



DEG YEAR-END 2009 HOME ENTERTAINMENT REPORT

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U.S. HOME ENTERTAINMENT SPENDING HITS \$20 BILLION

SPENDING ON BLU-RAY DISCS SURPASSES \$1 BILLION FOR FIRST TIME

BLU-RAY PLAYBACK DEVICES IN U.S. HOUSEHOLDS UP 76 PERCENT

DIGITAL DELIVERY UP 32 PERCENT

LAS VEGAS (Jan. 7, 2010) – The home entertainment market remained stable in 2009, reaching \$20 billion in U.S. consumer spending on all pre-recorded content, down five percent. Blu-ray Disc products were the bright spot of the industry with annual software sales and rental transactions hitting \$1.5 billion for the first time. These and other home entertainment year-end sales figures were announced today by DEG: The Digital Entertainment Group at the International Consumer Electronics Show (CES).

According to the DEG, with input from all major motion picture studios, Blu-ray Disc continued its phenomenal growth through the end of the year, with software sell-through up 70 percent and rental up 48 percent. In the fourth quarter alone, Blu-ray enjoyed title sales in excess of \$500 million, representing 13.4 percent of all sell-through sales versus eight percent for each of the prior three quarters. Blu-ray new release sales in the fourth quarter rose 35 percent while catalog title sales doubled from a year ago. The DEG also estimates that the number of Blu-ray playback devices in U.S. households soared to 17 million in 2009, up 76 percent compared to year-end 2008.

“The home entertainment business is doing remarkably well given the overall economic environment,” said Ron Sanders, President, DEG and President, Warner Home Video. “We have seen tremendous growth in both Blu-ray hardware and software, consumer transactions are up and we are looking forward to seeing some stabilization in the packaged goods sell-through business in the coming year.”

U.S. CONSUMER HOME ENTERTAINMENT RENTAL & SELL-THROUGH SPENDING (in billions)

Year	VHS/UMD	DVD	BD/Hi- Def	Digital	TOTAL
1999	\$12.2	\$1.1	\$0.0	\$0.6	\$13.9
2000	\$11.4	\$2.4	\$0.0	\$0.7	\$14.5
2001	\$10.9	\$5.3	\$0.0	\$0.7	\$16.9
2002	\$9.6	\$8.6	\$0.0	\$0.7	\$19.0
2003	\$6.9	\$13.1	\$0.0	\$0.7	\$20.7
2004	\$4.4	\$16.7	\$0.0	\$0.7	\$21.8
2005	\$2.1	\$18.9	\$0.0	\$0.8	\$21.7
2006	\$0.4	\$20.2	\$0.0	\$1.0	\$21.6
2007	\$0.1	\$19.7	\$0.3	\$1.3	\$21.4
2008	\$0.1	\$18.4	\$0.9	\$1.6	\$21.0
2009	\$0.0	\$16.4	\$1.5	\$2.1	\$20.0

The DEG has re-stated its historical figures based on the 2009 revised reporting from Rentrak Corporation's Home Video Essentials.

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The Hollywood-based trade group reported that, in the U.S., consumer transactions for pre-recorded content saw an increase of 2.8 percent to 3.5 billion units over the prior year, indicating a continued consumer demand for home entertainment products. While consumer spending for home entertainment was down five percent for the year, this compares favorably to the general retail sector, which saw a more significant decline of 6.3 percent in total retail sales, according to Wells Fargo Securities.

“With Blu-ray titles topping \$1 billion in sales and Blu-ray hardware now in 17 million U.S. homes, the format is well on its way to mainstream consumer adoption,” said Bob Chapek, Chairman, DEG and President, Distribution, The Walt Disney Studios. “With the industry’s recent finalization of 3-D specs, next year promises to be an extraordinary year for consumers to experience the expanded possibilities of Blu-ray.”

The group also noted that rental spending was up 4.2 percent to \$6.5 billion for the year, according to Rentrak Corporation’s Home Video Essentials. Total annual spending on sell-through of Blu-ray Disc and DVD was down 13 percent to \$11.4 billion.

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

Q	2006	2007	2008	2009
1Q		1.7	9.22	19.17
2Q		3.54	12.62	19.87
3Q		3.21	12.72	17.11
4Q	1.26	9.54	28.6	38.64
YEARLY TOTAL	1.26	17.99	63.16	94.79
TOTAL (since launch)	1.26	19.25	82.41	177.2

Figures compiled by Swicker & Associates on behalf of DEG: The Digital Entertainment Group

EST AND VOD GROW 32 PERCENT

An increase in digital homes and the broader availability of day-and-date video-on-demand (VOD) stimulated the growth of digital distribution in 2009, with consumer spending on electronic sell-through (EST) and VOD up a combined 32 percent to \$2.1 billion. Further, VOD growth accelerated 63 percent in the fourth quarter versus 20 percent in each of the previous three quarters.

Consumers are also taking advantage of the bonus Digital Copy that studios are now including in select releases, with redemptions as high as 20 percent on hit titles such as “X-Men Origins: Wolverine” (Twentieth Century Fox Home Entertainment), “The Dark Knight” (Warner Home Video) and “Star Trek” (Paramount Home Entertainment). The growth in electronic delivery, along with a notable increase in Digital Copy redemptions are two clear indicators of a greater acceptance and usage of digital delivery.

