

Nielsen Entertainment

NARM Webinar
2010 Q3 and YTD Review
November 4, 2010

NARM



Topics of Discussion

- Q3 Summary and Analysis
- YTD Summary and Analysis
- YTD Trending
- 2010 Full-Year Forecast
- 2010 Consumer Outlook

Q3 Review

Summary and Analysis

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Q3 Sales Summary

Total Sales

	Units (Millions)				% Total w/TEA	
	2010	2009*	% Chg.	+/- Units	2010	2009*
Physical Total	47.4	64.0	-26.0%	-16.6	50.7%	58.9%
Digital Total w/TEA	46.0	44.7	+2.9%	+1.3	49.3%	41.1%
Total Sales						
Album Total	67.1	82.0	-18.2%	-14.9	71.9%	75.4%
Total w/TEA	93.4	108.7	-14.1%	-15.3	100.0%	100.0%

¹ 2009 week alignment adjusted to match 2010 time period, covering 7/12/2009 through 10/4/2009.

Industry Q3 Sales Summary

Physical Sales

	Units (Millions)				% Total w/TEA	
	2010	2009 ¹	% Chg.	+/- Units	2010	2009 ¹
Chains	15.4	21.5	-28.4%	-6.1	16.5%	19.8%
Independents	6.3	5.6	+12.2%	+0.7	6.7%	5.1%
Chains + Independents	21.7	27.1	-20.0%	-5.4	23.2%	24.9%
Mass Merchants	19.6	29.9	-34.5%	-10.3	21.0%	27.5%
Internet/Mail Order/Venue	5.2	6.1	-13.8%	-0.8	5.6%	5.6%
Non Traditional Retail	0.9	1.0	-7.5%	-0.1	1.0%	0.9%
Physical Total	47.4	64.0	-26.0%	-16.6	50.7%	58.9%

¹ 2009 week alignment adjusted to match 2010 time period, covering 7/12/2009 through 10/4/2009.

Industry Q3 Sales Summary

Digital Sales

	Units (Millions)				% Total w/TEA	
	2010	2009 ¹	% Chg.	+/- Units	2010	2009 ¹
Digital Albums	19.7	18.0	+9.7%	+1.7	21.1%	16.5%
Digital TEA	26.3	26.7	-1.7%	-0.4	28.1%	24.6%
Digital Tracks Units	262.9	267.4	-1.7%	-4.5		
Digital Total w/TEA	46.0	44.7	+2.9%	+1.3	49.3%	41.1%

¹ 2009 week alignment adjusted to match 2010 time period, covering 7/12/2009 through 10/4/2009.

Q3 Current and Catalog

	Units (Millions)				% Share of Format	
	2010	2009*	% Chg.	+/- Units	2010	2009*
Total Albums	67.1	82.0	-18.2%	-14.9	100.0%	100.0%
Current	37.2	43.6	-14.6%	-6.4	55.5%	53.2%
Catalog	29.9	38.4	-22.2%	-8.5	44.5%	46.8%
Physical Albums	47.4	64.0	-26.0%	-16.6	100.0%	100.0%
Current	27.3	34.5	-21.0%	-7.2	57.5%	53.9%
Catalog	20.1	29.5	-31.8%	-9.4	42.5%	46.1%
Digital Albums	19.7	18.0	+9.7%	+1.7	100.0%	100.0%
Current	10.0	9.1	+9.4%	+0.9	50.5%	50.7%
Catalog	9.8	8.9	+10.0%	+0.9	49.5%	49.3%
Digital Tracks	262.9	267.4	-1.7%	-4.5	100.0%	100.0%
Current	124.3	117.8	+5.5%	+6.4	47.3%	44.1%
Catalog	138.7	149.6	-7.3%	-10.9	52.7%	55.9%

Note: 2010 represents the 13 weeks ending 7/4/2010. 2009 represents the 13 weeks ending 7/5/2009.

Q3 Current vs. Catalog

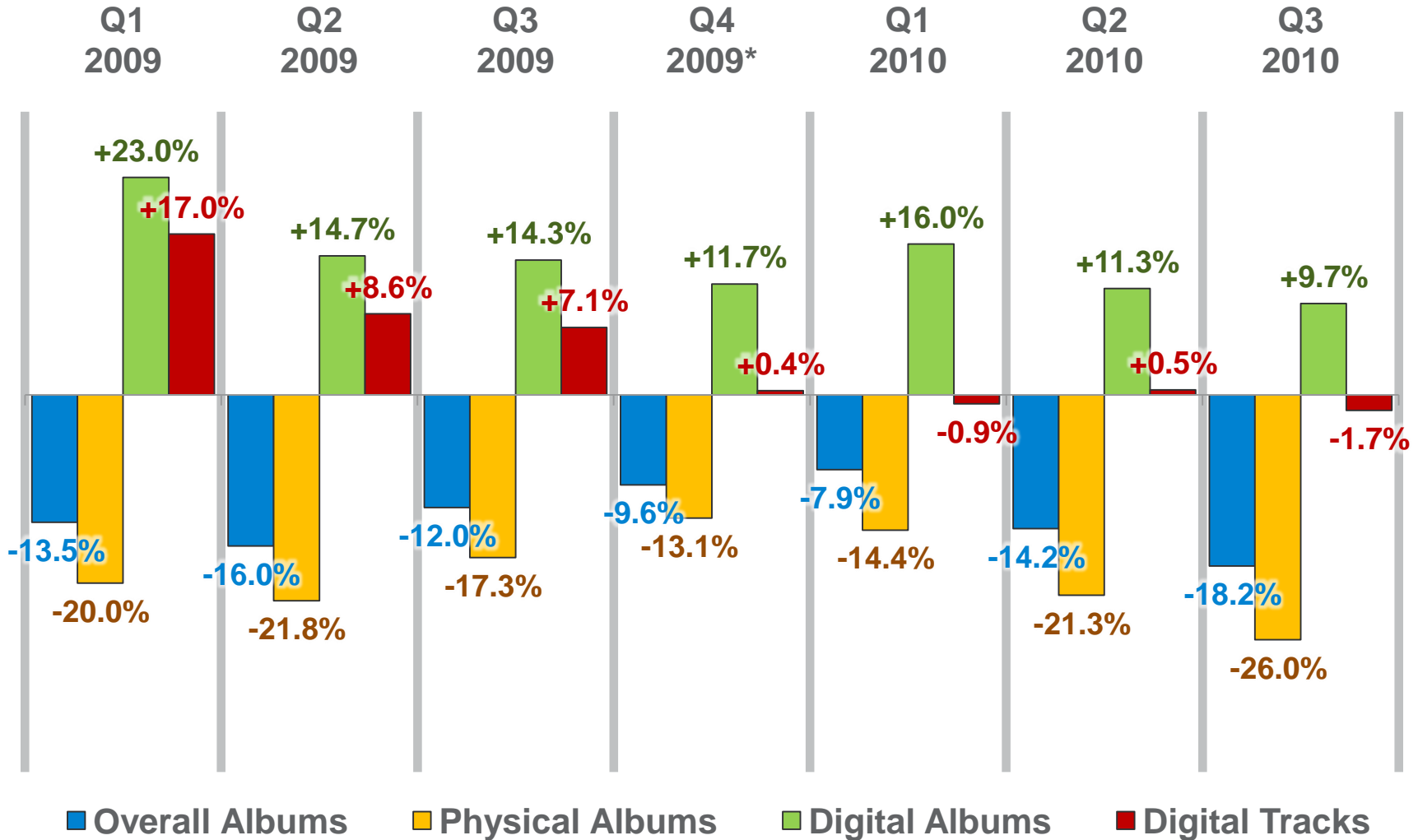
Excluding Michael Jackson Sales

	Excluding MJ / Units (Millions)			With MJ / Units (Millions)		
	2010	2009*	% Chg.	2010	2009*	% Chg.
Total Albums	66.8	77.8	-14.1%	67.1	82.0	-18.2%
Current	37.2	43.5	-14.5%	37.2	43.6	-14.6%
Catalog	29.7	34.3	-13.6%	29.9	38.4	-22.2%
Physical Albums	47.2	60.1	-21.5%	47.4	64.0	-26.0%
Current	27.2	34.4	-20.8%	27.3	34.5	-21.0%
Catalog	19.9	25.7	-22.4%	20.1	29.5	-31.8%
Digital Albums	19.7	17.7	+10.9%	19.7	18.0	+9.7%
Current	10.0	9.1	+9.4%	10.0	9.1	+9.4%
Catalog	9.7	8.6	+12.5%	9.8	8.9	+10.0%
Digital Tracks	262.3	262.5	-0.1%	262.9	267.4	-1.7%
Current	124.2	117.8	+5.5%	124.3	117.8	+5.5%
Catalog	138.0	144.7	-4.6%	138.7	149.6	-7.3%

