



UNIVERSAL MUSIC GROUP

Universal Music Group N.V. Reports Financial Results for the Fourth Quarter and Full Year Ended December 31, 2022

Summary Q4 2022 Results¹

- Revenue of €2,942 million increased 16.7% year-over-year, or 8.8% in constant currency, driven by growth across all segments, and noteworthy strength in Music Publishing
- Recorded Music subscription revenue grew 20.6% year-over-year, or 11.4% in constant currency and streaming revenue grew 13.3% year-over-year, or 1.8% in constant currency
- Adjusted EBITDA of €620 million increased 23.3% year-over-year, or 15.5% in constant currency, and Adjusted EBITDA margin expanded 1.1 percentage points to 21.1%
- Top sellers included Taylor Swift, The Beatles, Drake, SEVENTEEN and Lil Baby

Summary FY 2022 Results¹

- Revenue of €10,340 million increased 21.6% year-over-year, or 13.6% in constant currency, driven by strong growth across all segments
- Recorded Music subscription revenue grew 18.4% year-over-year, or 10.0% in constant currency and streaming revenue grew 19.7% year-over-year, or 9.3% in constant currency
- Adjusted EBITDA of €2,135 million increased 19.4% year-over-year, or 11.7% in constant currency, and Adjusted EBITDA margin declined 0.4 percentage points to 20.6%
- Net cash provided by operating activities before income tax paid of €1,987 million increased 42.4% compared to €1,395 million in 2021
- Free cash flow of €1,086 million increased 70.2% compared to €638 million in 2021
- Subject to shareholder approval, final dividend proposal of €491 million, or €0.27 per share, which would bring total dividend for 2022 to €926 million, or €0.51 per share

2022 Business Highlights

- Global artist success across platforms, including: 4 of the Top 5 and 15 of the Top 20 IFPI Global Artists of the Year; 4 of the Top 5 global artists on Spotify; 7 of the Top 10 albums in the U.S. on the Billboard 200; and 6 of the Top 10 artists in the UK based on OCC data, among many other examples around the world
- Evolving and expanding relationships with long-term partners including Amazon (Twitch), Meta (Revenue Sharing), Apple (Spatial Audio)
- Using technology to drive new opportunities for catalogue artists ("ABBA Voyage" digital avatar concert, Elton John's "Beyond the Yellow Brick Road" experience on Roblox, The Beatles' "Revolver" Spatial Audio release)

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.

Hilversum, The Netherlands, March 2, 2023 -- Universal Music Group N.V. (“UMG” or “the Company”) today announced its financial results for the fourth quarter and full year ended December 31, 2022.

“Today’s report demonstrates that, once again, we continue to successfully manage the company for long term growth while driving strong results in our core business—developing great artists and introducing their music to fans around the world,” said Sir Lucian Grainge, UMG’s Chairman and CEO. “Our roster—which features four of the top five, and 15 of the Top 20 IFPI Global Artists of the Year—once again achieved enormous commercial and creative success in markets around the world. We also worked to evolve and expand relationships with our existing DSP partners as well as establish new ones in fitness, health, gaming and the metaverse, driving the industry forward through leadership, creativity, innovation and collaboration.”

Boyd Muir, EVP, CFO and President of Operations for UMG, said, “2022 has been another year of sustained growth at UMG, with particularly robust growth in Free cash flow, even as we continue to opportunistically and selectively invest in artists and catalogues that will be additive to the long-term health of our business. We saw revenue growth of 14% in constant currency, Adjusted EBITDA growth of 12% in constant currency and Free cash flow growth of 70%, positioning us well for 2023, as we continue to work towards our mid-term targets.”

