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## CMD'S LETTER

Dear Shareholders,

Let me begin by thanking you all for your patience during these volatile times in global markets and extending your faith in the company through this difficult but equally exciting phase in our technology leadership journey. While it was a tough year, I must say that we have successfully navigated through one of the most difficult phases in Optical Media Industry to emerge stronger. With the entry into solar power, we are ready for the 'next big leap'. The strategic direction is clear – through cutting edge innovation we will continue to pursue leadership in high technology areas.

The energy in the company today is infectious with 'all systems on go': Research & Development, Operations, Marketing, Finance, Human Resources, IT... innovation is happening in every division, department and cubicle of the company.

**Information is the key:** The 'explosion in information' has just begun. I am confident of the growth potential of data storage. I see the world moving towards High Definition content. It is after a gap of many years, that a technology is emerging that will significantly change the consumer's viewing experience. This presents a huge opportunity for us.

**Developing technologies for tomorrow:** Our R&D skills are growing from strength to strength with our large team of highly qualified scientists pushing progress. In fact, I am proud to say that the high technology environment in Moser Baer is increasingly attracting top notch global, especially 'global Indian' engineering talent, inducing a 'reverse brain drain'. Our efforts to channelise the vast talent of Indian academia through tie-ups are also delivering beyond expectations. We have a tie-up with the Indian Institute of Technology (Delhi) for thin film technology development and have recently signed an MoU with Banaras Hindu University to work in the area of material sciences. On the manufacturing front, through innovative engineering and intelligent sourcing we have continuously been able to cut cycle

time and costs to affirm our position as one of the lowest cost and highest quality producers in the industry.

**Sun is power:** Given the environment and energy constraints of conventional energy, globally and in India, policy support for solar power as a 'better option' is increasing. We see the photovoltaic (PV) business as a significant growth area for the company and aim to emerge as a leading player in the manufacturing and development of multi-technology solar photovoltaic materials and systems. The new business fits our criterion well as it leverages the strengths the company has built over the years in the Optical Media business i.e. best-in-class capabilities with regards: base material engineering, fine/wet chemical processing, thin film coating, mass manufacturing and project management and execution, I think that like our technology leadership in the optical media, we will be pushing technology to its limits in the PV area to become the leaders in this business, as well.

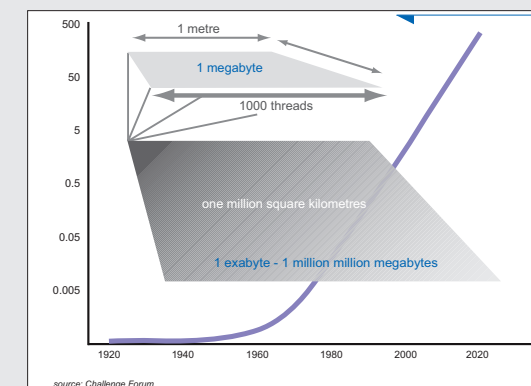
**To become the 'best place to work':** The key resource for the company is its employees. The company has been able to create a favourable work environment that encourages innovation and meritocracy. My personal efforts will continue in this area to ensure that Moser Baer can be amongst the Preferred Employers.

**Business Excellence:** Our business excellence model will strive to continually improve our business in all its aspects and do it in a balanced manner laying the foundation for a deeper organizational capability enhancement leading to enhanced organizational values and results.

I would like to end by extending a special note of thanks to every member of the Moser Baer family for their contribution. People think of innovation only in terms of R&D or new product development—but taking an idea and turning it into profits is an effort that involves the entire company.