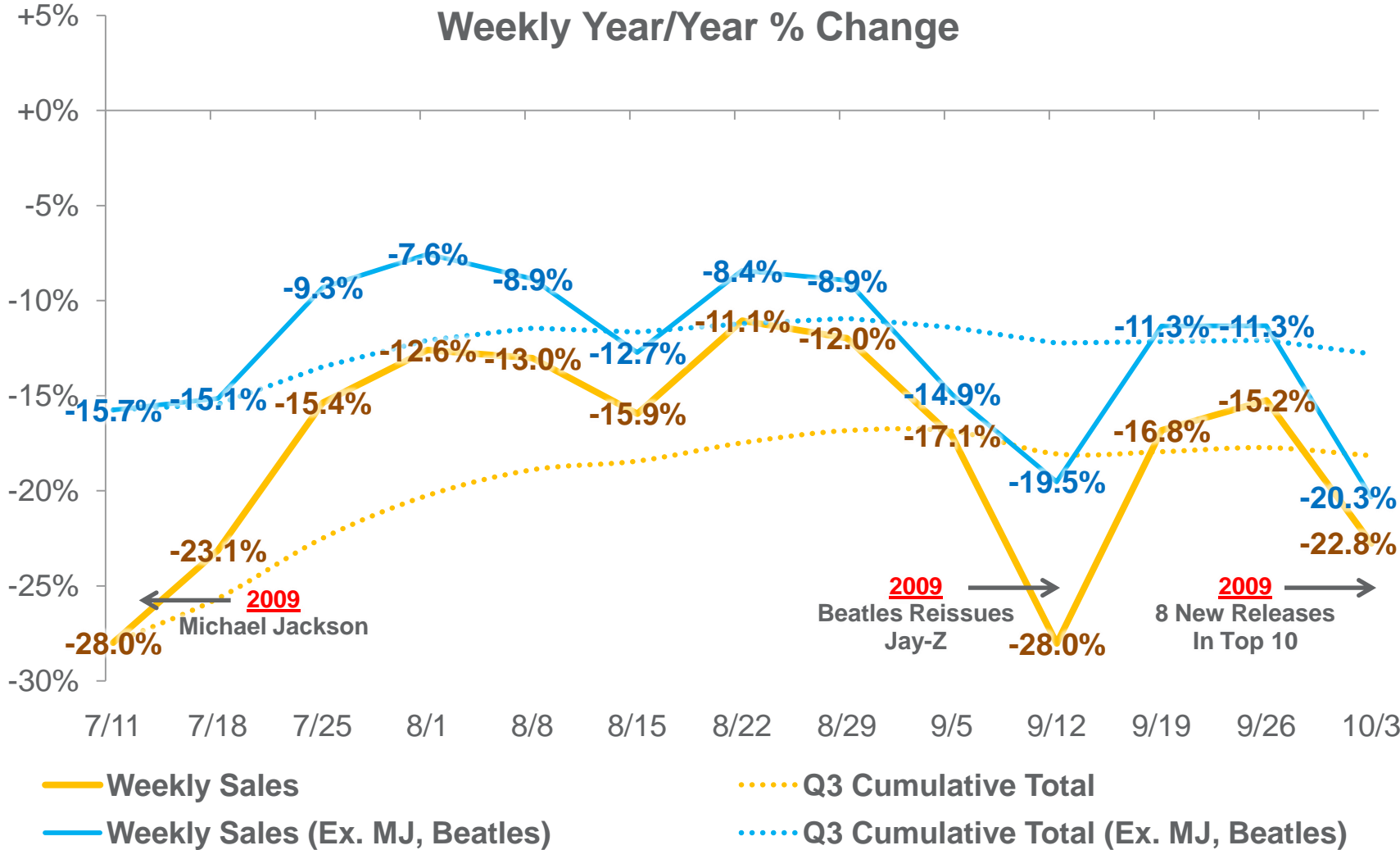
Note: 2010 represents the 35 weeks ending 9/5/2010. 2009 represents the 35 weeks ending 9/6/2009.

Industry Sales Trend by Quarter

YOY % Change



Q3 Overall Album Year/Year Sales Trend



YTD Review

Summary and Analysis

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YTD Sales Summary

Total Sales

	Units (Millions)				% Total w/TEA	
	2010	2009*	% Chg.	+/- Units	2010	2009*
Physical Total	159.2	199.9	-20.3%	-40.7	51.8%	58.5%
Digital Total w/TEA	147.9	141.7	+4.4%	+6.2	48.2%	41.5%
Total Sales						
Album Total	221.1	254.9	-13.3%	-33.9	72.0%	74.6%
Total w/TEA	307.1	341.6	-10.1%	-34.5	100.0%	100.0%

¹ 2009 week alignment adjusted to match 2010 time period, covering 1/4/2009 through 10/4/2009.

Industry YTD Sales Summary

Physical Sales

	Units (Millions)				% Total w/TEA	
	2010	2009 ¹	% Chg.	+/- Units	2010	2009 ¹
Chains	50.7	74.5	-31.9%	-23.7	16.5%	21.8%
Independents	19.3	17.6	+9.7%	+1.7	6.3%	5.2%
Chains + Independents	70.1	92.1	-23.9%	-22.0	22.8%	27.0%
Mass Merchants	69.6	87.4	-20.4%	-17.8	22.7%	25.6%
Internet/Mail Order/Venue	16.7	17.6	-4.8%	-0.8	5.4%	5.1%
Non Traditional Retail	2.8	2.8	-0.5%	-0.0	0.9%	0.8%
Physical Total	159.2	199.9	-20.3%	-40.7	51.8%	58.5%

¹ 2009 week alignment adjusted to match 2010 time period, covering 1/4/2009 through 10/4/2009.

Industry YTD Sales Summary

Digital Sales

	Units (Millions)				% Total w/TEA	
	2010	2009 ¹	% Chg.	+/- Units	2010	2009 ¹
Digital Albums	61.9	55.1	+12.4%	+6.8	20.1%	16.1%
Digital TEA	86.0	86.6	-0.7%	-0.6	28.0%	25.4%
Digital Tracks Units	860.4	866.3	-0.7%	-5.9		
Digital Total w/TEA	147.9	141.7	+4.4%	+6.2	48.2%	41.5%

Note: 2010 represents the 39 weeks ending 7/4/2010. 2009 represents the 39 weeks ending 10/4/2009.

YTD Current vs. Catalog

	Units (Millions)				% Share of Format	
	2010	2009*	% Chg.	+/- Units	2010	2009*
Total Albums	221.1	254.9	-13.3%	-33.8	100.0%	100.0%
Current	123.5	137.9	-10.5%	-14.4	55.8%	54.1%
Catalog	97.6	117.0	-16.6%	-19.4	44.2%	45.9%
Physical Albums	159.2	199.9	-20.3%	-40.7	100.0%	100.0%
Current	92.1	110.3	-16.5%	-18.2	57.9%	55.2%
Catalog	67.1	89.6	-25.1%	-22.5	42.1%	44.8%
Digital Albums	61.9	55.1	+12.4%	+6.8	100.0%	100.0%
Current	31.4	27.6	+13.5%	+3.7	50.7%	50.2%
Catalog	30.5	27.4	+11.2%	+3.1	49.3%	49.8%
Digital Tracks	860.4	866.3	-0.7%	-5.9	100.0%	100.0%
Current	366.0	348.2	+5.1%	+17.7	42.5%	40.2%
Catalog	494.4	518.1	-4.6%	-23.7	57.5%	59.8%

Note: 2010 represents the 35 weeks ending 9/5/2010. 2009 represents the 35 weeks ending 9/6/2009.

YTD Current vs. Catalog

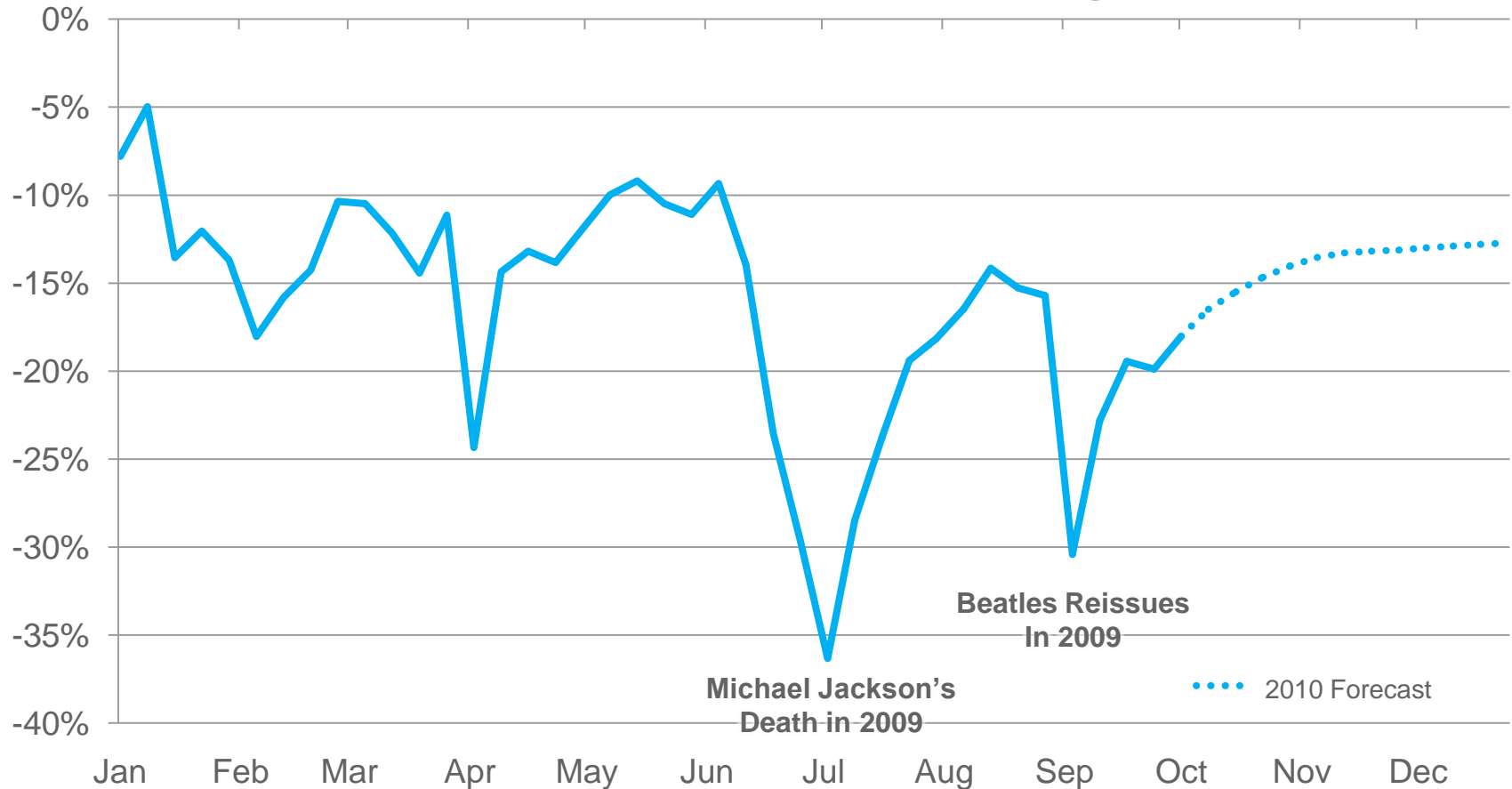
Excluding Michael Jackson Sales

	Excluding MJ / Units (Millions)			With MJ / Units (Millions)		
	2010	2009*	% Chg.	2010	2009*	% Chg.
Total Albums	219.7	249.4	-11.9%	221.1	254.9	-13.3%
Current	123.1	137.8	-10.7%	123.5	137.9	-10.5%
Catalog	96.6	111.6	-13.4%	97.6	117.0	-16.6%
Physical Albums	158.0	194.9	-19.0%	159.2	199.9	-20.3%
Current	91.8	110.1	-16.7%	92.1	110.3	-16.5%
Catalog	66.2	84.8	-21.9%	67.1	89.6	-25.1%
Digital Albums	61.7	54.4	+13.4%	61.9	55.1	+12.4%
Current	31.3	27.6	+13.4%	31.4	27.6	+13.5%
Catalog	30.4	26.8	+13.4%	30.5	27.4	+11.2%
Digital Tracks	857.4	855.8	+0.2%	860.4	866.3	-0.7%
Current	365.8	348.2	+5.1%	366.0	348.2	+5.1%
Catalog	491.7	507.6	-3.1%	494.4	518.1	-4.6%

