15 million Legal Provision. Excluding this item, Adjusted EBITDA grew 11.6% year-over-year, or 17.7% in constant currency, to €692 million and Adjusted EBITDA margin increased 0.5pp year-over-year to 21.6%, compared to 21.1% in Q4 2022.

EBITDA margin and Adjusted EBITDA margin reflect a headwind from repertoire mix and revenue mix, with strong growth in physical sales, which carry a lower EBITDA margin than digital sales, and with high growth in Merchandising and Other revenue, which carries a meaningfully lower EBITDA margin than Recorded Music and Music Publishing revenue.

FY 2023 Results

Revenue for 2023 of €11,108 million increased by 7.4% compared to 2022, or 11.1% in constant currency. This increase was driven by double-digit improvements across all segments, as discussed further below.

As detailed in the Appendix, 2023 revenue included the benefit of the Copyright Royalty Board Phonorecords III ruling. 2022 revenue included the benefit from the Change in Society Accounting and the Legal Settlement. Excluding these items from both years, full year revenue grew 8.7%, or 12.4% in constant currency.

Cost of revenues, consisting of artist and product costs, increased by 7.9% to €6,208 million in 2023 and Cost of revenues as a percentage of revenue increased to 55.9% in 2023 from 55.6% in 2022. Cost of revenues as a percentage of revenues increased due a greater proportion of Music Publishing and Merchandising and Other revenues, which have higher Cost of revenues compared to Recorded Music, and an increase in artist costs as a share of revenue due to Recorded Music repertoire mix.

Operating profit declined 11.4%, or 8.3% in constant currency, to €1,418 million in 2023 due to the higher non-cash share-based compensation expenses in 2023 compared to 2022 as discussed below.

EBITDA of €1,808 million decreased 10.8% year-over-year, or 7.8% in constant currency, and EBITDA margin was 16.3%, compared to 19.6% in the prior year period. EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €561 million during 2023 compared to €107 million during 2022. Excluding these amounts, Adjusted EBITDA was €2,369 million, up 11.0% in 2023, or 14.6% in constant currency, driven by the revenue growth. Adjusted EBITDA margin improved 0.7pp year-over-year to 21.3%.

As detailed in the Appendix, EBITDA and Adjusted EBITDA in 2023 were impacted by the Copyright Royalty Board Phonorecords III ruling and the Legal Provision while EBITDA and Adjusted EBITDA in 2022 were impacted by the Change in Society Accounting and the Legal Settlement. Excluding these items, Adjusted EBITDA grew 14.9% year-over-year, or 18.5% in constant currency, and Adjusted EBITDA margin increased 1.2pp year-over-year to 21.5%, compared to 20.3% in 2022, despite a margin headwind from repertoire mix and revenue mix, as discussed above.

Net profit attributable to equity holders of the parent for 2023 amounted to €1,259 million compared to €782 million in 2022, resulting in Basic EPS of €0.69 in 2023, compared to €0.43 in 2022, and Diluted EPS of €0.68 in 2023, compared to €0.43 in 2022. The increase in Net profit attributable to equity holders of the parent was due in part to the variance in revaluation of investments in listed companies (including Spotify and Tencent Music Entertainment, among others) that was a net income in 2023 of €425 million compared to a net expense in 2022 of €617 million. Adjusted net profit, which adjusts for the revaluation of investments, non-cash share-based compensation expense, amortization of catalogues and other items detailed in the Appendix, amounted to €1,595 million in 2023, compared to €1,454 million in 2022, resulting in Adjusted Basic EPS of €0.88 in 2023, compared to €0.80 in 2022 and Adjusted Diluted EPS of €0.87 in 2023, compared to €0.80 in 2022. The increase in Adjusted net profit was driven by the growth in Adjusted EBITDA.

Net debt, defined as total debt minus cash and cash equivalents, at the end of 2023 was €1,689 million compared to €1,810 million at the end of 2022. The net leverage ratio at year-end 2023, defined as Net debt over EBITDA, was 0.9x, consistent with 0.9x at year-end 2022.

Net cash provided by operating activities before income tax paid improved 14.6% to €2,278 million compared to €1,987 million in 2022, despite €132 million paid to settle employee tax liabilities from equity grants on non-cash share-based compensation. The improvement in Net cash provided by operating activities before income tax paid was due to the increase in Adjusted EBITDA, favourable working capital movements and lower royalty advance payments, net of recoupments, which declined 32% to €100 million in 2023 from €148 million in 2022, due to the timing of major artist renewals.

