RIAA Ex. N-104-DP - BPI Market Information No. 275

BPI Quarterly Market Review

Singles / Albums / Downloads / DVD - Q2 06

UK Market Records Downturn in Second Quarter

Quarterly Summary

In the first three months of 2006 trade shipments reported a much better year on year change than retail sales as measured by the Official UK Charts Co (OCC). Album shipments were up by 4.5% compared to a retail sales decrease of 3%. In the second quarter of the year, the reverse was true however - retail sales outperfomed trade deliveries. Both were down year on year, but shipments more so.

The value of trade deliveries fell significantly in Q2, by 11.2% compared to Q2 05. In the latter part of the second quarter business was depressed by the World Cup and release schedules reflected the fact that such events adversely affect several high street sectors. Added to the competition from the football was a period of hot weather which has a similarly detrimental impact on purchasing. Music DVD sales also fell noticably, with a significant amount of stock being returned to suppliers from the retail trade in Q2.

Year To Date

Taking the first six months together reveals a much smaller market decline of 3% in albums volume (similar to the decline reported by OCC) and 4.2% in terms of industry revenue. The large decline in Q2 was offset to a large extent by gains made in the first three months of 2006.

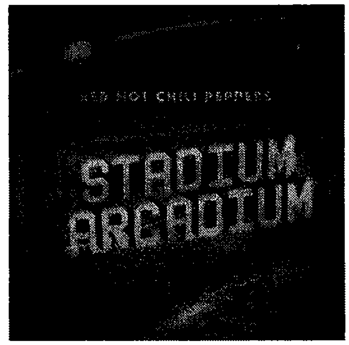
Digital

At the beginning of the second quarter OCC began to publish data on the number of digital albums sold each week. Over the three months more than 600,000 sales had been recorded, around 2% of the total album market. Snow Patrol's *Eyes Open* was the biggest selling download album of the

quarter with sales of more than 18,000 digital units - almost 5% of total sales. Also featuring among the biggest selling titles were download-only releases from Richard Ashcroft and KT Tunstall.

There is a fuller analysis of the digital album market in Market Information 272, which covers the download market in detail.

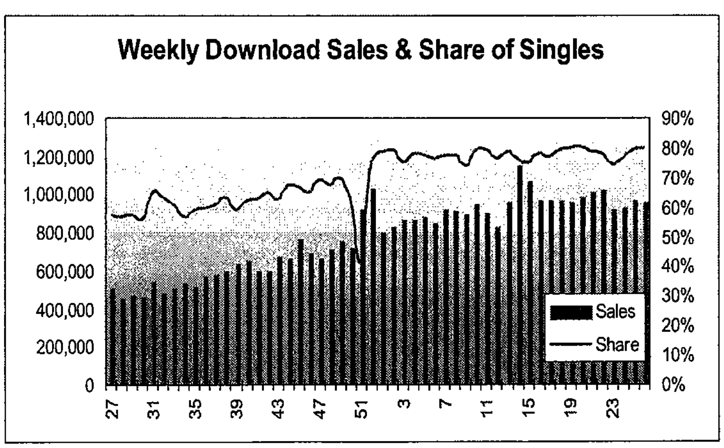
The growth of single track downloads continues to re-invigorate the singles market - sales again were up by more than 100% in Q2 and although estimated income from downloads has not yet compensated for falling physical format revenues, the turning point cannot be far away. Singles revenue growth has fallen to only -2% on an annualised basis. The graph below illustrates the continuing expansion of downloads within the singles market over the past year.



Best Sellers

The best selling album of the quarter was *Stadium Arcadium* by Red Hot Chili Peppers a double CD set, which had sold almost 450,000 copies by the end of June. The latest edition in the *Now* series was close behind in second place, with sales in excess of 440,000. Year on year comparisons suffer however because of the June 2005 release of Coldplay's *X&Y*, which sold more than 900,000 copies by the end of Q2 05.

The first single to reach Number One on download sales alone, Gnarls Barkley's *Crazy* was the best selling title by a large margin, with total sales across physical and digital formats exceeding 700,000 units. Sales growth was widespread though - all of the Top 10 titles of the quarter sold more than 100,000 copies.



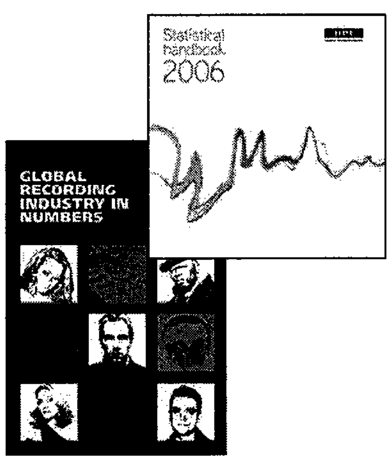
Quarterly Analysis by Format (all figures in thousands)

