2011 ADVERTISING FORECAST

MAGNAGLOBAL

INTRODUCTION

As economies started to recover from the collapse of real estate-fueled bubbles in much of the world, 2010 brought a period of relative stability—and in many instances improvement - compared to the upheavals experienced during 2009. While painful adjustments to a state of equilibrium will take many years for some economies, especially Greece and Ireland, other nations such as China and India continued to rocket ahead as if the global financial crisis never occurred. In 2011, countries posting growth will more than compensate for the relatively small number of laggards.

Under these conditions, some sense of normalcy is in place for the ad-supported media economy during 2011. Globally, and in constant currency terms, we expect growth of 5.4% during 2011, slightly slower than the 6.9% rate we now expect for 2010. These figures compare with our prior expectations for 4.5% and 5.6% we previously published for 2011 and 2010, respectively. In general, our expectations have improved somewhat - typically by more than a half percent - for all years going forward. We expect advertising growth to average 6.3% each year.[a]

But assessing the true state of the global advertising economy requires an assessment in dynamic currency terms (accounting for changes in currencies), as this reflects the growth that will actually be experienced by participants in the global advertising economy. Because they reflect changes in exchange rates, dynamic currency growth rates arguably reflect the rate of growth that analysts and advertisers alike should consider when assessing the long-term strength of the industry. This frame of analysis takes on greater importance in light of volatility in global currency markets. Practices including Quantitative Easing and other forms of de facto currency management by governments have the effect of artificially (and perhaps temporarily) altering exchange rates.

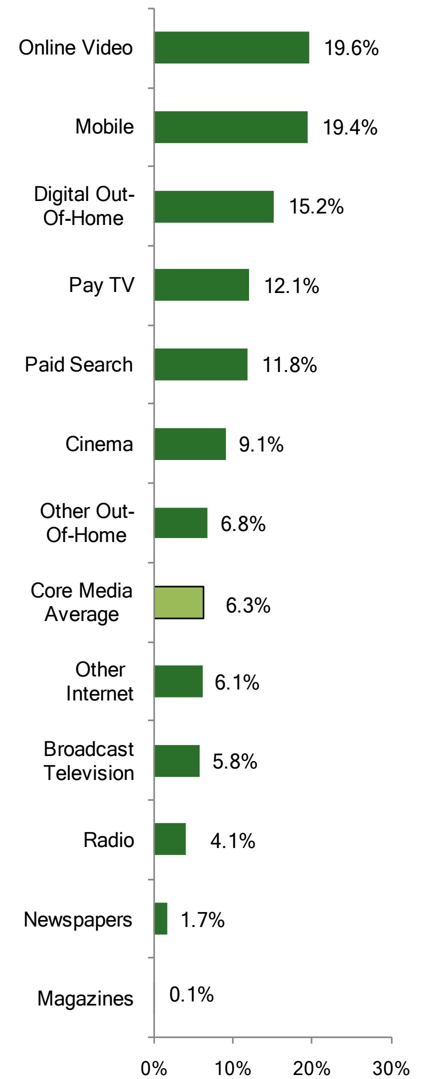
In dynamic currency terms (and from a US Dollar perspective) we expect global advertising growth of 9.2% in 2011, in line with the trend in 2010. Over the following five years we expect growth to average 7.3% in dynamic currency terms through 2016. This assumes that the Euro and Yen depreciate 1.6% and 1.5%, respectively, while the Chinese RMB appreciates 6.5% over the five-year time frame. For purposes of comparability with current conditions and forecasts made by others, all other figures in this report will be conveyed in constant currency terms, unless otherwise stated. Dynamic currency growth rates for all countries (and media within each country) are included in the spreadsheet versions of our global forecast models.

In 2011, we expect the fastest growing markets to include Argentina, China, India, Kazakhstan and Ukraine. Over the years leading up to 2016, Argentina, China, India, Kazakhstan and Serbia will be the fastest growing countries. The slowest growing markets in 2011 include Croatia, Greece, Ireland, Portugal, and Spain. And looking further ahead, we expect France, Ireland, Japan, Portugal and Spain to grow the least between 2012 and 2016.

Not surprisingly, varying growth rates will result in a gradual transition of the rankings of the world's dominant advertising economies. The fastest rising large markets – including China and India of course, but also Brazil and Russia – will increasingly sit alongside the historically dominant US, Japan, Germany, the UK and France as the countries whose advertising trends and technologies increasingly set the pace for the rest of the world.

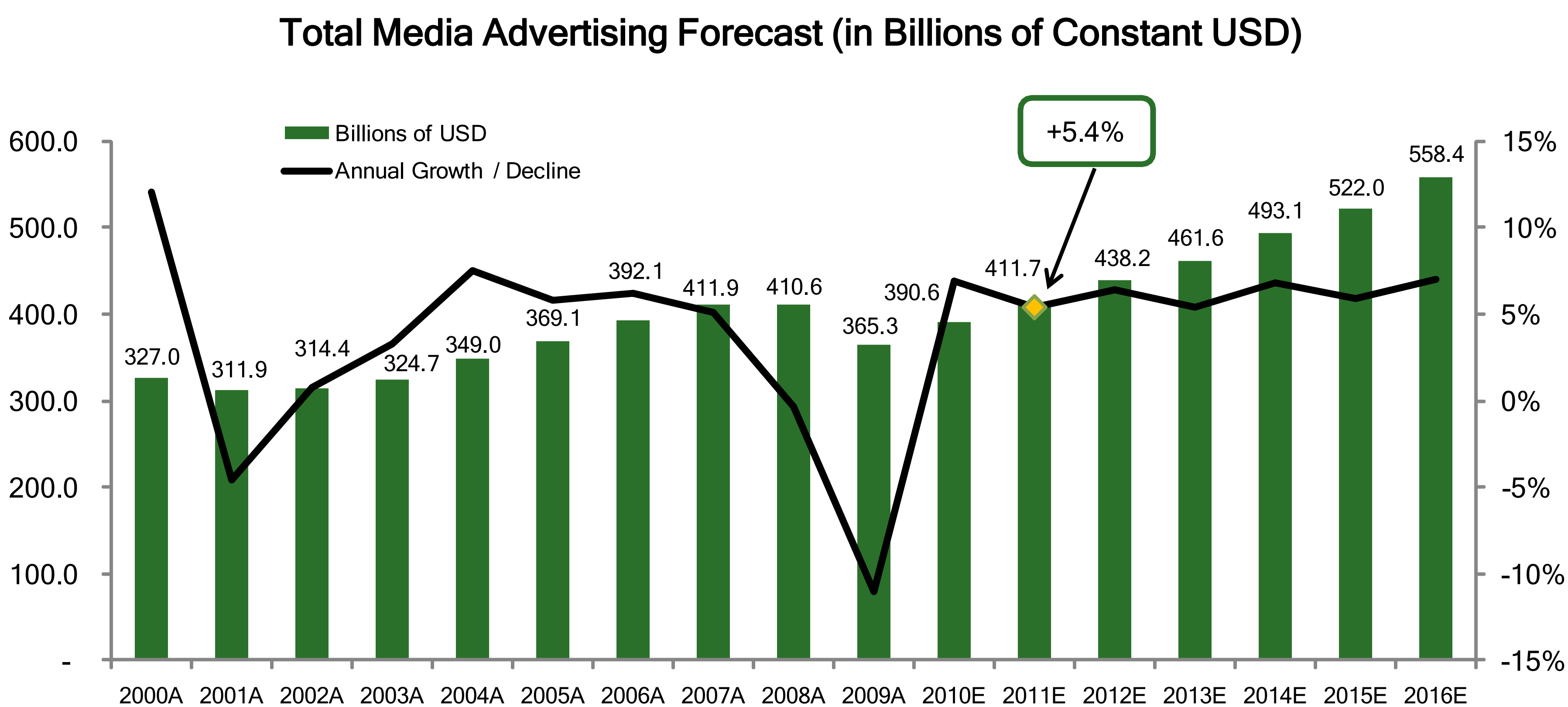
(a) Growth rates are expressed in nominal terms, and do not discount for inflation. This is more appropriate than "real" (Inflation-adjusted) growth rates because budgets for advertisers and media-owners alike are set, and revenue growth trends are analyzed by analysts in nominal terms in most countries around the world. We recommend analyzing global growth rates through the lens of a home currency, with foreign country figures converted using dynamic currency terms.

Compounded Annual Growth Rates 2011-2016 by Medium



Note: Other Out-Of-Home excludes digital and cinema. Other Internet excludes search, online video, and mobile

GLOBAL SUMMARY



INTRODUCTION

In our analysis of advertising around the world, we have observed that critical drivers in advertisers' budget-setting activities include the competitive intensity (and potential for differentiation that advertising facilitates) in a given category or territory. We have further identified that industry growth relies upon the creation of new categories which are in turn highly competitive. In this context, economic growth serves as a proxy for advertising growth because it is possible for an economy to generate growth without new category formation or increasing competitive intensity inside of categories. Using this proxy, regions expecting weak economic growth (for example, much of western Europe) will generally see advertising markets which under-perform global benchmarks, and regions undergoing rapid economic growth will exceed them (for example, much of Asia and Latin America).

Despite macro-economic change, the media industry itself is structurally rigid in almost every country. This is partly due to limits on consumers' capacity for change, and partly because government regulations on the industry are heavily entrenched. Content creators, producers, packagers, distributors and device manufacturers are all critical to fostering the sector's evolution - for consumers and advertisers alike. However, meaningful change generally doesn't occur unless incumbent media owners anticipate that they will benefit (or fear stagnation) and take corresponding actions. That does not mean we won't see incremental change, and thus we must consider other key factors that may impact ad-supported media.

First, **technology can allow a new medium to serve the same function offered by a traditional medium**, and offer a wholesale replacement to a legacy service. For example, in many countries, consumers have swapped the directories advertising they historically used for search engines. Search could easily eliminate legacy yellow pages publishers because search engines are able to establish a direct relationship with content producers (effectively, the advertisers) and consumers. Paid search content requires so little bandwidth that there is no need to negotiate with an internet service provider to ensure the information reaches the user. Such change cannot easily or quickly be replicated in other media given the inherently more complicated – and often regulated – elements contained therein.