Thank You

**"At Moser Baer, we are well positioned to leverage the Information Explosion!"**

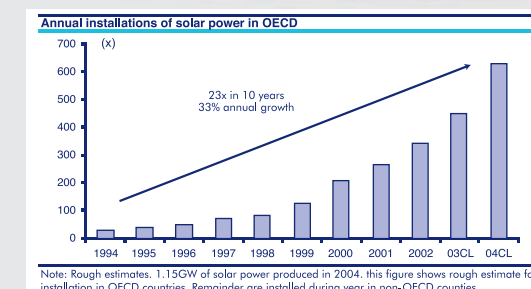


According to The Challenge Forum, If the knowledge available to mankind could be expressed physically, it would have covered the equivalent of the island of Mauritius in 1920, Madagascar in 1940, the Congo in 1960, all of Africa in 1980, all the continents by the Millennium, the whole of the planet now; and be on track, to cover 1,700 planets every year by 2020. Information couples together and fuels all the other agents of change.

According to estimates on volume of information produced each year by The Challenge Forum, an exabyte = 1 million million megabytes (so if 1 megabyte covered an area of one metre square, exabyte would cover one million square kilometres).

**"Our expertise in Innovative engineering will be our competitive advantage in solar power."**

Worldwide, solar power production this year should reach 1.6 GW, double the 2003 level. According to CLSA, the Industry is expected to grow at 38%y-o-y till 2010 to a total capacity of 6GW taking the Industry turnover to \$35-40bn.



Note: Rough estimates. 1.15GW of solar power produced in 2004, this figure shows rough estimate for installation in OECD countries. Remainder are installed during year in non-OECD countries.

**DEEPAK PURI**  
Chairman & Managing Director





## AWARDS



'Excellence' is the key in Moser Baer. We are continuously striving and taking initiatives and making innovations to achieve excellence in all aspects of our operations. The awards are an acknowledgement of these efforts.

During FY '06, Moser Baer received the following prestigious awards.

Moser Baer was conferred with **Plasticon Award 2005** by Plast India Foundation. The Plasticon Awards have been instituted to promote and encourage Innovation and Excellence in all segments of the Indian Plastic Industry.

The company was awarded with '**Best of All Rajiv Gandhi National Quality Award**' by the Bureau of Indian Standards. Rajiv Gandhi National Quality Award was instituted by the Bureau of Indian Standards in 1991, with a view to encourage Indian manufacturing and service organizations to strive for excellence and giving special recognition to those who are considered to be the leaders of the quality movement in India.

Moser Baer was also felicitated with the '**Electronics Organization of the Year Award**' from Electronics for You Publication Group. This award is in the recognition for the excellence

Moser Baer has achieved and demonstrated in the various verticals and horizontals across manufacturing processes.

Deepak Puri, Chairman and Managing Director of Moser Baer was conferred with the '**CEO of the Year 2005 Indira Award**' for marketing excellence by the Indira Group of Institutes.



Honorable Union Minister for Agriculture, Consumer Affairs, Food and Public Distribution, Sharad Pawar presenting the 'Rajiv Gandhi National Quality Award, 2005' to Mr Girish Baluja, COO, Moser Baer.

## EMERGING STRONGER

*Moser Baer is the largest IT hardware exporter\* in the country and our products sell in over 82 countries*

\* Source: Dataquest



A year in which we increased our global presence, grew our global market shares in CDR/RW and DVDR/RW, increased customer base to supply to all the top 12 global tech optical brands, shipped record volumes of optical storage media, grew in the domestic market, forged ahead in the US, outperformed industry... There have been many positives during the year, a result of the concerted efforts made by the company in technology, marketing and manufacturing. These achievements assume more importance given the fact that industry and, in turn, our company is emerging from one of the most challenging periods in the recent history of Optical Storage Media.

### End of the storm

After difficult times over the past two years, the global optical storage media industry is now on a steady path to recovery, driven by consolidation of capacity, continued growth in consumer demand and signs of softening of prices for key inputs. The company is gradually reverting to normal levels of operational & financial performance. As anticipated by us, the global demand-supply equilibrium has been restored in the CDR/RW space boosted by explosive growth in emerging markets like India, China and Mexico. We expect to start reverting back to normal operating and financial levels in the medium term driven by increasing DVDR/RW contribution, improving CDR/RW pricing, rising production efficiencies and softening

of input costs. This will be boosted with the increasing proportion of 'Specials'—premium products such as LightScribe and Dual Layer being shipped and once new technology products hit the market, we soon expect further improvement in performance.

