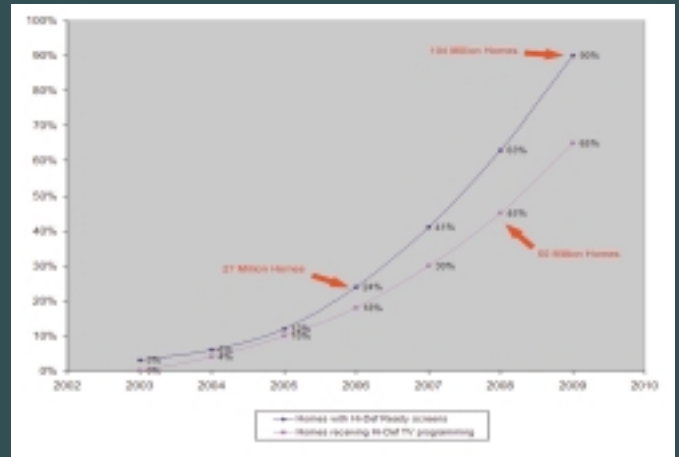


# US HIGH-DEF TV

**THE NEXT TREND** in consumer electronics is high definition and in the next 12 months will see the new broadcast format being adopted by consumers. In the US, high definition broadcasting is already widely available and by the end of 2006 nearly 20% of US homes will be receiving and viewing high definition content. The uptake of the technology is also going to be fuelled by the release of HD-DVD and Blu-ray formats, as well as High-Def games consoles such as the Xbox 360, which has been commercially available since the last quarter of 2005 and the Sony

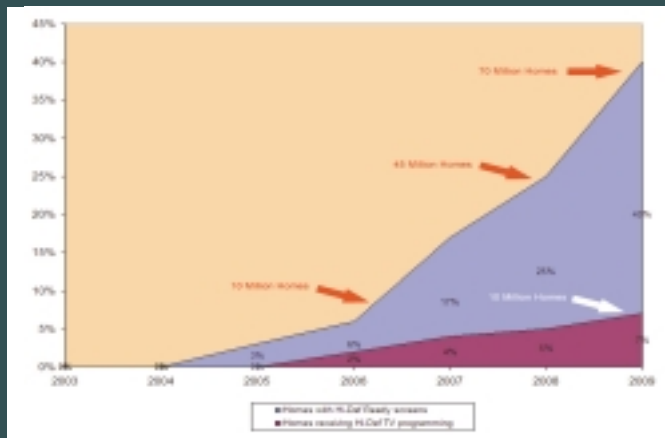
PlayStation 3 which is due to be released for Christmas 2006. The figures on the accompanying chart from Understanding & Solutions show that the uptake of High-Def flat panel sets are also fuelling the consumer thirst for this new content and will almost triple in the next three years. In fact, the number of homes owning a Hi-Def TV set will outstrip those houses that actually receive high definition TV programming by 25%. What this means is that homes may be receiving their content by other channels such as HD-DVD, Blu-ray or even downloaded via the Internet. ●

## HIGH DEFINITION TV MARKET DEVELOPMENT: USA



Source: Understanding & Solutions

## HIGH DEFINITION TV MARKET DEVELOPMENT: WESTERN EUROPE



Source: Understanding & Solutions

# EUROPE HIGH-DEF TV

**IN EUROPE, THE POSITION** is slightly different as HD broadcasting has yet to launch in most of Western Europe, though France, Germany and Sweden have already established working HD broadcasting services, with other major European countries not far behind. The projected figures from Understanding & Solutions shows that by 2009 nearly 10 million European homes will be receiving at least some of their TV content in HD. However, this is in stark contrast to the amount of homes that will have HD ready TV sets, which for the same period is set to reach an impressive 70 million homes. So again, if the projections are correct,

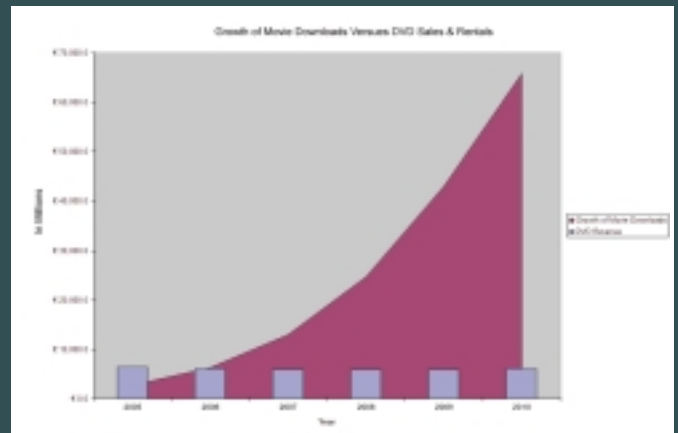
there will be 60 million more consumers with HD sets than are actually receiving HD TV broadcasts. It seems that HD TV won't drive the uptake of the format, but other HD entertainment platforms. Jim Bottoms, co-managing director of Understanding & Solutions comments, "From March 2007, the PlayStation 3 is expected to retail in Europe at between €500 and €600. This will have a huge impact on the market and manufacturers of HD disc players will have to review their pricing to stay competitive. By 2008, entry-level video players will be retailing at below €200 and are projected to drop below €100 a few years later." ●

# MOVIE DOWNLOADS

**SO IF CONSUMERS** in Europe aren't receiving their future HD content from TV broadcasts, where will they be getting it from? If a report from Screen Digest is to be believed the next four years will see a rapid increase in downloadable movie content that has parallels with the increase in popularity that the launch of DVD had in the late 1990s. Screen Digest's projected figures sees the amount of downloaded and streamed movie content leaping from 2.7 million downloads in 2005 to an incredible 65 million downloads in 2010. One would have to presume that a large number of these downloads would be HD in nature. Surprisingly,

this increase in downloads won't appear to have a big impact on DVD revenues, which will remain relatively stable over the same period with the rental and retail business dropping from €6.4 million in 2005 to €6.1 million in 2010. Arash Amel, Screen Digest's head of Broadband Digital Media said, "A successful legitimate movie downloading platform will have to be flexible in how content is used and allows consumers to burn direct to DVD. The most important fact will be how to address the problem of transferring digital movies to the consumer's preferred mode of home entertainment consumption – the TV set." ●

## GROWTH OF MOVIE DOWNLOADS VERSUS DVD SALES AND RENTALS



Source: Screen Digest