UMG Results

(in millions of euros)	Three Months Ended				Year ended December 31,			
	December 31,		%	%			%	%
	2022	2021	YoY	const.	2022	2021	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Revenue	2,942	2,520	16.7%	8.8%	10,340	8,504	21.6%	13.6%
EBITDA	529	438	20.8%	12.6%	2,028	1,686	20.3%	12.5%
EBITDA margin	18.0%	17.4%	0.6pp		19.6%	19.8%	(0.2pp)	
Adjusted EBITDA	620	503	23.3%	15.5%	2,135	1,788	19.4%	11.7%
Adjusted EBITDA margin	21.1%	20.0%	1.1pp		20.6%	21.0%	(0.4pp)	
Operating Profit					1,600	1,394	14.8%	7.9%
Net profit attributable to equity holders of the parent					782	886	(11.7%)	
Adjusted Net Profit					1,454	1,271	14.4%	
Net Debt					1,810	2,010	(10.0%)	
Net cash provided by operating activities before income tax paid					1,987	1,395	42.4%	
Free Cash Flow					1,086	638	70.2%	
Weighted Average Number of Shares Outstanding					1,813	1,813		
EPS					0.43	0.49		
Adjusted EPS					0.80	0.70		

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 2022 Results

Revenue for the fourth quarter of 2022 was €2,942 million, an increase of 16.7% year-over-year, or 8.8% in constant currency. UMG’s Recorded Music, Music Publishing and Merchandising and Other segments all had strong revenue growth, as discussed further below. As detailed in the Appendix, revenue in the quarter includes a negative impact of €9 million from the Change in Society Accounting.

EBITDA for the quarter grew 20.8% year-over-year, or 12.6% in constant currency, to €529 million, driven by the revenue growth and operating leverage. EBITDA margin was 18.0%, compared to 17.4% in the fourth quarter of 2021. EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €91 million during the fourth quarter of 2022, and by €65 million of non-cash share-based compensation expenses and one-time direct listing related expenses during the fourth quarter of 2021. Excluding these items,

Adjusted EBITDA for the quarter was €620 million, up 23.3% year-over-year, or 15.5% in constant currency, driven by revenue growth. Adjusted EBITDA margin improved to 21.1%, compared to 20.0% in the fourth quarter of 2021, due to operating leverage driven by lower selling, general and administrative expenses as a share of revenue. EBITDA and Adjusted EBITDA in the quarter include a negative impact of €5 million from the Change in Society Accounting.

FY 2022 Results

Revenue for 2022 of €10,340 million increased by 21.6% compared to 2021, or 13.6% in constant currency. This increase was driven by double-digit improvements across all segments, as discussed further below.

As detailed in the Appendix, in addition to the Change in Society Accounting, revenue in 2022 includes the impact of the previously disclosed Legal Settlement and revenue in 2021 includes the impact of the DSP Catch-Up Payment. Excluding these items from both years, revenue in 2022 grew 20.0%, or 12.1% in constant currency.

Cost of revenues, consisting of artist and product costs, increased by 24.8% to €5,753 million in 2022, reflecting higher revenue and revenue mix. Artist costs in Music Publishing make up a significantly larger share of the total cost structure than they do in Recorded Music. Therefore, the mix shift to Music Publishing in 2022 drove up artist costs as a percentage of revenue. For the same reason, cost of revenue as a percentage of revenue increased to 55.6% in 2022 from 54.2% in 2021. The increase was also driven by higher product costs from a greater proportion of merchandising sales when compared to 2021.

Operating profit improved 14.8%, or 7.9% in constant currency, to €1,600 million in 2022 driven by the growth in revenue, partially offset by the increase in cost of revenues.

EBITDA of €2,028 million grew 20.3% year-over-year, or 12.5% in constant currency, and EBITDA margin was 19.6%, compared to 19.8% in the prior year period. EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €107 million during 2022. During 2021, EBITDA and EBITDA margin were impacted by certain one-time expenses, which amounted to €102 million and included one-time direct listing related expenses, professional fees and non-cash share-based compensation expenses. Excluding these amounts, Adjusted EBITDA was €2,135 million, up 19.4% in 2022, or 11.7% in constant currency, driven by the revenue growth. Adjusted EBITDA margin contracted 0.4pp year-over-year to 20.6%.

As detailed in the Appendix, EBITDA and Adjusted EBITDA in 2022 were impacted by the Change in Society Accounting and the Legal Settlement, while EBITDA and Adjusted EBITDA in 2021 were impacted by the DSP Catch-Up Payment and the Exceptional Recovery and Release. Excluding these items, Adjusted EBITDA grew 18.3% year-over-year, or 10.5% in constant currency, and Adjusted EBITDA margin was 20.3%, compared to 20.6% in 2021. This 0.3pp contraction in Adjusted EBITDA margin was driven by revenue mix, as revenues were more heavily weighted towards lower margin Merchandising and Music Publishing revenues in 2022. Adjusted EBITDA margin was also impacted by several other factors including: 1) incremental corporate costs associated with operating as a stand-alone listed company; 2) reopening costs post-COVID, including an increase in travel expenses in 2022 compared to 2021; and 3) currency, as the cost structure is more heavily weighted to U.S. Dollars than revenue is.