		April/June 2004	April/June 2005	April/June 2006	% Change 2005/06
7" Singles	Units	300	496	545	+9.9%
	Value	£307	£454	£482	+6.2%
12" Singles	Units	1,284	1,112	621	-44.2%
	Value	£2,876	£2,508	£1,412	-43.7%
CD Singles	Units	6,618	5,055	4,112	-18.7%
	Value	£10,541	£8,038	£5,258	-34.6%
Single Track	Units	659	5,562	12,869	+131.3%
Downloads	Value	£310	£2,614	£6,048	+131.3%
Total Singles	**Units**	**8,861**	**12,227**	**18,147**	**+48.4%**
(inc. Cassette)	**Value**	**£14,034**	**£13,623**	**£13,200**	**-3.1%**
LPs	Units	401	359	212	-40.9%
	Value	£1,175	£1,134	£898	-20.8%
CDs	Units	45,321	45,078	40,912	-9.2%
	Value	£208,516	£195,787	£175,776	-10.2%
Total Albums	**Units**	**45,839**	**45,554**	**41,172**	**-9.6%**
(inc Cassette)	**Value**	**£210,108**	**£197,268**	**£176,853**	**-10.3%**
Estimated income from	Units				
Digital Albums/Bundles	Value	na	£2,600	£4,800	+84.6%
Music DVD	Units	1,426	1,699	804	-52.7%
(see note)	Value	£9,163	£9,995	£3,561	-64.3%
Total Value		**£233,305**	**£223,486**	**£198,414**	**-11.2%**

UK Sales in the Global Market

IFPI's annual publication Global Recording Industry In Numbers will be available soon - this provides a comprehensive analysis of music sales by territory and region. Additionally it contains a vast amount of country-specific data including hardware and broadband penetration levels, music DVD sales, retail trends and repertoire sales. This is available free to all BPI member companies.

There is more information on sales of British music around the world in the 2006 edition of the *BPI Statistical Handbook* - the 27th edition in the series was published in July and as usual contains data series covering sales by format, type of music, market shares, developments in the downloading environment, independent music sales, music DVD and piracy along with many others.



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Annualised Totals (all figures in thousands)

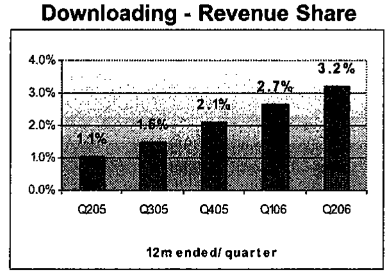
12 months ended:		June 2003	June 2004	June 2005	June 2006	% Change 2005/06
7" Singles	Units	573	954	1,576	2,045	+29.8%
	Value	£544	£924	£1,762	£1,821	+3.3%
12" Singles	Units	6,632	5,629	4,897	3,316	-32.3%
	Value	£12,477	£11,186	£10,810	£7,343	-32.1%
CD Singles	Units	30,415	28,911	22,683	18,079	-20.3%
	Value	£58,606	£48,248	£37,959	£28,106	-26.0%
Single Track	Units	-	-	14,958	40,601	+171.4%
Downloads	Value	-	-	£7,030	£19,082	+171.4%
Total Singles	**Units**	**40,996**	**35,676**	**44,119**	**64,043**	**+45.2%**
(inc Cassette)	**Value**	**£75,062**	**£60,512**	**£57,578**	**£56,361**	**-2.1%**
LPs	Units	2,143	1,798	1,205	1,051	-12.8%
	Value	£6,028	£5,442	£3,963	£3,791	-4.3%
Cassettes	Units	1,367	764	584	317	-45.7%
	Value	£4,301	£2,728	£2,113	£1,592	-24.7%
CDs	Units	224,819	233,106	237,848	227,227	-4.5%
	Value	£1,068,050	£1,105,318	£1,075,681	£1,022,383	-5.0%
Total Albums	**Units**	**228,338**	**235,668**	**239,637**	**228,595**	**-4.6%**
(inc MiniDisc)	**Value**	**£1,078,430**	**£1,113,490**	**£1,081,757**	**£1,027,766**	**-5.0%**
Music DVD	Units	4,172	7,422	10,662	9,403	-11.8%
	Value	£28,734	£50,651	£65,703	£55,449	-15.6%
Estimated income from download sales		-	-	£5,750	£17,900	+211.3%
Total Revenue		**£1,182,226**	**£1,224,653**	**£1,210,788**	**£1,157,476**	**-4.4%**

Annualised Trade Deliveries

The Q2 downturn in sales has had an obvious impact on annual market sizes. Albums volume fell to 228.6m units, almost 5% lower than a year ago. This is the third consecutive quarter that the market has contracted. Music DVD shipments have flattened in recent quarters, but the abrupt downturn in Q2 has led to the market value dropping to £55.4m, down 15.6% from 12 months ago, when the market reached a high of £65.7m.

Downloading continues to contribute an increasing share of industry revenue; currently 3.2% on annual basis, but almost 5.5% in the most recent three month period.

Downloading - Revenue Share



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