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## **DEG RELEASES MID-YEAR HOME ENTERTAINMENT RESULTS**

### **Home Entertainment Window Remains Stable With Higher Margin Businesses Continuing To Show Growth**

#### **Blu-ray Disc Sales Up 91 Percent In The First Half 2009**

LOS ANGELES (July 16, 2009) – DEG: The Digital Entertainment Group released mid-year U.S. sales figures for the home entertainment industry today. Consumer spending for the first half of 2009 in the home entertainment window for pre-recorded entertainment, which includes DVD, Blu-ray Disc and digital distribution, was \$9.73 billion, off by 3.9 percent compared to the same period last year. Due to the favorable impact of the mix shift on margin, the home entertainment window's net operating profit contribution was down 2.2 percent.

Overall, the home entertainment window continues to show signs of stability. Consumer spending and net contribution showed a notable improvement in the second quarter 2009 versus the first quarter with total consumer spending on packaged media (sellthrough and rental) down less than 5.6 percent. Although consumer spending on sellthrough packaged media was down 13.5 percent in the first half of 2009, this was partially offset by the growth of Blu-ray (up 91 percent to \$407 million) and digital distribution (up 21 percent to \$968 million which includes \$196 million for electronic sellthrough). Furthermore, according to Rentrak Corporation's Home Video Essentials, rental spending was up 8.3 percent for the first half of 2009, boosted by an increase in Blu-ray rental spending, which was up 62 percent.

"Despite an extraordinarily challenging marketplace, the home entertainment sector continues to be remarkably stable overall, particularly with the growth of higher margin businesses like Blu-ray and digital distribution," said Ron Sanders, President, DEG and President, Warner Home Video. "While home entertainment is down compared to last year, the growth we saw in the second quarter is encouraging."

Not surprisingly, consumer spending in the U.S. was down two percent relative to last year. According to the U.S. Census Bureau, overall retail sales were down 10 percent for May compared to the same period last year. With unemployment doubling since 2007 to 9.5 percent, consumer confidence is at its lowest point in 15 years. The Hollywood-based trade group also noted that the influx of tax rebate checks that were distributed in May of 2008 resulted in a temporary lift in consumer spending for the first half of 2008. These rebate checks were not distributed in 2009.

"The overwhelming satisfaction expressed by consumers with regard to Blu-ray shows great promise to the industry's economic future and we are also optimistic regarding their appetite toward digital technologies," said Bob Chapek, Chairman, DEG and President, Walt Disney Studios Home Entertainment. "Both formats, converging together and resulting in one cohesive consumer experience, will present an opportunity for the industry to return to growth and eclipse our previous benchmarks."

The DEG compiles quarterly sales data for various products within the home entertainment category, including Blu-ray, DVD and HDTV. The industry association compiles its data based on input from member companies, retailers and industry association tracking sources.

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**BLU-RAY MARKET GAINS MOMENTUM**

According to figures compiled by the DEG with input from content providers and retailers, Blu-ray Disc sales were hugely popular at retail with sales up some 91 percent in the first half 2009. According to figures compiled by Swicker & Associates on behalf of the DEG, nearly 20 million Blu-ray discs shipped to retail in the second quarter of the year – a growth of 57 percent over the same period last year. There was 79 percent growth for the first half of the year compared to the same period last year.

During the first half of 2009, Blu-ray Disc hardware sales exceeded two million units, an increase of almost 25 percent over the same period last year. This brings the total installed base of Blu-ray devices in U.S. homes to nearly 11 million units. These include both PlayStation 3 consoles, along with a wide variety of set-top players that are available as either stand alone models or combined with home theater systems.

A number of Blu-ray products can also support digital media and nearly 75 percent are BD-Live compatible. Additionally, sales of Blu-ray compatible PCs are experiencing strong growth.

Additionally, according to figures compiled by the DEG based on data from CEA, retailers and manufacturers, more than 10 million HDTVs were sold to consumers in the first half of 2009. Household penetration of HDTVs in the U.S. is at approximately 44 million, up 13 percent from the end of year 2008, representing 38 percent of all U.S. households. Approximately 27 percent of all HDTV owners have more than one set.

**DVD U.S. HOUSEHOLDS TOPS 92 MILLION**

According to figures compiled by the DEG based on data from CEA, retailers and manufacturers, nearly five million DVD players sold to U.S. consumers in the second quarter of 2009.

Since launch in spring 1997, more than 260 million DVD players, including set-top and portable DVD players, Home-Theater-in-a-Box systems, TV/DVD and DVD/VCR combination players, have sold to consumers, bringing the number of DVD households to approximately 92 million (adjusting for households with more than one player). The DEG estimates that 65 percent of DVD homes have bought more than one player.

**DVD HARDWARE SALES IN U.S. (in millions of units)**

| Q                           | 1997        | 1998        | 1999         | 2000         | 2001          | 2002          | 2003          | 2004          | 2005          | 2006          | 2007          | 2008        | 2009         |
|-----------------------------|-------------|-------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|
| 1Q                          | .030        | .094        | .358         | 1.350        | 2.220         | 3.565         | 4.858         | 6.855         | 7.741         | 7.852         | 8.350         | 5.3         | 5.8          |
| 2Q                          | .079        | .149        | .611         | 1.435        | 2.404         | 3.750         | 5.506         | 6.057         | 6.006         | 6.676         | 6.396         | 4.98        | 4.9          |
| 3Q                          | .077        | .244        | .880         | 1.550        | 2.537         | 4.740         | 6.470         | 6.593         | 6.250         | 6.831         | 6.139         | 5.2         |              |
| 4Q                          | .119        | .459        | 1.701        | 5.542        | 9.501         | 13.058        | 16.900        | 17.621        | 14.343        | 12.512        | 12.633        | 9.5         |              |
| <b>YEARLY TOTAL</b>         | <b>.305</b> | <b>.946</b> | <b>3.550</b> | <b>9.877</b> | <b>16.662</b> | <b>25.113</b> | <b>33.734</b> | <b>37.126</b> | <b>34.340</b> | <b>33.871</b> | <b>33.518</b> | <b>24.9</b> | <b>10.7</b>  |
| <b>TOTAL (since launch)</b> |             |             |              |              |               |               |               |               |               |               |               |             | <b>263.5</b> |

Includes set-top and portable DVD players, Home-Theater-in-a-Box systems, TV/DVD and DVD/VCR combination players  
DEG: The Digital Entertainment Group

DEG: The Digital Entertainment Group is a Los Angeles-based, industry-funded nonprofit corporation that advocates and promotes the many consumer benefits associated with various home entertainment products, including both physical and digital media on a variety of platforms. The DEG helps provide information and perspective about the home entertainment industry. The DEG also offers a forum for member companies to engage in ongoing discussions concerning various opportunities related to promoting established categories, evaluating and discussing new entertainment platforms and investigating supply chain efficiencies. The DEG can be reached at 310-888-2201, via email at [getinfo@digitalentertainmentinfo.com](mailto:getinfo@digitalentertainmentinfo.com) or through its Web site at [www.degonline.org](http://www.degonline.org).