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DMD Analysis & Marketing Review

eCouncil

January 2006

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Digital Fun Facts

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- **Biggest Selling UMVD Single Week**

  - Song Nickelback - *"Photograph"* 155,935 (w/e 1/1/06)
  - Album Kanye West - *"Late Registration"* 40,332 (w/e 9/4/05) **4.7% of overall*

  - Of the Top 10 2005 digital albums, Jack Johnson had the largest 1st week digital percentage of physical @ 10%

- **2005 UMVD Eligible RIAA Digital Certifications to Date: 260**

•Gold	161
•Platinum	61
•2X Platinum	25
•3x Platinum	11
•4x Platinum	1
•5x Platinum	1 (Gwen Stefani-"Hollaback Girl")

- **Apple**
  - 10 million customers in the U.S.
  - UMVD's # 7 customer
    - # 6 Trans World-*810 stores* / # 8 Circuit City -*600+ stores*)
  - Estimated $50 million in gift cards sold in 2005
    - 90% of gift cards redeemed in first 6 months

Source: Music Mart
Top 10 YTD digital albums per Soundscan (as of 12.17.05)
Certifications as of November 2005
Apple Customer Ranking based on October 2005 YTD Revenue

2005 Overall Digital Sales

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THE DIGITAL PICTURE	DIGITAL ALBUMS			SINGLE TRACKS			TOTAL TRACKS (14 TRACKS PER ALBUM)		
	2004	2005	Change	2004	2005	Change	2004	2005	Change
INDUSTRY	4,802	15,483	222.4%	125,175	332,747	165.8%	192,403	549,509	185.6%
UMVD	1,530	4,608	201.3%	38,510	109,699	184.9%	59,924	174,216	190.7%
INDUSTRY W/O UMG	3,272	10,875	232.3%	86,665	223,048	157.4%	132,479	375,293	183.3%
UMG MARKET SHARE	32%	30%	-6.6%	31%	33%	7.2%	31%	32%	1.8%

SOURCE: Soundscan (as of 12.25.05)
2004 and 2005 sales based on 51 weeks

2005 Overall Digital & Physical Sales

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THE OVERALL PICTURE	ALBUMS			ALBUMS + WEIGHTED DIGITAL TRACKS (14 TRACKS PER ALBUM)		
	2004	2005	CHANGE	2004	2005	CHANGE
INDUSTRY	651,424	602,163	-7.6%	661,010	625,931	-5.3%
UMVD	192,387	190,903	-0.8%	195,331	198,738	1.7%
INDUSTRY W/O UMVD	459,037	411,260	-10.4%	465,679	427,192	-8.3%
UMVD MARKET SHARE	30%	32%	7.3%	30%	32%	7.4%

SOURCE: Soundscan (as of 12.25.05)
2004 and 2005 sales based on 51 weeks

2005 UMVD Digital % of Physical

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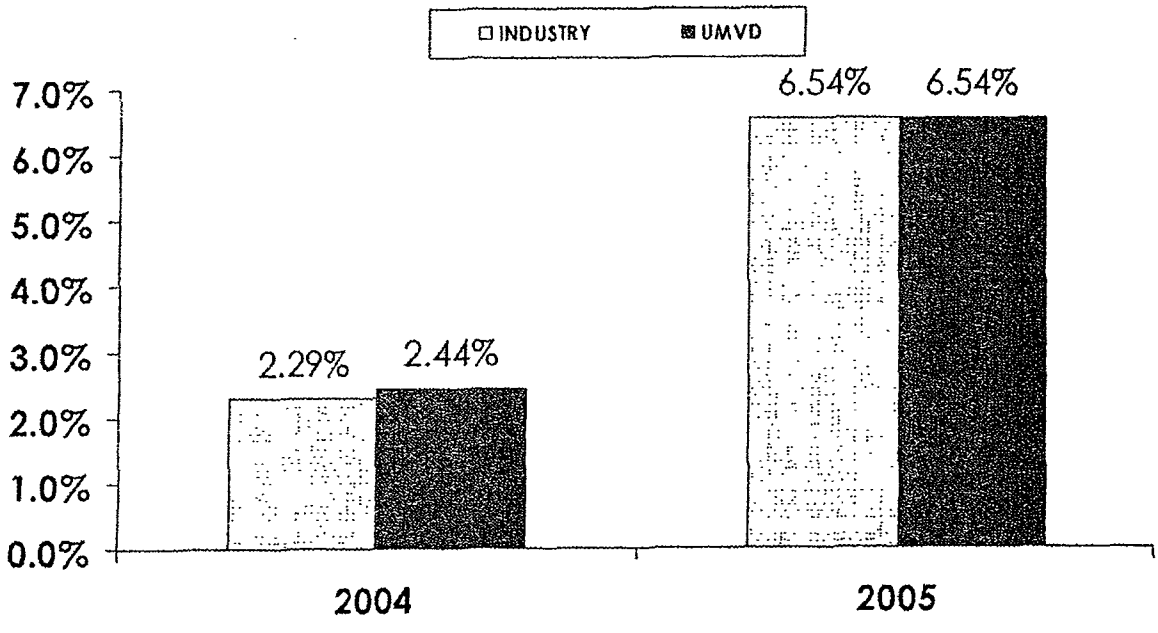
Digital % of Physical (Digital Albums + Weighted Digital Tracks)