### Well prepared for new formats

We are in advanced stages of developing and commercializing the emerging High Density formats. We plan to launch a series of next generation formats, in conjugation with drive and recorder availability soon and expect to be the first to market in HD DVD and Blu-ray recordable media.

### On a strong home wicket

India represents a huge opportunity in the optical storage media industry. We have been able to successfully grow our 'moserbaer' brand to leverage the growth in the market and emerge as a clear leader. Launched in 2003, the 'moserbaer' brand has qualified as a Business Superbrand in its category this year.





## OUR PLACE IN THE SUN



## PV APPLICATIONS

Every day, the Sun provides about 10,000 times more energy to the Earth than we consume - if only we could harness it properly! With technological breakthroughs fast lowering harnessing and distribution costs, solar power is fast emerging as a viable and eco-friendly power generation option for tomorrow – with no moving parts, no noise and zero emissions.

The demand for power has been growing exponentially across the world. This has led to a severe shortage in the supply of the conventional sources of energy vis-à-vis growing demand, thereby resulting in fossil fuel prices spiraling upwards. As a result, Renewable Sources of Energy are assuming importance the world over. Governments of countries around the world are providing incentives and subsidies for promoting these 'cleaner' energies. Technological advances, cost reduction and the advent of grid connected systems are significantly increasing the growth of Photovoltaic segment, particularly in developed markets and offering huge export potential for efficient manufacturers.

At Moser Baer, we believe in the promise of solar energy and have taken up the challenge of developing technology and expertise in the domain. As better cost effective technologies are being developed, we will see mass deployment of this power source. We plan to use the synergies between our existing business and this new venture by leveraging on core competencies in the areas of base material engineering, fine/wet chemical processing, thin film coating, mass manufacturing, project management and execution, technology development and logistics and supply chain management. MBI has the requisite qualifications to achieve rapid capacity ramp up, service global markets and achieve steep cost reductions and gain market leadership position.

### Future Growth Driver

According to CLSA estimates, the Industry has been growing at a CAGR of around 30% over the last 5 years. The cumulative production today stands at approximately 1.6GW of power and is expected to grow at 38%y-o-y till 2010 to a total

capacity of 6GW taking the Industry turnover to \$35-40bn. The company is targeting a capacity of 80MW by Year 2007 with an initial investment of Rs. 2,600mn (\$58mn). The project is on fast track and will be executed in Moser Baer Photo Voltaic Ltd., which has already been established as a 100% subsidiary and capitalized. The contracts for supply of equipment and technology for cell making have already been executed and part of our short term requirements of raw materials secured. Some of the applications of PV are...

### Off Grid

Solar Energy has been the power supply of choice for industrial applications, where power is required at remote locations. This means that in these applications solar power is economically viable, without subsidy. Most systems in individual uses require a few kilowatts of power. Examples are home systems in remote areas, powering repeater stations for microwave, television and radio, telemetry and radio telephones. Battery storage is required in this format to provide power outside daylight hours.

### Grid Connect

Recent years have seen rapid growth in the number of installations of PV on to buildings that are connected to the electricity grid. This area of demand has been stimulated in part by government subsidy programmes (especially Japan and Germany) and by green pricing policies of utilities or electricity service providers (e.g. in Switzerland and the USA). The central driving force though comes from the desire of individuals or companies to obtain their electricity from a clean, non-polluting, renewable source.

The development of 'Grid Connected' systems also brings the costs to realistic levels in solar energy. Once a PV system has been installed, it is connected to the grid. This means there is no need for expensive storage capacity (Batteries). During the day, net available power is fed to the grid coinciding with peak load periods (daytime). The Grid provides credit based on amount of energy generated (meter runs in reverse). It also benefits the utilities as they are able to use purchased power from PV systems to obtain carbon credits.