The strong Net cash provided by operating activities before income tax paid allowed the Company to continue to strategically invest in the long-term growth of the business. Cash paid for catalogue acquisitions decreased to €178 million in 2023 compared to €359 million in 2022 and included the previously announced acquisitions of catalogues from RS Group in Thailand and Oriental Star Agencies, a British label focused on South Asian music, as well as several artist catalogue deals. Separately, investing activities also included €75 million cash put into escrow for another catalogue acquisition. Other strategic investments in the year included the acquisition of a 50% stake in the entity that owns the iconic Capitol Records building in Hollywood and the acquisitions of a brand services company, a niche record label and UAE-based music company Chabaka, among other items. Free cash flow was largely flat at €1,082 million in 2023 compared to €1,086 million in 2022, even with the increase in investing activities detailed above. Free cash flow also reflects higher income taxes paid and higher net interest paid, both of which benefitted from previously disclosed tax settlements in the prior year.

In accordance with UMG's dividend policy to pay a dividend of 50% of Net Profit (subject to agreed non-cash items and applicable law), UMG has proposed to pay a final dividend of €492 million, or €0.27 per share for the year ended December 31, 2023. If approved by shareholders, this would bring UMG's total dividend for 2023 to €929 million, or €0.51 per share. This dividend proposal is subject to approval by shareholders at the Annual General Meeting of Shareholders.

Recorded Music

(in millions of euros)	Three Months Ended December 31, 2023	2022	% YoY	% const.	Year ended December 31, 2023	2022	% YoY	% const.
	(unaudited)	*(unaudited)*			*(unaudited)*	*(unaudited)*		
Subscriptions and streaming revenue	1,532	1,444	*6.1%*	*12.4%*	5,700	5,321	*7.1%*	*10.4%*
of which streaming	395	400	*(1.3%)*	*5.6%*	1,425	1,420	*0.4%*	*3.6%*
of which subscription	1,137	1,044	*8.9%*	*15.0%*	4,275	3,901	*9.6%*	*12.8%*
Downloads and other digital revenue	32	63	*(49.2%)*	*(45.8%)*	207	337	*(38.6%)*	*(35.7%)*
Physical revenue	447	404	*10.6%*	*17.0%*	1,380	1,207	*14.3%*	*19.4%*
License and other revenue	410	324	*26.5%*	*34.0%*	1,174	1,072	*9.5%*	*13.6%*
Recorded Music Revenues	**2,421**	**2,235**	***8.3%***	***14.7%***	**8,461**	**7,937**	***6.6%***	***10.2%***
EBITDA					1,618	1,827	*(11.4%)*	*(8.5%)*
EBITDA margin					*19.1%*	*23.0%*	*(3.9pp)*	
Adjusted EBITDA					2,042	1,900	*7.5%*	*11.0%*
Adjusted EBITDA margin					*24.1%*	*23.9%*	*0.2pp*	

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

Q4 2023

Recorded Music revenue for the fourth quarter of 2023 was €2,421 million, up 8.3% compared to the fourth quarter of 2022, or 14.7% in constant currency. Subscription revenue grew 8.9% year-over-year, or 15.0% in constant currency, driven by the growth in global subscribers as well as the impact of price increases at certain platforms. Streaming revenue declined 1.3% year-over-year, but increased 5.6% in constant currency, as the broader advertising industry continued to gradually recover. Physical revenue increased by 10.6% year-over-year, or 17.0% in constant currency, driven by improvements in vinyl sales in the U.S. and Europe. Downloads and other digital revenue declined 49.2% year-over-year, or 45.8% in constant currency, as download sales continued their industry-wide decline and other digital revenue also declined. License and other revenue improved 26.5% year-over-year, or 34.0% in constant currency driven by continued underlying licensing growth as well as strength in neighboring rights, synchronization, touring, sponsorship and the timing related benefit of a new licensing deal. Top sellers for the quarter included albums from Taylor Swift, The Rolling Stones, Drake, Jung Kook, and Stray Kids, while top sellers in the prior-year quarter included Taylor Swift, The Beatles, Drake, Lil Baby, and SEVENTEEN.

FY 2023

Recorded Music revenue in 2023 was €8,461 million, up 6.6% compared to 2022, or 10.2% in constant currency. As detailed in the Appendix, Recorded Music revenue included the impact of the Legal Settlement in 2022. Excluding this item, Recorded Music revenue in 2023 grew 7.6%, or 11.2% in constant currency.

