

World retail sales of recorded music (audio and video) grew by 1.7% in units and fell by 1.3% in value in the first half of 2004 compared to the same period in 2003. Music on audio formats fell by 2.7% in value, while the music video sector grew by 20.2%, driven by DVD music video, which climbed 26.6%. Sales of CD albums dropped 1.1% in value, with singles and cassettes down in value by 16.6% and 29.3% respectively. Interim sales of all audio and music video formats totalled \$US 13.9 billion, compared to \$US 14.1 billion in 2003. Interim sales typically represent around 40% of total annual market value. This is the best interim result achieved by the industry since 2000 although regional and individual territory results vary markedly. The US appears to be experiencing a recovery, while other markets have seen a substantial reduction in the rate of long-term decline (Canada, Germany and Japan). Some markets are seeing ongoing problems (Spain, Italy, Netherlands) and more recent reversals have hit France and Australia.

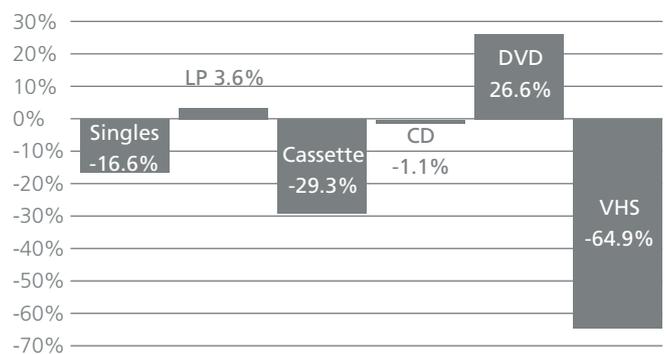
In North America, the US market saw a 5% unit growth with a 3.9% value increase. The Canadian market was virtually flat, resulting in overall growth for the region. Conversely, music sales in Europe fell by 5% in units and by 7.7% in value, most affected by steep drops in Austria, France, Portugal, Spain and Sweden.

In Asia there are signs that long-term decline in Japan, which makes up over 80% of regional sales, has at last slowed. Japan showed a small unit growth and stable value. However, South Korea continues to feel the impact of chronic online piracy and again fell steeply, by over 25% in value. Hong Kong also fell sharply. Both markets have seen a reduction in the number of big releases. China is now the second largest Asian market and was a bright spot with strong unit and value growth, albeit helped by heavily discounted CD sales. Physical piracy is still holding back the true potential of the Chinese market.

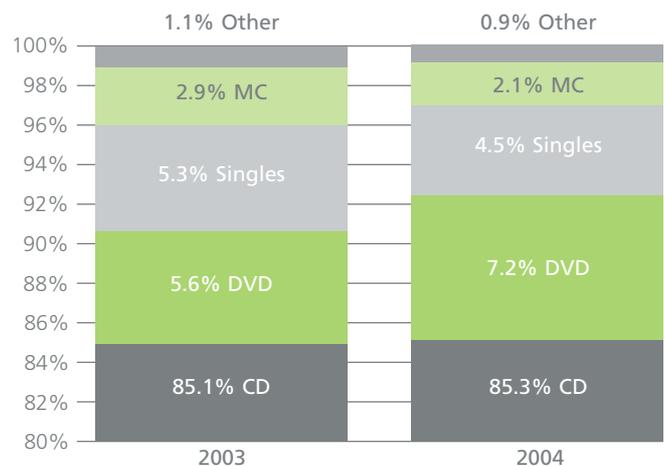
Latin America saw a 23.5% value growth largely due to an upturn in Brazil, Argentina and Mexico. Economic recovery and strong release schedules were behind this improvement. Australia, buoyed during 2003 by strong local repertoire and DVD music video sales, dropped by 9% in value. New Zealand continued to fall at a steady rate, down 6.8%.

Markets look forward to a strong schedule of releases in the second half including Destiny's Child, Eminem, Enya, Good Charlotte, Green Day, Alan Jackson, Jennifer Lopez, Ludacris, Nelly, U2, R.E.M., Britney Spears, Gwen Stefani, Joss Stone and Robbie Williams.