Second, **technology can support the fragmentation of audiences across content** as it becomes increasingly more cost-effective to target niche audiences, allowing for smaller increments of advertising units. Such divisions make it possible for new advertisers to use a medium because of the enhanced flexibility in terms of cost and targeting (whether by geography, demography or other factors). The rise of advertising on pay TV programming in countries around the world illustrates this effect. Pay TV programming usually involves a wide range of narrowly targeted channels, none of which can generate the audience sizes incumbent free to air broadcasters have historically maintained. So, while some large advertisers use advertising on pay TV programming to reduce their costs (because Pay TV programmers often offer their inventory at lower prices) or enhance their targeting, small and mid-sized advertisers who may have otherwise have been priced out of the medium find themselves with national access and low price points.

About MAGNAGLOBAL

***MAGNAGLOBAL** is the strategic global media unit responsible for forecasts, insights and negotiation strategy across all media channels on behalf of **Mediabrands**, part of **Interpublic Group** (NYSE: IPG).*

With $26 billion in global media billings according to RECMA, MAGNAGLOBAL exercises serious clout. But MAGNAGLOBAL's clout is driven by much more than simply buying power.

Our sophisticated approach to managing data and insights delivers actionable intelligence to our affiliated planning and buying teams around the world.

More importantly, our ability to be nimble provides us with flexible scale: through a client-centric approach our negotiations are led by individual client needs, and the highest degree of confidentiality is always maintained. We do not sacrifice individual client objectives for the sake of a consolidated negotiation, but instead negotiate collectively when it is in the interests of each individual client to do so.

This enables us to offer each client maximum value and cost-effectiveness, with local, regional and global media owners.

MAGNAGLOBAL also provides strategic advisory services and analytical tools for assessing the media industry. We specialize in analysis of advertising-supported media sectors, including distribution services (such as cable, satellite and telecom services) as well as related technologies which impact the media economy.

For more information, please contact us at: globalforecasting@magnaglobal.com

Third, **technology supports fragmentation of advertising inventory within the same content** as illustrated by behavioral advertising techniques online, whereby anonymous user data or anonymous user profiles are created to segment viewers of online content. Different advertisements can then be inserted into the same content when viewed by different users. Still-nascent applications may allow such approaches to be applied to addressable advertising in television on a wider scale in the future. While many advertisers will continue to orient their marketing activities around content association for their brands, portions of budgets can be allocated to inventory which connects back to a consumer behavior (such as purchases of goods offline) or other "strategic" objectives.

Related to the presence of new technologies, **operational "friction"** strongly influences the pace of change even when all industry participants want change to occur. New media inventory owners and advertisers must work through issues when new technologies are developed oblivious to advertisers' requirements in using new technologies on an operational (distinct from experimental) basis. For example, new media suppliers must integrate their billing systems with advertisers' "book-bill-pay" processes in order to enable the authorization of budgets. As another example, cable operators' video-on-demand systems were developed to allow for advertising, but not the ability to change creative units on relatively short notice (also known as "dynamic ad insertion"). Even today, nearly ten years after VOD systems first became widely available to advertisers in the United States, the absence of dynamic ad insertion capabilities on the vast majority of cable systems limits the ability of larger advertisers to sponsor content on such platforms.

Factors other than technology influence advertising budget-setting, and are arguably under-appreciated by most industry observers. Studying the **advertiser universe** involves understanding that advertisers should be segmented for study much as we would conventionally think of segmenting consumers for analysis. We establish these segmentations on dimensions of advertisers' life cycles and the relative sizes of different groups of advertisers. Assessing these sub-segments allows for a clearer understanding of underlying trends affecting advertising budgets.

A brand's progression through its life cycle is illustrated by our observations of decisions made by marketers as their brands mature. They may no longer focus on mass awareness objectives, naturally leading to other marketing services that support growth. But if newer advertisers emerge whose objectives are defined in a manner which is similar to older advertisers' objectives, it may appear that collectively advertisers are still focused on mass awareness (in this illustration, true at the aggregate level, but untrue at the individual advertiser level). An equally important dimension is the relative presence of large vs. small advertisers in the overall economy. A range of factors – for example, higher effective tax rates on larger companies, the availability of high technology at lower prices at smaller scales, the ease of securing national distribution for products through national retailers and the presence of outsourcing in a manner which allows a small company to produce at costs previously attainable only by larger companies – favors the relative importance of smaller companies in the economy. As smaller companies can better assess the impact of certain media (such as paid search, social media and public relations), and as many will not have started using mass media, a disproportionate share of growth may follow into different advertising-supported media as a result.

MAGNAGLOBAL's Approach to Media Forecasting

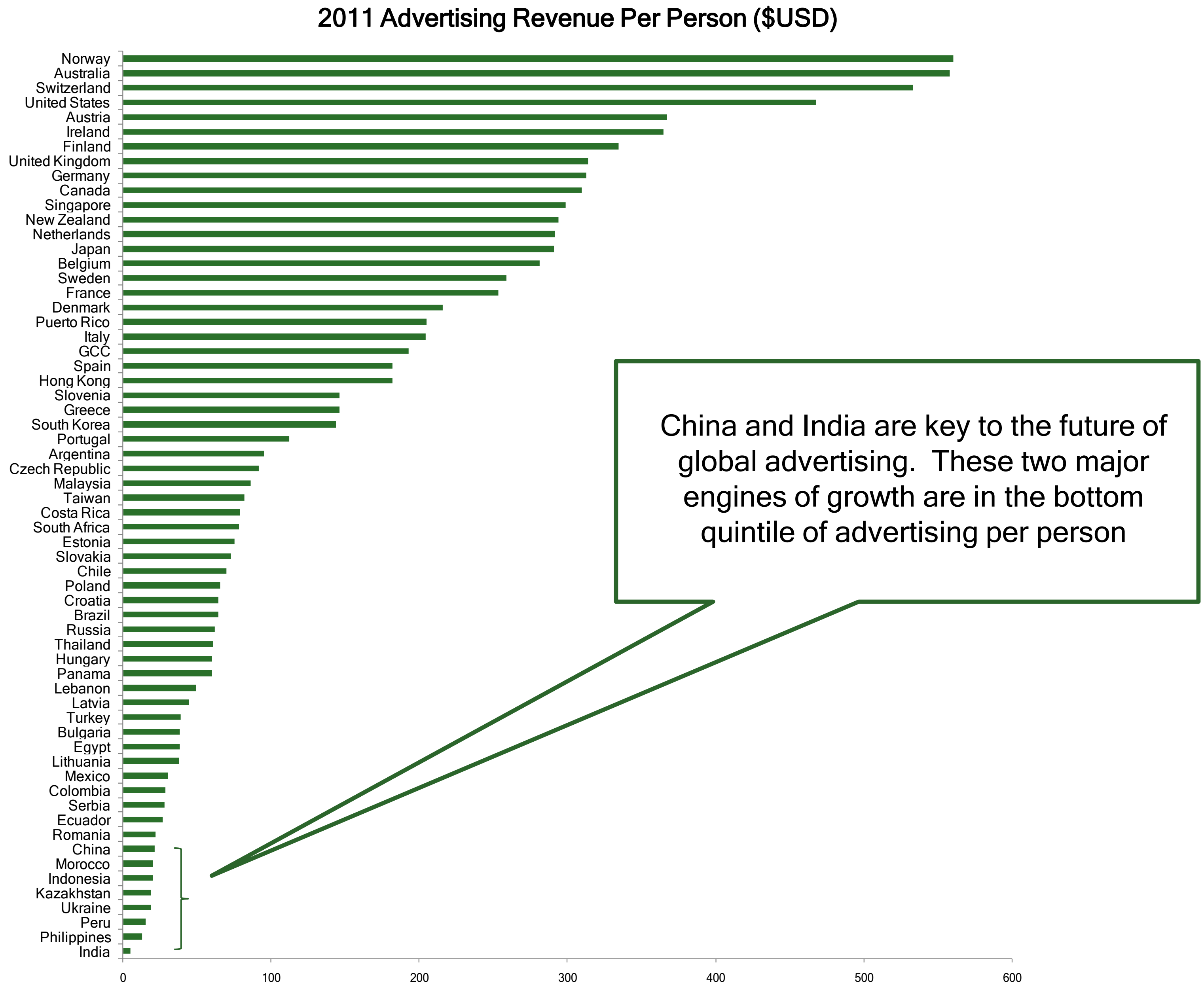
Beginning with our forecasts published during 2009, MAGNA has redefined how to measure the advertising-supported media economy.

Historical approaches focused on benchmarking changes in marketing expenditures in order to benchmark marketers against each other.

Although a valuable endeavor, this approach lacks verifiable data (relatively few marketers publish the size of their marketing expenditures in their annual accounts, and third party "rate card" monitoring services include figures which vary significantly from observed activities) and is subject to a more guesswork than an approach which focuses on media suppliers' advertising revenues. In many countries, many suppliers publish detailed figures on their advertising revenues, often broken out by medium. Trade associations often aggregate true revenues for benchmarking purposes, and by virtue of the small number of individual members, it is relatively easy to ensure that actual revenues or estimates for all players in a market are included.

Further, our approach is designed to study media suppliers' behaviors as they follow real revenue growth opportunities. We believe this is the most "correct" way to view the media industry's advertising activities because a deeper understanding of suppliers' businesses allows us to foster better business relationships with them on behalf of marketers.

This approach is also more consistent with the figures that investors need to benchmark. Insights we derive from this vantage point help us anticipate suppliers' corporate strategies and long- term capital allocation choices – again, helping us to better understand the future of the industry on behalf of all of its participants.


