

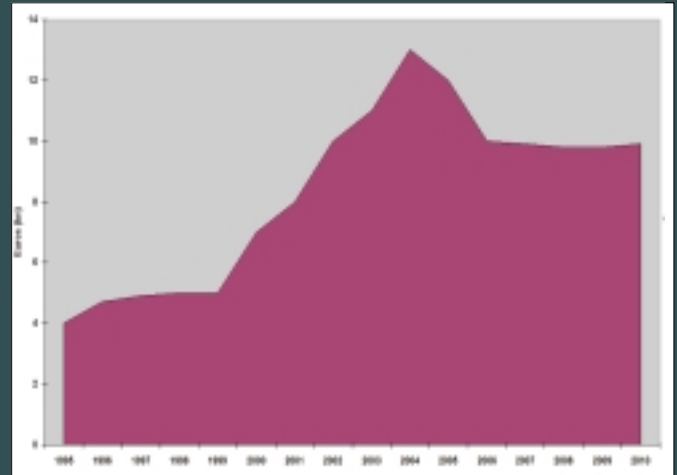
DVD IN EUROPE

WHILE DVD PLAYER PENETRATION in Europe reached 53% in 2005, total spending on DVD media has begun to decline from €12.8 billion in 2004, to 11.9 billion in 2005. A new report from Screen Digest predicts that DVD retail revenues will continue to fall by 5% year on year. However, because while the downturn in DVD prices is expected to taper through 2007, and the retail market is facing minor shrinkage, the European DVD rental market is looking to increase. This is being driven by online rental services. In fact, Screen Digest projects that online rental will account for 9% of the total DVD rental sector in Europe at the end of 2006, and this will increase to 27% by the end of 2010.

While the salad days of DVD have wilted in western Europe, there is possible growth in central Europe where the DVD market is comparatively immature, and Russia is a huge potential market. HD formats aren't expected to significantly boost volume sales here, but they may help raise average prices.

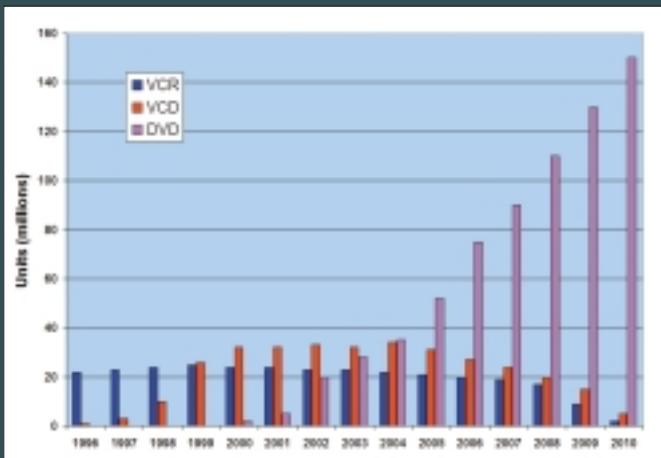
"Despite the fact that volume sales continue to climb, the DVD market is running out of steam as falling prices depress spending. However, the arrival of High-Def video formats is expected to restore average prices and boost consumer spending," explains Marie Bloomfield, author of Screen Digest's *European Video – Market Assessment and Forecast to 2010*. ●

EUROPEAN SPENDING ON VIDEO SOFTWARE 1995-2010



Source: Screen Digest

CHINA: VIDEO HARDWARE INSTALLED BASE BY FORMAT



Source: Screen Digest

CHINA = POTENTIAL

ONE MARKET THAT HAS ONLY JUST begun to embrace the DVD format is China. The recently published report *Cinema and Home Entertainment in China* from Screen Digest reveals that the future of DVD in the region is very bright indeed – though this could be down to the potential 1.3 billion consumers that live there. The two dominant formats for video in China have been VHS and Video CD (VCD). While it's not that surprising to see VHS being widely used, the Far East has embraced VCD – a format that is little used in the West. The Screen Digest report projects that DVD is due to take off in the region

in the next three years at the expense of the VCD format, and by 2010, there could be as many as 150 million DVD players being used in the region.

However, one thing that could stunt the growth of DVD media in China is the rampant piracy. Estimates put video piracy rates at 95% in the region and it is estimated that in 2006, over 2 billion counterfeit discs were in circulation. Also, the Chinese government is keen to protect the cultural identity of the country and is reluctant to allow foreign investment in that sector. But for those media packagers willing to make in-roads into China, the rewards could be worth it. ●

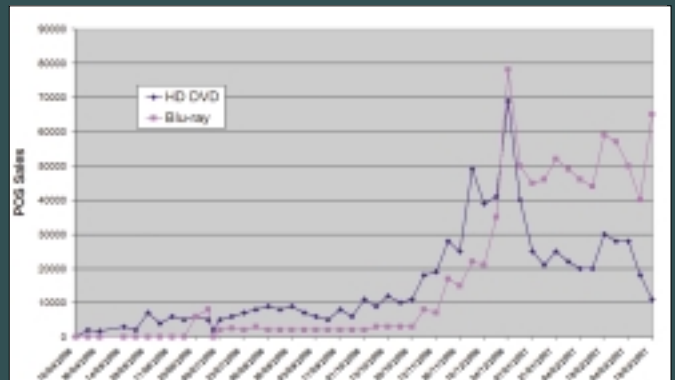
HIGH-DEF SALES FIGURES

WHO WILL WIN THE BATTLE of the high-definition discs? Well, the first statistics are out courtesy of Sony Pictures Home Entertainment [Editor's note: Keep in mind that Sony is one of the founders of the Blu-ray format] and they chart the sales of HD DVD and Blu-ray titles from April 2006 until March 2007. The weekly sales statistics show that HD DVD was the first format out of the gate initially selling more copies than Blu-ray. However, the tables were turned over the Christmas 2006 period when Blu-ray peaked with a maximum 68,000 sales, 10,000 units

ahead of HD DVD. During 2007, initial interest in HD DVD has waned, falling from its peak at Christmas to just over 10,000 units in March.

Blu-ray sales are being driven by the Sony PlayStation 3 in the US, whose launch was in November 2006 and whose sales have been steady. The strong sales throughout early 2007 have put the Blu-ray format ahead of HD DVD by a 7-to-3 sales ratio. However, this lead isn't that strong when you look at total sales with Blu-ray shifting 844,000 total units against HD DVD's 708,600 units. ●

NEXT GENERATION DISC – MARKET WEEKLY SALES



Source: Sony Pictures Home Entertainment