- Digital (all) represented nearly 10% of overall UMVD sales $ in 2005

SOURCE. Soundscan (YTD as of 12.11.05)
Digital is digital albums + weighted digital tracks (14 tracks per album)
2004 and 2005 sales based on 49 weeks

2005 Digital Market Share

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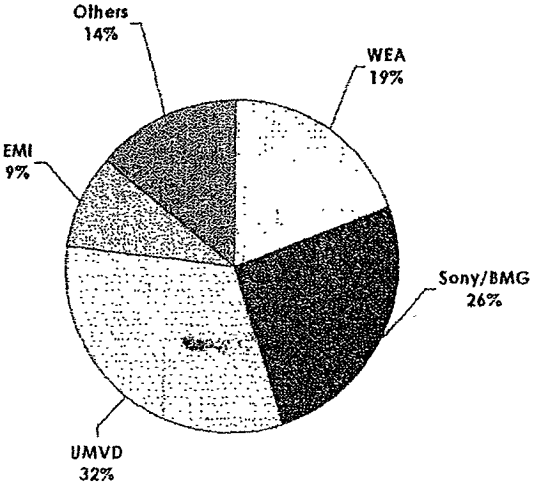
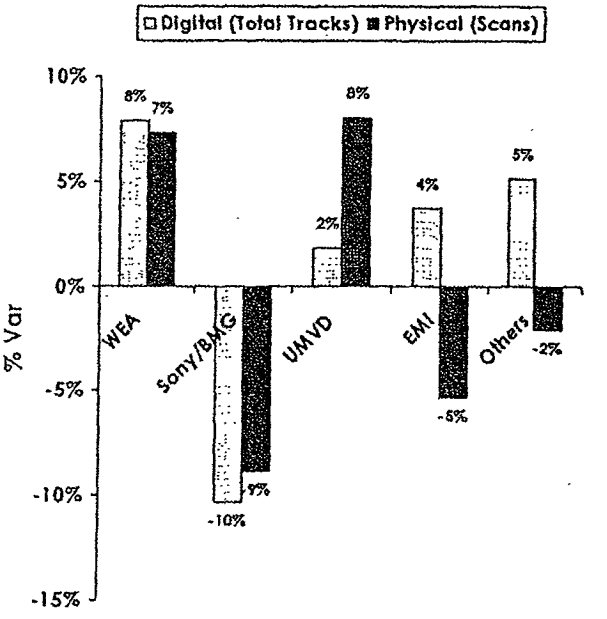
2005 Industry Market Share (Total Tracks)



2005 vs. 2004 Market Share



•UMVD digital market share was up 2% versus 2004 (31.7% 2005 / 31.1% 2004)
•up 8% in physical (31.6% 2005 / 29.3% 2004)

SOURCE: Soundscan (YTD as of 12.11.05)
Total Tracks are single tracks + album tracks (albums are counted as 14 tracks per album)
2004 and 2005 sales based on 49 weeks

