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Attached is the DEG's Mid-Year 2012 Home Entertainment Report compiled by DEG members, tracking sources and retail input.

Overall Consumer Spending Rises 1% in 2012 First Half

Industry Stability Bolstered by 13% Lift in Blu-ray Disc Sales

Digital Distribution Surges With Electronic Sell-Through's 22% Jump

and VOD's 12% Rise Underscoring UltraViolet Expansion, EST Availability

Led by a surge in digital distribution and continuing double-digit increases in Blu-ray Disc sales, the home entertainment sector further stabilized in the first half of 2012, experiencing a 1.43 percent increase in consumer spending compared to the first half of 2011.

In addition to the continued growth of Blu-ray, the industry experienced remarkable jumps in digital distribution revenue in the first six months of the year, driven by electronic sell-through (EST). The growth of EST is especially noteworthy now as it underscores the expansion of the UltraViolet cloud-based system introduced to consumers last year, which allows people to watch movies they own anytime, anywhere on a variety of devices. It also reflects strong consumer response to the increased availability of EST.

Among the trends in the first half of the year:

- Blu-ray Disc sales continued to grow steadily at double-digit rates with consumer spending for the first half up 13.3 percent compared to the same period last year.
- Catalog product on Blu-ray Disc continued its strong growth, increasing 26 percent during the same period, which further cements the notion that Blu-ray has become the standard in home entertainment.
- Digital distribution provided additional growth in the first half of the year due to a greater consumer response to EST, which led to a 21.86 percent increase in EST consumer spending compared to mid-year 2011, and a 27 percent increase in the second quarter compared to Q2 2011. Additionally, VOD was up 11.6 percent compared to the mid-year 2011, with a 17.2 percent increase in the second quarter compared to Q2 2011, showing increasing consumer demand resulting from wider access and improved ease of use.
- UltraViolet recently surpassed 4 million household accounts. The continuous growth of UltraViolet underscores that consumers are responding favorably to the increased availability of EST, as well as the growing range of UltraViolet services.
- The number of Blu-ray homes continued to rise, with 1.4 million Blu-ray Disc players (inclusive of BD set-tops, PS3s and HTiBs,) sold in the second quarter, bringing the total household penetration of all Blu-ray compatible devices to more than 42.1 million U.S. homes.
- Further, more than 4.6 million HDTVs were sold to U.S. consumers in second quarter 2012; HDTV penetration to date is nearly 80 million U.S. households.

If you would like to discuss the DEG's Mid-Year 2012 Home Entertainment Report, please contact the DEG.

Regards,
Lyndsey Schaefer

Lyndsey Schaefer

Director

DEG: The Digital Entertainment Group

o: 424-248-3811

f: 424-248-3816

schaefer@degonline.org

www.degonline.org