Subscription revenue grew 9.6% year-over-year, or 12.8% in constant currency. Streaming revenue grew 0.4% year-over-year, or 3.6% in constant currency. Physical revenue grew 14.3% year-over-year, or 19.4% in constant currency. Downloads and other digital revenue declined 38.6% year-over-year, or 35.7% in constant currency, including the impact of the Legal Settlement in 2022. License and other revenue improved 9.5% year-over-year, or 13.6% in constant currency. Top sellers for the year included multiple albums from Taylor Swift, and albums from Morgan Wallen, King & Prince, Karol G, and The Weeknd. Top sellers in the prior year included Taylor Swift, BTS, Encanto OST, Olivia Rodrigo, and Morgan Wallen.

Recorded Music EBITDA in 2023 was €1,618 million, down 11.4% year-over-year, or 8.5% in constant currency. Recorded Music EBITDA margin in 2023 declined 3.9pp to 19.1% from 23.0% in 2022. Recorded Music EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €424 million during

2023, compared to €73 million during 2022. Excluding this, Recorded Music Adjusted EBITDA in 2023 was €2,042 million, up 7.5% year-over-year, or 11.0% in constant currency, driven by the growth in revenue. Recorded Music Adjusted EBITDA margin improved 0.2pp to 24.1% from 23.9% in 2022.

EBITDA and Adjusted EBITDA include the negative impact of the Legal Provision in 2023, and the positive impact of the Legal Settlement in 2022. Excluding these items, Adjusted EBITDA grew 11.3% year-over-year, or 14.8% in constant currency, and Adjusted EBITDA margin was 24.3%, compared to 23.5% in 2022, despite a margin headwind from repertoire mix and revenue mix, as discussed above.

Music Publishing

	Three Months Ended December 31,		%	%	Year ended December 31,		%	%
(in millions of euros)	2023	2022	YoY	const.	2023	2022	YoY	const.
	(unaudited)	*(unaudited)*			*(unaudited)*	*(unaudited)*		
Performance	123	152	*(19.1%)*	*(15.8%)*	416	371	*12.1%*	*15.9%*
Synchronisation	70	59	*18.6%*	*25.0%*	254	236	*7.6%*	*10.0%*
Digital	339	269	*26.0%*	*36.1%*	1,128	1,040	*8.5%*	*12.5%*
Mechanical	31	25	*24.0%*	*29.2%*	108	97	*11.3%*	*14.9%*
Other	13	25	*(48.0%)*	*(45.8%)*	50	55	*(9.1%)*	*(7.4%)*
Music Publishing Revenues	**576**	**530**	***8.7%***	***15.4%***	**1,956**	**1,799**	***8.7%***	***12.3%***
EBITDA					420	395	*6.3%*	*9.4%*
EBITDA margin					*21.5%*	*22.0%*	*(0.5pp)*	
Adjusted EBITDA					470	410	*14.6%*	*17.8%*
Adjusted EBITDA margin					*24.0%*	*22.8%*	*1.2pp*	

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

Q4 2023
Music Publishing revenue in the fourth quarter of 2023 was €576 million, up 8.7% year-over-year, or 15.4% in constant currency. The strong revenue improvement was driven by the continued growth in subscription and streaming revenue and improvements in Synchronisation and Mechanical revenue.

FY 2023
Music Publishing revenue was €1,956 million in 2023, up 8.7% year-over-year, or 12.3% in constant currency. Excluding the benefits from the CRB Phonorecords III Accrual in 2023 and the Change in Society Accounting in 2022, Music Publishing revenue grew 11.9% year-over-year, or 15.8% in constant currency. This strong underlying growth was primarily due to the continued growth in subscription and streaming revenue and improvements in Performance, Synchronisation and Mechanical revenue.

Music Publishing EBITDA in 2023 was €420 million, up 6.3% year-over-year, or 9.4% in constant currency, driven by the growth in revenue. Music Publishing EBITDA margin declined by 0.5pp to 21.5% from 22.0% in 2022. Music Publishing EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €50 million during 2023, compared to €15 million during 2022. Excluding this, Music Publishing Adjusted EBITDA of €470 million was up 14.6% year-over-year, or 17.8% in constant currency, and Music Publishing Adjusted EBITDA margin increased by 1.2pp year-over-year to 24.0% from 22.8% in 2022. Excluding also the impact of the CRB Phonorecords III Accrual and the Change in Society Accounting, Music Publishing Adjusted EBITDA grew 16.8% year-over-year, or 20.2% in constant currency, and Adjusted EBITDA margin improved 1.0pp to 24.1%.

