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UNIVERSAL MUSIC GROUP

DMD Sales & Marketing Review

eCouncil
October 2006

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SE 0125756

FINAL

SDARS Ex. 56

EXHIBIT
18
4/25/07 TT

UMG Top 25 Accounts – August 2006 YTD

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Rank (Net $)	Type	Top Music Customers	Net $ (000's)	Net Share %	% CHG from 2005
1	PYT	ANDERSON	150,237	13.5%	-11.6%
2	PYT	TARGET	128,847	11.6%	5.4%
3	PYT	BEST BUY	123,922	11.1%	-12.9%
4	DLO	APPLE	106,362	9.6%	85.0%
5	PYT	HANDLEMAN	88,150	7.9%	-25.0%
6	PYT	ALLIANCE ENTERTAINMENT	62,422	5.6%	-7.4%
7	PYT	TRANS WORLD MUSIC	49,464	4.4%	-13.3%
8	PYT	CIRCUIT CITY STORES	33,457	3.0%	-17.9%
9	PYT	BORDERS, INC.	25,130	2.3%	-25.6%
10	PYT	TOWER	21,784	2.0%	-27.8%
11	RB+RT	CINGULAR	19,493	1.8%	155.0%
12	PYNT	AMAZON.COM	18,324	1.6%	-5.0%
13	RB+RT+DLOTA	SPRINT	18,083	1.6%	120.9%
14	RB+RT	T-MOBILE USA	15,862	1.4%	268.3%
15	RB+RT+DLOTA	VERIZON	13,669	1.2%	1058.7%
16	PYT	HASTINGS BOOKS, MUSIC & VIDEO	12,644	1.1%	-4.9%
17	PYT	DISCOTECAS LINDA	11,019	1.0%	-42.9%
18	PYT	BAKER & TAYLOR	10,643	1.0%	13.5%
19	PYT	AAFES	9,664	0.9%	-40.8%
20	PYT	ANGELICA'S RECORD DISTRIBUTORS	9,404	0.8%	-34.2%
21	DLO+STRMS	NAPSTER	8,999	0.8%	8.4%
22	PYT	VIRGIN MEGASTORE	8,847	0.8%	-24.5%
23	DLO+STRMS	LISTEN/RHAPSODY	8,801	0.8%	30.6%
24	PYT	SUPER D	7,520	0.7%	-7.0%
25	PYT	PRAJIN 1 STOP DISTRIBUTORS	7,046	0.6%	-37.2%

SOURCE: UMGD Musicmart

2006 Store Strata Trend - Albums

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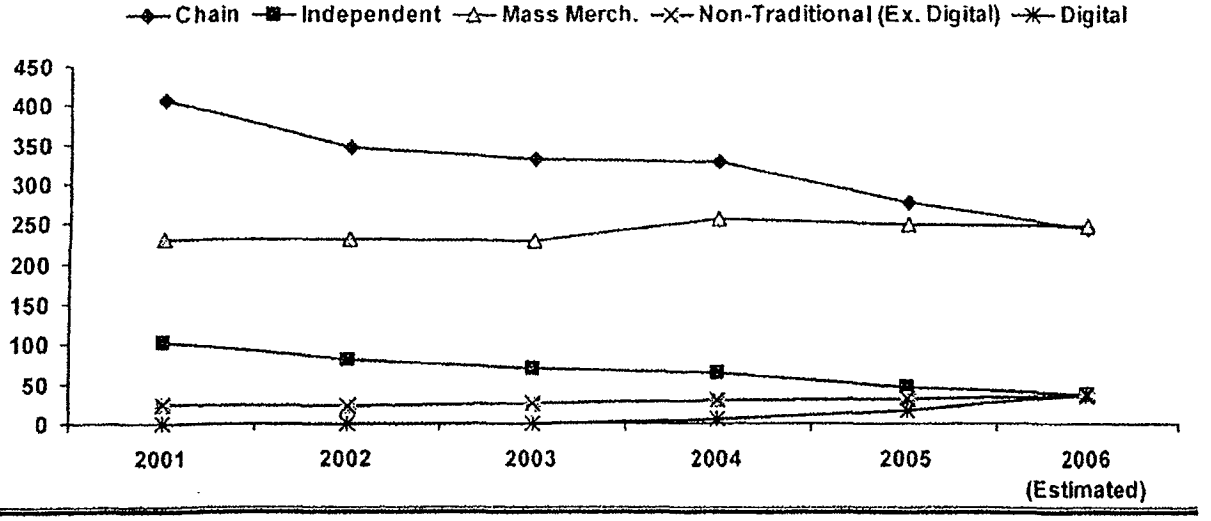
- Chain and Mass Merchants volume is expected to meet by year-end.
- Digital distribution is the fastest growing strata.
  - Digital albums up 114.2% YTD.
  - Non-Traditional (Ex. Digital) is up 15.5%.

