

Keynote Address to 3GSM World Congress
Edgar Bronfman, Jr.
Chairman and CEO, Warner Music Group
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Good morning. And thank you, Ralph – not just for that generous introduction, but for your deep commitment to the mobile music industry and for being a true champion of mobile music from the very beginning.

I'd also like to thank Craig Ehrlich, Rob Conway, the entire GSMA and everyone here today. Thank you for allowing me to address some of the opportunities and challenges we share.

While it might be easy to overlook, I think it's especially fitting that we are here in Barcelona, because Barcelona's long history resonates with our global future.

Just in the past century alone, it has nurtured the likes of Pablo Picasso, Antonio Gaudi, Ernest Hemingway and Pablo Casals. But what few people realize is that this city was also, during the Middle Ages, a cradle for the legendary, travelling poet-musicians known as troubadours. In essence, these wandering troubadours, who spread song and verse throughout the kingdom and beyond, constituted some of the world's first "mobile music."

And today, in the 21st century, it's tempting to think that the intervening advances and today's technology have transformed our lives beyond recognition. But if you think about it, we in this room are really still focused on serving the same, enduring human needs as those troubadours – to communicate over distance and time, to share common ideas, to build a sense of community, to bring people together. Through mobile communications – and now increasingly through mobile music – we help hundreds of millions of people do exactly this, and hopefully give them a little inspiration along the way.

But we should not feel too proud of ourselves, yet. Because as far and fast as mobile communications have come, we still have a *long* way to go to fulfill its potential. There are two billion people in the world who've already adopted mobile communications, and billions more who have yet to enjoy these benefits. And it's a significant fact to note, that – while it took 12 years to connect the first billion, it took less than three years to connect the second.

And as wireless networks aggressively transition to 3G technology and beyond, music has the potential for explosive growth. This year, consumers will spend an estimated \$9 billion on mobile music including ringtones and over-the-air music downloads. But according to a recent study by a leading research firm, this number is just the tip of the iceberg. In fact, this study estimates that by 2010, mobile subscribers will spend more than \$32 billion to access music through their phones.

To put that in perspective, though, let's look at another statistic. A 2006 study found that, while the number of mobile service subscribers with cell phones capable of

playing and storing music is fast increasing, only 8.5 percent of them actually use these phones to buy music. Why only 8.5 percent? I'll tell you why: it's expensive, it's complicated and it's slow.

As partners in this industry, we need to do everything in our power to change that.

Our essential challenge is to make it affordable, easy and quick to download tones and songs as well as new music experiences - including video - to our mobile phones. Until we achieve that, we're not just falling far short of our potential, but we're also leaving billions of dollars in profits unrealized. And to reach this potential, we need to think about offering more than just better devices, services and prices. We need to think beyond the music we offer to the music experiences we can offer.

Actually, it's amazing that we've generated as much revenue as we have through mobile music, given how cumbersome the consumer experience can be. Just imagine what we could do if it were fun and seamless? And when we *do* offer consumers a rich, seamless and compelling experience, then we really *will* start to fulfill our true potential.

Warner Music is not an operator or a manufacturer, but we do understand the three factors that can make or break a wireless company: usage, churn and customer acquisition costs. So when we preach the virtues of music and wireless, our goals and yours overlap. Mobile music can clearly help you increase usage, reduce churn and lower the cost of customer acquisition.

Warner's own challenge is to reinvent the digital music experience, to take it far beyond just a song or a ringtone. We need to work together to create new experiences, to include video, artwork, text and more. And beyond that, we need to create a constant flow of product and information from artists - not just an album every two years - so consumers can stay connected regularly to their favorite artists, via their favorite carrier.

In pursuit of this goal, I'm proud to say that Warner Music has become the most innovative music company working in the digital and mobile space. Just as we were the first to create mobile music bundles a year ago, we will continue to develop - and partner with mobile operators to develop and distribute - new products that meet consumers' voracious, constant and ever-increasing demand for music and video content.

Just last month, for example, Warner Music formed a partnership with Motorola to collaborate on digital products and marketing campaigns. This agreement marks the first time a music company and handset manufacturer have established a broad-ranging global agreement for collaboration on the development of digital products, marketing campaigns and strategic planning across multiple devices, and featuring a variety of artists.

And this is just one example. We're currently partnering with mobile operators all over the world: China, Russia, Japan, South Korea, Europe, the Americas and now, as of today - I'm proud to announce - in the Middle East and North Africa. In yet another agreement in a series of industry-firsts, Warner Music Group will partner with

Orascom Telecom to deliver music-based content and services to consumers in 16 countries in that region. In the same region, we're also linking up with O-Media Holdings, a major independent media venture spanning TV, radio, music and magazine publishing, as well as artist management, advertising, mobile TV and Internet-based video. Together with O-Media, we will explore exciting new ways of connecting with music fans and supporting the many vibrant local music cultures.