2005 UMVD Retailer Market Share

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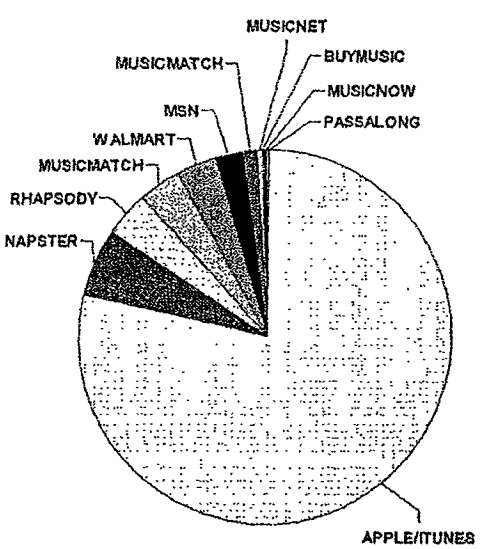
2005 Retail Share ▲

Rank	DSP	Mrkt Shr	% Var
1	APPLE/ITUNES	78.62%	▲ 16.1%
2	NAPSTER	5.76%	▼ -36.0%
3	RHAPSODY	3.99%	▼ -53.1%
4	MUSICMATCH	3.68%	▼ -45.4%
5	WALMART	3.18%	▼ -25.7%
6	MSN	2.54%	▲ 177.8%
7	SONY CONNECT	1.01%	▲ 70.5%
8	MUSICNET	0.78%	▼ -4.4%
9	BUYMUSIC	0.22%	▼ -64.2%
10	MUSICNOW	0.18%	▼ -77.2%
11	PASSALONG	0.03%	▲ 518.4%

2005 UMVD Market Share (Total Tracks)



SOURCE: MusicMart (YTD as of 12.11.05)
2005 vs. 2004 based on 49 weeks
Digital Sales based on Total Tracks

2005 UMVD Digital Share by Label

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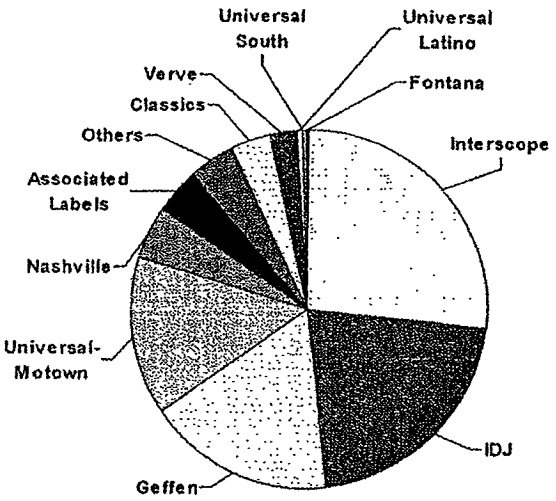
2005 UMVD Share▲

Rank	Label	2005
1	Interscope	26.6%
2	IDJ	21.5%
3	Geffen	17.1%
4	Universal-Motown	14.4%
5	Nashville	4.8%
6	Associated Labels	4.3%
7	Others	4.2%
8	Classics	3.5%
9	Verve	2.4%
10	Universal Latino	0.6%
11	Universal South	0.3%
12	Fontana	0.3%

Label Group Market Share (Total Tracks)



- **UME represented 31.4% of UMG Total Tracks in 2005**

SOURCE: MusicMart; (YTD as of 12.17 05)
Digital Sales based on Total Tracks
2005 vs. 2004 based on 50 weeks
Others includes: Special Markets, Dreamworks, Machette Music

UMVD Catalog versus Frontline

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% of Total	2004		2005		% Var	
	Catalog	Frontline	Catalog	Frontline	Catalog	Frontline
Digital Albums	47%	53%	**41%**	**59%**	-14%	13%
Tracks	61%	39%	**54%**	**46%**	-12%	18%
Physical	30%	70%	**31%**	**69%**	2%	-1%

Units	2004		2005		% Var	
	Catalog	Frontline	Catalog	Frontline	Catalog	Frontline
Digital Albums	897,097	1,001,236	**1,811,545**	**2,656,512**	102%	165%
Tracks	31,714,621	20,466,142	**60,142,042**	**52,210,112**	90%	155%

SOURCE: MusicMart; (YTD as of 12.11.05); Physical is as reported by Soundscan (YTD as of 12.25.05)
Catalog defined as older than 18 months
2005 vs. 2004 based on 49 weeks