INDUSTRY ALBUM SCANS (000s)



SOURCE: Soundscan data 2001-2005, 2006 Projection based on trend

2006-Rolling 12 Overall Digital & Physical Sales

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The Overall Picture

	ALBUMS			ALBUMS + WEIGHTED DIGITAL TRACKS (14 TRACKS PER ALBUM)[2]		
	Prior	Current	Change	Prior	Current	Change
INDUSTRY	633,705	597,669	-5.7%	654,357	635,086	-2.9%
UMG	202,099	187,687	-7.1%	208,783	199,989	-4.2%
INDUSTRY W/O UMG	431,606	409,982	-5.0%	445,574	435,097	-2.4%
UMG MARKET SHARE	31.89%	31.40%	-1.5%	31.91%	31.49%	-1.3%

SOURCE: Soundscan (as of 09 24.06)
Sales based on Rolling 12

2006-Rolling 12 Overall Digital Sales

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The Digital Picture

	DIGITAL ALBUMS			SINGLE TRACKS			TOTAL TRACKS (14 TRACKS PER ALBUM)		
	Prior	Current	Change	Prior	Current	Change	Prior	Current	Change
INDUSTRY	12,640	27,998	121.5%	289,125	523,835	81 2%	466,085	915,807	96.5%
UMG	3,891	7,640	96.4%	93,579	172,217	84.0%	148,050	279,179	88.6%
INDUSTRY W/O UMG	8,749	20,358	132.7%	195,546	351,618	79.8%	318,035	636,628	100.2%
UMG MARKET SHARE	30.78%	27.29%	-11.3%	32.37%	32.88%	1.6%	31.76%	30.48%	-4.0%

SOURCE Soundscan (as of 09 24.06)
Sales based on rolling 12
UMG Digital Album Tracks represent 36% of total tracks in current rolling 12

2006-Rolling 12 Digital Market Share

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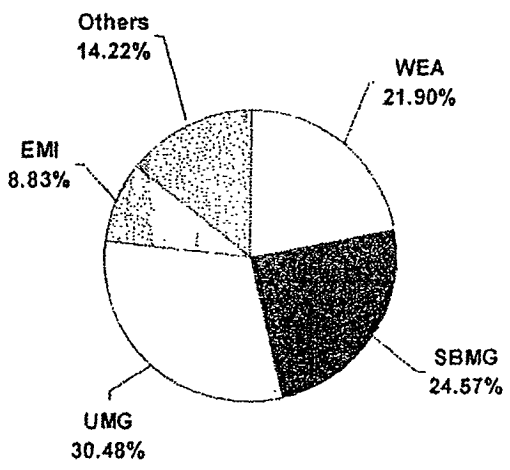
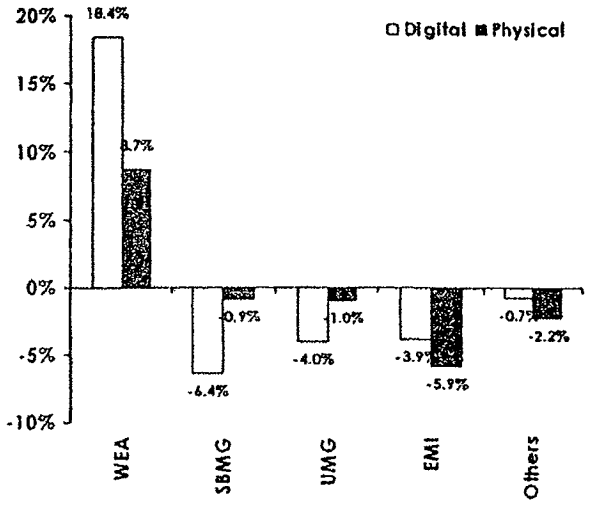
2006-Rolling 12 Industry Market Share (Total Tracks)