Merchandising and Other

(in millions of euros)	Three Months Ended December 31, 2023	2022	% YoY	% const.	Year ended December 31, 2023	2022	% YoY	% const.
	(unaudited)	*(unaudited)*			*(unaudited)*	*(unaudited)*		
Merchandising and Other Revenues	215	181	18.8%	26.5%	706	618	*14.2%*	*17.9%*
EBITDA					43	36	*19.4%*	*26.5%*
EBITDA margin					*6.1%*	*5.8%*	*0.3pp*	
Adjusted EBITDA					47	36	*30.6%*	*38.2%*
Adjusted EBITDA margin					*6.7%*	*5.8%*	*0.9pp*	

Note: % YoY indicates % change year-over-year; % const. indicates % change year-over-year adjusted for constant currency.

Q4 2023
Merchandising and Other revenue in the fourth quarter of 2023 was €215 million, up 18.8% year-over-year, or 26.5% in constant currency, driven by growth in direct-to-consumer sales, which more than offset a decline in touring merchandise sales on lower touring activity compared to the prior year quarter.

FY 2023
Merchandising and Other revenue grew to €706 million in 2023, up 14.2% year-over-year, or 17.9% in constant currency, driven primarily by growth in direct-to-consumer sales.

Merchandising and Other EBITDA in 2023 was €43 million, up 19.4% year-over-year, or 26.5% in constant currency, driven by the growth in revenue, while Merchandising and Other EBITDA margin improved 0.3pp to 6.1% from 5.8% in 2022. Merchandising and Other EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €4 million in 2023 and there were no non-cash share-based compensation expenses in Merchandising and Other in 2022. Excluding this, Merchandising and Other Adjusted EBITDA in 2023 was €47 million, up 30.6% year-over-year, or 38.2% in constant currency, and Merchandising and Other Adjusted EBITDA margin improved by 0.9pp to 6.7% as a result of the shift in revenue mix towards higher-margin direct-to-consumer revenue.

Strategic Organizational Redesign

UMG's long-term strategy is designed to capitalize on multiple growth priorities, including:

- Accelerating the growth of, and monetization from, streaming and subscription through the development of Artist-Centric, premium models;
- Expanding music-based partnerships across social media, gaming, health and wellness, and other services and platforms;
- Building and operating leading and scalable direct-to-consumer capabilities to engage fans and further strengthen artist-fan relationships;
- Partnering with artists across a broader range of audio-visual, licensing, branding and sponsorship opportunities;
- Escalating our presence in high-growth music markets to further invest in local and regional artists and expanding their global opportunities; and
- Redesigning the organization to achieve cost efficiencies and enhanced capabilities, especially in areas of growing importance to artists and fans.

The organizational redesign announced today underscores UMG's commitment to creating unparalleled experiences for artists and fans. By reimagining our global structure, we are creating a blueprint for a future where our labels are empowered with new capabilities and additional agility, ensuring they can sign and support artists with enhanced access to UMG's highest-performing internal teams and resources.

Our organizational redesign achieves efficiencies in targeted cost areas while providing our labels with unprecedented capabilities to deepen artist and fan connections via new experiential, commerce, and content offerings.

After a careful review of our cost base for efficiencies, we expect to generate €250m in annual run-rate savings by 2026, all of which is accretive to EBITDA, through a combination of headcount reduction and other operational efficiencies. In the redesign’s first phase, which we will execute on immediately, we anticipate achieving €125m in annual run-rate savings, €75m of which will be realized in 2024, with the full amount in 2025.

At the same time, UMG's redesign is a carefully crafted balance that preserves the core of where our labels excel – creative A&R and artist-development, marketing and brand building innovation, unique identities and vision, and a shared entrepreneurial spirit. Our long-term growth strategy, including this organizational redesign, represents a new paradigm for artist support and fan engagement.

