



Press Release

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Innovation drives growth in technical goods

GfK publishes new worldwide sales figures

Nuremberg, August 27, 2008 – The worldwide markets for technical goods are continuing to expand, with consumer spending on audio, video, photographic, IT and telecommunications hardware forecast to rise by 9% to EUR 462 billion (USD 680 billion) this year. These are the findings of a continuous survey carried out by GfK Retail Tracking in 73 countries and published at the 2008 Internationale Funkausstellung in Berlin.

Asia is the fastest-growing region, with 17% sales growth being driven primarily by expansion in China. The other main growth centers are the remaining three BRIC countries, Brazil, Russia and India. The Western European and North American markets are expected to achieve 2% and 5% growth respectively.

The three most important product categories are expanding strongly, with mobile phone sales increasing by 14% a year in value terms, TVs by 11% and consumer PCs by 10%. In each of these categories, which together make up some 65% of the total market, growth is being driven by innovation in the form of products such as smartphones and flatscreen TVs, and by the continued shift from desktop PCs to notebooks.

Other smaller product categories are contributing to the positive overall picture. In particular, worldwide volume sales of portable navigation devices are forecast to grow by 49% this year.

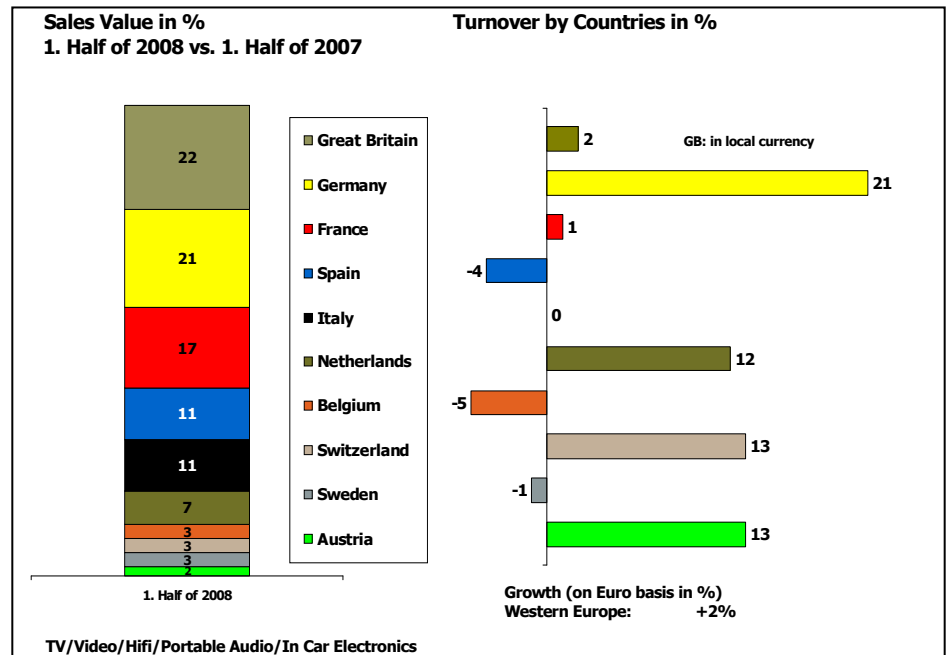
Focus on Western Europe

Western European consumers spent 2% more on consumer electronics in the first half of 2008 than in the same period last year. Once again, the fastest-growing product was flatscreen TVs, sales of which increased by 14%, but the whole of the consumer electronics sector is profiting from consumer demand for high-end, high-specification products.

Around 60% of sales by value came from the three biggest countries, led by Britain at 22%, followed by Germany at 21% and France at 17%. The re-

maintaining 40% came from the seven other Western European countries for which continuous, like-for-like data is collected.

Western Europe: Consumer electronics/hardware, turnover by countries



Source: GfK Retail and Technology

GfK is forecasting total Western European consumer electronics sales of approximately EUR 46 billion in 2008.

Televisions

As in previous years, televisions are the biggest growth driver in the Western European consumer electronics market, and consumer spending on these products increased by 8%, partly as a result of the Euro 2008 football championship. Some 84% of sales came from LCD TVs, and 14% from plasma sets, while traditional CRT TVs accounted for only 2% of total sales. LCD sales were up by 19% on the same period last year, with particularly big increases in the larger screen sizes of 37 inches and over, which now account for one in four units sold. However, 32-inch screens remain the most popular, being chosen by one in three customers.

Sales of plasma sets fell by 8% in terms of value as a result of declining prices. More than 60% of customers choose 42-inch screens, though 50-inch screens are also becoming increasingly popular, accounting for one in four purchases. Based on these trends, GfK is forecasting sales of 30.5 million LCD televisions and 2.9 million plasma sets in Western Europe this year.

(HD-ready televisions are now the market standard, representing 86% of LCD and 98% of plasma sales. Full-HD TVs, the next step up, are becoming

increasingly popular, and now represent 15% of LCD and 12% of plasma sales.

The average spend on televisions during the period was unchanged since last year at just under EUR 700. However, prices are in free fall: a 37-inch LCD screen is now 21% cheaper than last year, and 50-inch plasma screens are down by almost a third. However, the overall price for screens remained unchanged, reflecting the continued trend towards larger and more expensive televisions with more features.

DVD players/recorders

The Western European market for DVD players and recorders is still in decline. Unit sales were down 13%, and value sales by 17%. Sales of DVD players slipped by 12% and DVD recorders by 21%.

The picture for HD players looks more encouraging. Now that Blu-ray is to become the successor to the DVD, Blu-ray players contributed more than 9% to total value sales of DVD players, and 2% to volume sales. However, prices are ready falling in this segment, and by June 2008 more than 37% of units cost less than EUR 300.