Five Blu-ray Disc releases saw sales in excess of one million units this past year and “Snow White and the Seven Dwarfs” (Walt Disney Studios Home Entertainment) was the best-selling BD title of the year. A number of distinct hits marked 2009 including “Twilight” (Summit Entertainment), “Transformers: Revenge of the Fallen” (Paramount Home Entertainment) and “The Hangover” (Warner Home Video) as the three highest grossing home entertainment titles of the year. The top three VOD titles in 2009 were “Twilight,” “Gran Torino” (Warner Home Video) and “He’s Just Not That Into You” (Warner Home Video), all of which were available day-and-date with DVD and Blu-ray Disc.

U.S. BLU-RAY DISC PLAYER SALES TOP 17 MILLION UNITS

Sales of Blu-ray Disc playback devices – including set-top box and game consoles – sold through 17.3 million units since launch. Some 4.5 million devices sold in the fourth quarter alone, bringing total units sold to nearly eight million in calendar 2009, according to numbers compiled by the DEG with input from retail tracking sources.

The DEG estimates that more than 71 million HDTV sets have sold to consumers bringing the number of HDTV households to nearly 48 million. The DEG further estimates that 33 percent of these households have more than one set. An HDTV provides the ideal medium for consumers to enjoy their Blu-ray players and get the best HD experience.

Blu-ray Disc players are available at more than 10,000 storefronts and are marketed from leading manufacturers. There are nearly 80 Blu-ray playback devices available, with set-top models from as low as \$99 (manufacturers' suggested retail price – street prices may vary).

DVD U.S. HOUSEHOLDS TOPS 92 MILLION

According to figures compiled by the DEG based on data from Consumer Electronics Association (CEA) retailers and manufacturers, an estimated 22.8 million DVD players were sold to U.S. consumers in 2009. Since launch in spring 1997, some 277 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 67 percent of DVD owners have more than one player.

DVD HARDWARE SALES IN U.S. (in millions)

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	6.01	5.80
2Q	.079	.149	.611	1.435	2.404	3.750	5.506	6.057	6.006	6.676	6.396	4.98	4.60
3Q	.077	.244	.880	1.550	2.537	4.740	6.470	6.593	6.250	6.831	6.139	5.39	4.60
4Q	.119	.459	1.701	5.542	9.501	13.058	16.900	17.621	14.343	12.512	12.633	8.85	7.80
YEARLY TOTAL	.305	.946	3.550	9.877	16.662	25.113	33.734	37.126	34.340	33.871	33.518	25.23	22.80
TOTAL (since launch)													277.072

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

DVD U.S. SOFTWARE SHIPMENTS EXCEED 10 BILLION UNITS SINCE LAUNCH

In the fourth quarter 2009, nearly 375 million DVDs shipped to retail, according to figures compiled by Swicker & Associates on behalf of the DEG. More than one billion software units shipped throughout 2009 and more than 11 billion discs have shipped since the DVD format launched in 1997.

DVD-VIDEO SOFTWARE SHIPMENTS IN U.S. & CANADA (in millions)

Q	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1Q	N/A	3.3	11.1	29.0	69.2	120.1	231.7	332.2	403.0	395.8	372.0	344.7	312.6
2Q	N/A	4.1	13.9	33.2	81.7	152.2	195.5	316.8	369.1	346.1	297.1	315.8	257.0
3Q	2.3	5.9	29.0	42.7	75.9	153.3	214.6	340.9	347.9	343.3	314.7	293.0	252.1
4Q	3.2	11.8	44.0	77.5	137.6	259.4	381.5	528.4	536.7	571.4	662.2	453.6	374.7
YEARLY TOTAL	5.5	25.1	98.0	182.4	364.4	685.0	1,023.3	1,518.3	1,656.7	1,656.6	1,646.0	1,407.1	1,196.4
TOTAL (since launch)		30.6	128.6	311.0	675.4	1,360.4	2,383.7	3,902.0	5,558.7	7,215.3	8,861.3	10,268.4	11,464.8

Figures compiled by Swicker & Associates on behalf of DEG: The Digital Entertainment Group

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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: AGI Media, AGI Polymatrix, Akamai, Anchor Bay Entertainment, Arvato Digital Services, Ascent Media/Blink Digital, Blockbuster, BluFocus, Cag Gemini, Cinram, Cryptography Research, D&M Holdings, Deloitte, Deluxe Digital, Digeo, Direct Group North America, DivX, Dolby Laboratories, DTS Entertainment, DV&A, HBO Home Entertainment, Image Entertainment, JVC USA, LAgraphico, LG Electronics, Lionsgate, Media Control GfK, Memory-Tech, MGM Home Entertainment, Microsoft, MOD Systems, Monster Cable, NCR, Netflix, Nielsen Entertainment, NPD Group, Panasonic, Paramount Home Entertainment, Philips Electronics, Pioneer Electronics (USA), RCDB, Redbox, Rovi, ScreenPlay, Singulus Technologies, Sonic Solutions, Sony DADC, Sony Electronics, Sony Music Entertainment, Sony Pictures Home Entertainment, Summit Entertainment, Technicolor, Teradata, THX, Toshiba America Consumer Products, Trailer Park, Twentieth Century Fox Home Entertainment, Universal Music Group, Universal Operations Group, Universal Studios Home Entertainment, Vivendi Entertainment, Walt Disney Studios Home Entertainment, Warner Home Video and Wynalda Litho.

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