2006-Rolling 12 Market Share % Var



- UMG Digital market share only minimally includes our distributed labels, who give us 6 SoundScan points in physical market share, and were roughly 20% of our overall sales in 2005.
- WEA's 2006 digital releases James Blunt, Red Hot Chili Peppers, Gnarls Barkley, Panic at the Disco, Dane Cook and Raconteurs. These titles alone equal 10.8% of WEA's YTD digital album scans..

SOURCE: Soundscan (as of 04 09 06)
Total Tracks are single tracks + album tracks (albums are counted as 14 tracks per album)
Sales based on last 52 weeks

Competitive Label Performance Digital Album vs. Physical Album

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- Mainstream Group Labels: Typically a lower digital share (w/ exception of WEA)
- Latin & Country: Have a lower digital share (w/ exception of Lost Highway)
- Classics and Jazz: Across nearly all labels, digital shares are higher than CD.
- Independent Labels: Greater digital shares by substantial margin.

Excerpt: Mainstream Group Labels

		Market Share		Digital vs. CD	
Distributor	Label	CD	Digital	%	Difference
WEA	Warner Bros	6.26%	7.46%	119.17%	1.20%
WEA	Atlantic Records	5.81%	5.39%	92.77%	-0.42%
SBMG	Columbia	6.79%	5.64%	83.06%	-1.15%
SBMG	Epic	3.67%	3.67%	100.00%	0.00%
SBMG	The RCA Music Group	3.92%	3.97%	101.28%	0.05%
UMGD	Interscope/A&M	4.45%	4.84%	108.76%	0.39%
UMGD	Geffen	3.56%	4.08%	114.61%	0.52%
UMGD	Island Def Jam Music	5.74%	4.49%	78.22%	-1.25%
UMGD	Universal Records	4.29%	3.78%	88.11%	-0.51%
EMI	Capitol Records	3.47%	2.69%	77.52%	-0.78%
EMI	Virgin	1.66%	1.94%	116.87%	0.28%