GfK is forecasting total sales for the year of some 12.8 million traditional Home DVD players, half a million Blu-ray units and 5.7 million DVD recorders.

Camcorders

In the first half of the year, volume sales of camcorders fell by only one percentage point, but continued pressure on prices led to a 12% drop in value sales. However, digital hard-disk drive (HDD) camcorders experienced significant growth, with volume sales up by 65% and value sales by 34%. HDD units now account for 42% of total camcorder sales by value. In another interesting trend, high-definition camcorders have already achieved a market share of more than 10% by volume, or 25% by value. GfK is forecasting camcorder sales of around 4.2 million in 2008.

Hi-fi/home cinema systems

Consumer demand for home hi-fi equipment has stayed largely unchanged during the first six months of the year, with value sales decreasing by only 1%. This is partly the result of increased demand for high-end individual components; for example 33% of value sales of Dolby digital receivers cost more than EUR 800, and absolute growth in this high-end segment amounted to 39%. This trend was also influenced by rising demand for complete home theater systems, which grew by 6% in value terms.

Further impetus came from new products, and in particular complete audio systems with MP3 docking, sound projectors for virtual surround applica-

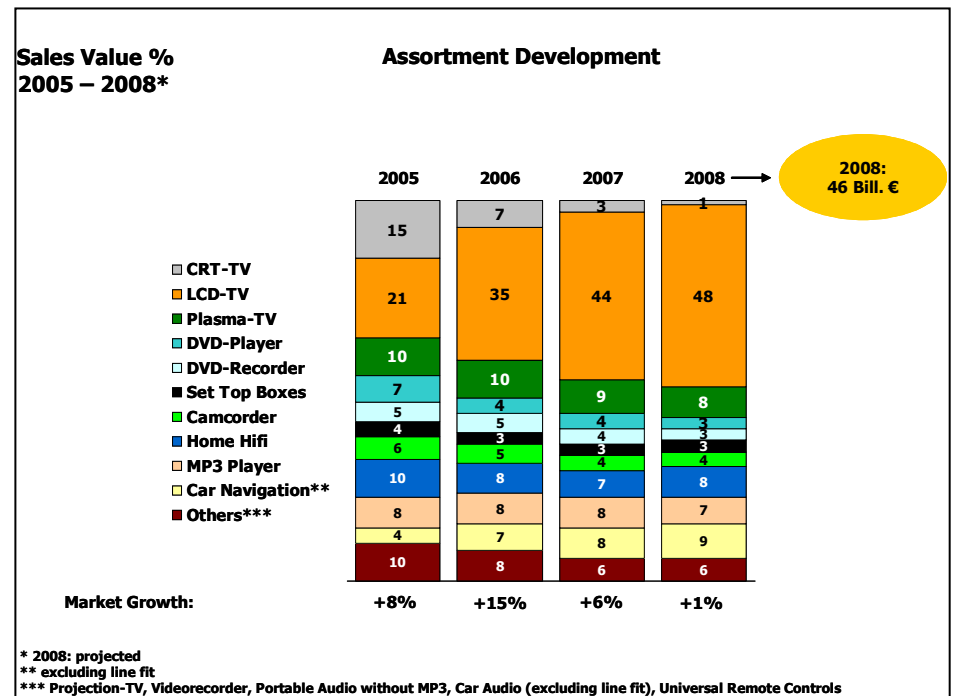
tions, and audio streaming solutions. Total value sales of these products have tripled since the first half of 2007.

Portable audio devices

After the rapid growth of recent years, the market for MP3 players has reached saturation point, with the result that volume sales fell by 12% in the first half of 2008 compared to the same period last year. However, despite the fact that value sales fell by 14%, unit prices decreased only by a small amount. Hard disks have now largely been replaced by increasingly cheap, high-capacity Flash storage, and even among high-end video MP3 players more than 80% of sales by value are of products using Flash technology.

GfK is forecasting sales of around 35.5 million MP3 players in 2008. Accessories such as docking stations and earphones, sales of which increased by 13% in value terms, will also continue to benefit significantly from the MP3 market.

Western Europe: Consumer electronics assortment development



Source: GfK Retail and Technology

In-car electronics

The demand is there, but sales are shrinking in value terms. For the first time in several years, the in-car electronics market experienced negative growth, with sales decreasing by 11%. This is caused by the divergence

between a 38% increase in volume sales of portable navigation devices, and a 7% decrease in value sales. Prices fell by 32% compared to the same period last year, and now average EUR 202. This meant that navigation devices, which until now have been the biggest-selling in-car electronics product, failed for the first time to offset the declining sales of traditional audio products.

Manufacturers are currently attracting customers by adding features rather than reducing prices, so the expected large drop in prices during the second quarter failed to materialize. Western European sales of portable navigation devices will amount to 17.6 million in 2008.

Storage media

As increasing numbers of players and recorders have their own internal storage, demand for blank CDs fell by 16%, and for DVDs by 2%. However, sales of storage cards, and particularly micro formats, increased by 32% as MP3 players, cameras and navigation became increasingly common on mobile telephones. Demand for USB sticks rose by as much as 38%, not least because more and more consumer electronics devices have USB interfaces.

For more information, contact Jürgen Boyny on +49 911 395 2325 or at juergen.boyny@gfk.com, or visit our stand at the International Broadcasting Exhibition in Berlin from August 29 to September 3, 2008 (VIP room 2, Grosser Stern).

The GfK Group

The GfK Group is the No. 4 market research organization worldwide. Its activities cover the three business sectors of Custom Research, Retail and Technology and Media. The Group has 115 companies covering over 100 countries. Of a total of 9,297 employees (as of March 31, 2008), 81.1% are based outside Germany. For further information, visit our website: www.gfk.com.

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