Note: 2010 represents the 35 weeks ending 9/5/2010. 2009 represents the 35 weeks ending 9/6/2009.

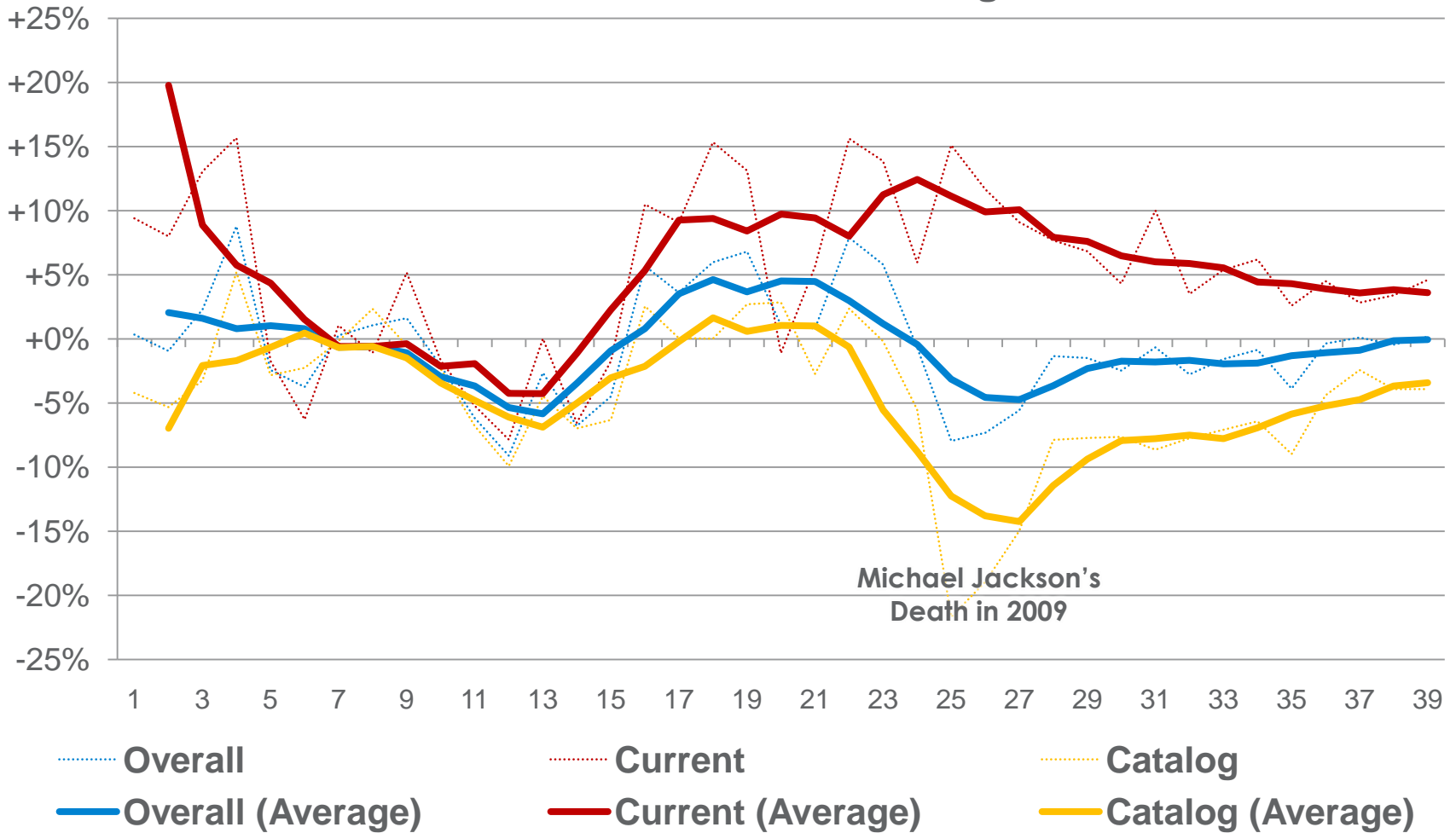
2010 Catalog YOY Trend + Forecast

Albums 2010 vs. 2009 Units % Change



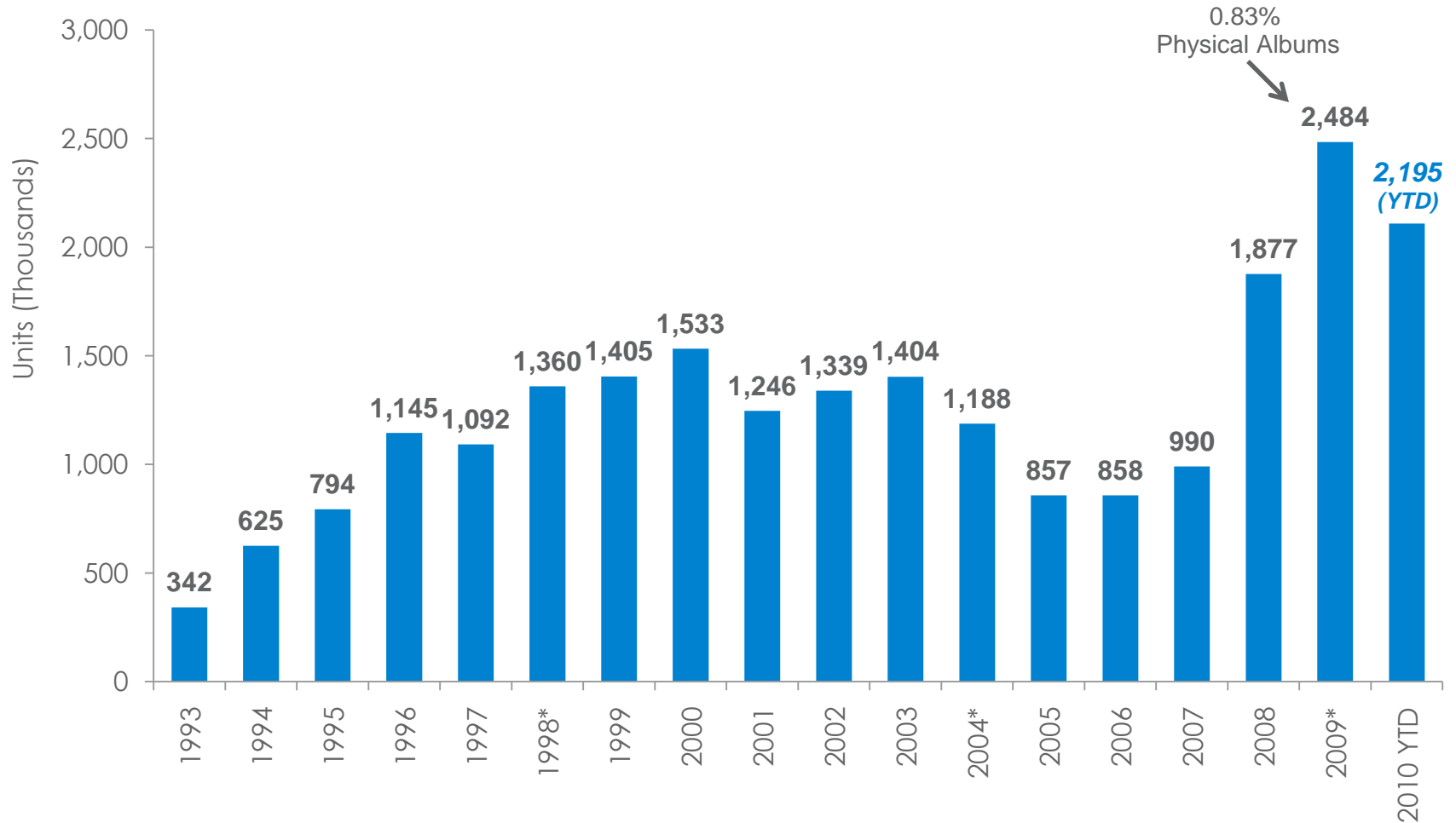
Digital Track Sales Trend: 2010/2009

2010 vs. 2009 Units % Change



Michael Jackson's
Death in 2009

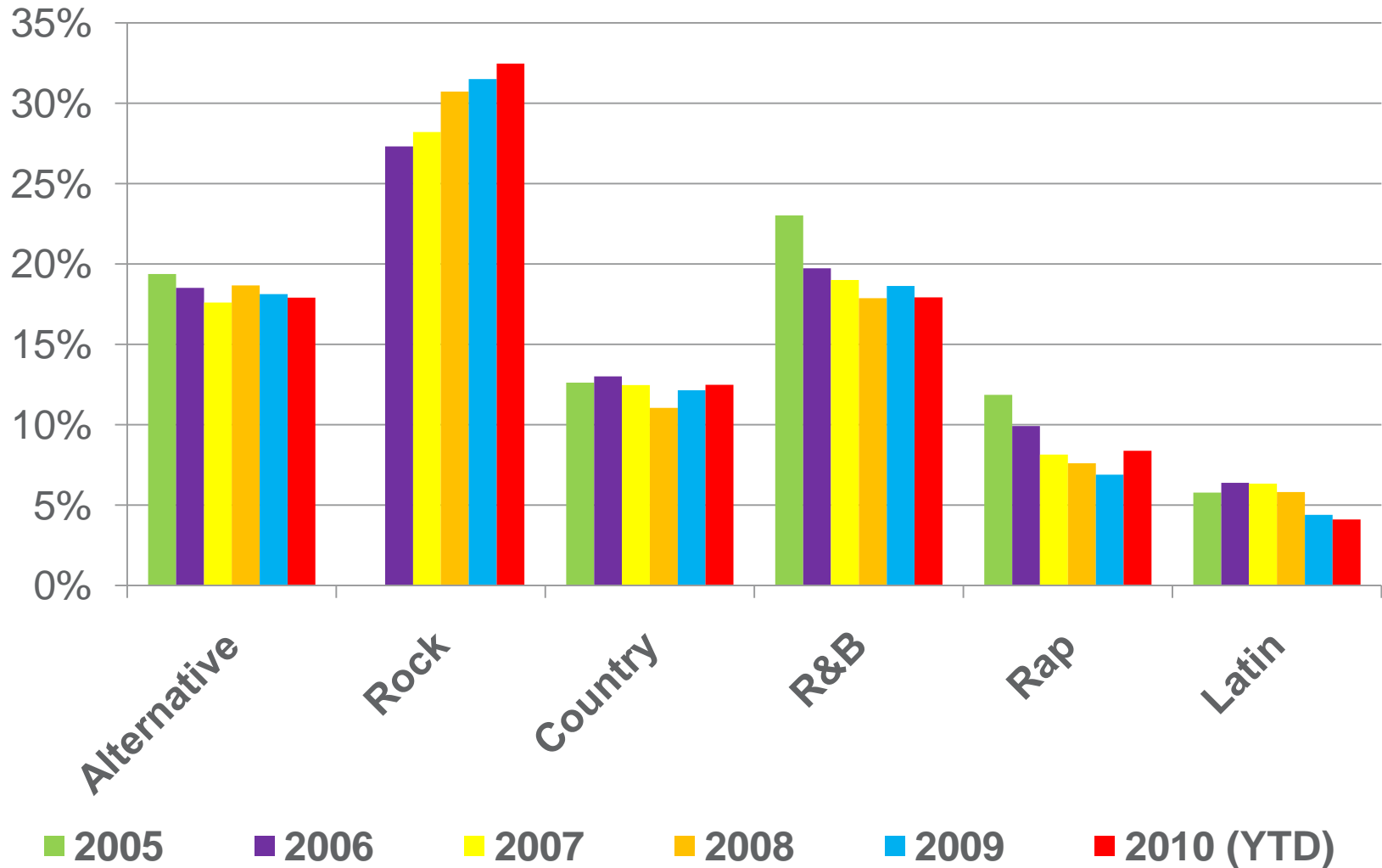
Vinyl Sales



Vinyl sales are up +11.7% YTD through October 31, 2010. This amounts to a 1.26% share of physical album sales, up from 0.90% from the same time last year.

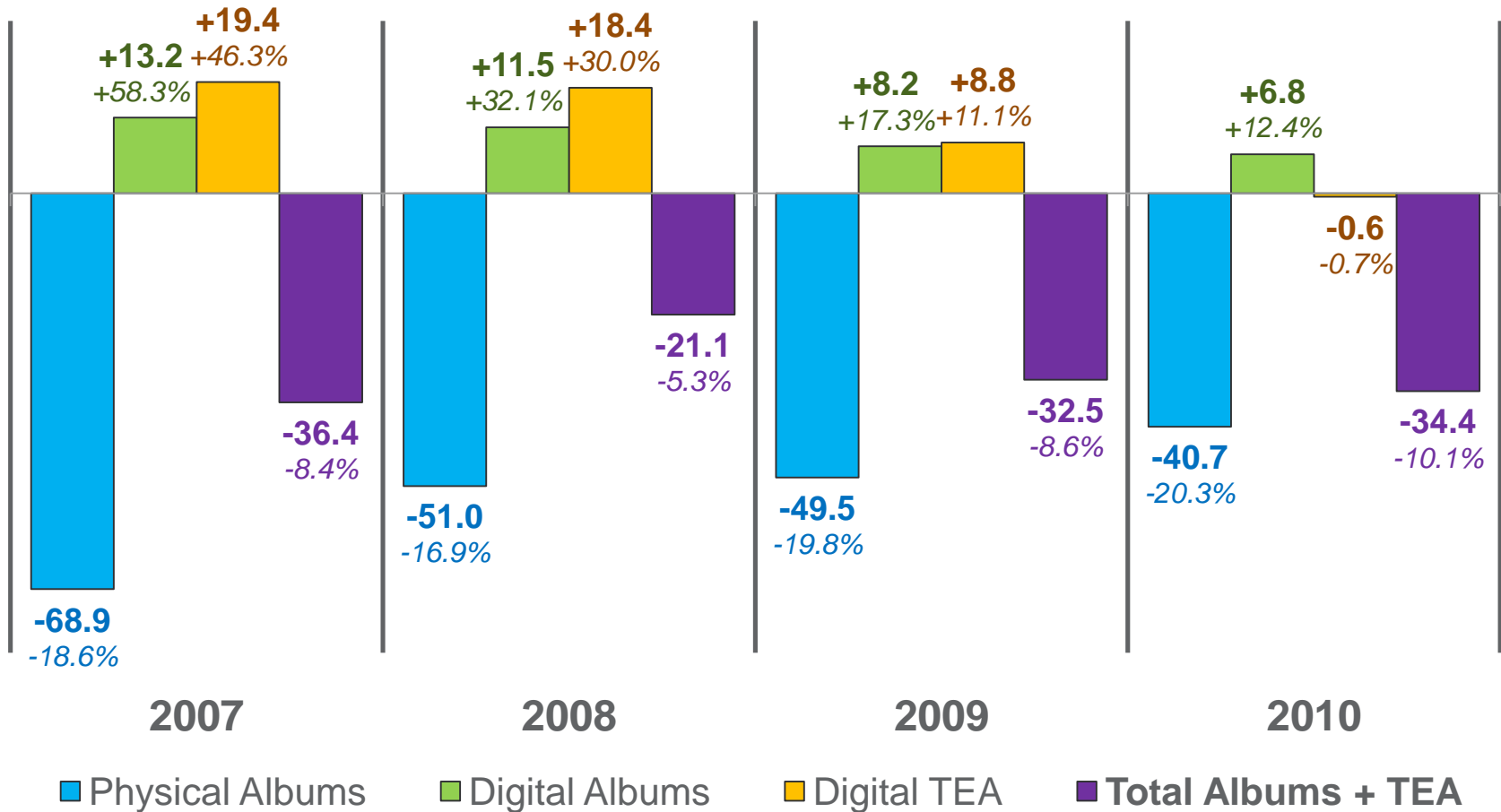
Album Sales by Genre

% Share of Total



Unit Gains/(Losses) by Year (YTD Q3)