## THE IDEAS LAB



From technology recipients to technology innovators – At Moser Baer we are not just keeping up with change, we are driving it. In the mid eighties, when we entered the data storage field – the company was manufacturing 8 inch Floppy Discs with a mere capacity of 80 kilobytes – today, in collaboration with industry, we are 'Breaking Barriers' and looking at developing discs with over 200 gigabytes capacity using holographic technology. The company has not only kept up with the fast and dramatic changes in the optical media industry – it has emerged as a high technology innovator, pushing technologies for tomorrow.

The serene surroundings of our R&D facility in Greater Noida is where you will find our incubator for future growth. A hand picked team of highly qualified scientists is working on bringing new technologies and innovations to the world. Technology change in Optical Media is rapid and at times drastic. We have today in place an 'intellectual capacity' to ensure we remain ahead in all our businesses. The highly challenging and change-oriented environment we have created is also attracting global talent.

This year we also hosted the first ever seminar of DVD+RW Alliance Group in India to spread awareness about the new set of technologies and to promote the DVD+RW/+R set of media products. Through our 'Advance Media Laboratory', we have developed R&D tie-ups with the major OEMs across the world. The Laboratory obtains certification and provides guide-maps to the other Departments with regards new products to be developed.

### Collaboration with Academia

The company is amongst a handful of companies that have tie-ups with leading technology institutes like the Indian Institute of Technology, Delhi and Banaras Hindu University (BHU), Varanasi. These institutions contain a vast pool of highly talented scientists and with collaborative activities like these, breakthrough research can be achieved. The tie-up with IIT is primarily to work jointly in the frontier areas of thin film sputtering technology suitable for optical data storage devices whereas in the tie-up with BHU, the emphasis will be on alternate materials development.

### A Year of Media Innovations

We have been consistently investing in emerging superior optical media technologies. With the introduction of high-definition television (HDTV) broadcasts and increasing use of high-definition recording for creating content, Blu-ray and HD DVD optical media provide the high capacities required. These formats not only allow users to record crystal-clear, superior images but also gives the benefit of vast data storage capabilities.

Over the past three years, the company has invested significantly in its R&D programs targeted at developing the next generation formats in optical media space by leveraging its core skills in base material engineering, thin film coating, precision sputtering and deep UV mastering technologies. Starting from 2QFY07, the company plans to launch a series of next generation formats, in conjugation with drive and recorder availability, and expects to be first to market in a majority of these formats. The four products which we believe will have a significant market potential in the future are DVDR Dual Layer, HD DVDR (recordable) and BDR and RE (Re-writable).

### In Constant Search of Excellence

Whether it is designing new grooves, looking for alternate sourcing options, working with vendors to improve machinery and lines or maximizing utilization of space while designing lines—at Moser Baer our engineers keep pursuing the best combination and permutations to derive substantial tangible benefits such as lower cycle-time, cost effectiveness, higher productivity and lower wastage...

Over the years, Moser Baer has been constantly searching for innovative ways of reducing costs while ensuring consistent high quality. In this quest, we have concentrated on doing different things as well as doing things differently. We export close to 85% of total production annually, despite the remoteness between the production setup and the markets catered to, the company has developed and maintained its status as the lowest-cost producer of optical media in the world through 'creative engineering'. As a result, over the last year, the company has emerged as the



## KEY ACHIEVEMENTS 2006

At Moser Baer, we continue to surpass ourselves. Some of the key achievements in the year:

- Developed a unique patented technology BDRL2H, specifically for advanced generation of BD formats.
- New formats added in our portfolio: DVDR (DL) 1P Process, DVDR (DL) 2P Process, DVDRW 8X and LS 1.2.
- Entered a new business – Solar Photovoltaic. Set up a subsidiary Moser Baer Photo Voltaic Ltd. for the photo voltaic cells and modules business.
- Achieved record level of optical media shipment.
- Moser Baer achieved 'Superbrand' business status.



**The Industry-Academia link:** Moser Baer and IIT-BHU signing an MoU to jointly work on high tech research

only company in the world to supply discs to all the major OEMs across the world.