Net profit attributable to equity holders of the parent for 2022 amounted to €782 million compared to €886 million in 2021, resulting in EPS of €0.43 in 2022, compared to €0.49 in 2021. The decline in Net profit attributable to equity holders of the parent was due to the variance in revaluation of investments in listed companies (including Spotify and Tencent Music Entertainment, among others) that was a net expense in 2022 of €617 million compared to a net expense in 2021 of €315 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 €1,454 million in 2022, compared to €1,271 million in 2021, resulting in Adjusted EPS of €0.80 in 2022, compared to €0.70 in 2021. 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 2022 was €1,810 million compared to €2,010 million at the end of 2021. The net leverage ratio at year-end 2022, defined as Net debt over EBITDA, was 0.9x, compared to 1.2x at year-end 2021.

Net cash provided by operating activities before income tax paid improved to €1,987 million compared to €1,395 million in 2021, an increase of 42.4%, mainly as a result of the increase in operating profit and lower royalty advance payments, net of recoupments, which declined 59.3% to €148 million in 2022 from €364 million in 2021, due to the timing of major artist renewals and increased recoupment.

Free cash flow increased 70.2% to €1,086 million in 2022 compared to €638 million in 2021, mainly as a result of the improvement in Net cash provided by operating activities. In addition, cash paid for catalogue acquisitions decreased to €359 million in 2022, compared to €388 million in 2021. Free cash flow in 2021 included the positive benefit of the receipt of €102 million from the disposal of Alamo Records.

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 €491 million, or €0.27 per share for the year ended December 31, 2022. If approved by shareholders, this would bring UMG's total dividend for 2022 to €926 million, or €0.51 per share. This dividend proposal is subject to approval by shareholders at the Annual General Meeting of Shareholders to be held on Thursday, May 11, 2023.

Recorded Music

(in millions of euros)	Three Months Ended				Year ended December 31,			
	December 31,		%	%	December 31,		%	%
	2022	2021	YoY	const.	2022	2021	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Subscriptions and streaming revenue	1,444	1,219	18.5%	8.6%	5,321	4,481	18.7%	9.8%
<i>of which streaming</i>	400	353	13.3%	1.8%	1,420	1,186	19.7%	9.3%
<i>of which subscription</i>	1,044	866	20.6%	11.4%	3,901	3,295	18.4%	10.0%
Downloads and other digital revenue	63	89	(29.2%)	(33.0%)	337	324	4.0%	(2.9%)
Physical revenue	404	379	6.6%	3.1%	1,207	1,121	7.7%	4.1%
License and other revenue	324	288	12.5%	8.0%	1,072	896	19.6%	13.4%
Recorded Music Revenues	2,235	1,975	13.2%	5.6%	7,937	6,822	16.3%	8.8%
EBITDA					1,827	1,614	13.2%	5.5%
<i>EBITDA margin</i>					23.0%	23.7%	(0.7pp)	
Adjusted EBITDA					1,900	1,614	17.7%	9.7%
<i>Adjusted EBITDA margin</i>					23.9%	23.7%	0.2pp	

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

Q4 2022

Recorded Music revenue for the fourth quarter of 2022 was €2,235 million, up 13.2% compared to the fourth quarter of 2021, or 5.6% in constant currency. Subscription revenue grew 20.6% year-over-year, or 11.4% in constant currency, driven by the growth in global subscribers, while streaming revenue grew 13.3% year-over-year, or 1.8% in constant currency, as the advertising industry continued to be impacted by a difficult economic environment. Physical revenue increased by 6.6% year-over-year, or 3.1% in constant currency, driven by improvements in vinyl sales. Downloads and other digital revenue declined 29.2% year-over-year, or 33.0% in constant currency, as download sales continued their industry-wide decline. License and other revenue improved 12.5% year-over-year, or 8.0% in constant currency, as a result of improvements in synchronization and audio-visual production income. Top sellers for the quarter included releases from Taylor Swift, The Beatles, Drake, SEVENTEEN, and Lil Baby, while top sellers in the prior-year quarter included ABBA, Taylor Swift, The Beatles, Drake and BTS.