2011 Advertising Revenue Per Person ($USD)
Norway
Australia
Switzerland
United States
Austria
Ireland
Finland
United Kingdom
Germany
Canada
Singapore
New Zealand
Netherlands
Japan
Belgium
Sweden
France
Denmark
Puerto Rico
Italy
GCC
Spain
Hong Kong
Slovenia
Greece
South Korea
Portugal
Argentina
Czech Republic
Malaysia
Taiwan
Costa Rica
South Africa
Estonia
Slovakia
Chile
Poland
Croatia
Brazil
Russia
Thailand
Hungary
Panama
Lebanon
Latvia
Turkey
Bulgaria
Egypt
Lithuania
Mexico
Colombia
Serbia
Ecuador
Romania
China
Morocco
Indonesia
Kazakhstan
Ukraine
Peru
Philippines
India
0
100
200
300
400
500
600
China and India are key to the future of global advertising. These two major engines of growth are in the bottom quintile of advertising per person

INTRODUCTION

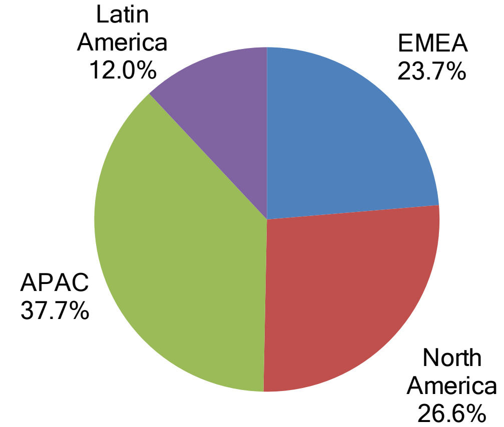
Advertisers' organization design is our last factor, and arguably the most important one to consider when studying the world's largest companies. We have observed that businesses organize themselves in a manner which reflects their highest priorities, and accept that trade-offs are made, with inferior outcomes for some aspects of their operations. Put simply, it is impossible to organize a business against all priorities. A company will establish priorities based on what it believes will optimally satisfy stakeholders (which may include shareholders, employees, governments, unions or other civil society groups) while maximizing management's own goals in terms of compensation or other professional objectives.

To illustrate, imagine a large, multi-brand consumer-oriented manufacturer that determines that its highest business priorities are a) labor union management, b) manufacturing efficiency and c) distributor relationships. Marketing and media are still important of course, but in this instance not among the top three activities which management believes necessary to accomplish near-term objectives. It is likely that responsibilities for marketing-related activities will be managed by functional groups, whose responsibilities cut across business units. These groups will report through different lines into the senior management team.

Consider further that individuals with responsibilities for distributor relationships and product development fall under different reporting hierarchies in the organization, both equally distinct from the reporting hierarchy of a centralized marketing and media management group (who may report through a procurement function to a Chief Operating Officer). While everyone in the organization may be incentivized to co-operate, and collaboration will be frequent, it will be difficult (to say the least) to determine whose contribution led to success or failure. Thus individuals focus on the activities whose outcomes they can best influence. This can mean that media budget-setters may be effectively forced to make decisions to optimize the decisions they uniquely are held accountable for, such as "national brand awareness." This, in turn, orients large shares of budgets around awareness-driving media such as television because reach and frequency are metrics which have been proven to drive brand awareness, and because television dwarfs all other media on those dimensions in most countries. Further, the holder of large budgets will generally be unable to distinguish the business impact of the use of a smaller-scale medium from "noise" against these metrics, because the reliance on traditional media vehicles so vastly overwhelms the exposures which are possible through newer media vehicles. Similar organizational biases may cause e-commerce companies to keep their budgets in an online environment when the use of offline media could contribute to superior business outcomes. None of this is to say there are not large marketers who genuinely want to drive change and capitalize on the potential of newer media, but it is to say that the best interests of a system can easily overwhelm the best interests of a system's underlying components. By contrast, in smaller organizations, the presence of one person responsible for all facets of marketing, from distribution to product branding to media and creative could yield very different outcomes in terms of budget allocations.

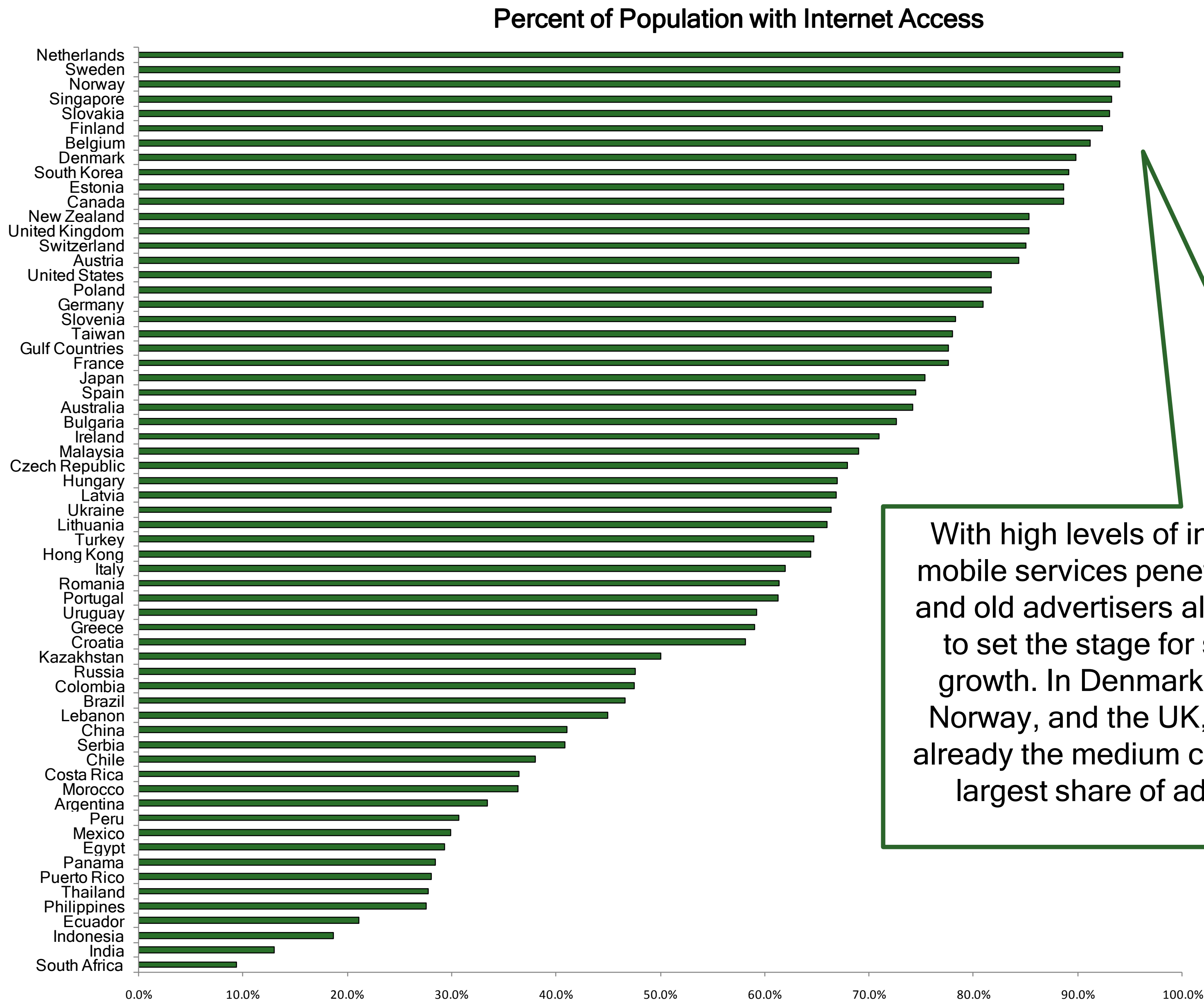
Optimizing against reach and frequency is not necessarily the best basis for allocating budgets, but its presence is real, and contributes significantly to understanding why the industry has evolved as it has in the past. Undoubtedly this paradigm will change in the future, but anticipating when it will change is akin to anticipating when a real estate market will crash. The distinction between being wrong and being early can be indistinguishable.

Contribution to global growth by region from 2011-2016



China and India together account for 26% of total industry growth between 2011 and 2016, when APAC revenues will rise from \$96bn to \$151bn

Source: MAGNAGLOBAL



With high levels of internet and mobile services penetration, new and old advertisers alike are able to set the stage for sustained growth. In Denmark, Sweden, Norway, and the UK, internet is already the medium capturing the largest share of advertising

TELEVISION

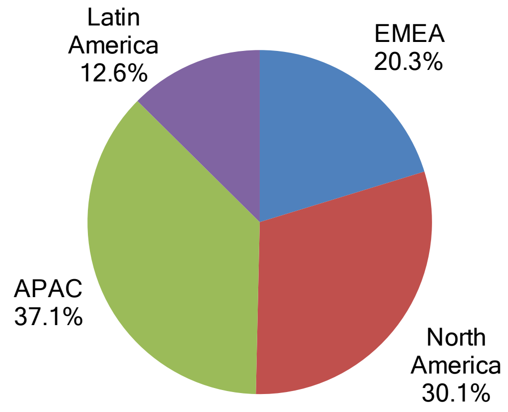
The primary driver of television advertising in markets around the world relates to advertisers' continued focus on media vehicles which reach a large share of a region's population many times over the duration of a marketing campaign. In virtually every country, consumption – and thus opportunities to reach consumers – of television dwarfs that of every other medium, and thus serves as the primary media vehicle for many advertisers, especially large ones who differentiate themselves from competitors on the basis of brand-based attributes. A range of factors should impact the scale of TV consumption mostly in a manner which extends its lead over others, at least in terms of reach and frequency potential. We expect that advertising on television will grow by 6.0% globally in 2011 and generate $169 billion in revenue. Over the following five years the industry should grow at an average rate of 7.5% to total $243 billion by 2016. To illustrate the strength of the medium around the world, it is noteworthy that total TV advertising totaled only $103 billion in 1999, and that the medium which captures 41% of global advertising in 2011 will actually rise to capture 44% by 2016. The US, Japan, China, Italy and Brazil are today's five largest markets.