Gain/(Loss) Units Millions
Year/Year % Change



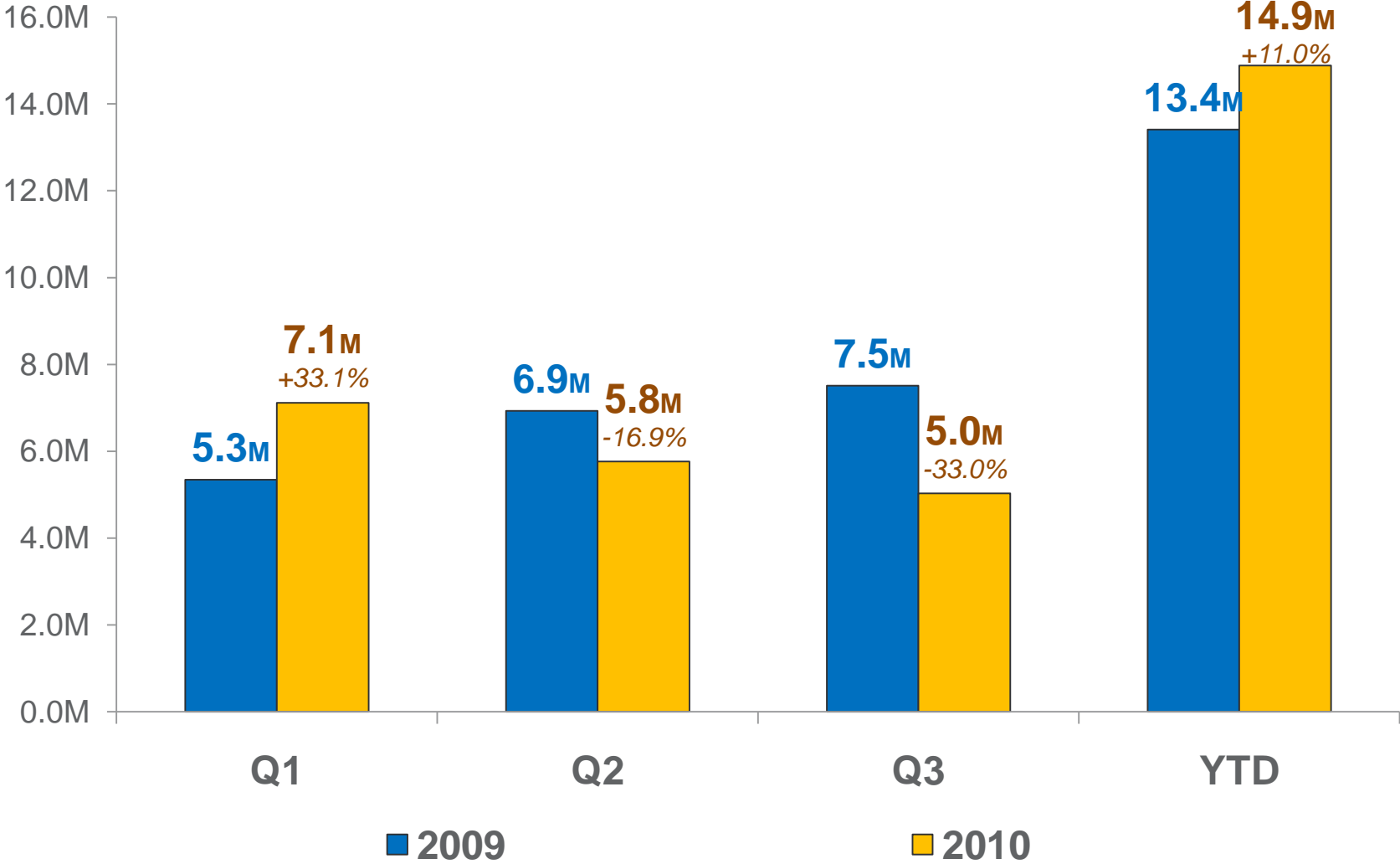
Top 10 Comparisons

2010 vs. 2009

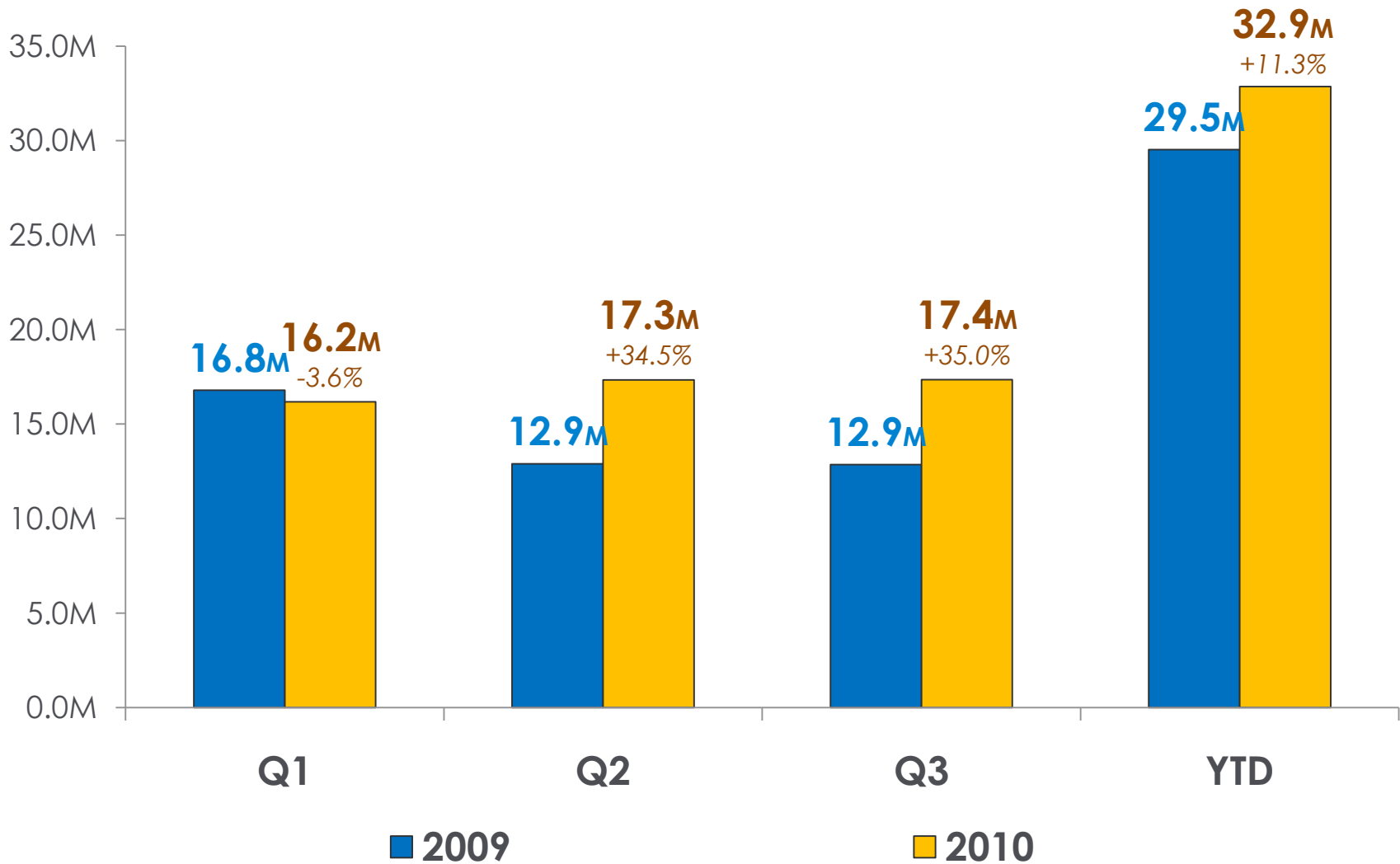
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Industry Top 10 Albums: 2010/2009



Top 10 Songs: 2010/2009



¹ 2009 week alignment adjusted to match 2010 time period, covering 1/4/2009 through 10/4/2009.