Items Impacting Comparability of Results

TOTAL UMG

	FY23					FY22				
(in millions of euros)	1Q23	2Q23	3Q23	4Q23	FY23 Total	1Q22	2Q22	3Q22	4Q22	FY22 Total
Revenue										
Legal Settlement	–	–	–	–	**-**	–	–	71	–	**71**
Change in Society Accounting	–	–	–	–	**-**	–	98	–	–	**98**
CRB Phonorecords III Accrual	–	–	53	–	**53**	–	–	–	–	**-**
Adjusted EBITDA										
Legal Settlement	–	–	–	–	**-**	–	–	52	–	**52**
Change in Society Accounting	–	–	–	–	**-**	–	17	–	–	**17**
CRB Phonorecords III Accrual	–	–	11	–	**11**	–	–	–	–	**-**
Legal Provision	–	–	–	(15)	**(15)**	–	–	–	–	**-**

RECORDED MUSIC

	FY23					FY22				
(in millions of euros)	1Q23	2Q23	3Q23	4Q23	FY23 Total	1Q22	2Q22	3Q22	4Q22	FY22 Total
Revenue										
Legal Settlement	–	–	–	–	**-**	–	–	71	–	**71**
Adjusted EBITDA										
Legal Settlement	–	–	–	–	**-**	–	–	52	–	**52**
Legal Provision	–	–	–	(15)	**(15)**	–	–	–	–	**-**

MUSIC PUBLISHING

	FY23					FY22				
(in millions of euros)	1Q23	2Q23	3Q23	4Q23	FY23 Total	1Q22	2Q22	3Q22	4Q22	FY22 Total
Revenue										
Change in Society Accounting	-	-	-	-	-	-	98	-	-	**98**
CRB Phonorecords III Accrual	-	-	53	-	**53**	-	-	-	-	-
Adjusted EBITDA										
Change in Society Accounting	-	-	-	-	-	-	17	-	-	**17**
CRB Phonorecords III Accrual	-	-	11	-	**11**	-	-	-	-	-

Change in Society Accounting

As disclosed in UMG's Annual Consolidated Financial Statements for the year ended December 31, 2021, UMG adjusted its accounting policy in relation to certain revenues that are collected through societies. In prior years, these revenues were recognized when the relevant collection society notified UMG of the usage by the end customer and collectability was assured. Recognition of that revenue, in both 2022 and 2023, was based on an accrual for the best available estimate of when the usage occurs and the amount of consideration which is probable to be collected. This has affected the timing of the recognition of certain revenues across financial reporting quarters compared to periods before 2022 and also, notably in the second quarter of 2022, reflected the receipt of higher income than was accrued at the end of 2021.

Legal Settlement

Revenue, EBITDA and Adjusted EBITDA in 2022 included a benefit from the settlement of a copyright infringement lawsuit with an internet service provider previously disclosed and booked in Q3 2022.

CRB Phonorecords III Accrual

Revenue, EBITDA and Adjusted EBITDA in 2023 included the accrual for a catch-up payment from certain DSPs related to the Copyright Royalty Board Phonorecords III ruling in 2023 disclosed and booked in Q3 2023.

Legal Provision

EBITDA and Adjusted EBITDA in Q4 2023 were negatively impacted by a provision reflected in relation to a decades-old, ongoing artist estate litigation in Latin America.

Conference Call Details

The Company will host a conference call to discuss these results on Wednesday, February 28, 2024 at 6:15PM CET. A link to the live audio webcast will be available on investors.universalmusic.com and a link to the replay will be available after the call.

While listeners may use the webcast, a dial-in telephone number is required for investors and analysts to ask questions. Investors and analysts interested in asking questions can pre-register for a dial-in line at investors.universalmusic.com under the "Financial Reports" tab.

Cautionary Notice

This press release is published by Universal Music Group N.V. and contains inside information within the meaning of article 7 (1) of Regulation (EU) No 596/2014 (Market Abuse Regulation).

Forward-looking statements

This press release may contain statements that constitute forward-looking statements with respect to UMG's financial condition, results of operations, business, strategy and plans. Such forward-looking statements may be identified by the use of words such as 'profit forecast', 'expect', 'estimate', 'project', 'anticipate', 'should', 'intend', 'plan', 'probability', 'risk', 'target', 'goal', 'objective', 'will', 'endeavour', 'optimistic', 'prospects' and similar expressions or variations on such expressions. Although UMG believes that such forward-looking statements are based on reasonable assumptions, they are not guarantees of future performance. Actual results may differ materially from such forward-looking statements as a result of a number of risks and uncertainties, many of which are related to factors that are outside UMG's control, including, but not limited to, UMG's inability to compete successfully and to identify, attract, sign and retain successful recording artists and songwriters, failure of streaming and subscription adoption or revenue to grow or to grow less rapidly than anticipated, UMG's reliance on digital service providers, UMG's inability to execute its business strategy, the global nature of UMG's operations, UMG's inability to protect its intellectual property and against piracy, UMG's inability to attract and retain key personnel, changes in laws and regulations and the other risks that are described in our 2022 Annual Report and will be described in our 2023 Annual Report. Accordingly, UMG cautions readers against placing undue reliance on such forward-looking statements. Such forward-looking statements are made as of the date of this press release. UMG disclaims any intention or obligation to provide, update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Alternative Performance Indicators