SOURCE: Soundscan YTD 2006 10/01/2006

2006-Rolling 12 UMVD Digital as a % of Overall Sales

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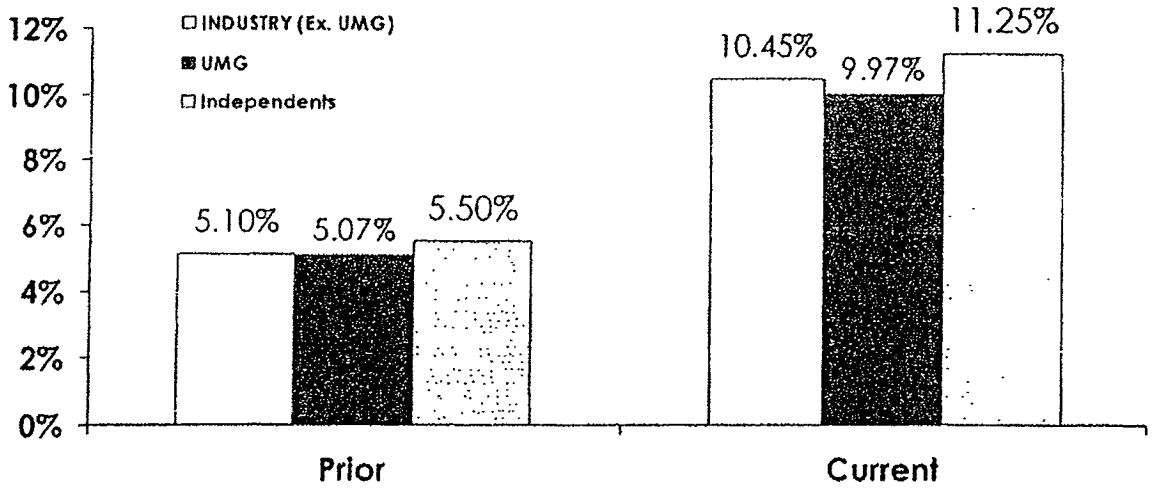
- UMG growth is trending with the Industry (Prior vs. Current).
- Independents tend to sell comparatively more digitally, presumably due to lost space at retail.

Digital Albums + TEA % of Overall



SOURCE: Soundscan (as of 09 24 06)
Digital is digital albums + TEA (14 tracks per album)
Sales based on last 52 weeks

2006 vs. 2005: Current vs. Catalog, Digital Album vs. Tracks

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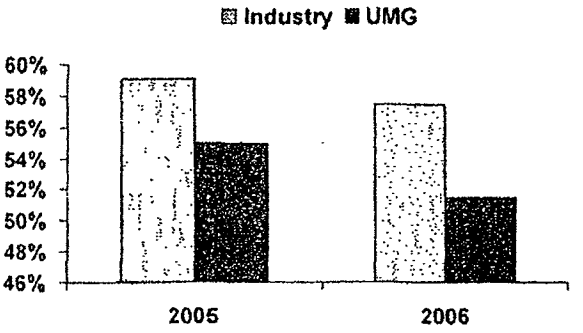
- **2006 New Releases as a % of Digital Album Sales**
  - Industry: 57.4% (59.0% YE 2005)
  - UMG: 51.5% (54.9% YE 2005)

- **UMG Top 100 Digital Albums 2006 YTD**
  - Titles: 33 / 100 (37 / 100 in 2005)
  - Share: 31.6% (40.2% in 2005)

Current % Digital Album Scans



* 'New Releases' refer to 'Current' in SoundScan

- **Albums vs. Tracks (APT)**
  - Industry: 5.12 (up 23.7%)
  - UMG: 4.29 (up 11%)

* APT is albums per 100 transactions (digital albums and tracks)

SOURCE: Soundscan YTD 2006 10/01/2006

ANALYSIS

Compliments of
The Slide Rule Club

Developing Artist Pricing

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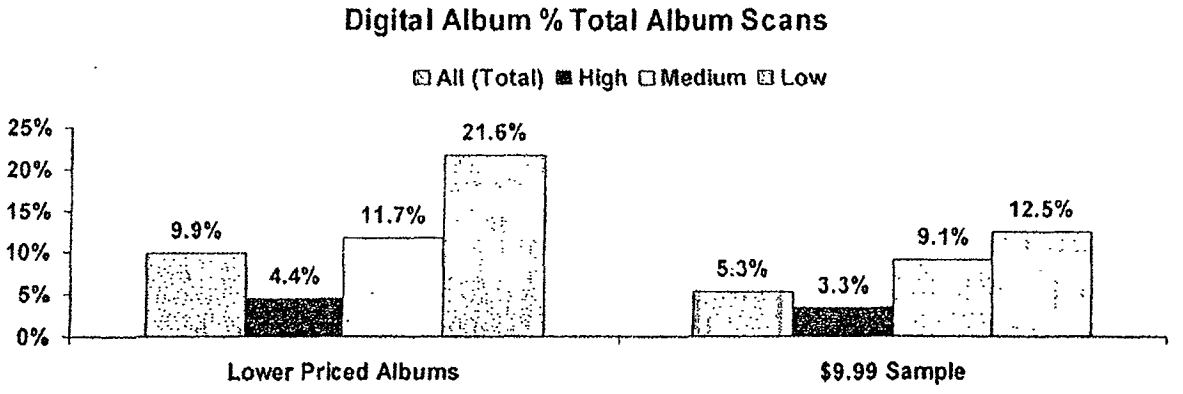
- Lower-priced developing artist digital albums sell a greater share of digital albums compared to an 8 week sample of regular artists priced at $9.99.
  - The lower the volume, the greater the digital album share.