### We are Flexible

Flexible Manufacturing is an essential component of the company's manufacturing excellence. Our ability to design our own lines allows us to install flexibility. Through this flexibility we are able to keep our options open for profitably exploiting future technology. As technology and the consumer moved from CD technology to DVD technology, we were able to quickly scale up to changing market demand by converting

some CD lines to DVD at minimum costs. Now with new technologies coming up in the High Density area—we are again ready and waiting. We have the ability to convert most DVD lines to HD DVD or BD as per market needs.





## BUSINESS EXCELLENCE



Leveraging on our core strength in manufacturing excellence, we are moving to the next level on a business excellence path, bringing a spirit of excellence permeating across the entire length and breadth of the organization.

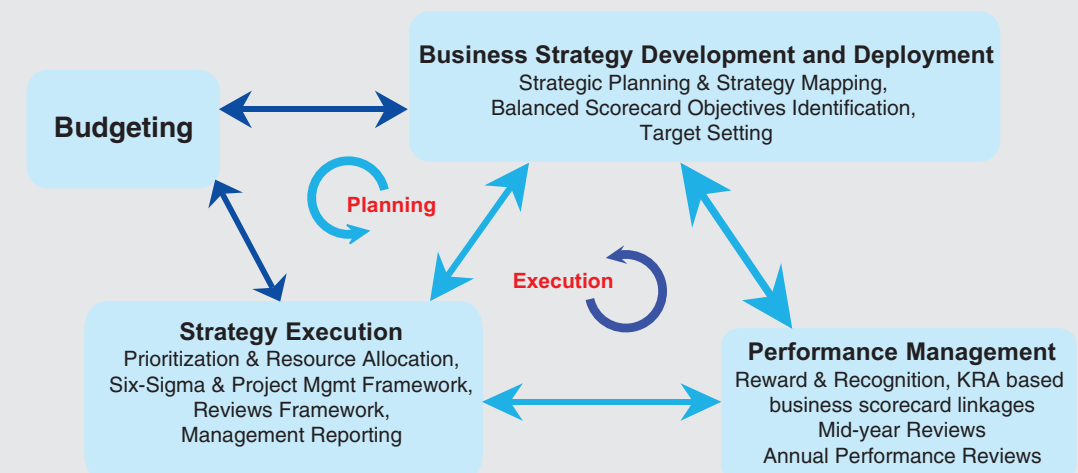
Business excellence is as much about the destination as it is about the journey. Our business excellence model provides a framework that recognizes that there are many approaches to achieving sustainable excellence. We strive to continually improve our business in all its aspects and do it in a balanced manner laying the foundation for a deeper organizational capability building leading to enhanced organizational values and results.

Starting off with a strategic planning and annual budgeting process which is tied to the corporate scorecard deployment. This is cascaded down to functional scorecards and individuals and hence we are sharpening the focus on critical factors for sustainable business excellence.

We are also laying the foundation for a corporate six sigma program that will further enhance our ability to effectively execute on strategic objectives as well as provide with a broader platform for leadership development at all levels. We also believe that this will provide employees with a career growth path in a cross functional manner and create many more pockets of functional excellences across the organization that are aligned to the corporate strategic objectives. While we have already been creating pockets of excellence in various functions like Research & Development, Operations, Marketing, Finance, Human Resources, IT, this will further enhance the excellence initiatives. So while HR has put in the best practices for staffing, compensation, motivation and other facets of the function, the finance function is driving a strong financial discipline in cost budgeting and annual budgeting processes, IT is enabling process controls, information systems and treasury management for more effective financial and risk management. These are just few of the functional excellence centers being created in