This press release includes certain alternative performance indicators which are not defined in IFRS issued by the International Accounting Standards Board as endorsed by the EU. The descriptions of these alternative performance indicators and reconciliations of non-IFRS to IFRS measures are included in the Appendix to this press release.

About Universal Music Group

At Universal Music Group (EURONEXT: UMG), we exist to shape culture through the power of artistry. UMG is the world leader in music-based entertainment, with a broad array of businesses engaged in recorded music, music publishing, merchandising and audiovisual content. Featuring the most comprehensive catalogue of recordings and songs across every musical genre, UMG identifies and develops artists and produces and distributes the most critically acclaimed and commercially successful music in the world. Committed to artistry, innovation and entrepreneurship, UMG fosters the development of services, platforms and business models in order to broaden artistic and commercial opportunities for our artists and create new experiences for fans. For more information on Universal Music Group N.V. visit www.universalmusic.com.

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Upcoming Calendar

2023 Annual Report: March 28, 2024

Annual General Meeting of Shareholders: May 16, 2024

Appendix

The Consolidated financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board as endorsed by the EU and comply with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code.

The financial information included in this press release is unaudited. The 2023 financial information included in this press release contains only part of the 2023 financial statements which will be included in the 2023 Annual Report and which still must be adopted by the shareholders at the upcoming Annual General Meeting of Shareholders. The 2023 Annual Report has not yet been published and an auditors' opinion has not yet been issued.

Condensed Consolidated Financial Statements

Unaudited Consolidated Statement of Profit and Loss

	Year ended December 31,	
(in millions of euros)	2023	2022
	(unaudited)	*(unaudited)*
Revenues	**11,108**	**10,340**
Cost of revenues	(6,208)	(5,753)
Selling, general and administrative expenses	(3,213)	(2,702)
Amortisation and impairment losses on intangible assets	(269)	(285)
Operating profit	**1,418**	**1,600**
Financial income	454	37
Financial expenses	(151)	(735)
	303	**(698)**
Income/(loss) from equity affiliates	-	(2)
Profit before income taxes	**1,721**	**900**
Income taxes	(458)	(115)
Net profit	**1,263**	**785**
Of which:		
Net profit attributable to equity holders of the parent	1,259	782
Net profit attributable to non-controlling interests	4	3
Earnings per share (in euros)		
Earnings for the period attributable to equity holders of the parent - basic	0.69	0.43
Earnings for the period attributable to equity holders of the parent - diluted	0.68	0.43

Unaudited Consolidated Statement of Cash Flows

	Year ended December 31,	
(in millions of euros)	2023	2022
	(unaudited)	*(unaudited)*
Operating activities		
Operating profit	1,418	1,600
Adjustments	796	568
Royalty advances payments, net of recoupments	(100)	(148)
Gross cash provided by/(used for) operating activities before income tax paid	*2,114*	*2,020*
Other changes in net working capital	164	(33)
Net cash provided by/(used for) operating activities before income tax paid	*2,278*	*1,987*
Income tax paid	(393)	(255)
Net cash provided by/(used for) operating activities	**1,885**	**1,732**
Investing activities		
Catalogue investments	(178)	(359)
Other intangible assets investments	(74)	(60)
Capital expenditures	(47)	(33)
Purchases of consolidated companies, after acquired cash	(97)	(22)
Investments in equity affiliates	(81)	(22)
Purchase of financial assets	(154)	(36)
Investments	*(631)*	*(532)*
Proceeds from sales of consolidated companies, after divested cash	1	-
Proceeds from sale of financial assets	1	9
Divestitures	*2*	*9*
Dividends received from equity affiliates	4	2
Dividends received from investments	3	1
Net cash provided by/(used for) investing activities	**(622)**	**(520)**
Financing activities		
Distributions to shareowners	(929)	(798)
Dividends paid by consolidated companies to their non-controlling interests	(2)	(2)
Transactions with shareowners	*(931)*	*(800)*
Proceeds from borrowings	6,647	5,938
Repayments of borrowings	(6,815)	(6,359)
Interest, net	(77)	(30)
Other cash items related to financing activities	(10)	4
Transactions on borrowings and other financial liabilities	*(255)*	*(447)*
Repayment of lease liabilities	(80)	(86)
Payment of interest of lease liabilities	(14)	(14)
Net cash provided by/(used for) financing activities	**(1,280)**	**(1,347)**
Net change in cash and cash equivalents	**(17)**	**(135)**
Foreign currency translation adjustments	(34)	1
Change in cash and cash equivalents	**(51)**	**(134)**
Cash and cash equivalents		
At beginning of the period	438	572
At end of the period	387	438