The increasing availability of multichannel TV, whether via Pay TV (via cable, satellite, or telco-delivered IPTV typically) or through free to air digital terrestrial TV is causing fragmentation in virtually every country around the world. This fragmentation typically contributes to rising levels of TV viewing among most audiences, reinforcing television's dominance. Under our definition of Pay TV advertising (which includes advertising on media outlets which are exclusively available through distribution technologies which require incremental fees above and beyond the costs to receive costs available to television sets with conventional analog or digital broadcast receivers), we expect growth of 12.1% on average through 2016, as Pay TV rises from 26% to 32% of total TV advertising between 2011 and 2016.

Despite these favorable conditions, concerns about the health of TV abound. First among these factors are DVRs (also known as PVRs), because of the ease with which consumers can skip commercial breaks while watching playback of recorded TV programming. While penetration rates of the devices are rising off of low bases in most countries, even in mature markets where penetration is at or around 50% of the population, usage rates are low. In the mature UK and US markets, consumption of TV using DVRs *in the homes which have DVRs* accounts for less than 20% of even the most popular TV programming after more than a decade of availability. Compounded against the minority of the population which possess DVRs, the cumulative effect is minimal, more than offset by rising population and consumption levels.

New forms of internet-delivered television are also perceived to affect the health of the industry. But again, the impact is generally small today and limited in the future. Online video – TV consumed over the web on a PC – has become an important way to catch up on the most popular programming, but accounts for a very small share of video consumption in most countries. Traditional TV dominates because the vast majority of TV is consumed in a passive, ambient manner, unlike online video which is primarily "lean forward" by nature, and a typical consumer can only spend so much time "leaning forward." More practically for advertisers, it is not entirely clear how commercials which are run during such environments differently impact marketers' overall objectives, given that so much consumption occurs in a passive manner. Certainly, advertisers prefer to reach consumers in an active mode, but this preference may be offset by consumers' lack of interest in commercial activity at times when they prefer to remain engaged by content they have selected. As an extension of online video, "over-the-top" video services are viewed by many in the technology industry as real threats to existing pay TV services. However, in most – but importantly, not all – countries real technological and business model barriers will prevent over-the-top services from becoming widely adopted over the next five years. Still, countries with widely available ultra-high-speed broadband networks and low penetration rates of Pay TV services today are more likely to experience fragmentation through over-the-top services in the future.

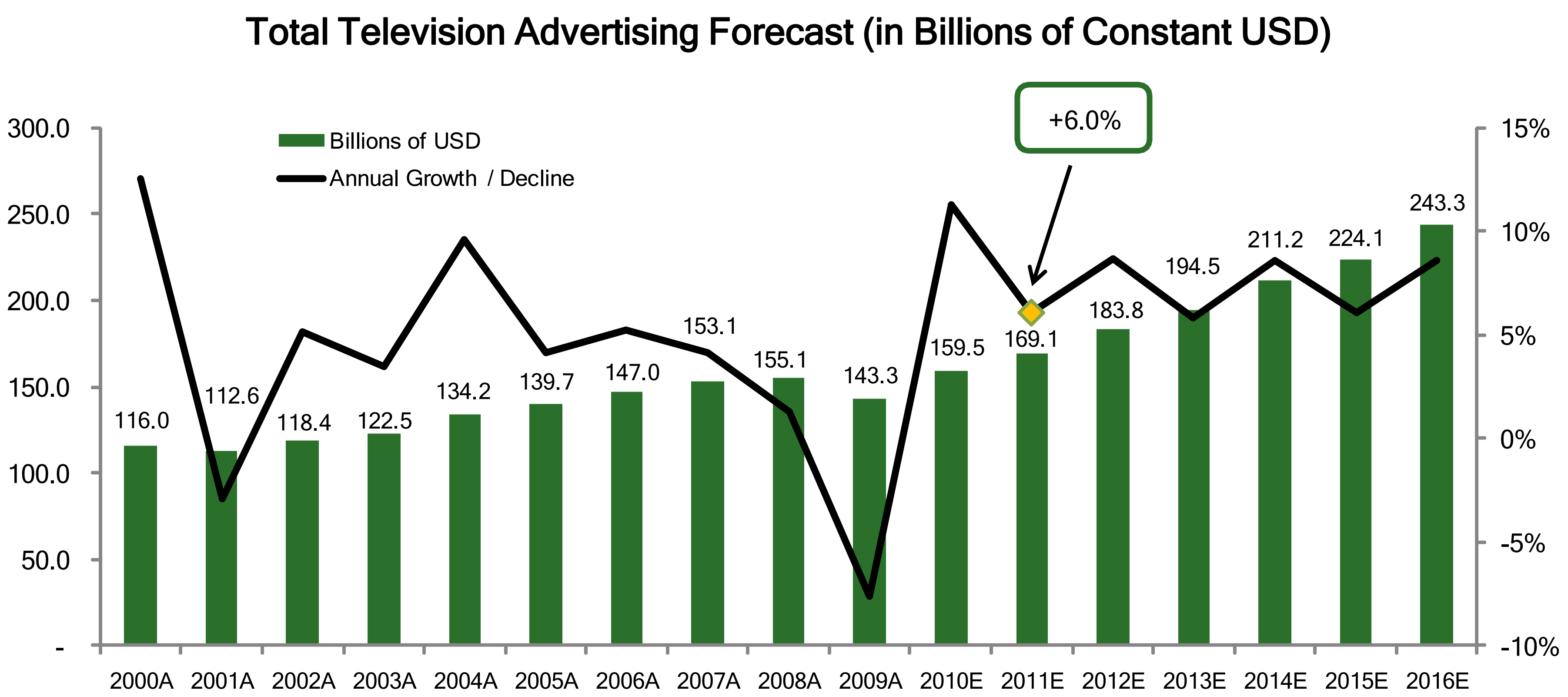
Contribution to global TV growth by region from 2011-2016



In emerging markets, new categories of mass market advertisers are constantly being created, contributing to the rapid growth of the medium

