MID-YEAR 2018 RIAA MUSIC REVENUES REPORT

MUSIC CONTINUES ITS COMEBACK STORY, POWERED BY GREAT NEW MUSIC, TALENTED ARTISTS AND A RE-INVENTED RECORD INDUSTRY. A BUSINESS GROWING AGAIN, DRIVEN BY A COMPETITIVE PAID STREAMING MARKET, MEANS NEW INVESTMENTS IN MORE ARTISTS AND MORE MUSIC. THAT IS FUNDAMENTALLY WHAT WE'RE ALL ABOUT.

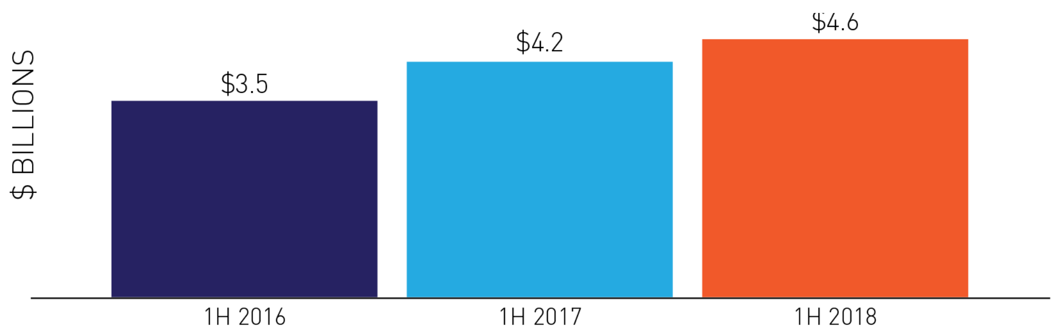
We are proud of the progress achieved so far and the integral role of record companies in helping foster a diverse streaming marketplace. The music streaming economy presents myriad new opportunities, but also its share of challenges too. According to Nielsen, more than 70,000 different albums were released by mid-year. Finding an audience amongst an extraordinary range of music choices, competing for the user's attention against other entertainment options on the ubiquitous smartphone, and being prominent on dozens of different digital platforms is not only critical for success, those are attributes that uniquely reside within today's record company.

We also recognize that the growth achieved so far is in spite of our music licensing system, not because of it. That's not how it should work. Fortunately, a bipartisan bill, the Music Modernization Act, is edging closer to final Congressional enactment. The elements included in that bill close some of the most glaring loopholes in our licensing laws, but it is not a comprehensive reform that ensures all artists earn fair market rates on all platforms. We still have much work to do.

What continues to sustain all of us is an unrelenting focus on the music. Gold or Platinum certified albums this year from Camila Cabello, Drake, Cardi B, Post Malone, Migos, Charlie Puth, Travis Scott and Jason Aldean are just a few of the standouts. We are proud advocates of music and its singular ability to drive commerce and culture. We look forward to more great songs and albums in the second half of the year.

-Mitch Glazier, President, RIAA

U.S. MUSIC INDUSTRY MID-YEAR RETAIL REVENUES



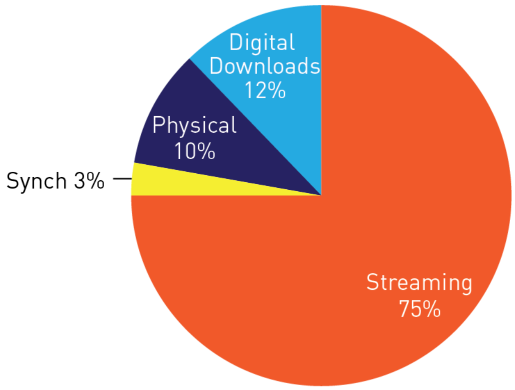
Overall market trends in the first half of 2018 continued to reflect the music industry's rapid transition from unit based physical and digital sales towards streaming music sources. Total revenues from recorded music in the United States grew 10% to $4.6 billion at retail in 1H 2018. Streaming music accounted for ¾ of industry revenues. At wholesale value, revenues rose 10% to $ 3.1 billion.