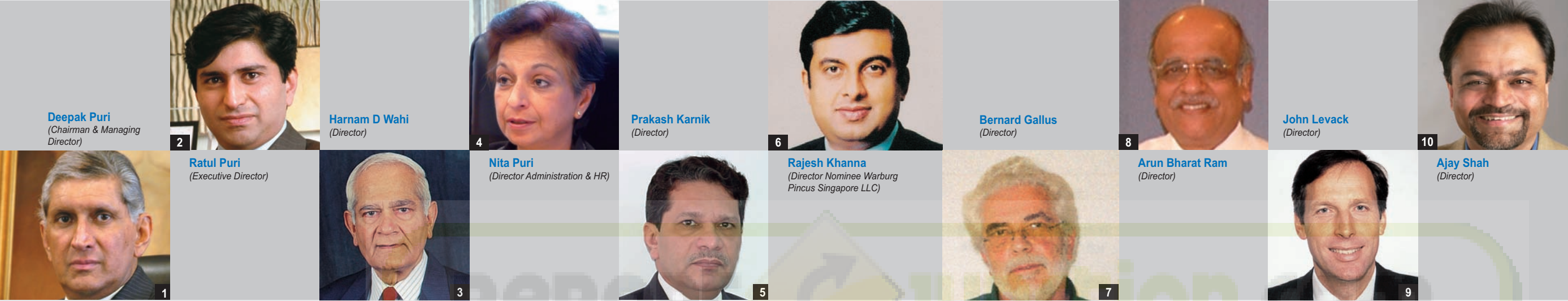
Moser Baer and with the focus on a corporate business excellence framework, we will see an energized spirit in the entire organization.

### Business Excellence: The Moser Baer Way





BOARD OF DIRECTORS



Meet our 'Board of Directors' - the people that provide the inspiration and environment for continuous improvement in the Company. It is the experience and foresight of these people, which continues to take Moser Baer forward and provides it with the edge over other players in the industry

**1** Deepak Puri provides strategic direction to the Company. He is the driving force in creating an environment of integrity by ensuring fair business practices and profound respect for intellectual property rights. It is his ceaseless quest for human capital development that has helped steer the Company along a continuous growth path. He is also the Managing Director of Moser Baer Photo Voltaic Limited (MBPVL). A leading spokesman for the Indian industry, Deepak Puri has never shied from speaking his opinion. He is an esteemed member of CII, ESC and ELCINA. He holds a Master's Degree in Mechanical Engineering from Imperial College, London.

**2** Ratul Puri joined Moser Baer in 1994 and has been Executive Director since 2001. Prior to assuming the directorship, Ratul was General Manager (Business Development). In this capacity, he was instrumental in setting up plants for manufacturing compact disc-recordables (CD-Rs), the first to come up in India. He has also played a pivotal role in reinforcing Moser Baer's focus on maximizing shareholder value and in raising funds from best-in-class investors. He is also a Director in MBPVL. He has a degree in Computer Engineering from Carnegie Mellon University, USA.

**3** Harnam Wahi brings a wealth of experience and global expertise to the Board of the Company, having worked in various senior positions in prestigious Indian and International Organizations such as the Inchcape Group, London. He was also closely associated with several industry associations. He is a Director in MBPVL also. He is a recipient of 'PADMA SHREE' awarded by the President of India.

**4** Nita Puri is a co-promoter of Moser Baer and a Whole-Time Director of the Company. A graduate from Calcutta University, she has over three decades of experience in managing businesses. As Director (Administration and HR), she has been closely involved with the company's growth since its inception.

**5** Prakash Karnik was a Director at Electra Partners Asia Private Ltd, one of Asia's leading private equity firms. An engineer from the Indian Institute of Technology (Madras) and a management graduate, he has over 25 years of experience in the engineering and finance sectors. He has worked in senior positions in both government and private sector organizations, including Jardine Fleming India Securities Ltd., Unit Trust of India and the Economic Development Corporation of Goa Ltd. He is also a Director in MBPVL.

**6** Rajesh Khanna has been working with Warburg Pincus for more than six years. He is an MBA from Indian Institute of Management, Ahmedabad and a Chartered Accountant. He earlier worked with leading finance and consulting firms such as Citibank NA and Arthur Andersen & Co. He has been appointed Managing Director of Warburg Pincus India Private Ltd and of Warburg Pincus LLC. He is also on the Boards of Nicholas Piramal India Ltd, Max New York Life Insurance Co. Ltd, Max Healthcare Institute Ltd, Max India Ltd, and MBPVL.