Cost of Revenues

(in millions of euros)	Year ended December 31, 2023	2022
	(unaudited)	*(unaudited)*
Artist costs	5,152	4,704
Product costs	1,056	1,049
Cost of Revenues	6,208	5,753

Non-IFRS Alternative Performance Indicators and Reconciliations

Financial Net Debt

(in millions of euros)	Year ended December 31, 2023	2022
	(unaudited)	*(unaudited)*
Cash and cash equivalents	413	439
Derivative financial assets	2	1
Drawn revolving credit facilities	–	(125)
Bank overdrafts	(26)	(1)
Bonds	(1,808)	(1,004)
Commercial papers	(197)	(929)
Other	(73)	(191)
Borrowings at amortized cost	(2,104)	(2,250)
Financial Net Debt	(1,689)	(1,810)

Reconciliation of Operating Profit to EBITDA and Adjusted EBITDA

(in millions of euros)	Year ended December 31, 2023	2022
	(unaudited)	*(unaudited)*
Operating Profit	1,418	1,600
Adjustments		
Amortization and depreciation expense	382	377
Restructuring expenses	41	32
(Gain)/loss on sale of assets	(26)	2
Impairment on intangible assets	(7)	17
EBITDA	1,808	2,028
Non-cash share-based compensation expense	561	107
Adjusted EBITDA	2,369	2,135

Reconciliation of net profit attributable to equity holders of the parent to Adjusted net profit

(in millions of euros)	Year ended, December 31 2023	2022
	(unaudited)	*(unaudited)*
Net profit attributable to equity holders of the parent	**1,259**	**782**
Financial income and expenses, excluding interest and income from investments	(377)	671
Non-cash share-based compensation expense	561	107
Certain one time items[1]	–	(11)
Impairment of intangible assets	(7)	17
Amortization of catalogues	236	233
Income tax on adjustments	(77)	(255)
Non-recurring tax items	–	(90)
Adjusted Net Profit	**1,595**	**1,454**

1 Certain one time items in 2022 includes interest income in relation to the one-time non-recurring tax item.

Reconciliation of net cash provided by/(used for) operating activities to Free Cash Flow

(in millions of euros)	Year ended December 31, 2023	2022
	(unaudited)	*(unaudited)*
Net cash provided by/(used for) operating activities before income tax paid	**2,278**	**1,987**
Income tax paid	(393)	(255)
Net cash provided by/(used for) operating activities	**1,885**	**1,732**
Net cash provided by/(used for) investing activities	**(622)**	**(520)**
Repayment of lease liabilities and related interest expenses	(94)	(100)
Interest, net	(77)	(30)
Other cash items related to financing activities	(10)	4
Free Cash Flow	**1,082**	**1,086**

Net cash provided by/(used for) operating activities – Adjustments

Operating profit includes certain non-cash items that are adjusted to get to Net cash provided by operating activities as follows:

(in millions of euros)	Year ended, December 31 2023	2022
	(unaudited)	*(unaudited)*
Amortization and depreciation expense	382	377
Non-cash share-based compensation expense, net of employees tax withheld	429	107
Impairment of intangible assets	(7)	17
Changes in provisions, net	18	65
(Gain)/loss on sale of assets	(26)	2
Adjustments	**796**	**568**

Average currency rates

	Three Months Ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
EUR vs.				
USD	0.93	1.01	0.92	0.95
GBP	1.15	1.15	1.15	1.18
JPY	6.27	6.90	6.64	7.29

Definitions

In this press release, UMG presents certain financial measures when discussing UMG's performance that are not measures of financial performance or liquidity under IFRS ("non-IFRS"). These non-IFRS measures (also known as alternative performance indicators) are presented because management considers them important supplemental measures of UMG's performance and believes that they are widely used in the industry in which UMG operates as a means of evaluating a company's operating performance and liquidity. UMG believes that an understanding of its sales performance, profitability, financial strength and funding requirements is enhanced by reporting the following non-IFRS measures. All non-IFRS measures should be considered in addition to, and not as a substitute for, other IFRS measures of operating and financial performance as presented in UMG's Consolidated Financial Statements and the related Notes, or as described in this press release. In addition, it should be noted that other companies may have definitions and calculations for these non-IFRS measures that differ from those used by UMG, thereby affecting comparability.