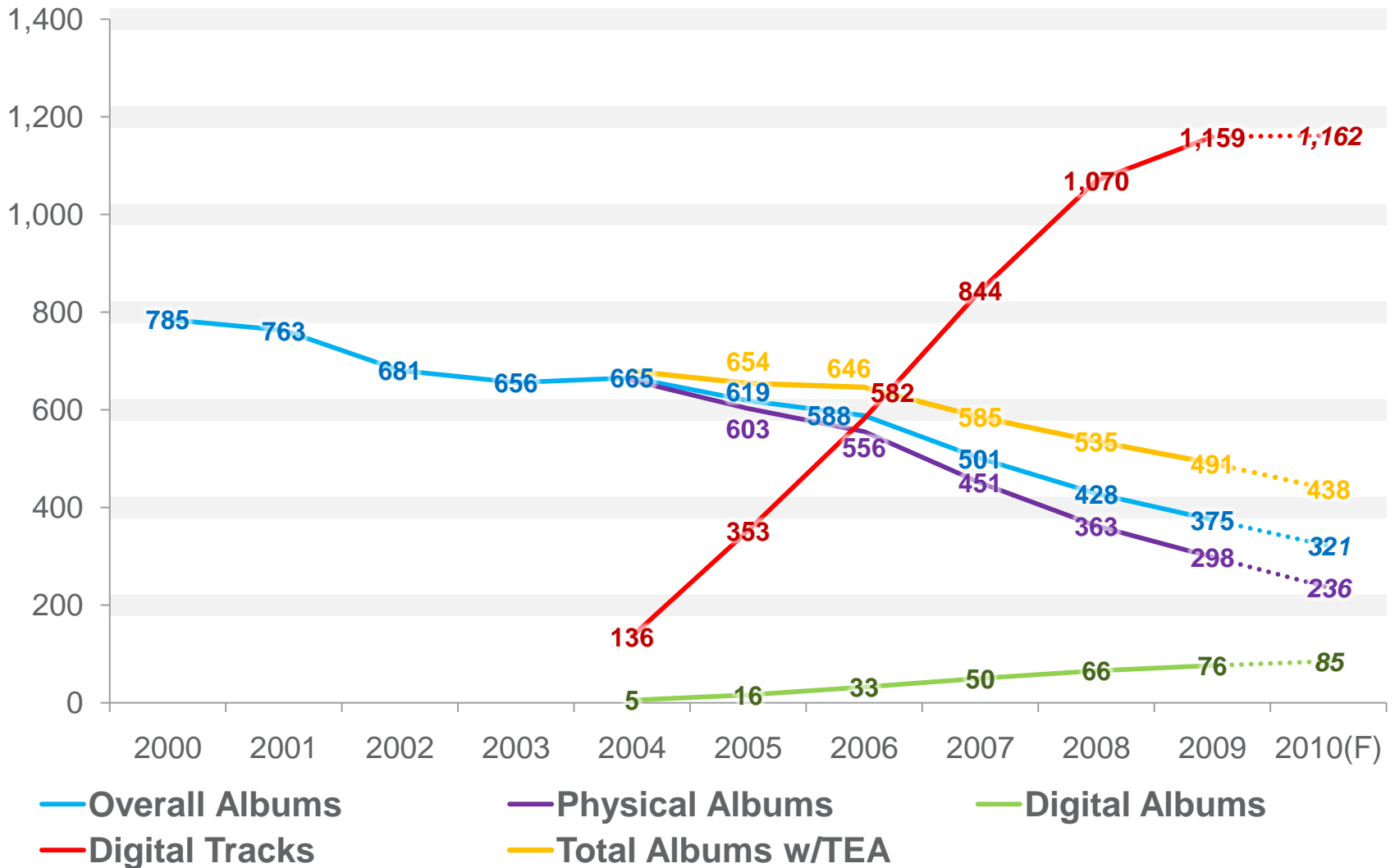
2010 Forecast

Sales Tracking, New Developments

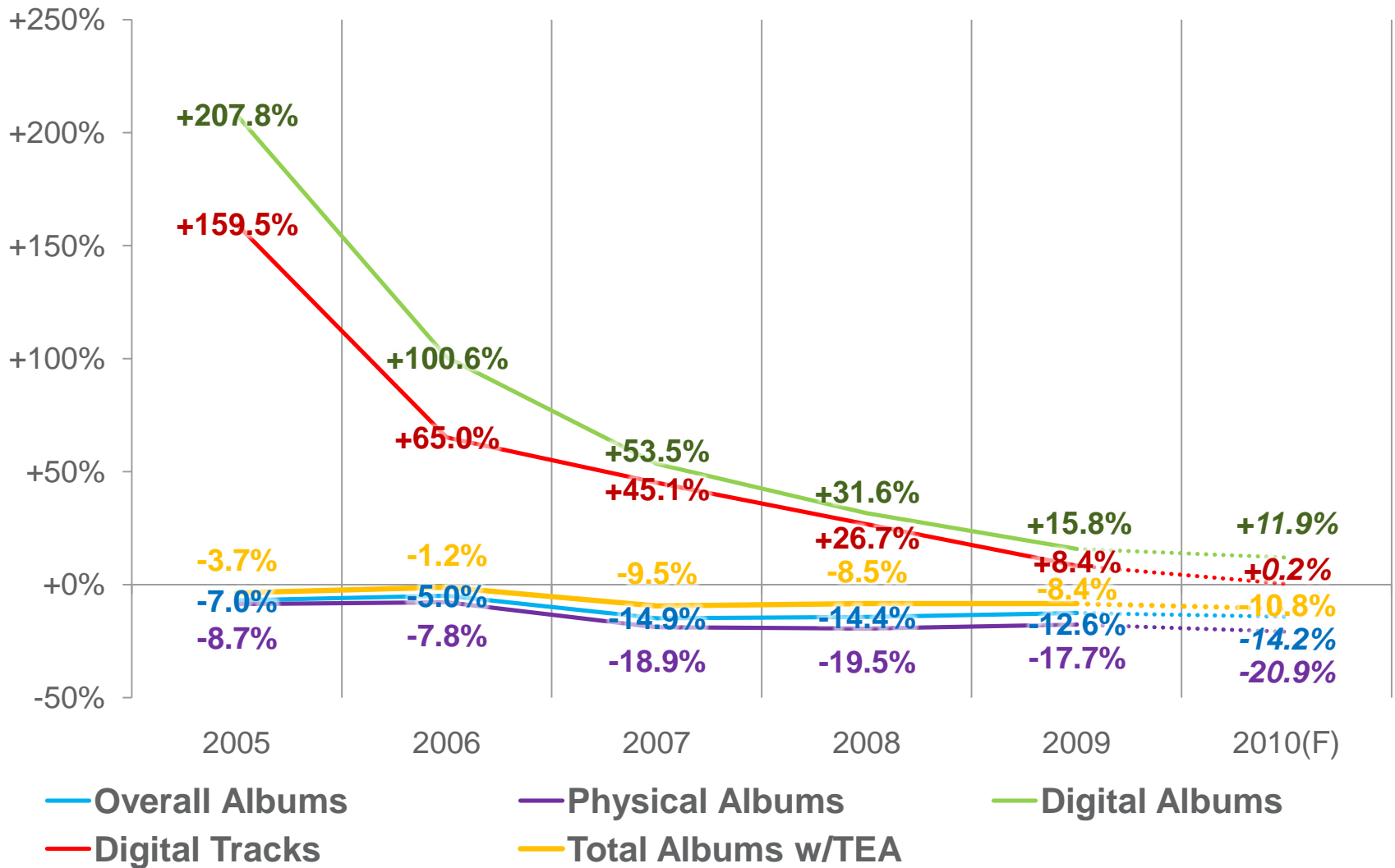
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Annual Sales Trend + 2010 Forecast