FY 2022

Recorded Music revenue in 2022 was €7,937 million, up 16.3% compared to 2021, or 8.8% in constant currency. As detailed in the Appendix, Recorded Music revenue included the impact of the Legal Settlement in 2022 and the impact of the DSP Catch-Up Payment in 2021. Excluding these items, Recorded Music revenue in 2022 grew 16.0%, or 8.4% in constant currency.

Subscription revenue grew 18.4% year-over-year, or 10.0% in constant currency. Excluding the DSP Catch-Up Payment in 2021, subscription revenue grew 19.9% year-over-year, or 11.3% in constant currency. Streaming revenue grew 19.7% year-over-year, or 9.3% in constant currency. Physical revenue grew 7.7% year-over-year, or 4.1% in constant currency. Downloads and other digital revenue grew 4.0% year-over-year, but declined 2.9% in constant currency, including the impact of the Legal Settlement. License and other revenue improved 19.6% year-over-year, or 13.4% in constant currency. Top sellers for the year included Taylor Swift, BTS, Encanto OST, Olivia Rodrigo, Morgan Wallen and The Beatles. Top sellers in the prior year included Olivia Rodrigo, Justin Bieber, BTS, The Weeknd, Morgan Wallen and ABBA.

Recorded Music EBITDA in 2022 was €1,827 million, up 13.2% year-over-year, or 5.5% in constant currency, driven by the growth in revenues. Recorded Music EBITDA margin in 2022 declined 0.7pp to 23.0% from 23.7% in 2021. Recorded Music EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €73 million during 2022. Excluding this, Recorded Music Adjusted EBITDA in 2022 was €1,900 million, up 17.7% year-over-year, or 9.7% in constant currency, driven by the growth in revenue. Recorded Music Adjusted EBITDA margin improved 0.2pp to 23.9% from 23.7% in 2021. As detailed in the Appendix, 2022 EBITDA and Adjusted EBITDA include the impact of the Legal Settlement, while 2021 EBITDA and Adjusted EBITDA include the impacts of the DSP Catch-Up Payment and the Exceptional Recovery and Release. Excluding these items, Adjusted EBITDA grew 17.9% year-over-year, or 9.6% in constant currency, and Adjusted EBITDA margin was 23.5%, compared to 23.1% in 2021 due to operating leverage driven by lower selling, general and administrative expenses as a share of revenue.

Music Publishing

(in millions of euros)	Three Months Ended				Year ended December 31,			
	December 31,		%		%		%	
	2022	2021	YoY	const.	2022	2021	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Performance	152	76	100.0%	90.0%	371	297	24.9%	18.2%
Synchronisation	59	60	(1.7%)	(9.2%)	236	199	18.6%	10.3%
Digital	269	232	15.9%	8.5%	1,040	698	49.0%	38.7%
Mechanical	25	25	0.0%	(3.8%)	97	95	2.1%	(1.0%)
Other	25	15	66.7%	66.7%	55	46	19.6%	14.6%
Music Publishing Revenues	530	408	29.9%	22.1%	1,799	1,335	34.8%	26.3%
EBITDA					395	307	28.7%	20.4%
<i>EBITDA margin</i>					22.0%	23.0%	(1.0pp)	
Adjusted EBITDA					410	307	33.6%	25.0%
<i>Adjusted EBITDA margin</i>					22.8%	23.0%	(0.2pp)	

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

Q4 2022

Music Publishing revenue in the fourth quarter of 2022 was €530 million, up 29.9% year-over-year, or 22.1% in constant currency, despite a €9 million negative impact in the quarter from the Change in Society Accounting. Excluding the Change in Society Accounting, Music Publishing revenue was up 32.1% year-over-year, or 24.2% in constant currency. Digital revenue grew 15.9% year-over-year, or 8.5% in constant currency, as strong underlying growth more than offset the negative impact from the Change in Society Accounting.

Performance revenue grew 100.0% year-over-year, or 90.0% in constant currency, due to a positive impact from the Change in Society Accounting as well as recovery from the prior year that was negatively impacted by COVID. Synchronization revenue declined 1.7% year-over-year, or 9.2% in constant currency, due to the timing of deals. Mechanical revenue was in line with last year although down 3.8% in constant currency.

