

RECORD LABELS CONTINUE TO DIVERSIFY AS SECONDARY REVENUES GENERATE £193.5M IN 2009

- Income outside of traditional music sales up 6.6% in 2009
- Film, TV, advertising and games sync licensing income rises 19.6% year-on-year.
- 2009 total recording industry revenues were £1,122.3m, up 2.3% on 2008.

2nd August 2010 - UK record companies continue to innovate and diversify as new figures released today by The BPI show that 'secondary revenues' – income generated outside of CD sales and income from digital music services – have grown for the third year in succession to £193.5m in 2009, a 6.6% increase on 2008.

Secondary revenues in 2009 represented 20.8% of total industry revenues, up 1% on 2008. Total recorded music industry revenues in 2009 were £1,122.3m, an increase of 2.3% from 2008's final tally of £1,097.2m.

BPI Chief Executive Geoff Taylor said: "UK record companies have responded to tough market conditions by innovating in the digital world and developing new revenue streams from recorded music, beyond their traditional base of CD sales and the encouraging growth in digital a la carte, subscription and streaming services.

"Music companies continue to face an enormous challenge from illegal downloading, but are responding positively by transforming themselves for the future, identifying new opportunities to generate returns from the massive investments they make - hundreds of millions of pounds per year - in UK talent. British music is being licensed to films, TV, and especially games like never before. And innovative, inclusive record deals in which labels forge a broader partnership with artists, encompassing proceeds from concerts and merchandise also grew significantly year-on-year.

"The growth in labels' secondary income in 2009, combined with the strong increases in digital revenue already announced, illustrates the outstanding potential of British recorded music if illegal filesharing can be tackled."

Artist related income from multiple-rights deals – so called '360 degree' deals – including concerts, merchandising and sales of music direct from artist and label websites, remained a significant source of revenue during 2009. More than £58.6m was earned from partnerships with artists, an increase of 16.7% on the previous year.

Broadcasting and public performance licensing income of £72.1m from PPL accounted for more than a third of secondary revenues in 2009. Synchronisation deals from the use of music in film, TV, advertising and games grew by 19.6% to £25.2m in total, whilst premiums also generated income of £1.8m.

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LENGTHY BUT IMPORTANT NOTES FOR EDITORS

BPI no longer includes longer includes digital licensing income from advertising supported models, income from ISPs, income from bundled subscriptions, income from non-bundled subscriptions and income from non-music retailing internet sites within secondary revenues.

These categories of income were included in overall industry trade income, reported in April 2010, and hence secondary income has been restated for 2008 and previous years as follows. In millions of pounds:

MARKET IMPACT	2006	2007	2008	2009	
<i>Secondary revenues</i>	£162.3m	£179.5m	£181.6m	£193.5m	6.6%
<i>Trade income</i>	£1,089.0m	£934.4m	£915.6m	£928.8m	1.4%
<i>Total industry revenue</i>	£1,251.3m	£1,122.9m	£1,097.2m	£1,122.3m	2.3%
<i>Secondary revenues as % of trade income</i>	14.9%	19.0%	19.8%	20.8%	
<i>Secondary revenues as % of total revenues</i>	13.0%	16.0%	16.6%	17.2%	

These figures do not include export, i.e. international shipment of physical product or international licensing deals (when a CD or download from a UK-signed artist is sold overseas).

Categories of income included in secondary revenues do include:

Public Performance Licensing - Copyright licensing income received by UK record companies from domestic public performance of recordings from PPL and VPL – for example blanket BBC license, commercial radio, commercial TV, video play on MTV, online, public use of music in pubs, clubs, bars, shops).

Synchronisation – copyright licensing income received from the use of sound recordings in films, TV, games and advertising.

Premiums – Covermounts and consumer promotions via non-traditional channels.

Artist Related Income – Artist related merchandising, concerts and touring, artist-related digital products (except ringtones), music related sales via artist and label websites, artist related sponsorship and endorsement and other artist-related income.

Other income – Record company share of revenue from shows or films, record company income from music related TV productions, deals with hardware manufacturers, unearned advances and other one-off payments received.

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About BPI

The BPI is the representative voice of the UK recorded music business. We are a trade organisation funded by our members - which include hundreds of independent music companies and the UK's four major record labels. BPI members account for approximately 90% of all recorded music sold in the UK, and globally the UK's recorded music market is the third biggest.

The BPI also organises the annual BRIT Awards show as well as the Classical BRIT Awards show. The organising company BRIT Awards Limited, is a fully owned subsidiary of the BPI. Substantial proceeds from both shows go to the BRIT Trust, the charitable arm of the BPI that has donated almost £15m to charitable causes nationwide, since its foundation in 1989.

About PPL

PPL is the music licensing company which, on behalf of 45,000 performers and 5,750 record companies, licenses the use of recorded music in the UK. This enables TV and radio stations, online streaming services and hundreds of thousands of shops, pubs and others using music in their business to obtain a licence comprising millions of recordings.

As a music industry service, the company does not retain any profit for itself. The costs of collecting, processing and distributing the licence fees are taken from the gross revenues that the company collects which are distributed and paid to all PPL's record company and performer members. These include featured artists as well as session musicians, ranging from orchestral players to percussionists and to singers (approximately 90% of whom earn less than £16k per year from their profession). There is no joining fee or administration charge and the company actively seeks members. The cost-to-revenue ratio has remained constant for three years despite increasing investment in technology.

In addition, the company collects international performance rights income for 80% of its members and this revenue stream is currently the fastest growing area of the company. PPL now has representation in 25 different countries around the world, which has resulted in 48 separate contracts with similar organisations (<http://ppluk/en/Performers/International-revenues/Our-reciprocal-deals/>), representing a further 4,000 overseas record companies and 21,000 performers for the collection of income generated by their respective rights in the UK.

PPL's role and remit increases year on year. The company receives details electronically on a weekly basis for an average of 6,500 new recordings. Once this data has been fed into PPL's databases, it is then passed on to *PRS for Music* for it to administer the relevant copying rights on behalf of the songwriters, composers and publishers. PPL also provides that data to the Official Charts Company for the purpose of the UK charts, and to the BPI and IFPI (International Federation of Phonographic Industry) to assist with their anti-piracy activities. PPL also uniquely provides the music usage data for the highly successful series 'The

People's Chart' which is broadcast on Radio 2. PPL's other areas of operation include VPL, and PPL Video Store.

For further information please visit ppluk.com.