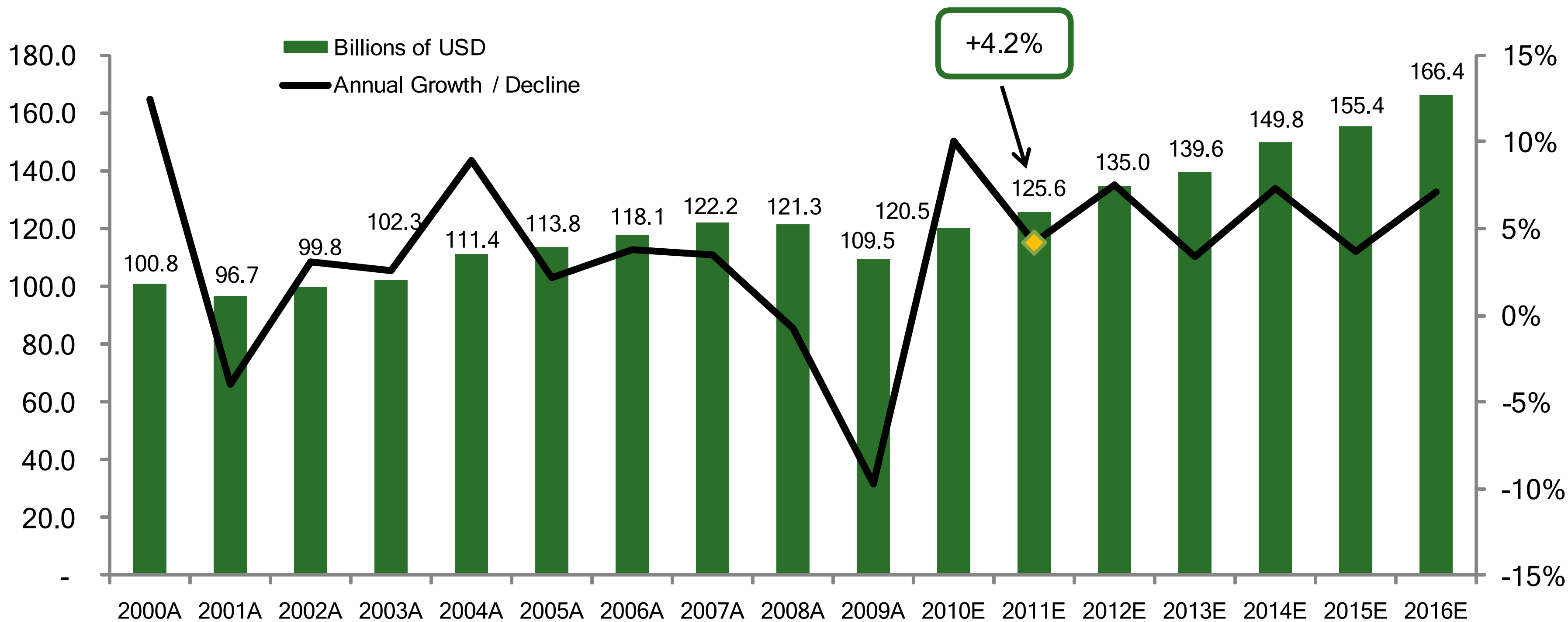
Source: MAGNAGLOBAL

TELEVISION

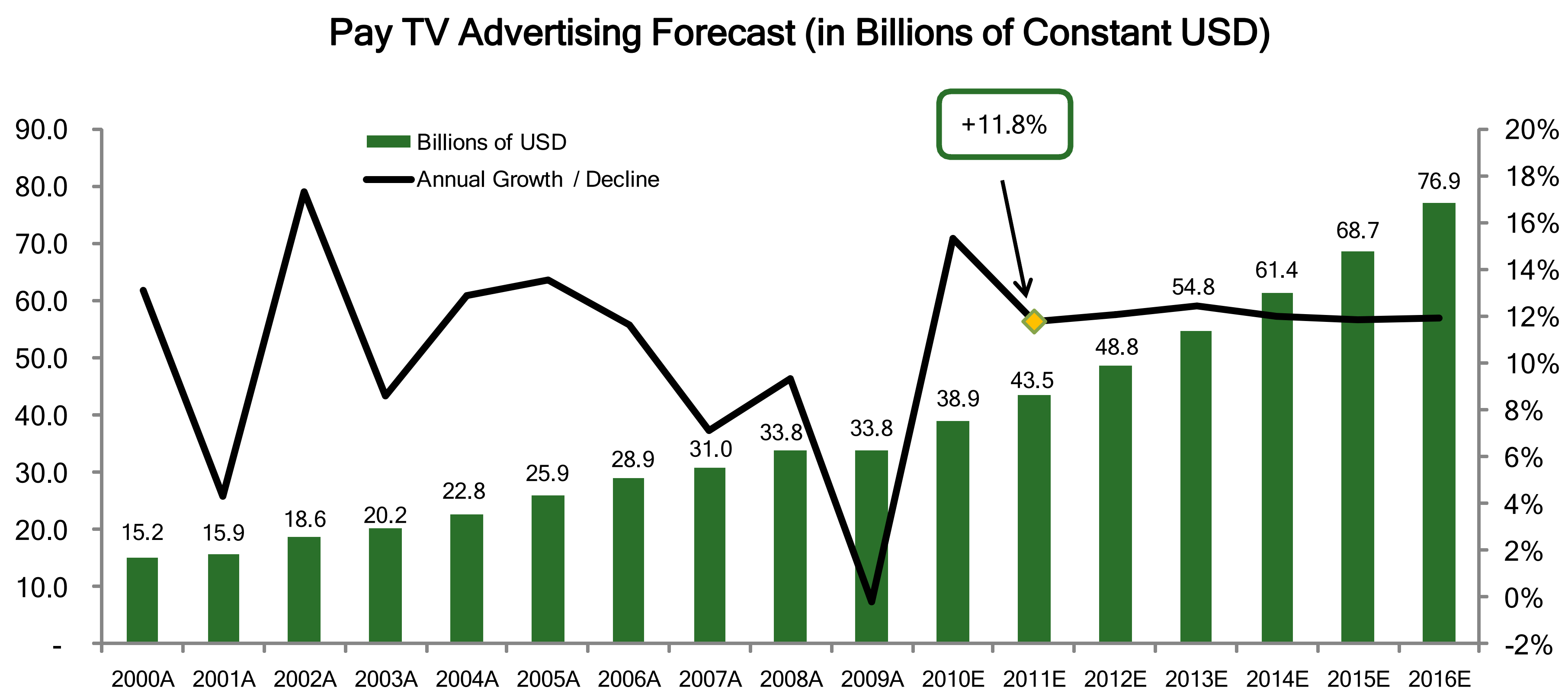


Total Television Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+6.0%
300.0
250.0
200.0
150.0
100.0
50.0
-
15%
10%
5%
0%
-5%
-10%
116.0
112.6
118.4
122.5
134.2
139.7
147.0
153.1
155.1
143.3
159.5
169.1
183.8
194.5
211.2
224.1
243.3
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

Broadcast Television Advertising Forecast (in Billions of Constant USD)



TELEVISION



Pay TV Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+11.8%
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
-
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
15.2
15.9
18.6
20.2
22.8
25.9
28.9
31.0
33.8
33.8
38.9
43.5
48.8
54.8
61.4
68.7
76.9
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

INTERNET

Internet access is now critical for many of the world's largest advertisers, even if their brand objectives otherwise cause them to prioritize television. For most of these companies, online has become a clear number two in terms of budget importance, typically at the expense of print and radio. Although brand-based advertisers are key to long-term growth for the medium, the heart of online advertising today lies in two key segments, "endemics" and small and medium-sized enterprises (SMEs). Endemics include e-commerce players such as Amazon, eBay, Rakuten (based in Japan) and Taobao (based in China), and any other entity with an online storefront. With near-perfect end-to-end feedback loops, commercial exposures can be tracked and associated with actions to optimize marketing efforts. Virtually all potential customers can be reached online, making the Internet the primary medium for these marketers, and for some the only medium that matters. Small and medium-sized enterprises represent what we believe to be the other large, identifiable segment of online advertisers. With smaller media budgets and fewer total campaigns (and fewer people to coordinate), this segment can more easily identify the impact of any given media campaign and can more cost-effectively accomplish its goals with the discrete and highly targeted units available through digital media. Search has been the primary beneficiary today – and SMEs likely account for the majority of paid search ad revenues – but other emerging media will capitalize on SMEs in the future.

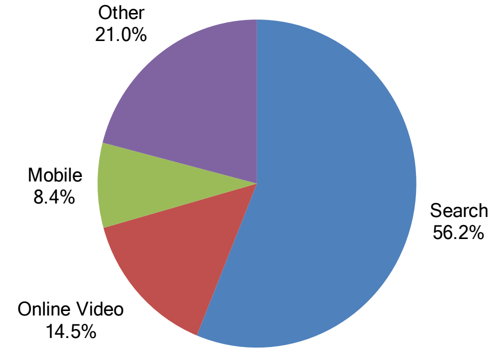
In total, we expect online advertising to grow by 10.6% each year through 2016 after rising by 12.5% during 2011. The medium will account for $70.9 billion in global advertising during 2011, and $117.5 billion by 2016, a gain from 17% of the global total in 2011 to 21% in 2016. The largest markets will remain the same through this time horizon, with the US, Japan, Germany, the UK and China dominating, but with China's growth accounting for the largest gains in years ahead. China will account for 9% of the world's online advertising by 2016, up from 5% in 2011.

Online video is the fastest growing internet-based segment, although the divide between online video and traditional TV is blurry in many countries, especially where conventional Pay TV penetration is low and consumer habits associated with accessing content are not entrenched. In many countries online video will be viewed as an extension of TV, and in others it will be an extension of other online activities. The sector should grow by 19.6% each year on average through 2016, after growth of 40.0% in 2011. The sector should rise in value from $4.7 billion in 2011 to $11.4 billion in 2016.

In many countries, Mobile advertising has been limited by widely varying device interfaces and capabilities, (and thus consumer experiences), but as the audience base of consumers with smartphones and mobile broadband is becoming larger, the advertising opportunity has become much clearer. Although mobile media should increasingly converge with conventional fixed-location web content in the future, there will be growth for the medium on a stand-alone basis for many years. Global mobile advertising should rise from $2.7 billion in 2011 to $6.6 billion by 2016, average growth of 19.4% each year. Future growth is only constrained (mathematically) by the presence of an established mobile advertising sector in the world's largest market today, Japan.

Overall, most internet-based advertising exists as paid search and display-related media. The largest segment, paid search reflects the most impactful way for many small advertisers (and certainly all endemic advertisers) to accomplish their marketing objectives. We expect global growth of 11.8% over the next five years as paid search approaches $61.1 billion in global advertising by 2016. Other display media will grow slower, up an average of 6.1% through 2016 as it matures in most countries around the world. The industry will benefit from two key trends: fragmentation, which allows more advertisers to use the medium; and competition, because format innovation will continue to cause advertisers to invest in the medium. However, display faces ongoing challenges as advertisers increasingly look to ad networks to drive efficiencies, and increasingly buy their media against audiences rather than content in the years ahead.

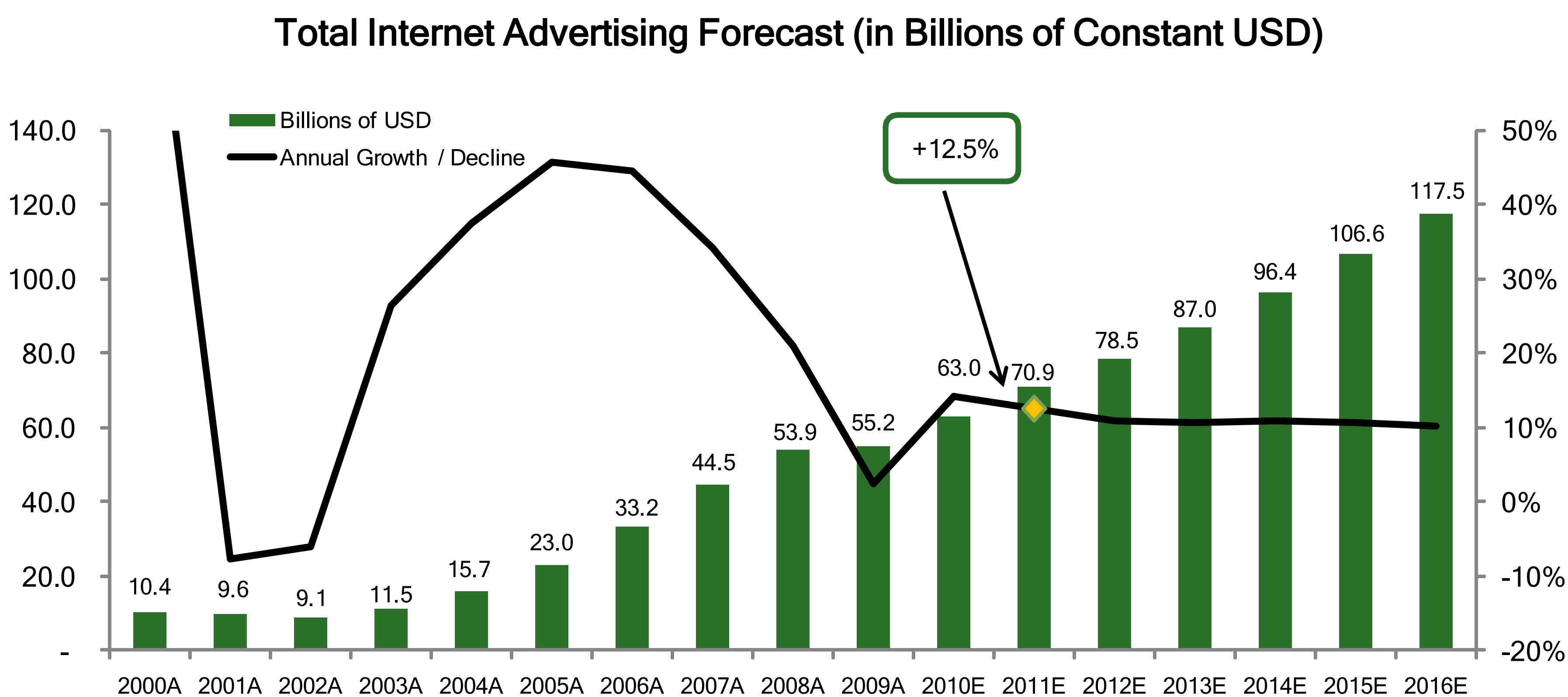
Contribution to global Internet growth from 2011-2016