EBITDA and EBITDA margin
UMG considers EBITDA and EBITDA margin, non-IFRS measures, to be relevant measures to assess its operating performance and the performance of its operating segments as reported in the segment data. It enables UMG to compare the operating performance of operating segments regardless of whether their performance is driven by the operating segment's organic growth or by acquisitions. It excludes restructuring expenses, which may impact period-to-period comparability. EBITDA margin is EBITDA divided by revenue. To calculate EBITDA, the accounting impact of the following items is excluded from the Operating Profit:

i. amortization of intangible assets;
ii. impairment on goodwill and other intangibles;
iii. depreciation of tangible assets including right of use assets;
iv. (gains)/losses on the sale of tangible assets, included right of use assets and intangible assets; and
v. restructuring expenses.

Adjusted EBITDA and Adjusted EBITDA margin
The difference between EBITDA and Adjusted EBITDA consists of non-cash share-based compensation expenses and certain one-time items that are deemed by management to be significant and incidental to normal business activity. Adjusted EBITDA margin is Adjusted EBITDA divided by revenue. UMG considers Adjusted EBITDA and Adjusted EBITDA margin, non-IFRS measures, to be relevant measures to assess performance of its operating activities excluding items that may be incidental to normal business activity and excluding non-cash share based compensation which may impact period-to-period comparability.

Adjusted Net Profit/Adjusted Net Profit per share
UMG's use of Adjusted net profit is appropriate as UMG uses it as the basis for the Adjusted net profit per share (in EUR) – diluted, both of which are non-IFRS measures. Adjusted net profit may be subject to limitations as an analytical tool for investors, as it excludes certain items and therefore does not reflect the expense associated with such items, which may be significant and have a significant effect on UMG's net profit. The accounting impact of the following items are excluded from Net profit attributable to equity holders of the parent:

i. amortization of catalogues;
ii. impairment of goodwill and intangible assets;
iii. financial income and expenses, excluding interest and income from investments;
iv. earnings from discontinued operations;
v. non-cash share-based compensation expense;
vi. certain one-time items that are deemed by management to be significant and incidental to normal business activity;

vii. income tax impact on the above adjustments;
viii. non-recurring tax items; and
ix. adjustments attributable to non-controlling interests.

Financial Net Debt

UMG considers Financial Net Debt, a non-IFRS measure, to be a relevant indicator of its liquidity and capital resources. UMG management uses this indicator for reporting, management and planning purposes. Financial Net Debt is calculated as the sum of:

i. cash and cash equivalents, as reported in the Consolidated Statement of Financial Position, including (i) cash in banks and deposits, whether or not compensated, corresponding to cash, and (ii) money market funds;
ii. cash management financial assets, included in the Consolidated Statement of Financial Position under "financial assets", relating to financial investments, which do not satisfy the criteria for classification as cash equivalents set forth in IAS 7; and
iii. derivative financial instruments, net (assets and liabilities) where the underlying instruments are Financial Net Debt items, as well as cash deposits securing borrowings included in the Consolidated Statement of Financial Position under "financial assets";

less:

i. the value of borrowings at amortized cost as reported in the Consolidated Statement of Financial Position

Free Cash Flow

UMG defines Free Cash Flow as net cash provided by/(used for) operating activities plus net cash provided by/(used for) investing activities, less repayment of lease liabilities, interest paid, net and other cash items related to financing activities. UMG considers Free Cash Flow, a non-IFRS measure, to be a relevant indicator of its cash flow generated to fund dividend payments and repayment of debt. Free Cash Flow is not a measure of performance calculated in accordance with IFRS and therefore it should not be considered in isolation of, or as a substitute for cash flow provided by operating activities as a measure of liquidity. Free Cash Flow, as we calculate it, may not be comparable to similarly titled measures employed by other companies. In addition, Free Cash Flow does not necessarily represent funds available for discretionary use and is not necessarily a measure of our ability to fund our cash needs.