**7** Bernard Gallus brings with him over four decades of experience in the international technology and finance markets. He was earlier Managing Director and member of the Board of J. Bosshard S.A. Lausanne, later taken over by the manufacturing company W Moser Baer AG, Switzerland. He is a Director in MBPVL.

**8** A Past-President of the Confederation of Indian Industries (CII), Arun Bharat Ram is the Chairman and Managing Director of SRF Ltd. A graduate in Industrial Engineering from the University of Michigan, USA, he began his career in 1967 with the Delhi Cloth & General Mills Co. Ltd, (now DCM Ltd.). He went on to set up SRF Ltd. in 1971. In his businesses, he has strongly supported corporate governance initiatives and professionalism. He has been on various government-industry committees and is a former president of the Association of Synthetic Fibre Industry. Arun Bharat Ram is also on the Board of many other companies, some of which are as follows- Bharti Tele Ventures Limited, Samtel Color Limited, Fenner (India) Limited, SRF Polymers Limited.

**9** John Levack is Director of Electra Partners Asia Ltd. He has over 20 years of private equity experience with Electra and 3i Plc in Asia and Europe, four years of which have been in India. He is a director at Zensar Technologies Ltd., MBPVL, Electra Partners Asia Pvt Ltd and RT Packaging Ltd. Levack has a degree in business administration from Bath University in the UK.

**10** Ajay Shah is the Managing Partner of US-based Shah Capital Partners, which is focused on private equity investments in technology companies. He was previously the founder of SMART Modular Technologies, a company that was bought out by contract manufacturing giant Sollectron Corporation in a deal valued at over \$2 billion in 1999. Mr. Shah was also selected 'Entrepreneur of the Year' in Silicon Valley in 1997. He currently serves as the Chairman of Smart Modular Technologies, Inc and is on the boards of CMAC Micro Technology and Proactive Networks, among other companies. He is also on the board of directors of the Indian School of Business and is a trustee of the American India Foundation.



## MANAGEMENT'S DISCUSSION & ANALYSIS

### Overview

The year 2005-06 (FY06) has been one of challenge, achievement and change. The company emerged stronger from the difficult industry conditions prevalent over the last 18 months, which led to a global consolidation of capacities.

Over the past year, the Company has focused its efforts to improve its manufacturing and supply chain efficiencies, drive R&D and engineering programs to improve the product and service offerings that we bring to customers.

This enabled us to offer value added products to our increasing global customer base of technology OEMs, achieve record level of product shipments, surpass quality benchmarks and achieve a possible 'first to market' position in the next generation global formats—the blue laser based Blu-ray disc (BD) or High Density DVD (HD DVD). Over the next few years, we believe that the company is well positioned to further enhance our global leadership position in Optical Media industry.

In line with a long term strategy of creating a multi business—technology led transnational, the company announced plans to enter the global Photo Voltaic (PV) industry. The new business has been identified as technology driven, poised for extraordinary growth and leveraging the company's core strengths in fine/wet chemical processing, thin film coating, mass manufacturing, rapid technology commercialization & project execution. The PV business is significantly less capital intensive compared to optical media business and should contribute to improving overall returns on invested capital.

The company aims at emerging as a key player in this 'environment friendly' alternative energy technology, and to spur reduction of PV cell costs through innovation in technology and manufacturing to emerge amongst the most efficient PV cell manufacturers in the world.





The cornerstone for sustaining global leadership and success in the optical media and PV business will be the company's ability to break barriers on the operating and technology front.

Global Industry Developments in 2005-06

Following the difficult industry environment over the past 18 months which adversely impacted the operating performance of manufacturers, the global optical storage media industry started on a steady path to recovery in 2005-06, driven by global consolidation of capacity, continued growth in consumer demand and signs of softening of prices for key inputs.

Channel inventories depleted as the industry moved towards better demand supply balance, accompanied by strong volume growth, with DVDR being the growth leader. While capacity conversion resulted in firming of CDR prices later in the year, DVD prices started following the manufacturing cost curve as the product attained maturity.