FY 2022

Music Publishing revenue was €1,799 million in 2022, up 34.8% year-over-year, or 26.3% in constant currency. Excluding the impact of the Change in Society Accounting detailed in the Appendix, Music Publishing revenue grew 26.2% year-over-year, or 18.3% in constant currency, primarily as a result of the continued organic growth in subscription and streaming revenue and recovery in synchronisation and performance revenue. Music Publishing revenue also benefitted from catalogue acquisitions made in prior years.

Music Publishing EBITDA in 2022 was €395 million, up 28.7% year-over-year, or 20.4% in constant currency, driven by the growth in revenue. Music Publishing EBITDA margin declined by 1.0pp to 22.0% from 23.0% in 2021. Music Publishing EBITDA and EBITDA margin were impacted by non-cash share-based compensation expenses of €15 million during 2022. Excluding this, Music Publishing Adjusted EBITDA of €410 million was up 33.6% year-over-year, or 25.0% in constant currency, and Music Publishing Adjusted EBITDA margin decreased by 0.2pp year-over-year to 22.8% from 23.0%. Excluding the Change in Society Accounting, Music Publishing Adjusted EBITDA grew 26.7% year-over-year, or 18.6% in constant currency, and Adjusted EBITDA margin improved 0.1pp to 23.1%.

Merchandising and Other

(in millions of euros)	Three Months Ended				Year ended December 31,			
	December 31,		%		%		%	
	2022	2021	YoY	const.	2022	2021	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Merchandising and Other Revenues	181	141	28.4%	14.6%	618	363	70.2%	54.1%
EBITDA					36	16	125.0%	111.8%
<i>EBITDA margin</i>					5.8%	4.4%	1.4pp	
Adjusted EBITDA					36	16	125.0%	111.8%
<i>Adjusted EBITDA margin</i>					5.8%	4.4%	1.4pp	

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

Q4 2022

Merchandising and Other revenue in the fourth quarter of 2022 was €181 million, up 28.4% year-over-year, or 14.6% in constant currency, on growth in touring-related merchandising revenue.

FY 2022

Merchandising and Other revenue grew to €618 million in 2022, up 70.2% year-over-year, or 54.1% in constant currency, as touring-related merchandising revenue benefitted from the return of live touring post-COVID, which began in the fourth quarter of 2021.

Merchandising and Other EBITDA in 2022 was €36 million, up 125.0% year-over-year, or 111.8% in constant currency, driven by the growth in revenue. Merchandising and Other EBITDA margin improved by 1.4pp to 5.8% from 4.4% in 2021 as a result of lower artist costs, which more than offset the shift in revenue mix towards lower-margin touring-related revenue.

Conference Call Details

The Company will host a conference call to discuss these results on Thursday, March 2, 2023 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 2021 Annual Report and will be described in the 2022 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.

Contacts

Media

James Murtagh-Hopkins - communicationsnl@umusic.com

Investors

Erika Begun - investorrelations@umusic.com

Upcoming Calendar

2022 Annual Report: March 30, 2023

Q1 2023 Results: April 26, 2023

Annual General Meeting of Shareholders: May 11, 2023

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 2022 financial information included in this press release contains only part of the 2022 financial statements which will be included in the 2022 Annual Report and which still must be adopted by the shareholders at the upcoming Annual General Meeting of Shareholders. The 2022 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

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Revenues	10,340	8,504
Cost of revenues	(5,753)	(4,608)
Selling, general and administrative expenses	(2,702)	(2,327)
Amortisation and Impairment losses on intangible assets	(285)	(175)
Operating profit	1,600	1,394
Financial income	37	143
Financial expenses	(735)	(377)
	(698)	(234)
Income/(loss) from equity affiliates	(2)	5
Profit before income taxes	900	1,165
Income taxes	(115)	(277)
Net profit	785	888
Of which:		
Net profit attributable to equity holders of the parent	782	886
Net profit attributable to non-controlling interests	3	2
<i>Earnings per share (in euros)</i>		
Basic, earnings for the period attributable to equity holders of the parent	0.43	0.49
Diluted earnings for the period attributable to equity holders of the parent	0.43	0.49