Kiosk Picture

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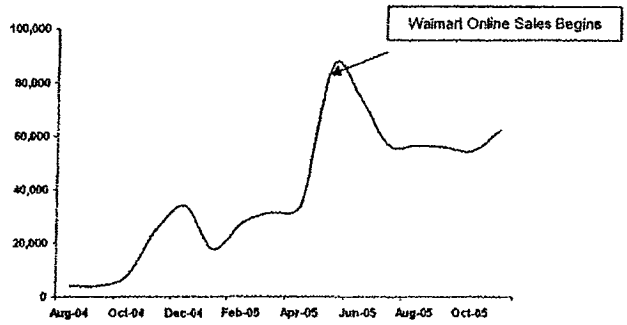
Kiosk Sales Trend (Total Tracks)



Top Digital Partner Ranking

Rank	Digital Partner	ITD Total Tracks
1	Walmart	262,953
2	Starbucks	207,631
3	Mix N Burn	161,322

- 631,906 Total Tracks since Inception in Aug. 2004
- 150 locations participating in kiosk sales
  - **Best Buy**
    - Represented 3.4% of Best Buy YTD sales (Store #304-*Bloomingdale, IL*)
    - Represented 2.3% of Best Buy YTD sales (Store #308-*Orland Park, IL*)
  - **Borders**
    - Represented 11% of Border sales (Store #252-*Woodbury*) from May '05 to October '05
  - **FYE**
    - Represented 5% of fye sales (Stores #140-*Rockefeller Center* & #216-*Albany*) from May '05 to October '05

SOURCE: MusicMart; (as of November 2005)
Starbucks included in figures; per eLabs (as of November 2005)

Kiosk

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Catalog vs. Frontline

% of Total	2004 Catalog	2004 Frontline	2005 Catalog	2005 Frontline	% Var Catalog	% Var Frontline
Digital Albums	n/a	n/a	67%	33%	n/a	n/a
Tracks	74%	26%	55%	45%	-25%	72%
Physical	30%	70%	31%	69%	2%	-1%

Top 10 Tracks Ranking (ITD)

Rank	Artist	Track Title	Sales Units
1	GWEN STEFANI	HOLLABACK GIRL	5,691
2	MARIAH CAREY	WE BELONG TOGETHER	4,090
3	WILL SMITH	SWITCH	4,061
4	LIFEHOUSE	YOU AND ME	3,901
5	RASCAL FLATTS	BLESS THE BROKEN ROAD	3,824
6	BLACK EYED PEAS	MY HUMPS	3,050
7	GWEN STEFANI	RICH GIRL	2,893
8	THE PUSSYCAT DOLLS	DON'T CHA	2,842
9	BLACK EYED PEAS	DON'T PHUNK WITH MY HEART	2,740
10	WEEZER	BEVERLY HILLS	2,549

SOURCE: MusicMart (YTD as of 12.11.05)
2005 vs. 2004 based on 49 weeks
Physical -reported by Soundscan (YTD as of 12.11.05)

