Digital Distribution Channels
December 1, 2006

The Market: A Paradigm Shift in Music Business

<table>
<thead>
<tr>
<th>Retail-centric</th>
<th>Consumer-centric</th>
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<td>Physical formats available at music retail</td>
<td>Explosion of diverse products available through many channels</td>
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<th>Traditional and new retail outlets</th>
<th>Mobile:</th>
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<td>On-demand</td>
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<tr>
<td>Streaming Video</td>
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<th>Cable/Satellite:</th>
<th>PC:</th>
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<td>Downloads</td>
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<tr>
<td>Subscriptions</td>
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<td>Streaming Video</td>
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<td>Music anywhere, any place, any time</td>
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<td>Ringbacks</td>
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<td>Streaming Video</td>
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<tr>
<td>Artwork/images</td>
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Home network
Global Digital Music Market Projections (Retail)

Retail Partners Q1-Q3 2006

1. Walmart
2. Target
3. Best Buy
4. Apple iTunes
5. AEC One Stop Group
6. Trans World Music Corp.
7. Circuit City
8. Verizon Wireless
9. Amazon
10. Borders
11. Handleman (ex-Walmart)
12. Cingular
13. Sprint Nextel
14. MTS
15. T-Mobile

- Apple likely to be #2 in 2007
- 5 of top 15 accounts are now digital

% of Digital to Total Music Market by 2009

- PwC: 41%
- Enders: 22%
- Goldman: 13%
Our Digital Strategy

4 CORE STRATEGIC OBJECTIVES:

- Products ➔ Largest Catalog and Highest Quality
- Distribution ➔ Greatest Breadth and Depth of Digital Partners
- Innovation ➔ Commitment to Leadership in New Formats, Configurations, and Business Models
- Anti-Piracy ➔ Relentless Drive to Reduce Music Piracy

Digital assets now part of every album release and marketing plan

A Huge Number of Digital Music Configurations

...and Now

Then...

- Online Downloads
- Online Subscriptions
- Monos, Polys, Mastertones

Increasing number & complexity of Products

Convergence of Mobile & PC

...and Now

- Online Downloads
- Online Subscriptions (fixed and portable)
- Mobile Subscriptions (fixed and portable)
- Online Video Streaming
- Internet Radio
- Unlimited On Demand Streaming
- Monos, Polys, Mastertones
- Full Track Music Downloads – to Phone and PC
- Video Downloads & Streaming – Phone & PC
- Videotones
- Ringback Tones
- Voice Ringers
- Pictones
- Mobile TV
- Pay per view Streaming
- Embedded Handsets
- Pre-Loaded Flash Memory Cards
Video Distribution Channels: Computer

Permanent Download

iTunes
- Launch partner for short form music videos: Oct. ’05
- Launch partner for full length live concerts: Dec ’06

Google
- Exclusive music partner in video store since Jan ’06

Zvue
- OEM of audio and video digital music players
- Distributed through Wal-Mart
- Exclusive music partner in Zvue video store since June ’06

Video Distribution Channels: Computer

Proprietary Ad Supported Streaming

musicBox
- Proprietary video streaming platform live on all label web sites and nearly 100 artist sites
- Traffic of 1.6m unique visitors viewing 15m streams per month
- Generates advertising revenue
- Viral marketing and sharing features
- Cross-selling opportunities
Video Distribution Channels: Computer

Ad Supported Streaming
Pioneering ad supported streaming deals ‘05

Network expansion ‘06

Further expansion coming ‘07

Video Distribution Channels: Mobile

Mobile
Permanent Download
- Launch partner with verizonwireless
- Pending deals with Sprint, amp’d, helio

Streaming
- Subscription offers Sprint
- Live with Sprint, Coming ‘07 with cingular

PPV
- Longform video channel coming ‘07 with Sprint
Video Distribution Channels: Set Top

Cable

- VOD, Free to user

Console

- Streaming, Free to user, Permanent download

Thank You!