Unaudited Consolidated Statement of Cash Flows

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating activities		
Operating profit	1,600	1,394
Adjustments	461	280
Royalty advances payments, net of recoupments	(148)	(364)
Gross cash provided by/(used for) operating activities before income tax paid	1,913	1,310
Other changes in net working capital	74	85
Net cash provided by/(used for) operating activities before income tax paid	1,987	1,395
Income tax paid	(255)	(255)
Net cash provided by/(used for) operating activities	1,732	1,140
Investing activities		
Catalogue investments	(359)	(388)
Other intangible assets investments	(60)	(48)
Capital expenditures	(33)	(13)
Purchases of consolidated companies, after acquired cash	(22)	(11)
Investments in equity affiliates	(22)	(28)
Purchase of financial assets	(36)	(43)
Investments	(532)	(531)
Proceeds from sales of property, plant, equipment and intangible assets	-	6
Proceeds from sales of consolidated companies, after divested cash	-	117
Proceeds from sale of financial assets	9	14
Divestitures	9	137
Dividends received from equity affiliates	2	2
Dividends received from investments	1	1
Net cash provided by/(used for) investing activities	(520)	(391)
Financing activities		
Distributions to shareowners	(798)	(785)
Dividends paid by consolidated companies to their non-controlling interests	(2)	(2)
Transactions with shareowners	(800)	(787)
Proceeds from borrowings	5,938	3,176
Repayments of borrowings	(6,359)	(3,624)
Interest paid, net	(30)	(17)
Other cash items related to financing activities	4	(8)
Transactions on borrowings and other financial liabilities	(447)	(473)
Repayment of lease liabilities	(86)	(70)
Payment of interest of lease liabilities	(14)	(16)
Net cash provided by/(used for) financing activities	(1,347)	(1,346)
Net change in cash and cash equivalents	(135)	(597)
Foreign currency translation adjustments	1	32
Change in cash and cash equivalents	(134)	(565)
Cash and cash equivalents		
At beginning of the period	572	1,137
At end of the period	438	572

Cost of Revenues

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Artist costs	4,704	3,800
Product costs	1,049	808
Cost of Revenues	5,753	4,608

Non-IFRS Alternative Performance Indicators and Reconciliations

Financial Net Debt

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash and cash equivalents	439	585
Derivative financial assets	1	-
Term loan	-	(998)
Drawn revolving credit facilities	(125)	(1,447)
Bank overdrafts	(1)	(13)
Bonds	(1,004)	-
Commercial Papers	(929)	-
Other	(191)	(137)
Borrowings at amortized cost	(2,250)	(2,595)
Financial Net Debt	(1,810)	(2,010)

Reconciliation of Operating Profit to EBITDA and Adjusted EBITDA

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Operating Profit	1,600	1,394
Adjustments		
Amortization and depreciation expense	377	277
Restructuring expenses	32	20
(Gain)/loss on sale of assets	2	(2)
Impairment on intangible assets	17	-
Other non-recurring items	-	(3)
EBITDA	2,028	1,686
Non-cash share-based compensation expense	107	79
One time direct-listing related expenses	-	23
Adjusted EBITDA	2,135	1,788

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

(in millions of euros)	Year ended, December 31	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit attributable to equity holders of the parent	782	886
Financial income and expenses, excluding interest and income from investments	671	220
Non-cash share-based compensation expense	107	79
Certain one time items ¹	(11)	23
Impairment of intangible assets	17	-
Amortization of catalogues	233	144
Income tax on adjustments	(255)	(81)
Non-recurring tax items	(90)	-
Adjusted Net Profit	1,454	1,271

¹ Certain one time items in 2022 includes interest income in relation to the one-time non-recurring tax item and in 2021 related to expenses related to the direct listing of UMG on the Euronext Amsterdam.