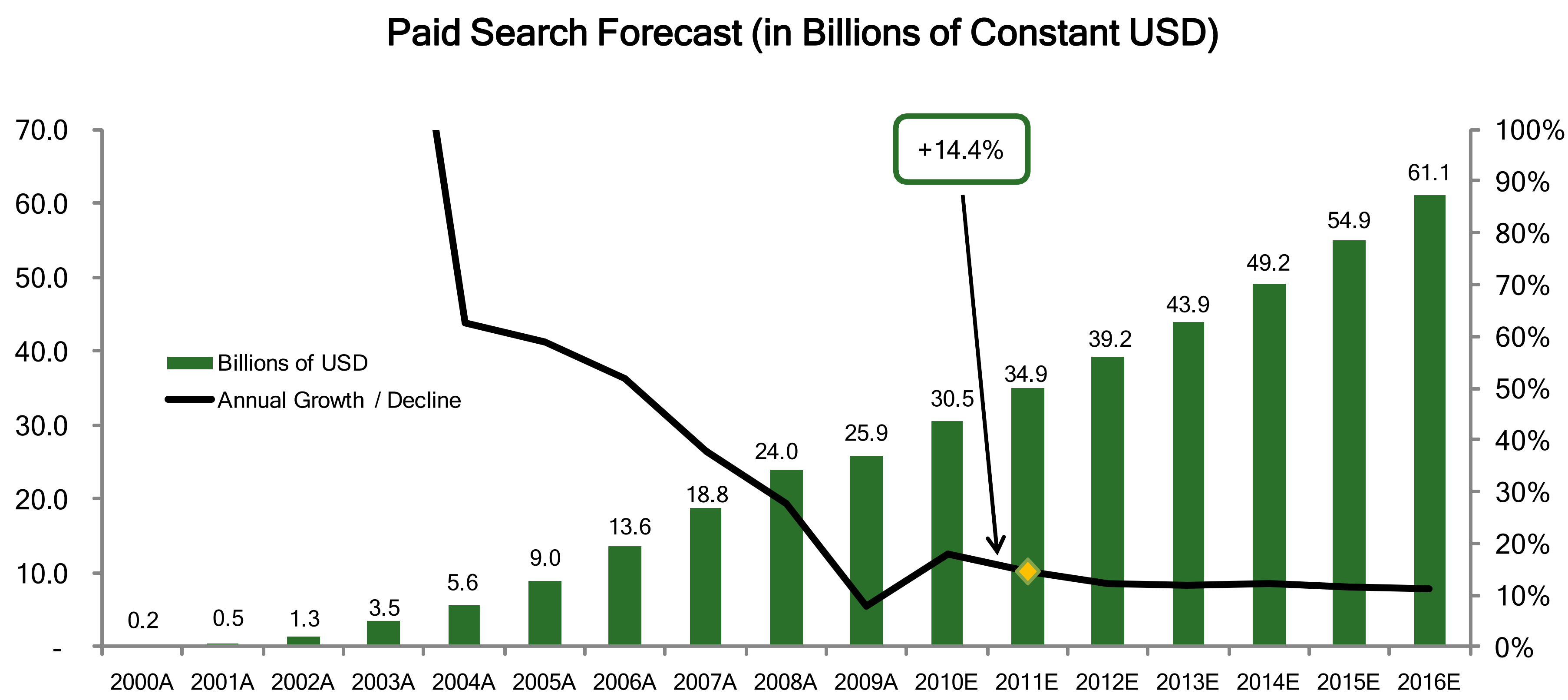
Paid Search will grow from $34.9 billion in 2011 to $61.1 billion in 2016, sustained by rise of small and medium-sized enterprises, and furthered by large brands' increased use of the medium