## Value Change by Format



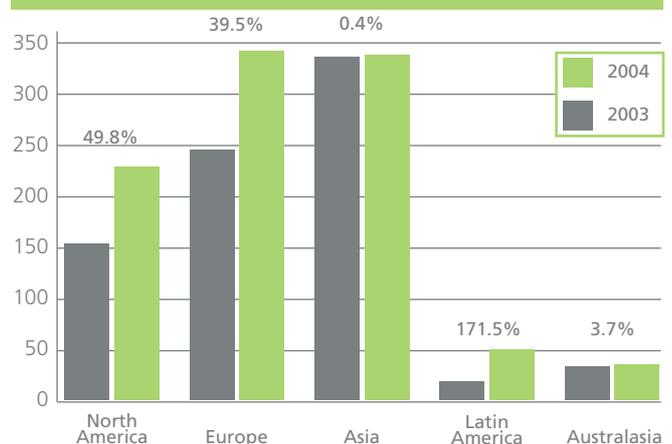
## Value Share by Format



## Regional Summary

	Unit Change	Value Change	\$US Value (billions)
World	1.7%	-1.3%	13.9
North America	4.7%	3.6%	5.3
Europe	-5.0%	-7.7%	4.8
Asia	4.0%	-0.8%	3.0
Asia (excl. Japan)	5.5%	-3.0%	0.5
Latin America	27.1%	23.5%	0.4
Australasia	-5.4%	-8.7%	0.3
Middle East	-8.3%	0.7%	0.04

## DVD Music Video Sales by Region (\$US millions)



Top 10 LP Markets	\$US Value (millions)
Japan	14.9
USA	9.3
UK	7.1
Germany	5.6
Netherlands	1.4
France	1.0
Austria	0.9
Belgium	0.2
Australia	0.2
Finland	0.1
Others	0.6
<b>Total</b>	<b>41.3</b>

Top 10 VHS Markets	\$US Value (millions)
USA	7.8
Germany	4.1
Taiwan	3.5
Japan	2.5
Greece	1.2
Canada	0.9
Ireland	0.9
Hong Kong	0.4
South Africa	0.3
Australia	0.2
Others	Neg
<b>Total</b>	<b>20.4</b>

Top 10 Cassette Markets	\$US Value (millions)
India	52.4
Russia	48.0
Turkey	47.0
Indonesia	32.6
Germany	21.2
Japan	13.9
USA	13.2
China	12.7
Saudi Arabia	10.3
Thailand	10.1
Others	34.3
<b>Total</b>	<b>295.7</b>

## Notes

This report relates to recorded music sales (audio and music video) in 60 territories from over 65 surveyed on an annual basis by IFPI. Regional and world totals are estimated to represent 99% of the total global picture. Regional and world growths are based on fixed \$US using 2004 IMF average Jan-Jun exchange rates. All \$US figures on page six are expressed at 2004 exchange rates.

Total units are calculated as the total album equivalent in each market (3 singles = 1 album). Other formats, including DVD Audio, SACD, MiniDisc and others are included in the value figures. DVD music video figures include Video CDs in most Asian territories.

China is included in totals for the first time. Turkey is excluded from regional totals and growth calculations as figures are based on banderols (CD holograms) and therefore do not comply with IFPI standards. Growth calculations exclude Paraguay and Zimbabwe (no 2003 data).

USA: IFPI US figures include record clubs and show a volume increase of 5% and value increase of 3.9%. RIAA also reports US market data excluding record clubs, giving an 8.5% volume increase and 4.7% value growth. The small differences in RIAA and IFPI total market figures are accounted for by IFPI's count of album equivalents (3 singles = 1 album). The RIAA does not apply this methodology.

2003 revised figures: Canada, China, Belgium, Hong Kong, India, Peru and South Africa.

All figures contained in this report and more analysis on global music sales can be obtained at Market Research Online, [www.ifpi.org/ifpi-mro](http://www.ifpi.org/ifpi-mro)

## Legal Online Music Market Takes Off

To September 19th 2004, Nielsen SoundScan reported year-to-date a la carte download sales in the US of 88 million tracks. The iTunes Music Store announced cumulative sales of 125 million songs since its launch in April 2003. Subscription based services including Rhapsody, Musicmatch, MusicNet and Napster 2.0 have a combined number of subscribers exceeding one million. MSN Music Service was launched in the US by Microsoft in September - a key development. Also, Yahoo is expected to invest in building a music subscription service following the purchase of Musicmatch. Meanwhile available catalogues are expected to reach the one million tracks mark by the end of 2004.

The market for legitimate online music services continues to make progress in Europe. In the UK, Germany and France the launch of iTunes more than doubled the available catalogue to 700,000 tracks. Elsewhere, the catalogue for OD2-driven services reached upwards of 400,000 tracks.

The UK is Europe's most vibrant market, with the Official UK Charts Company launching the UK download chart in August – spurring marketing activity in terms of download releases and importantly, introducing music downloads to the mass market. UK sales as at September 2004 were averaging 125,000 downloads per week. The UK has some 28 legal services on offer, with most recent launches from Mean Fiddler, Karmadownload and charity-connected sites Bignoismusic and War Child Music. The Charts Company has reported that some one million tracks are available for download across the various legal online shops.

A directory of legal online music services is available at [www.pro-music.org](http://www.pro-music.org).

IFPI's Online Music Report is released in January 2005