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

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net cash provided by/(used for) operating activities before income tax paid	1,987	1,395
Income tax paid	(255)	(255)
Net cash provided by/(used for) operating activities	1,732	1,140
Net cash provided by/(used for) investing activities	(520)	(391)
Repayment of lease liabilities and related interest expenses	(100)	(86)
Interest, net	(30)	(17)
Other cash items related to financing activities	4	(8)
Free Cash Flow	1,086	638

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	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Amortization and depreciation expense	377	277
Impairment of intangible assets	17	-
Changes in provisions, net	65	8
(Gain)/loss on sale of assets	2	(2)
Other non-recurring items	-	(3)
Adjustments	461	280

Average currency rates

	Three Months Ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
EUR vs.				
USD	1.01	0.87	0.95	0.84
GBP	1.15	1.18	1.18	1.16
JPY	6.90	7.70	7.29	7.72

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 measures) 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 Condensed 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. 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 losses on goodwill and other intangibles;
- iii. other income and expenses related to transactions with shareowners (except when directly recognized in equity);
- iv. depreciation of tangible assets including right of use assets;
- v. (gains)/losses on the sale of tangible assets, included right of use assets and intangible assets;
- vi. restructuring expenses; and
- vii. other non-recurring items.

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, including but not limited to professional fees and listing fees related to UMG's listing on the Euronext Amsterdam. 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.

Adjusted Net Profit/Adjusted Net Profit per share

UMG uses Adjusted net profit 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 is excluded from Net profit attributable to equity holders of the parent:

- i. amortization of catalogues;
- ii. impairment losses on goodwill and intangible assets;
- iii. other charges and income related to transactions with shareowners;
- iv. financial income and expenses, excluding interest and income from investments;
- v. earnings from discontinued operations;
- vi. non-cash share-based compensation expense;
- vii. certain one-time items that are deemed by management to be significant and incidental to normal business activity;
- viii. income taxes and adjustments attributable to non-controlling interests; and
- ix. non-recurring tax items.

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.

Items Impacting Comparability of Results

Total UMG

(in millions of euros)	FY22					FY21				
	1Q22	2Q22	3Q22	4Q22	FY22 Total	1Q21	2Q21	3Q21	4Q21	FY21 Total
Revenue										
DSP Catch-Up Payment	-	-	-	-	-	-	41	-	-	41
Legal Settlement	-	-	71	-	71	-	-	-	-	-
Change in Society Accounting	46	98	(21)	(9)	114	-	-	-	-	-
Adjusted EBITDA										
DSP Catch-Up Payment	-	-	-	-	-	-	26	-	-	26
Exceptional Recovery and Release	-	-	-	-	-	20	-	-	-	20
Legal Settlement	-	-	52	-	52	-	-	-	-	-
Change in Society Accounting	17	17	(7)	(5)	22	-	-	-	-	-

Recorded Music

(in millions of euros)	FY22					FY21				
	1Q22	2Q22	3Q22	4Q22	FY22 Total	1Q21	2Q21	3Q21	4Q21	FY21 Total
Revenue										
DSP Catch-Up Payment	-	-	-	-	-	-	41	-	-	41
Legal Settlement	-	-	71	-	71	-	-	-	-	-
Adjusted EBITDA										
DSP Catch-Up Payment	-	-	-	-	-	-	26	-	-	26
Exceptional Recovery and Release	-	-	-	-	-	20	-	-	-	20
Legal Settlement	-	-	52	-	52	-	-	-	-	-

Music Publishing

(in millions of euros)	FY22					FY21				
	1Q22	2Q22	3Q22	4Q22	FY22 Total	1Q21	2Q21	3Q21	4Q21	FY21 Total
Revenue										
Change in Society Accounting	46	98	(21)	(9)	114	-	-	-	-	-
Adjusted EBITDA										
Change in Society Accounting	17	17	(7)	(5)	22	-	-	-	-	-

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 (the "Change in Society Accounting"). 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 is now 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 and notably in the second quarter of 2022 reflects the receipt of higher income than was accrued at the end of 2021.

Legal Settlement

Revenue, EBITDA and Adjusted EBITDA in 2022 include a benefit from the settlement of a copyright infringement lawsuit with an internet service provider (the “Legal Settlement”) previously disclosed and booked in Q3 2022.

DSP Catch-Up Payment

Revenue, EBITDA and Adjusted EBITDA for 2021 include the benefit from a catch-up payment from a digital service provider (the “DSP Catch-Up Payment”) previously disclosed and booked in Q2 2021.

Exceptional Recovery and Release

EBITDA and Adjusted EBITDA for 2021 includes the recovery of an advance provision and release of historic royalties (the “Exceptional Recovery and Release”) previously disclosed and booked in Q1 2021.