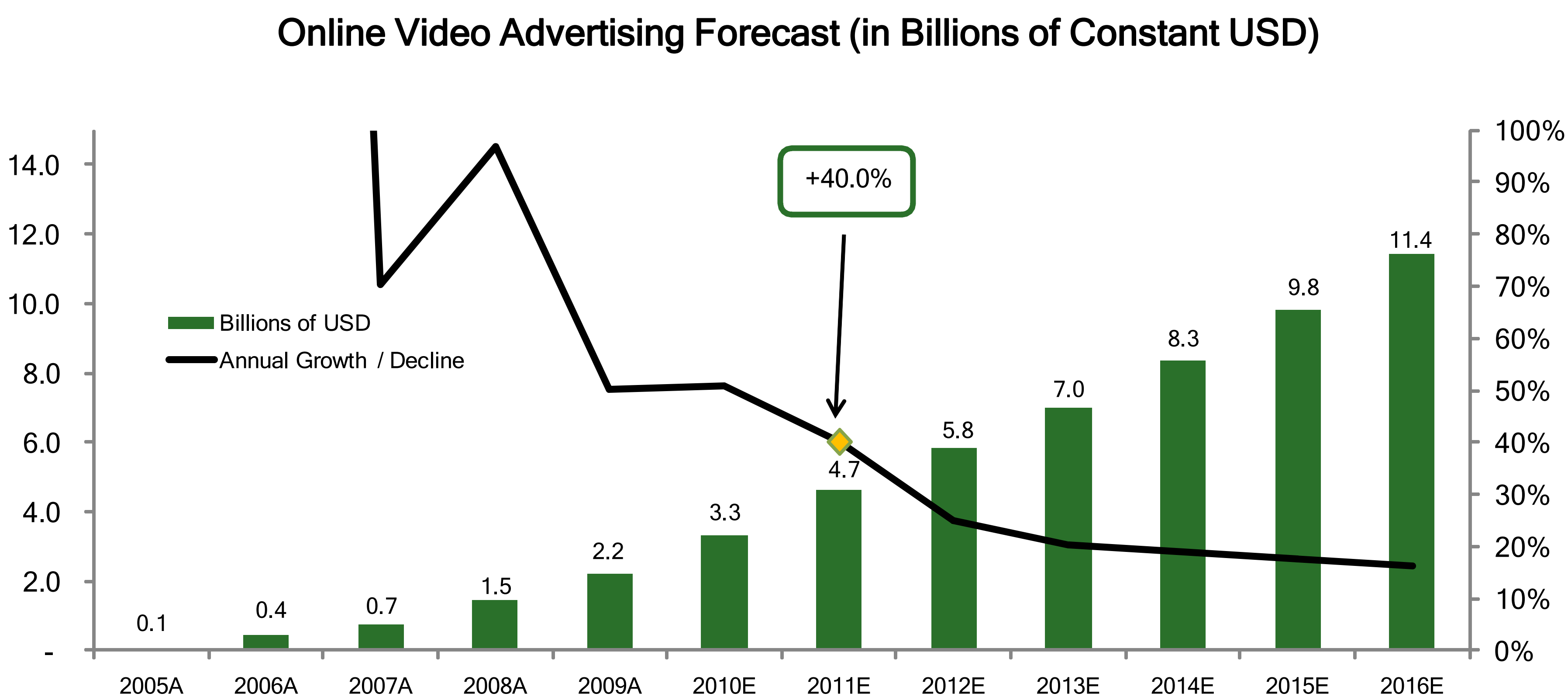
Source: MAGNAGLOBAL

INTERNET

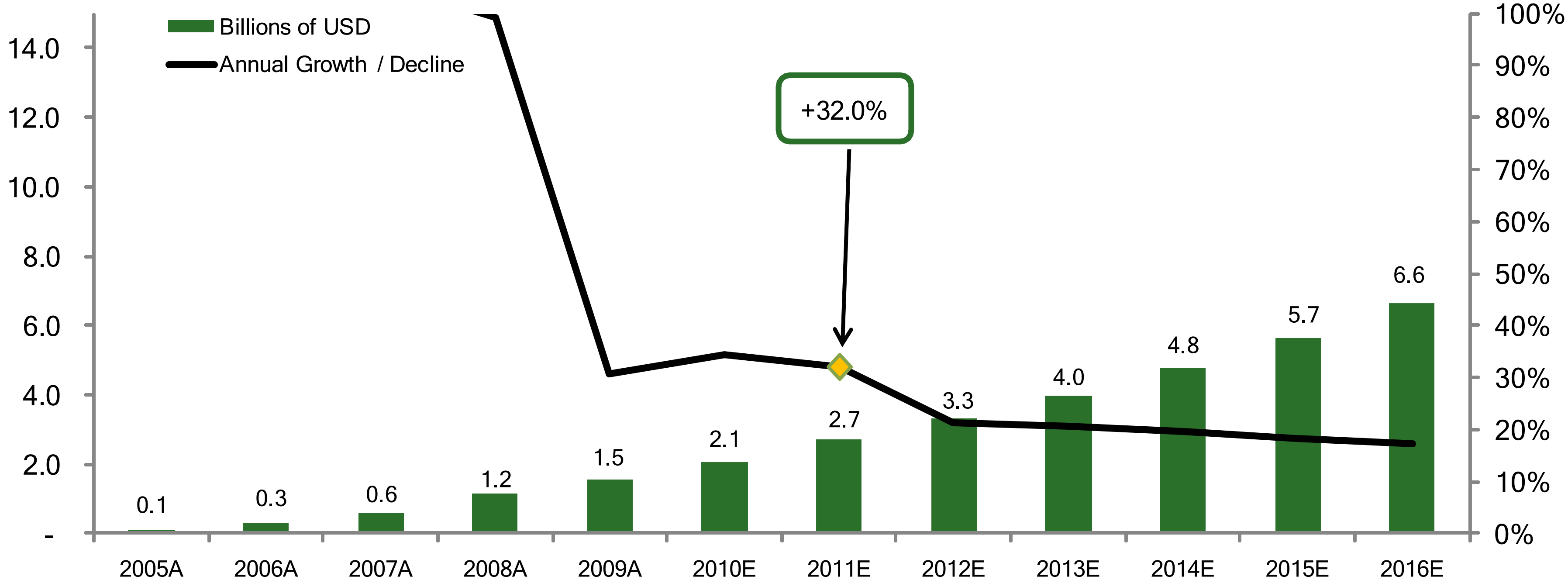


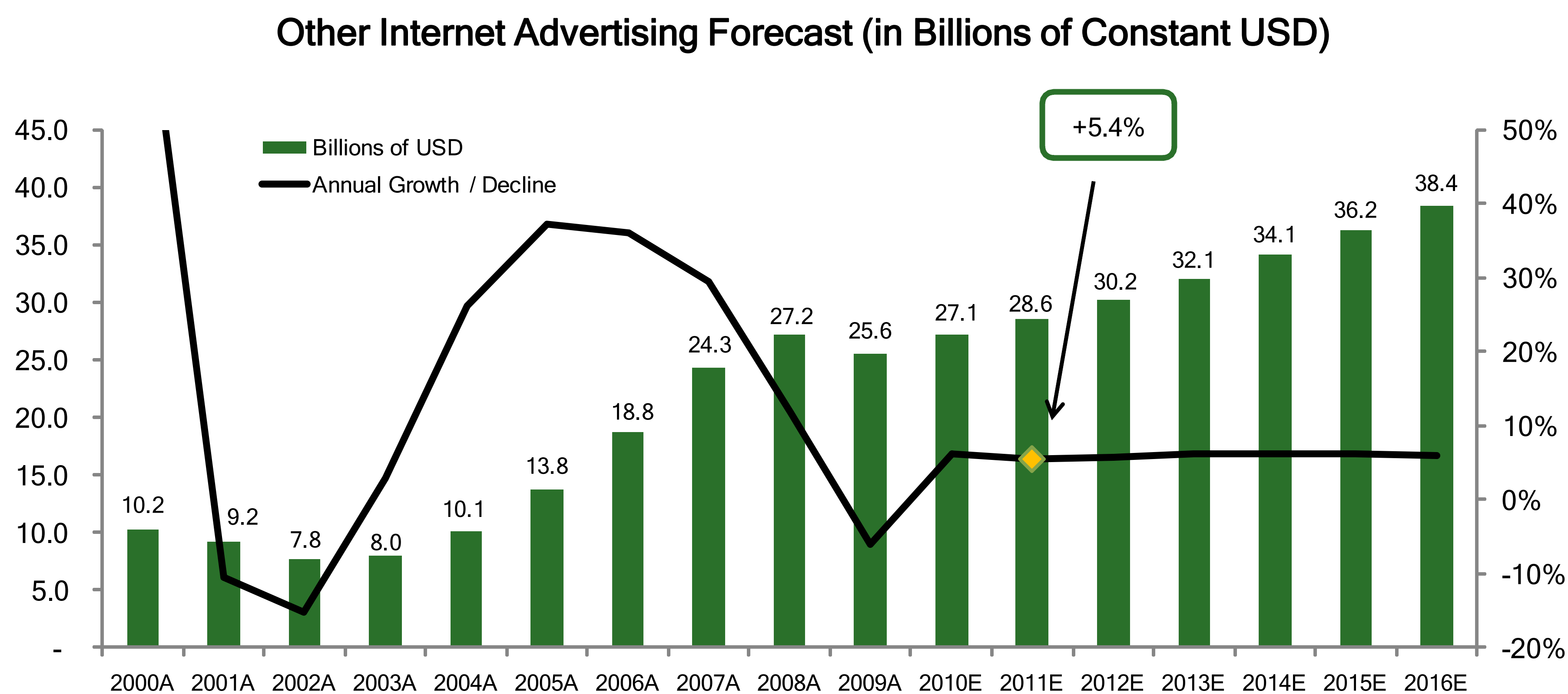
Total Internet Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+12.5%
140.0
120.0
100.0
80.0
60.0
40.0
20.0
-
50%
40%
30%
20%
10%
0%
-10%
-20%
10.4
9.6
9.1
11.5
15.7
23.0
33.2
44.5
53.9
55.2
63.0
70.9
78.5
87.0
96.4
106.6
117.5
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E


Paid Search Forecast (in Billions of Constant USD)
70.0
60.0
50.0
40.0
30.0
20.0
10.0
-
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
+14.4%
Billions of USD
Annual Growth / Decline
0.2
0.5
1.3
3.5
5.6
9.0
13.6
18.8
24.0
25.9
30.5
34.9
39.2
43.9
49.2
54.9
61.1
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E


Online Video Advertising Forecast (in Billions of Constant USD)
+40.0%
Billions of USD
Annual Growth / Decline
14.0
12.0
10.0
8.0
6.0
4.0
2.0
-
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
0.1
0.4
0.7
1.5
2.2
3.3
4.7
5.8
7.0
8.3
9.8
11.4
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

Mobile Advertising Forecast (in Billions of Constant USD)




Other Internet Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+5.4%
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
-
50%
40%
30%
20%
10%
0%
-10%
-20%
10.2
9.2
7.8
8.0
10.1
13.8
18.8
24.3
27.2
25.6
27.1
28.6
30.2
32.1
34.1
36.2
38.4
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

PRINT

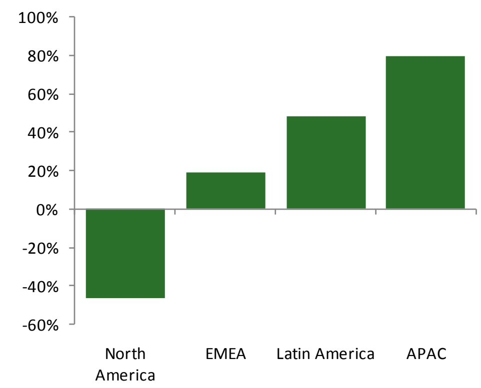
In an era before electronic media became widespread, Print was the primary means by which advertisers reached consumers. Newspapers satisfied the objectives of advertisers seeking immediate awareness of sales and promotions in an environment supporting trust-building for brands. The medium also benefited because of the geographic targeting it offered, as individual copies were primarily delivered to individual addresses. Magazines also provided advertisers with the notion of "trust" for the most part, but also offered slightly different advantages, including the ability to target niche audiences, and – viewed as a medium rather than any one individual title – a continuous state of innovation of content and format. However, the internet changed the fortunes of print publishers in most countries, generally for the worse, as print no longer uniquely satisfied many of the objectives which advertisers relied upon. Brands seeking engagement are presented with measurable engagement online and the desire to associate with trust-worthy content can also be fulfilled there. Arguably, in many countries, newspapers now uniquely support advertisers who believe the medium drives retail traffic (although declining circulation trends make it harder to accomplish those goals). Magazines are harder pressed to accomplish unique objectives for most advertisers, and thus it is unsurprising to find that magazines are expected to fare worse than other medium globally in the years ahead. Newspapers should grow at an average rate of 1.7% through 2016, after rising a modest 0.7% during 2011. Newspapers will generally fare better in emerging markets where literacy levels are rising and internet connections are poor. Certainly India and Indonesia will be among the primary beneficiaries of this factor. Magazines will struggle to stay positive globally, essentially staying flat every year going forward. Over the next five years, magazine advertising will decline in each of the world's 10 largest markets for magazines, with the exception of Brazil and Russia.

Loss of readership – sometimes real and sometimes perceived – is a driving factor behind these trends. That digital or online media will replace print media in wholesale fashion in a short period of time is on one hand overstated, but on the other, becomes a self-fulfilling prophesy. The introduction of Apple's iPad during 2010 highlighted the potential for replacement of print editions with digital ones, and encourages advertisers to explore sponsoring content designed for these devices, potentially using budgets allocated towards online media. However, it seems unlikely that more than a minority of the population will possess tablets over the next few years, and the propensity to eliminate print subscriptions in favor of digital downloads remains to be seen. Advertisers will alter their media plans either way.

Digital can present opportunities for print publishers in many instances. Some publishers have made an effort to be *seen* embracing digital device distribution allowing them to diffuse the perception that print is "old-fashioned." To this end, some publishers will be able to help sustain their revenues through bundled sales of traditional and digital print inventory (although we exclude digital revenues from our estimates of print advertising to avoid double-counting and to reflect the vast differences between their respective marketplaces). Digital will help other publishers because the revenue growth associated with internet-based businesses may in some form subsidize the print-based businesses, especially in countries where print houses are among the dominant online content producers, on par with the global portals and social networks in importance to online advertisers.

Print publishers will more likely find sustainable growth opportunities through their efforts to integrate media inventory with related consumer "assets" (such as subscriber lists) – leading to solutions such as event management or CRM. Given the important role that magazines have had in helping certain advertisers accomplish strategic goals rather than awareness-based objectives, there is a reasonable likelihood that they can be successful in this transition. Newspaper publishers will similarly need to adapt their business models, especially for the retailers who have historically been highly reliant on daily print publications. The opportunity – if publishers can seize it – will be to focus on helping marketers find alternative ways to accomplish broader business goals.