And that's not all. I am also proud to announce today Warner Music Group has formed a strategic partnership with Telenor, and will be focusing on developing business together in several regions including south Asia. We will be selling full-length songs, ringtones, ringback tones, mobile music videos and wallpapers to Telenor's subscriber base, which currently includes 105 million people in 13 countries. This groundbreaking partnership will combine Warner's expertise in developing and delivering entertainment content with Telenor's strength in telecommunications technology.

For example, Bangladesh has only one million fixed-line phones, but Telenor's affiliate, GrameenPhone, has more than 10 million subscribers, making it the market leader. The number of mobile phone users in Bangladesh is expected to double in 2007, and is predicted to hit 50 million by the end of 2009.

And of course, this is all leapfrog technology, skipping over the era of physical telecom infrastructure. Specific to music, this means largely bypassing the CD and cassette, and going straight to mobile music. So what we have is a major step forward, both for consumers and for those companies seeking to meet their needs.

I want to emphasize that even though we think globally, localizing our products is still critical. Operating in 50 countries – and cultivating local artists around the globe – Warner Music is now partnering with mobile carriers just about everywhere to develop local, regional and culture-specific music services that benefit everyone, from the carrier to the consumer to the artists themselves.

Today, instead of producing only CD's and singles, we are simultaneously producing ringtones, SMS-tones, ring-back tones and video ringers. And in addition to a standard music video, we're also creating a 'behind the scenes', a 'making of' and interviews with the artist. In some cases, we've even developed artist-branded mobile games. And with partners such as Google, YouTube and Brightcove, video content has been transformed for us from a secondary marketing expense into a primary profit center.

Ultimately, these new partnerships and products generate more fun, freedom and flexibility for your customers. These are the people we ultimately serve, and what they increasingly want and expect is the capability and convenience of sharing ideas, information and inspiration on their mobile phones.

I believe that in the years ahead, the brightest innovators in this room – and your telecom and wireless companies – will become the world's most important distributors of music-based content.

I say this for three reasons. First, because the sheer number of mobile subscribers is huge and growing fast. Second, because all of us have a great financial interest in monetizing the content we deliver. And third, because the amazing multimedia capabilities of advanced mobile handsets are opening up a whole new world of possibilities.

We at Warner Music are committed to partnering with you to transform this potential into reality. So far, we've re-engineered the very way in which we create music-related content. But, to be frank, we often get very frustrated because user-interfaces are really quite inadequate and so many of the world's platforms are still not capable of handling even the most basic content configurations: a ringtone and an audio track, for example, or a track bundled with a video.

And we feel it's critical to integrate the silos that currently prevent customers from getting their music, their ringtones, their wallpaper and their mobile video through a single, seamless experience. Remember if you're as old as I am, how rewarding it was to buy a new LP... with great art on the album cover, liner notes, and the music itself? What if people had to go to three separate stores to get all that? Essentially, that's what we're asking many of our customers to do today, instead of giving them a really great music experience.

And that means lost opportunity for everyone: for Warner Music, for all of you and for those frustrated consumers. We know the basic technology exists to overcome the obstacles the industry faces today. Now it's just a matter of putting it to work.

Look at what Apple is doing with the iPhone. Before it has even hit the market, the iPhone has effectively raised the bar on what customers expect in terms of user-interfaces on their mobile phones, and what mobile phones should be able to do as music players and entertainment devices. While this certainly presents its challenges, it's ultimately a positive development. I say this because, as a result of the iPhone announcement, consumers – the people we serve – are getting very excited about music-phone devices.

So now it's up to other manufacturers and providers to meet these new customer hopes and expectations, and to fulfill this emerging demand. For those who quickly elevate their game – that invent with a similarly inspiring vision – the opportunity is immense. With announcements this week of new, music-enabled handsets from LG, Motorola, Nokia, Samsung and Sony Ericsson among others, it's clear there are people in this room who can and will do this.

We live in an exciting time of transition, both in terms of global culture and technology. We in this room have the chance to make a major impact, to redefine the way people access, share and enjoy their music.

These opportunities don't come very often. Here in Spain, more than five centuries ago, the heralds announced a great contest, soliciting original songs to honor the Virgin Mary. Across the kingdom, composers and poets answered the call and put quill to parchment. Afterward, these songs were published in what scholars believe was the first book ever printed in Spain.

That book of songs was, in a way, a novel marriage of music and the latest technology – mass-market technology that enabled many, many more people to discover songs that spoke to their soul.

Now, in the 21st century, we are, in a way, the troubadours of this technological age. Because we do not just facilitate the exchange of *information*. We also, in making mobile music a reality, offer people a measure of *inspiration*. And in today's world, people need inspiration more than ever before.

I look forward to working together in the months ahead to unlock this great opportunity and make the growth of mobile music significant for you and for us, and compelling for our customers.

Thank you.

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