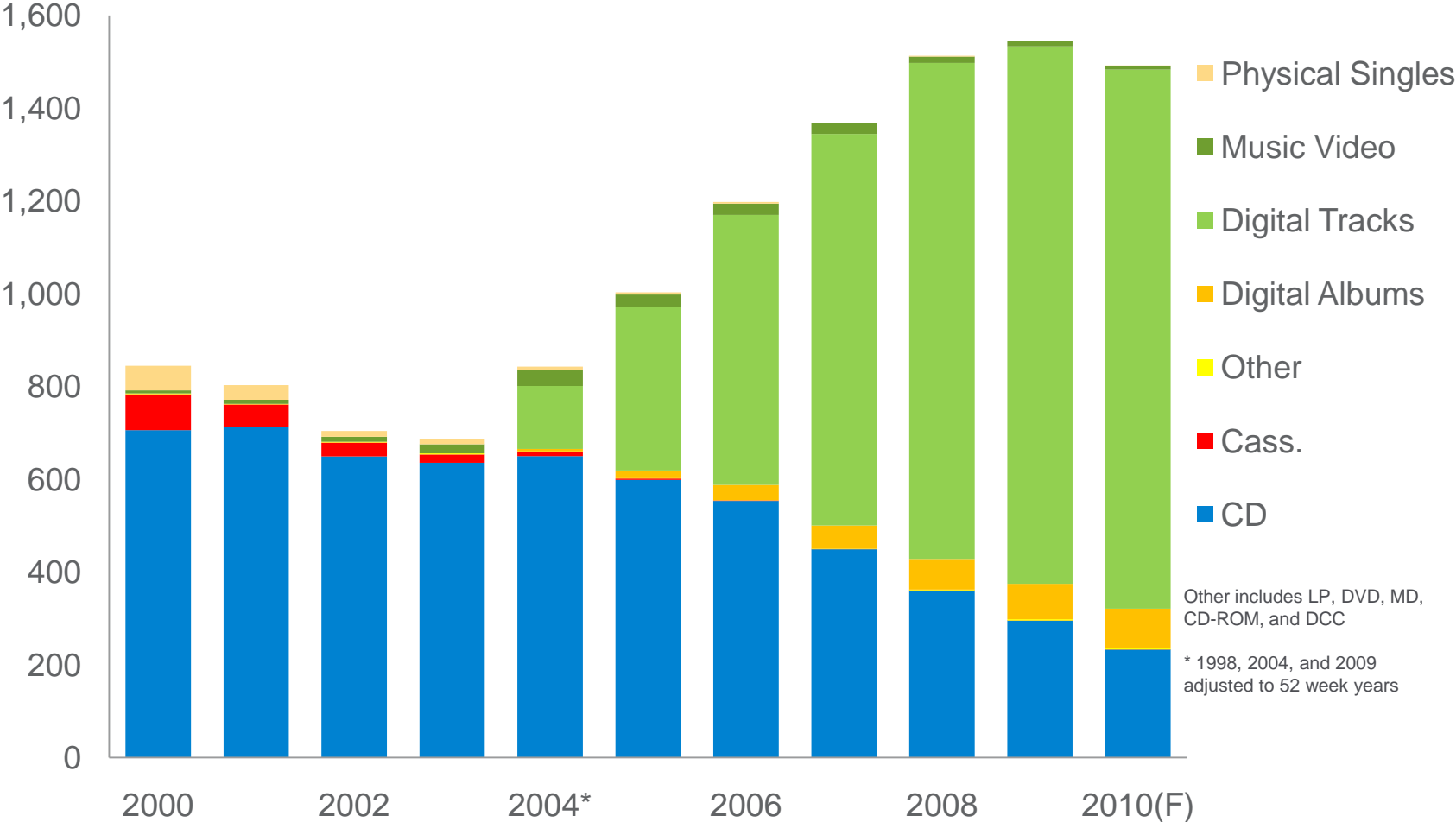


Year/Year % Change + 2010 Forecast

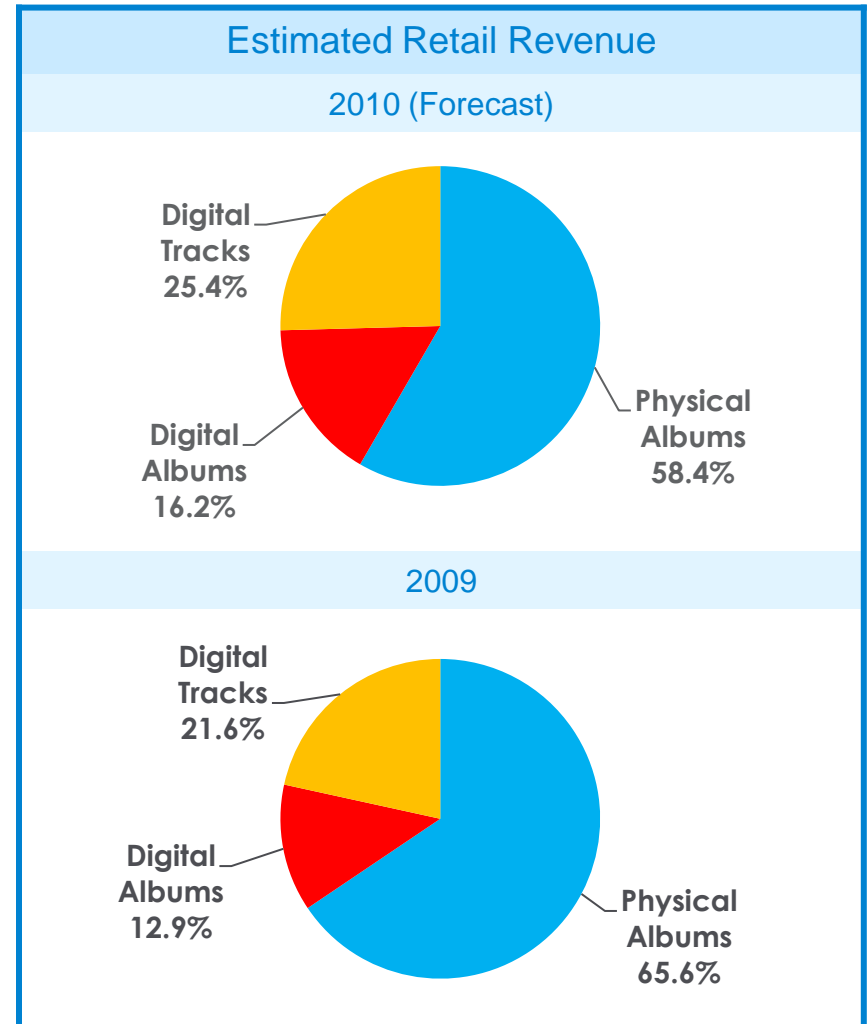
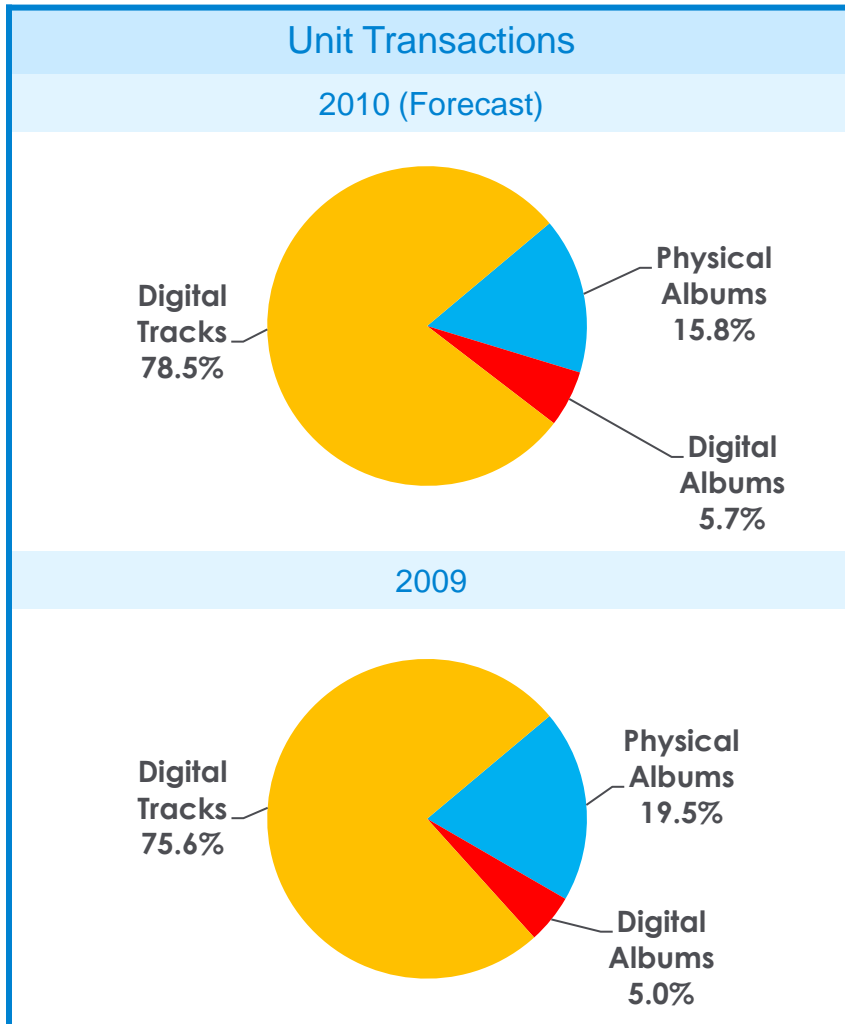


Music Consumption by Format

Unit Transactions by Format (Thousands)



Format Shares – Year End



Revenue ARP Assumptions: Physical Album \$12.99, Digital Album \$9.99, Tracks \$1.15 2010, \$1.10 2009. 2009 is adjusted to 52 weeks.

2010 Consumer Outlook