RIAA data analysis by **Joshua P. Friedlander**, Senior Vice President, and **Matthew Bass**, Associate

FIGURE 1

U.S. MUSIC INDUSTRY REVENUES 1H 2018

Source: RIAA



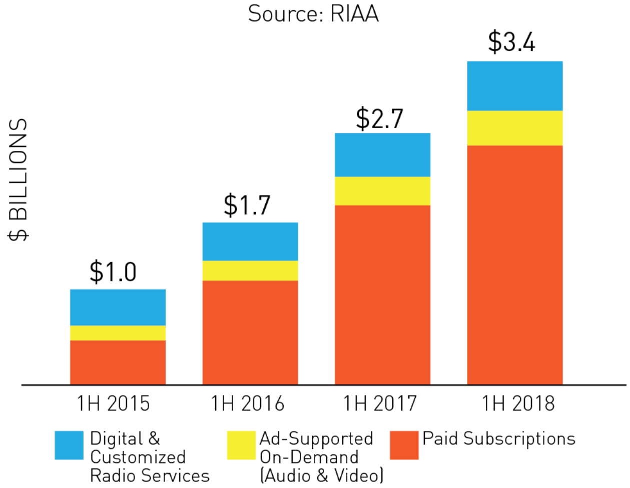
STREAMING

Revenues from streaming music grew 28% year-over-year to $3.4 billion for the first half of 2018. This broad category includes revenues from subscription services (such as paid versions of Spotify, Apple Music, Amazon, TIDAL, and others), digital and customized radio services (like Pandora, SiriusXM, and other Internet radio), and ad-supported on-demand streaming services (such as YouTube, Vevo, and ad-supported Spotify). The overwhelming majority of the industry's revenue growth during the period came from streaming music.

FIGURE 2

U.S. MUSIC INDUSTRY STREAMING REVENUES

Source: RIAA

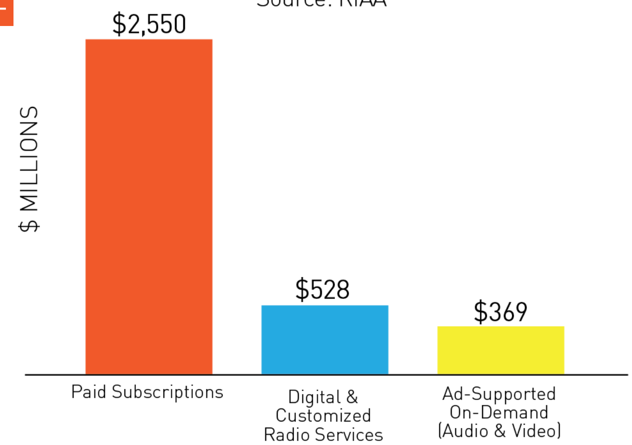


Paid subscriptions have become the biggest format for music by revenue. Year-over-year growth of 33% brought total subscription revenues to $2.5 billion. So ¾ of recording industry revenue came from streaming, and ¾ of that from paid subscriptions. Despite far few users, subscription streaming vastly out performed ad-supported revenues.

FIGURE 3

U.S. STREAMING MUSIC REVENUES 1H 2018

Source: RIAA

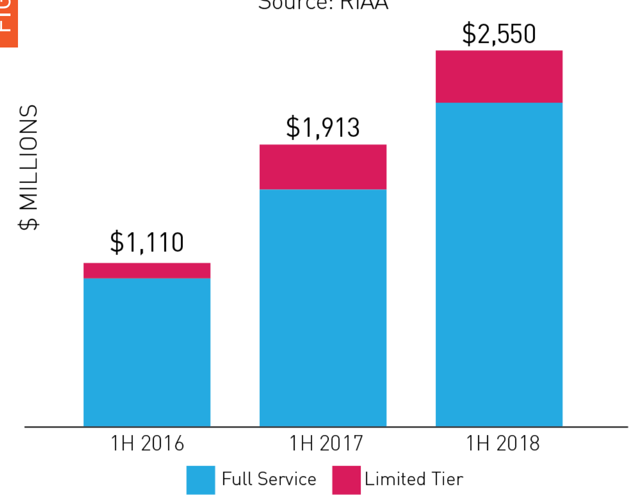


This category also includes $354 million in revenues from "Limited Tier" paid subscriptions (services limited by factors such as mobile access, catalog availability, on-demand limitations, or device restrictions). Services like Amazon Prime, Pandora Plus, and other subscriptions are included in this category.