Sales Trends - UMG

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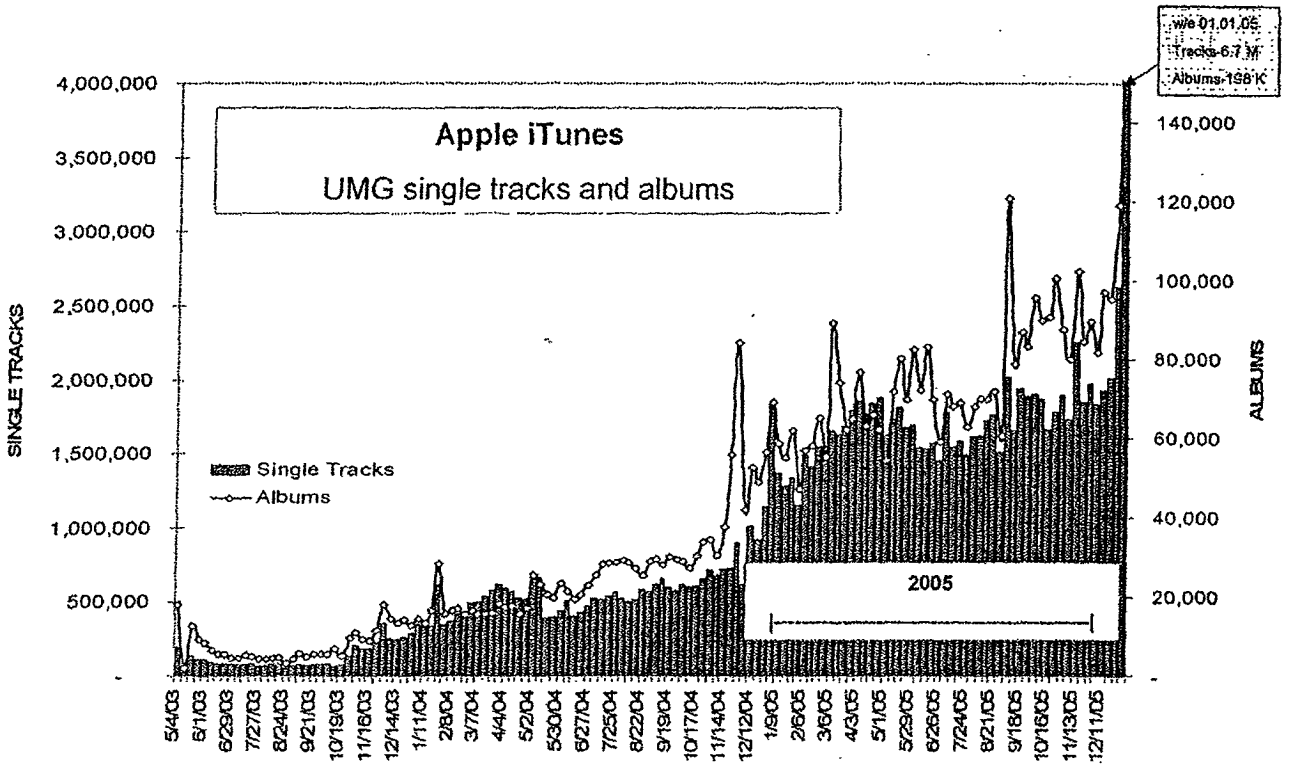
After significant growth during the end of 2004 and beginning of 2005, download growth rates have decelerated.



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Analysis of iTunes customers

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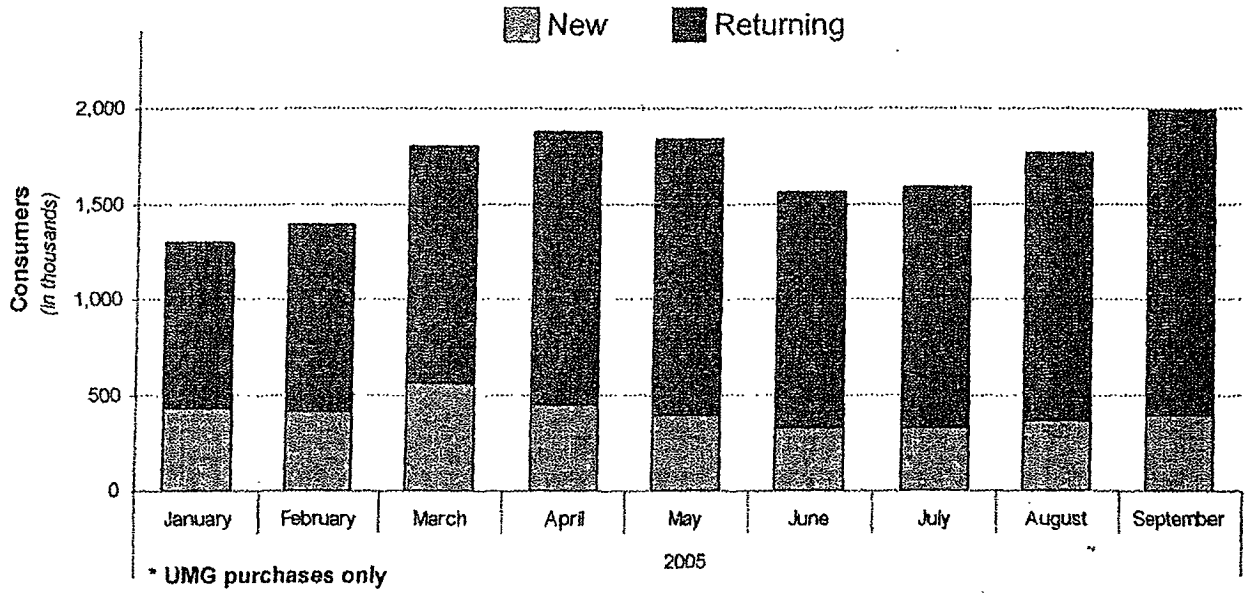
iTunes is adding new customers at a steady rate - but the relatively slow growth of total customers each month suggests that a significant percentage of them never become habitual users.