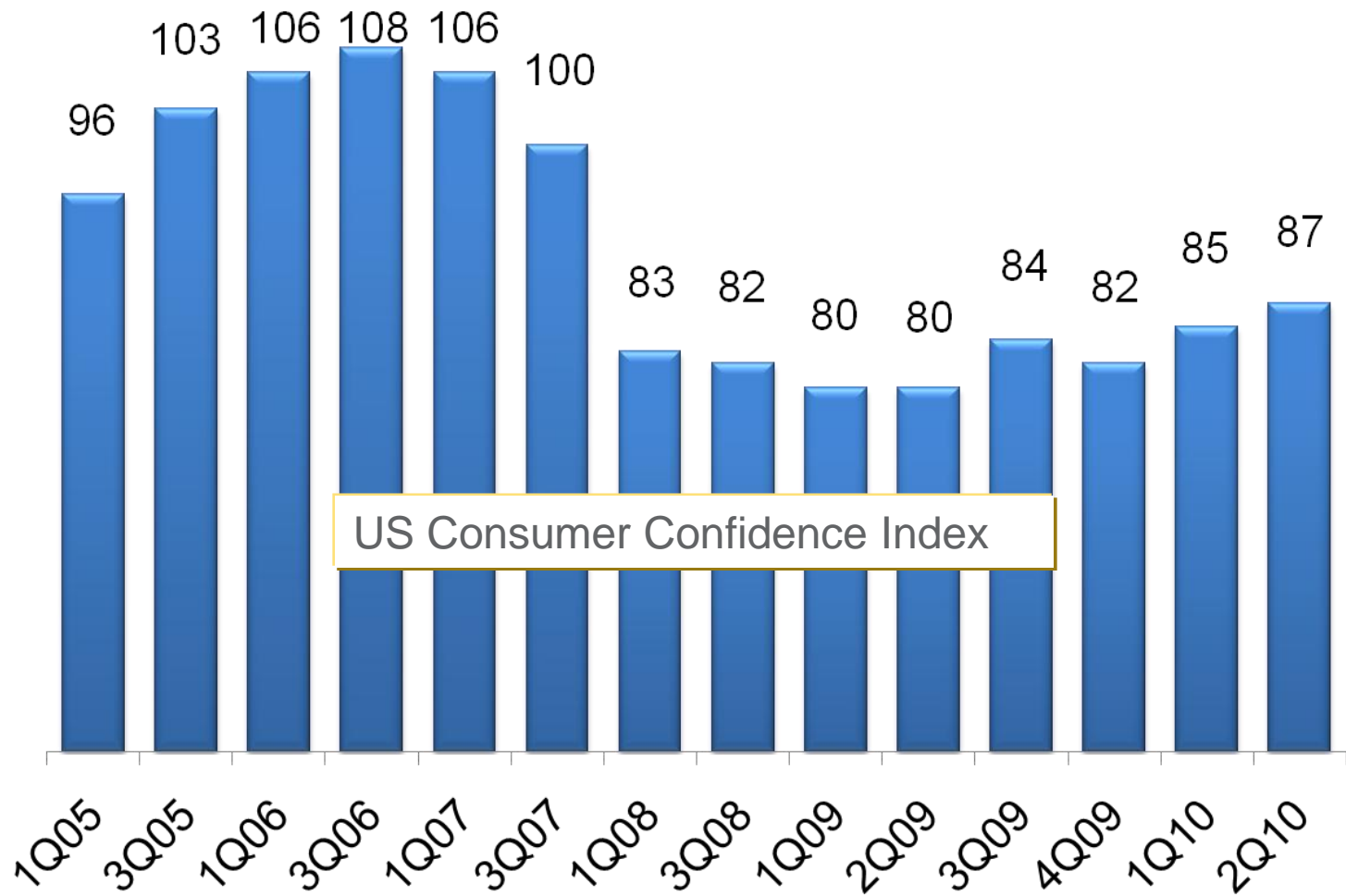
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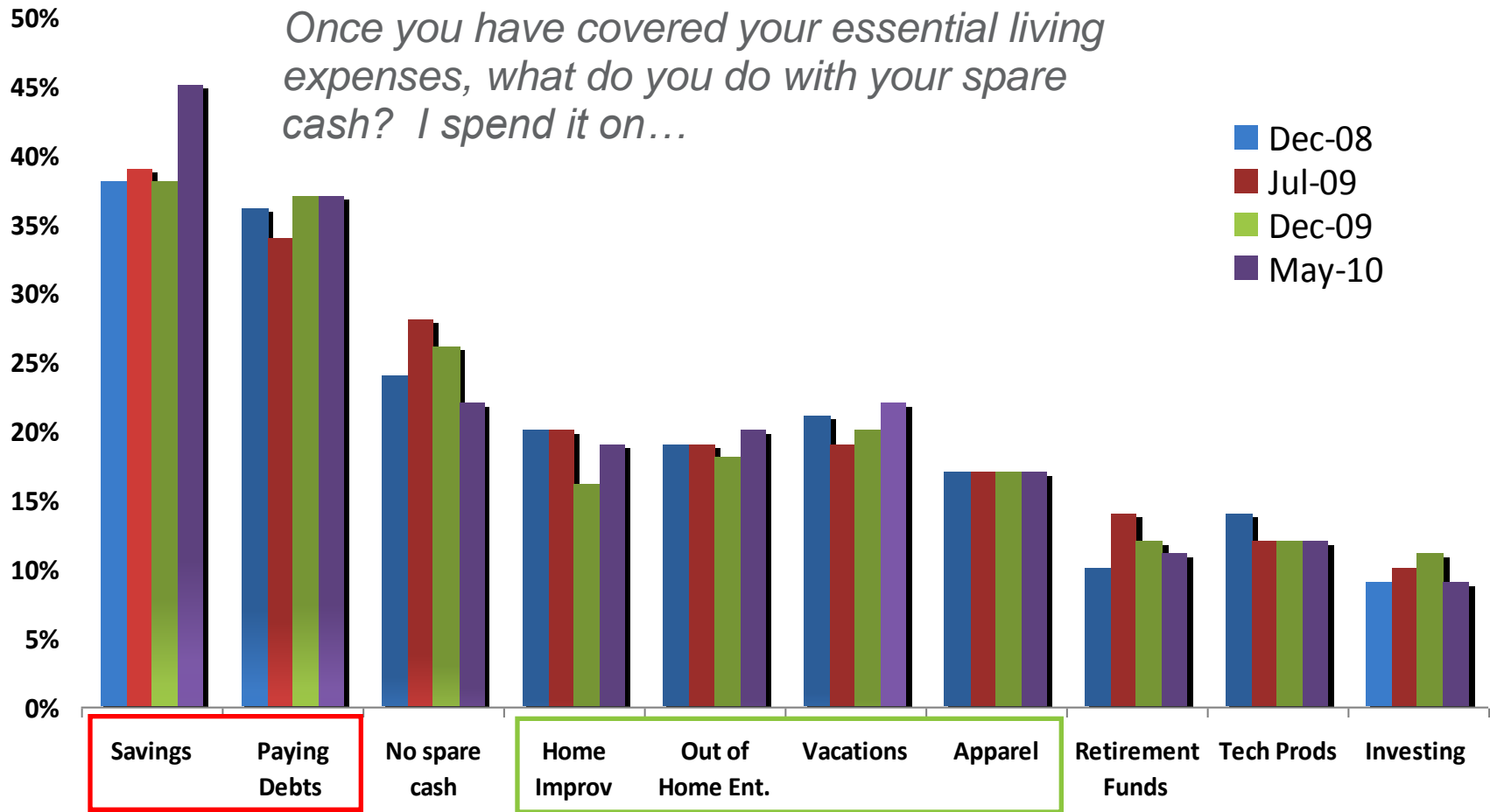
State of The Consumer



As we approach holiday season, U.S. consumer confidence remains below pre-recession levels



Consumers remain focused on household finances, with modest increase in discretionary spending



Nielsen Holiday Forecast



Summary of the season

- What's Hot?