FIGURE 4

U.S. PAID MUSIC SUBSCRIPTION REVENUES

Source: RIAA



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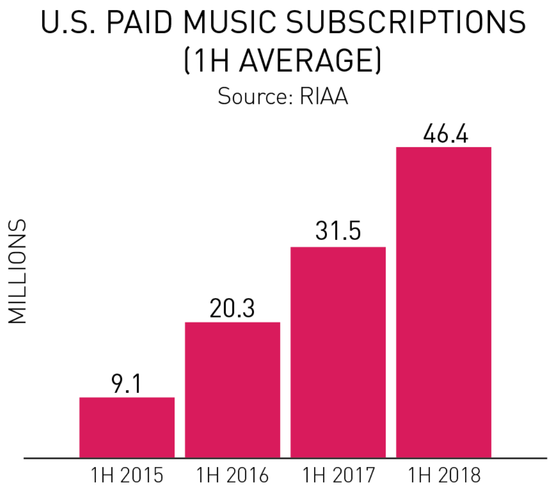
This growth in subscription revenues was driven by continued user adoption. The number of paid subscriptions to full on-demand services grew 48% to an average of 46.4 million for the first half of 2018 – a growth rate averaging an increase of more than 1 million subscriptions per month. (Note this figure does not include limited tier subscriptions)

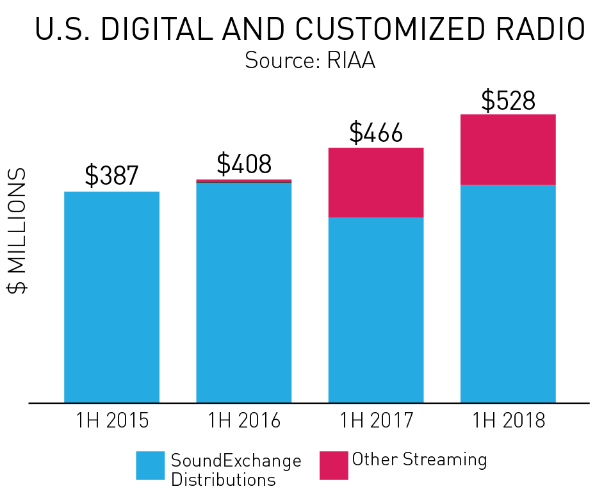
FIGURE 5



Advertising supported on-demand revenues for music from services like YouTube, Vevo, and the ad-supported version of Spotify grew 21% year-over-year to $369 million. While Nielsen has reported that these services streamed hundreds of billions of songs to fans in the U.S. in 1H 2018, revenues from ad-supported on-demand platforms make up only 11% of total streaming revenues.

Revenues from digital and customized radio services were $528 million in 1H 2018, up 13% versus the first half of the prior year. This category includes SoundExchange distributions for royalties from services like SiriusXM and internet radio stations, as well as direct deals for statutory services, included in this report as "other ad-supported streaming."

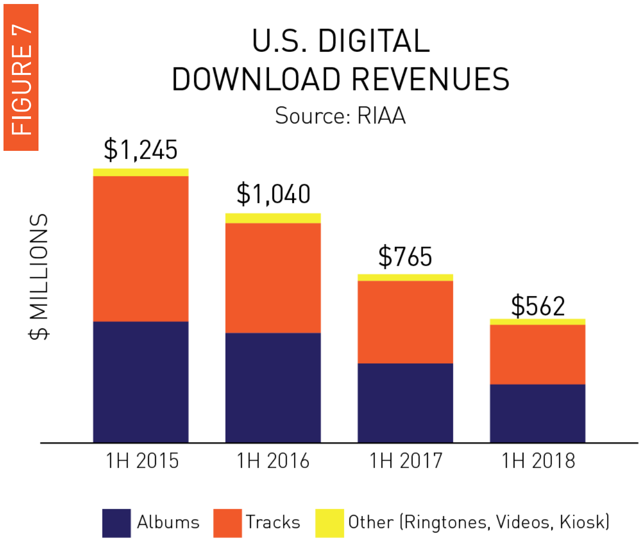
FIGURE 6



DIGITAL DOWNLOADS

While streaming revenues continue to increase, revenue gains were offset by declines in sales of digital and physical units. Revenues from digital downloads fell 27% in 1H 2018 to $562 million, the lowest level in more than a decade. Individual track sales revenues were down 28% year-over-year, and digital album revenues declined 26%. The category accounted for just 12% of total industry revenues in 1H 2018.