New vs. Returning Consumers by Month *



Analysis of iTunes customers

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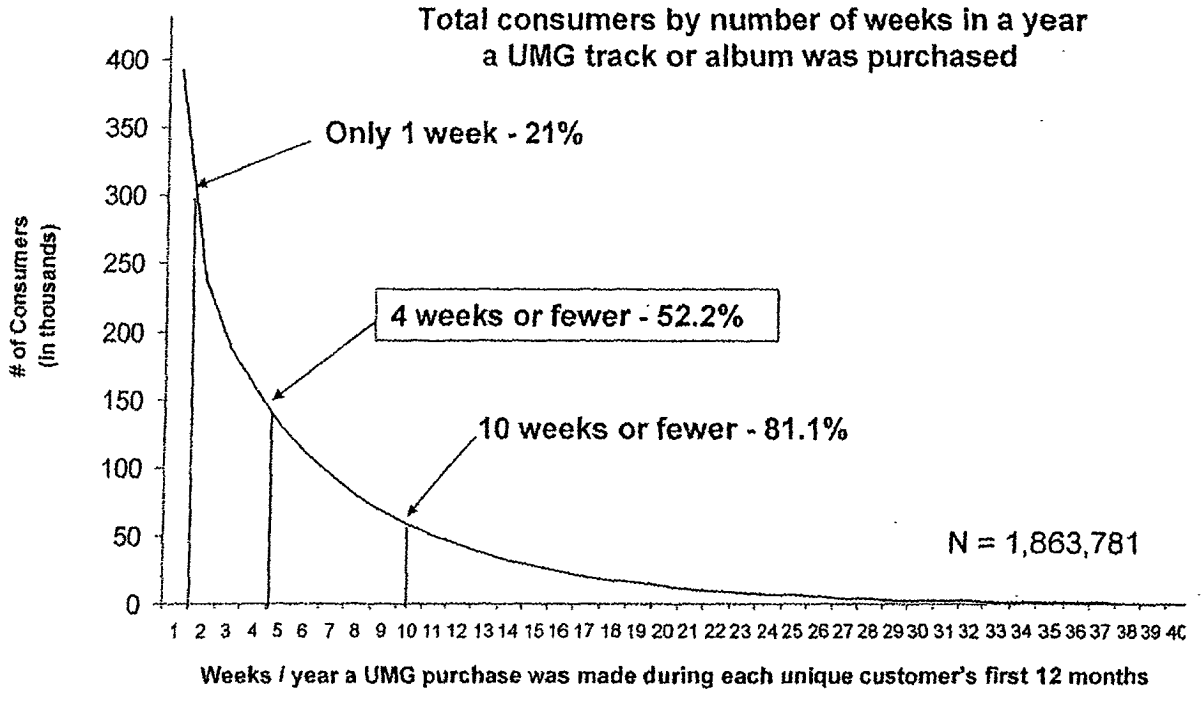
52% of registered iTunes users made a purchase of UMG music in 4 or fewer weeks during their first year as a customer...