Notes

1. "Developing Artists" are assumed as titles priced $4.99 to $8.99 (most within $6.99-$7.99, sample of 794 titles).
2. $9.99 based on a non-specific random sample of 374 titles from the general population of $9.99 (Industry YTD digital album share is a similar 5.7% in total).
3. Volume Groupings are based on 8-week overall album scans. High = 10,000+, Medium = 1,000 to 9,999, and Low = 1 to 999

Digital Cannibalization Analysis – Metallica & Linkin Park CONFIDENTIAL

Metallica

Digital catalog became available 7/30/06.

Average weekly physical sales -5.7%

Average weekly digital albums + 3,582

Total sales (albums and bundled tracks) have increased 46.0% post iTunes catalog release.

- ***Digital Sales appear to be mostly incremental and make up for decline in physical.***

Linkin Park

Digital catalog became available 9/3/06.

Average weekly physical sales -6.2%

Average weekly digital albums + 3,326

Total sales (albums and bundled tracks) have increased 88.3% post iTunes catalog release

Digital Sales appear to be mostly incremental and make up for decline in physical

Numbers based on Soundscan

iTunes "80's For Under $8" Promotion

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- Promotion Overview
  - Titles: 31 titles offered for under $8
  - Discount: TL10 ($7) to TL8 ($5.60)1
  - Dates: June 13 – July 3, 2006.
  - Placement: Main Page: 2 Weeks , Genre Pages: 4 weeks)

- Sales Results:
  - 106 average incremental units per album, 707 in tracks
    - 141% average lift in albums
    - 17% average lift in tracks
  - Average incremental revenue per title:
    - $235 in albums
    - $321 in tracks

Numbers based on Soundscan
Expected baseline calculated from pre and post promotion trend
This was an iTunes only promotion but we don't have iTunes only numbers for competitive titles. Consequently, all unit and lift figures are inclusive of all digital retailers
1 assumed discount given the implied retail price of $7.99

iTunes 4th of July Promotion

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- Promotion Overview
  - Titles: 16 titles offered for under $8
  - Discount: TL10 ($7) to TL8 ($5.60)1
  - Dates: June 27 – July 10, 2006.
  - Placement: Main Page: 2 Weeks , Genre Pages: 4 weeks)

- Sales Results:

  - 88 average incremental units per album, 592 tracks
    - 15% average lift in albums
    - 5% average lift in tracks

  - Average lost revenue per title:
    - - $335 in albums
    - $268 in tracks
      - Rascal Flatts Effect?

Numbers based on Soundscan
Expected baseline calculated from pre and post promotion trend
This was an iTunes *only* promotion but we don't have iTunes only numbers for competitive titles. Consequently, all unit and lift figures are inclusive of all digital retailers
1 assumed discount given the implied retail price of $7.99

2006 / 2007 Industry Projections (in '000's)

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- Physical Albums
  - 2006 567,568 (-5.2%)
  - 2007 539,189 (-5.0%)

- Digital Download
  - 2006
    - Albums: 37,565 (+131%)
    - Tracks: 629,940 (+79%)
  - 2007
    - Albums: 51,813 (+38%)
    - Tracks 862,410 (+37%)