FIGURE 7



PHYSICAL PRODUCTS

Shipments of physical products decreased 25% to $462 million in 1H 2018, a higher rate of decline than in recent years. Revenues from CDs fell by 41% in the first half of the year, more than offsetting a 13% increase in revenues from sales of vinyl albums. Revenues from shipments of physical products made up 10% of the industry total in 1H 2018.

NOTE – Historical data for 2015-2017 has been updated, including revenue accounting standards starting in 2016. Formats with no retail value equivalent included at wholesale value. RIAA presents the most up-to-date information available in its industry revenue reports and online statistics database: https://www.riaa.com/u-s-sales-database

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MID-YEAR 2018
RIAA MUSIC REVENUE STATISTICS

For a list of authorized services see www.whymusicmatters.com

United States Estimated Retail Dollar Value (In Millions, net after returns)

DIGITAL SUBSCRIPTION & STREAMING

		1H 2017	1H 2018	% CHANGE 1H '17 to 1H '18
(Units) (Dollar Value)	**Paid Subscription[1]**	31.5 $1,608.5	46.4 $2,195.7	47.6% 36.5%
	Limited Tier Paid Subscription[2]	$304.4	$354.0	16.3%
	On-Demand Streaming (Ad-Supported)[3]	$303.8	$368.8	21.4%
	SoundExchange Distributions[4]	$339.5	$398.6	17.4%
	Other Ad-Supported Streaming[5]	$126.8	$129.0	1.8%
	Total Streaming Revenues	**$2,683.0**	**$3,446.1**	**28.4%**

DIGITAL PERMANENT DOWNLOAD

		1H 2017	1H 2018	% CHANGE 1H '17 to 1H '18
(Units) (Dollar Value)	**Download Single**	306.6 $373.7	221.5 $270.4	-27.8% -27.6%
	Download Album	35.8 $360.4	26.3 $265.2	-26.4% -26.4%
	Ringtones & Ringbacks	7.9 $19.6	5.1 $12.7	-35.3% -35.3%
	Other Digital[6]	1.4 $11.3	1.2 $13.9	-19.0% 23.6%
	Total Digital Download Revenues	**$764.9**	**$562.2**	**-26.5%**

TOTAL DIGITAL VALUE

	1H 2017	1H 2018	% CHANGE 1H '17 to 1H '18
TOTAL DIGITAL VALUE	$3,447.9	$4,008.2	16.3%
Synchronization Royalties[7]	$118.3	$131.0	10.8%

PHYSICAL

		1H 2017	1H 2018	% CHANGE 1H '17 to 1H '18
(Units Shipped) (Dollar Value)	**CD**	35.0 $420.0	18.6 $245.9	-46.9% -41.5%
	LP/EP	7.2 $176.1	8.1 $198.6	12.6% 12.8%
	Music Video	0.7 $13.6	0.7 $12.6	-4.9% -7.2%
	Other Physical[8]	0.3 $5.3	0.3 $4.6	-10.9% -14.5%
	Total Physical Units **Total Physical Value**	**43.3** **$615.0**	**27.7** **$461.6**	**-36.0%** **-24.9%**

TOTAL DIGITAL AND PHYSICAL

	1H 2017	1H 2018	% CHANGE 1H '17 to 1H '18
Total Units[9] **Total Value**	**394.9** **$4,181.2**	**281.7** **$4,600.9**	**-28.7%** **10.0%**
% of Shipments[10]	**1H 2017**	**1H 2018**	
Physical	15%	10%	
Digital	85%	90%	

Retail Value is the value of shipments at recommended or estimated list price
Formats with no retail value equivalent included at wholesale value

Note: Historical data updated for 2016

[1] Streaming, tethered, and other paid subscription services not operating under statutory licenses
Subscription volume is annual average number of subscriptions, excludes limited tier

[2] Paid streaming services with interactivity limitations by availability, device restriction, catalog limitations, on demand access, or other factors

[3] Ad-supported audio and music video services not operating under statutory licenses

[4] Estimated payments to performers and copyright holders for digital and customized radio services under statutory licenses

[5] Revenues paid directly for statutory services that are not distributed by SoundExchange and not included in other streaming categories

[6] Includes Kiosks, music video downloads, and starting in 2016 other digital music licensing

[7] Includes fees and royalties from synchronization of sound recordings with other media

[8] Includes CD Singles, Cassettes, Vinyl Singles, DVD Audio, SACD

[9] Units total includes both albums and singles, and does not include subscriptions or royalties

[10] Synchronization Royalties excluded from calculation