



DEG MID-YEAR 2010 HOME ENTERTAINMENT REPORT

Contact: Lyndsey Schaefer
424-248-3811

HOME ENTERTAINMENT CONTINUES PROMISING TRENDS FUELED BY BLU-RAY DISC HARDWARE AND SOFTWARE SALES

Blu-ray Software Sales Up 84 Percent
Blu-ray Set-Top Sales Up 103 Percent
Digital Distribution Up 23 Percent

LOS ANGELES (July 19, 2010) – 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 2010 in the home entertainment window for pre-recorded entertainment, which includes DVD, Blu-ray Disc and digital distribution, reached \$8.8 billion, off 3.3 percent compared to the same period last year. While down slightly at the mid-year point, consumer spending for home entertainment was nearly flat, down only 0.7 percent, in the second quarter compared to the same period in 2009. Additionally, consumer transactions for home entertainment products were up 2.3 percent for the first half of the year.

Blu-ray Disc continued its strong performance, with sell-through and rental reaching a combined total of \$982 million for the first half of the year. Blu-ray Disc sell-through was up 84 percent to \$733 million at the mid-year point, compared to the same period last year. Blu-ray Disc sell-through also grew a remarkable 112 percent in the second quarter, to \$363 million, compared to second quarter 2009. Packaged media sell-through, which includes DVD and Blu-ray Disc, declined 7.1 percent in the first half of the year compared to the same period last year. In the second quarter, packaged media sell-through declined only 3 percent compared to second quarter 2009.

Digital distribution maintained its steady rise with electronic sell-through (EST) up 36.9 percent to \$285 million and video-on-demand (VOD) up 19.1 percent to \$865 million in the first half of the year, a combined growth of 23.1 percent to \$1.1 billion. This is the first time that digital distribution surpassed the \$1 billion mark in the first six months of the year.

Blu-ray Disc hardware sales continued to climb in the first half of the year, selling almost 2 million set-top units, an increase of 103 percent over the same period last year. This brings the total installed base of Blu-ray Disc playback devices in the U.S. to 19.4 million units.

“The growth of Blu-ray, both hardware and software, continued to dominate the home entertainment landscape in the first half,” said Ron Sanders, President, DEG and President, Warner Home Video. “Clearly, we are still grappling with a challenging marketplace and a tough economy, but overall the trends that we are seeing are encouraging.”

According to Rentrak Corporation’s Home Video Essentials, rental spending was down 4.9 percent to just under \$3 billion in the first half of 2010. The overall market continues to be hindered by the Movie Gallery store closures. However, kiosk revenue was up 55 percent in the first half of the year.

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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.

BLU-RAY DISC SEES SIGNIFICANT GROWTH

Blu-ray Discs shipped to retail in the first half of 2010 topped 77 million, up 98 percent over the comparable period in 2009, according to figures compiled by Swicker & Associates on behalf of the DEG. Household penetration of all Blu-ray Disc compatible devices, including set-top players, PC drives and PlayStation 3 consoles has now reached 19.4 million U.S. homes.

HDTV SALES EXPERIENCE MORE GROWTH

According to figures compiled by the DEG based on data from CEA, retailers and manufacturers 79 million HDTVs have sold to consumers. With some 8.5 million HDTVs selling in the first half of the year, U.S. household penetration is at approximately 51.32 million.

DVD PLAYER SALES REACH 284 MILLION

According to figures compiled by the DEG based on data from CEA, retailers and manufacturers, 8.7 million DVD players sold to U.S. consumers in the first half of 2010.

Since launch in spring 1997, some 284 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 91 million (adjusting for households with more than one player). The DEG estimates that some 68 percent of DVD owners have more than one player.

BLU-RAY DISC SOFTWARE SHIPMENTS IN U.S. & CANADA (in millions)

Q	2006	2007	2008	2009	2010
1Q		1.70	9.22	19.17	34.00
2Q		3.54	12.62	19.87	43.00
3Q		3.21	12.72	17.11	
4Q	1.26	9.54	28.60	38.64	
YEARLY TOTAL	1.26	17.99	63.16	94.79	77.00
TOTAL (since launch)	1.26	19.25	82.41	177.20	254.20

Figures compiled by Swicker & Associates on behalf of 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 membership is comprised of: A&E Television Networks, AGI Polymatrix, Akamai, Amazon.com, Anchor Bay Entertainment, Arvato Digital Services, Ascent Media/Blink Digital, Audionamix, Blockbuster, BluFocus, Capgemini, Cinram, Cryptography Research, D&M Holdings, Deloitte, Deluxe Digital, Direct Brands, DivX, Dolby Laboratories, DTS Entertainment, DV&A, HBO Home Entertainment, Image Entertainment, IMAX Corporation, JVC USA, LAgraphico, LG Electronics, Lionsgate, Media Control GfK, MGM Home Entertainment, Microsoft, MOD Systems, Monster Cable, NCR, Netflix, Nielsen Entertainment, NPD Group, Panasonic, Paramount Home Entertainment, Philips Electronics, Pioneer Electronics (USA), RCDB, RealD, Redbox, Rovi, Samsung, ScreenPlay, Singulus Technologies, Sonic Solutions, Sony DADC, Sony Electronics, Sony Music Entertainment, Sony Pictures Home Entertainment, Summit Entertainment, Technicolor, Teradata, Testronics, THX, Toshiba America Consumer Products, Trailer Park, Twentieth Century Fox Home Entertainment, Universal Music Group, Universal Operations Group, Universal Studios Home Entertainment, Verance, Vivendi Entertainment, Walt Disney Studios Home Entertainment, Warner Home Video and Wynalda Litho.

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