The price of polycarbonate (PC) remained a key factor in driving significant increases in the input costs for the industry. A sharp rise in global PC prices severely impacted industry's operating

by increasing drive penetration and improving price-value proposition, to grow to 3.9 billion disks in 2005, a 105% growth over the previous year. Meanwhile global CDR/RW supply continues to consolidate through capacity conversions and closure of inefficient capacities around the world. This is helping CDR/RW demand-supply

Product-wise Analysis and Outlook

CDR/RW

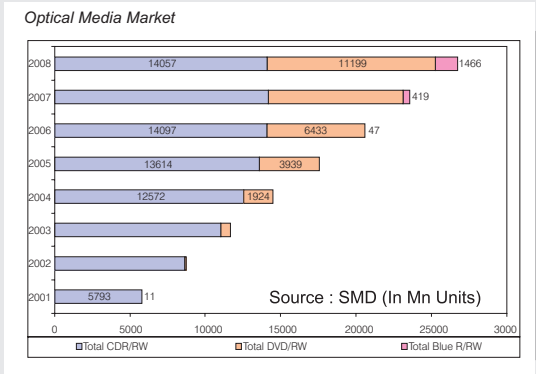
Global CDR/RW supply continues to consolidate through capacity conversions into DVDR/RW and closure of inefficient capacities around the world. This is helping CDR/RW demand-supply balance return to equilibrium, thereby providing a stimulus for firm CDR/RW pricing environment in the medium term.

Strategic Marketing & Decisions (SMD) estimates

and writers will also help extend the CDR/RW life cycle.

DVDR/RW

DVDR/RW drives are fast becoming a part of standard product offerings, increasing their penetration rates and growth in the installed base of drives. As per SMD, DVD-enabled drive sales represented nearly 75% of all optical drives sold in 2005 and the DVDR/RW writer base is expanding at over 60% p.a. The growth is being driven by proliferation of new drives and new



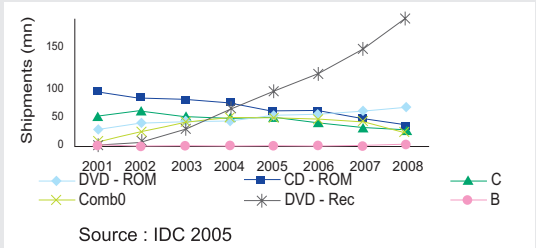
performance. The PC price curve started to ease from the second half of 2005-06, which should positively influence the industry in the near term.

The year 2005-06 saw DVDR/RW format emerge as a "format of choice" for the consumer, driven

balance return to equilibrium with global demand estimated to be 13.6 billion disks in 2005, according to Strategic Marketing & Decisions (SMD) estimates.

SMD expects global demand for optical media to grow from 17 billion units per annum in 2005 to 27 billion units per annum by 2008, driven by robust growth in DVDR/RW formats and stability in CDR/RW. Companies should also start shipping BD/HD DVD media during 2006.

Optical Media Drive Shipment



global demand for CDR/RW formats to remain around the level of 13 billion units per annum over the next couple of years. Consumer demand for CDR/RW format continues to grow in Asian and Middle Eastern markets. There are also certain emerging corporate applications and niche segments like the printable media and LightScribe, which are seeing a rapid growth in the CDR/RW space. The legacy of CD-Audio disc players

users with CE devices (DVD VCR, Camcorder) becoming major consumers of media. SMD expects shifting consumer preferences, increasing drive penetration and improving price-value proposition to grow the demand for DVDR/RW media to over 5 billion disks per annum in 2006 from 3.9 billion disks in 2005, with 16x media emerging as the dominant variant.

Delayed launch of Blue-laser based formats (BD & HD DVD) should lead to a larger than expected installed base of DVDR/RW drives and an extension in lifecycle for DVD-formats. As DVDR/RW manufacturing technology matures and as format writing speed stabilizes, the DVDR/RW pricing is expected to follow the manufacturing cost curve in the medium term, which should further aid volume growth.