- Categories:

- Tech products, gift cards, apparel, toys, video games, books and possibly such discretionary categories as: apparel and vacations (>\$100K households)

- Channels:

- Value channels, online stores, do-it-yourself and consumer electronics retailers

- Promotions:

- Promotional activity with clearly defined value propositions beyond price will drive behavior

- What's Warm?

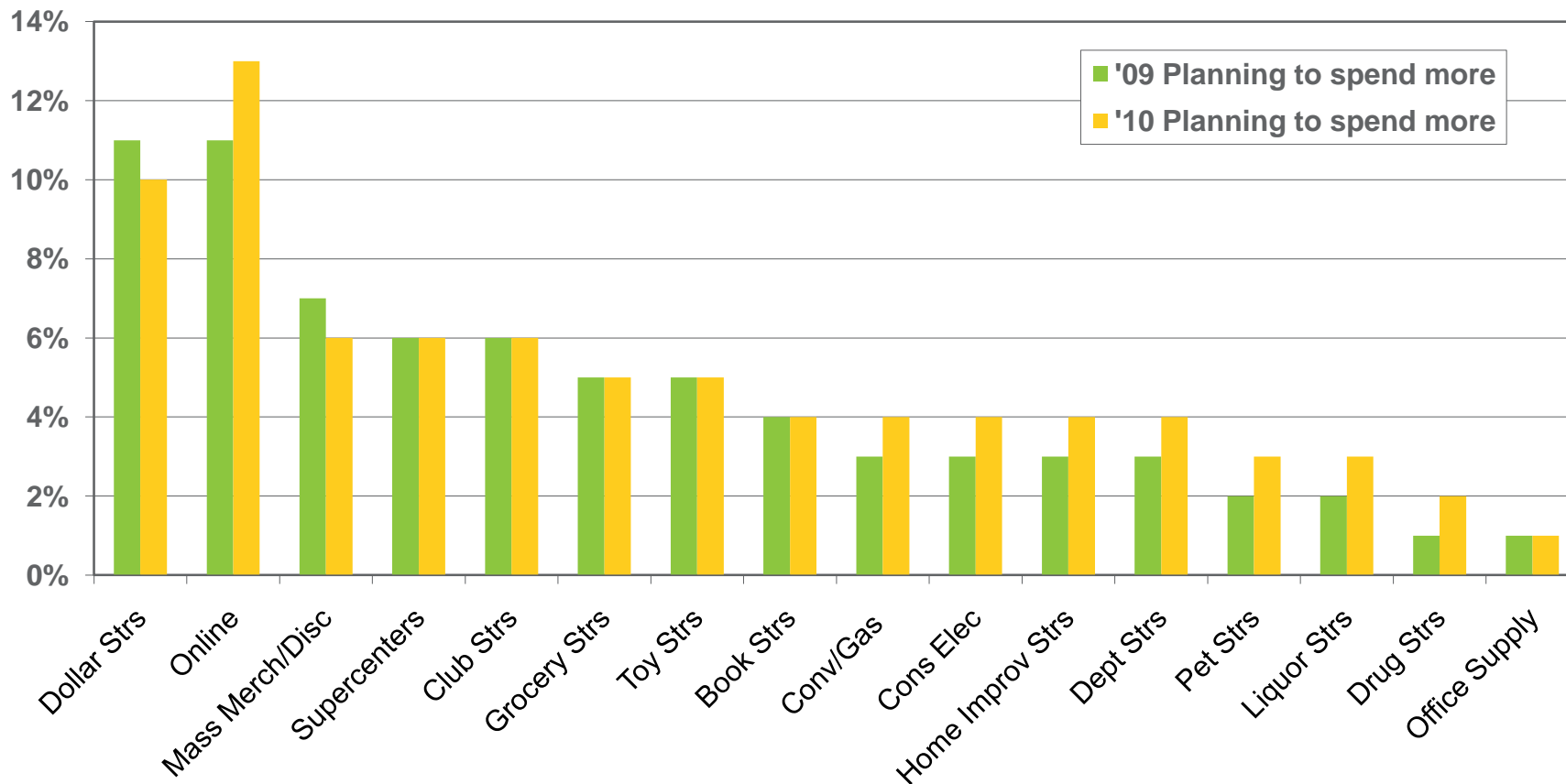
- Categories:

- Jewelry and vacations – slight up-tick

- Channels:

- Office Supply, pet stores, drug retailers – improved modestly

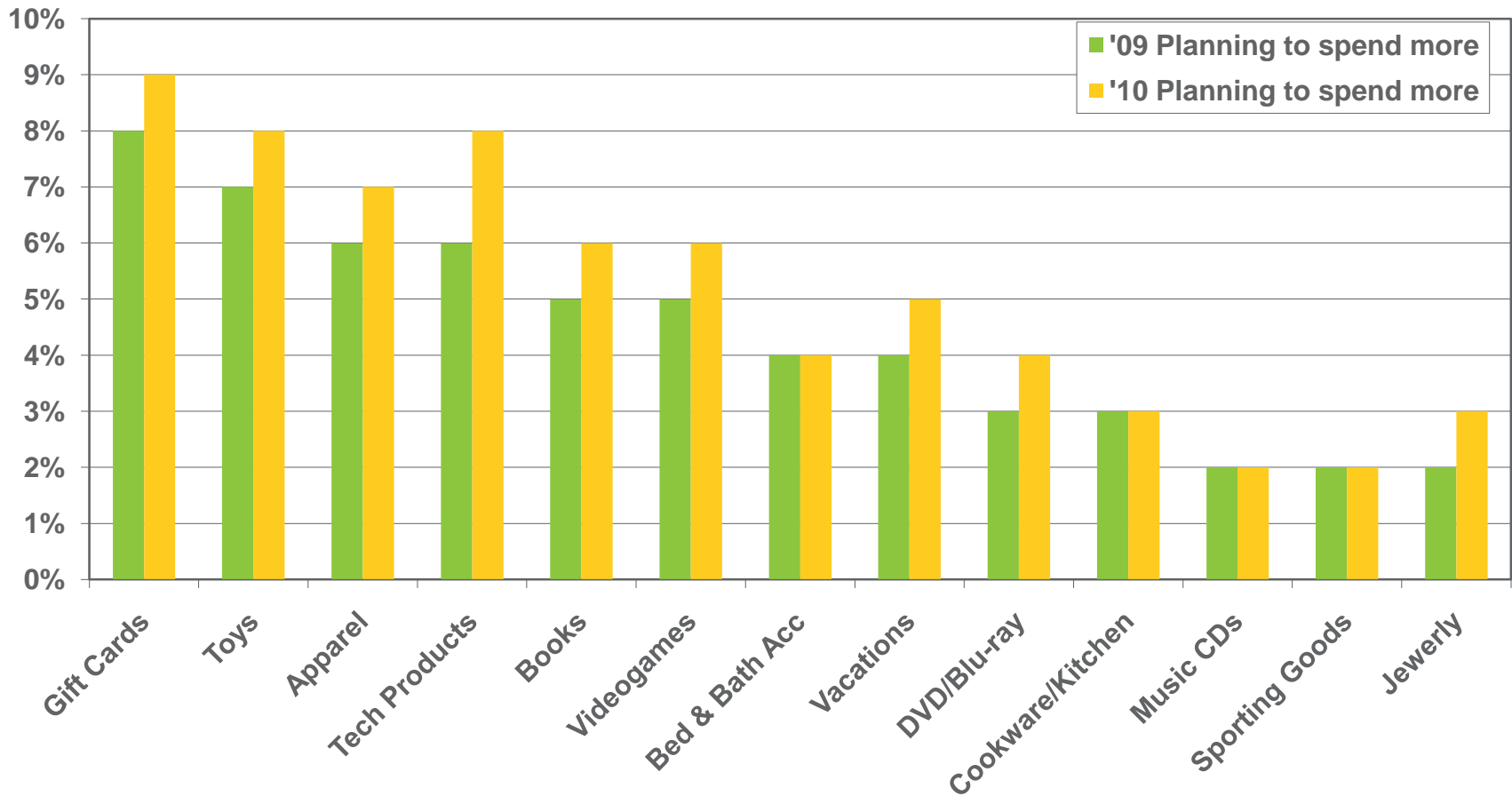
Channel Winners this holiday season: Value Retailers will attract shoppers, but online should see a big surge



For each of the following types of channels, do you plan to spend more, about the same, or less money for holiday gifts as compared to year ago?

Category Winners this holiday season:

Technology (Including items such as cell phone, e-readers, iPads, laptops), gift cards & traditional holiday items



For each of the following types of products, do you plan to spend more, about the same, or less money for holiday gifts as compared to year ago?

Questions?

David Bakula

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Ph. 323.817.2051

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