Analysis of iTunes customers

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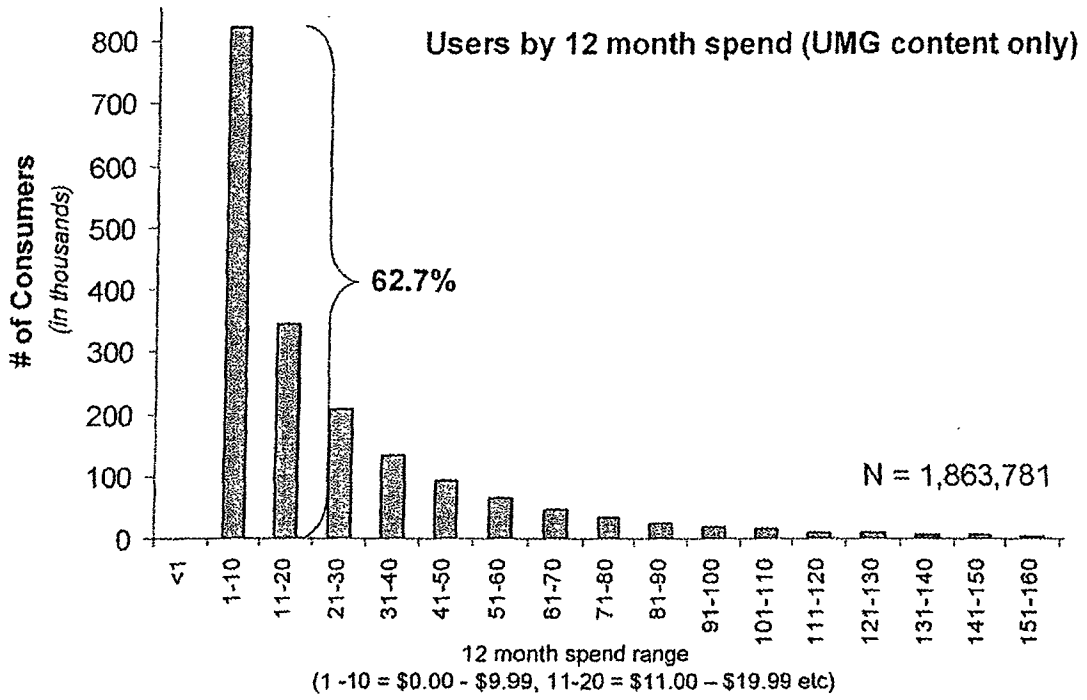
Similarly, 62.7% spend less than $20 during the same time-frame.



Analysis of iTunes customers

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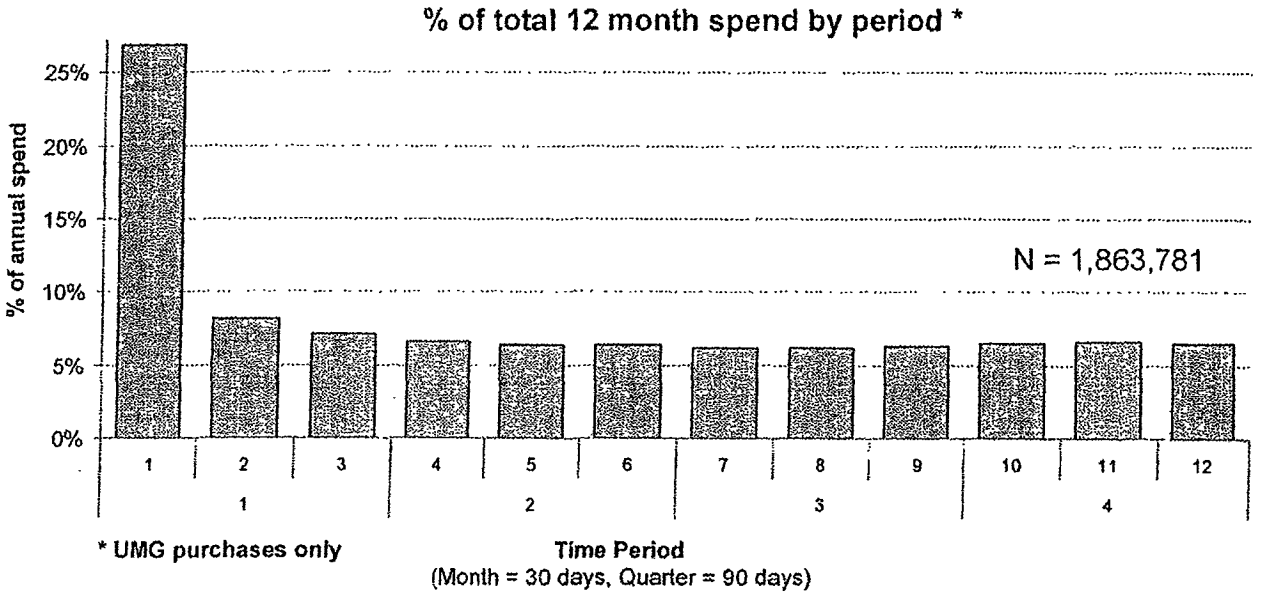
Over 25% of all spending occurs in the first month (or possibly transaction) for each user.



2006 Questions to be Answered

- Consumer Behavior
  - Shopping Cart
  - Repeat Usage
  - New Users
- Cannibalization
- Marketing Effect
- Pricing Opportunities
- Additional Thoughts?