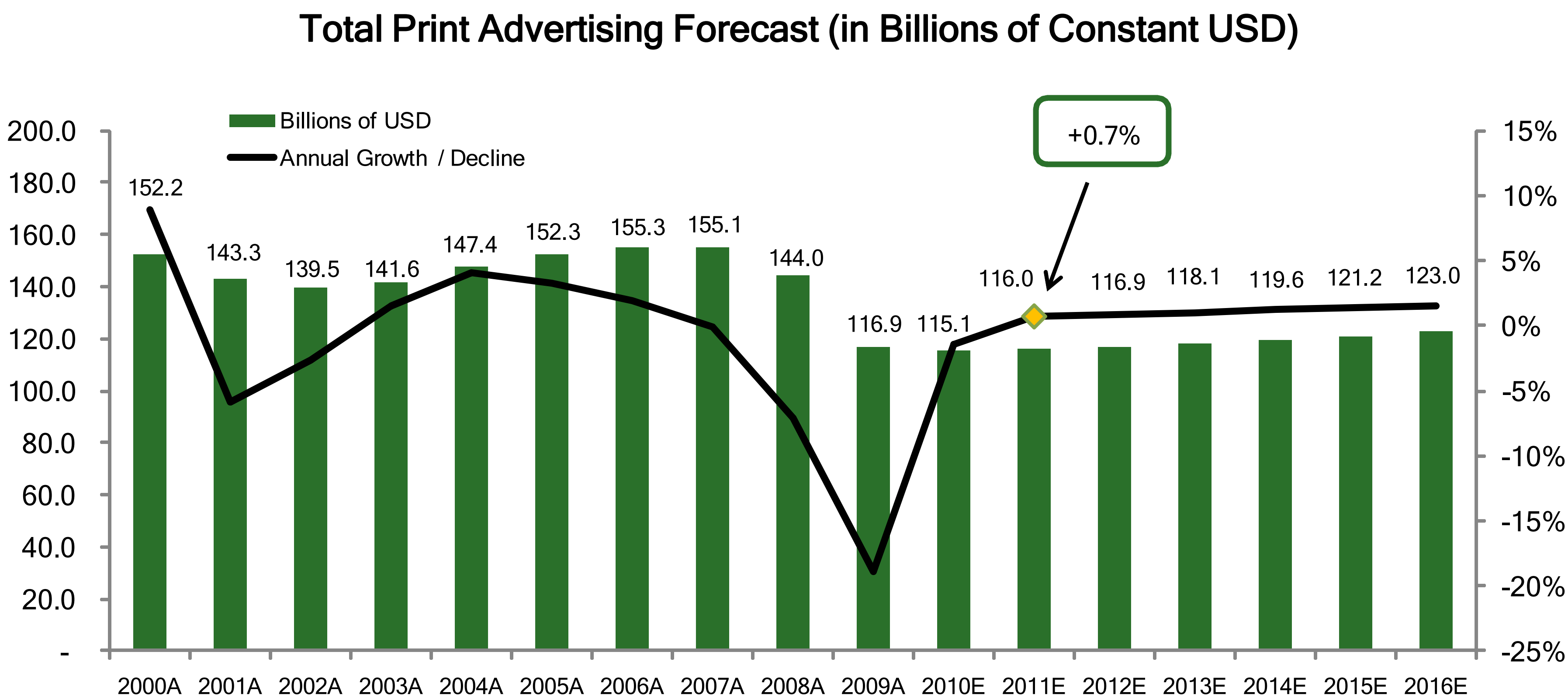
Contribution to Newspaper advertising growth by region: 2011-2016



Growth in the Asia Pacific and Latin America regions more than offset declines in newspaper advertising which will occur in the United States and Canada

Source: MAGNAGLOBAL

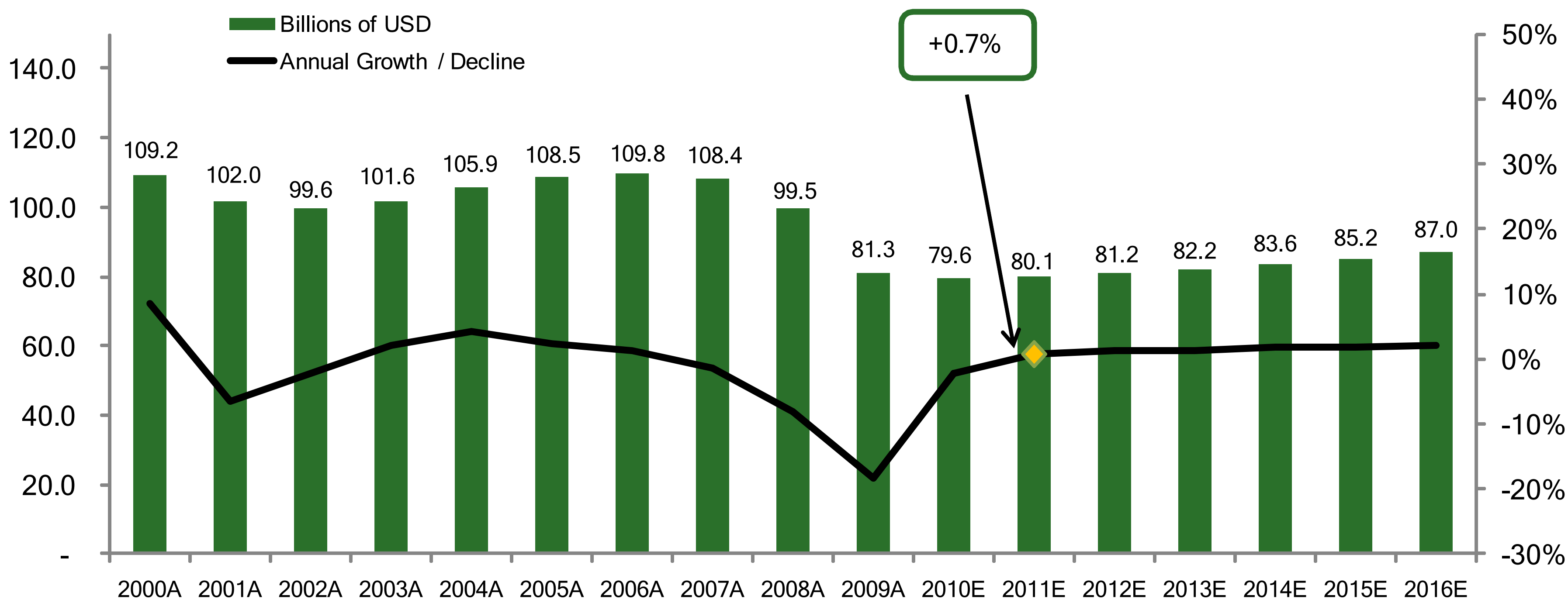
PRINT



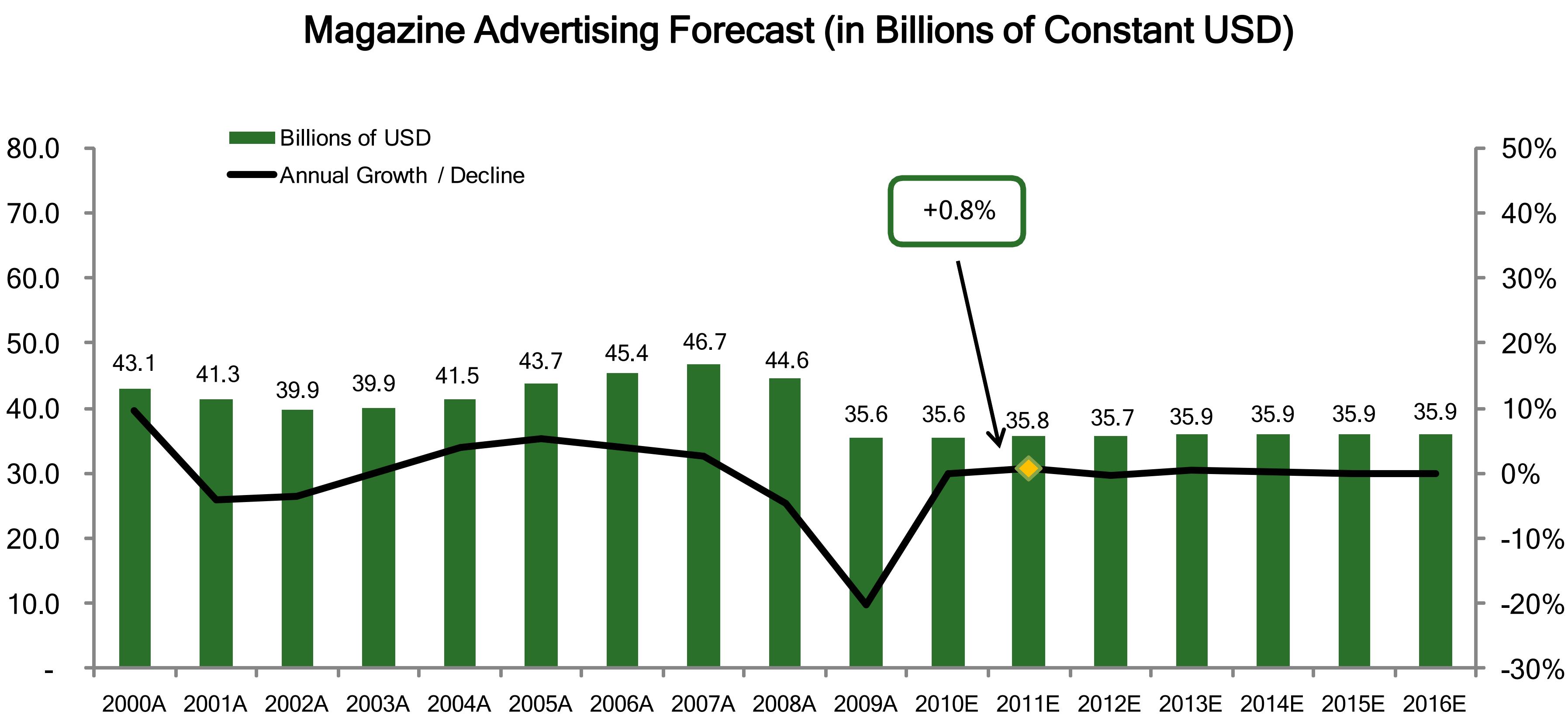
Total Print Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+0.7%
200.0
180.0
160.0
140.0
120.0
100.0
80.0
60.0
40.0
20.0
-
15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
152.2
143.3
139.5
141.6
147.4
152.3
155.3
155.1
144.0
116.9
115.1
116.0
116.9
118.1
119.6
121.2
123.0
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

PRINT

Newspaper Advertising Forecast (in Billions of Constant USD)



PRINT



Magazine Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+0.8%
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
-
50%
40%
30%
20%
10%
0%
-10%
-20%
-30%
43.1
41.3
39.9
39.9
41.5
43.7
45.4
46.7
44.6
35.6
35.6
35.8
35.7
35.9
35.9
35.9
35.9
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

RADIO

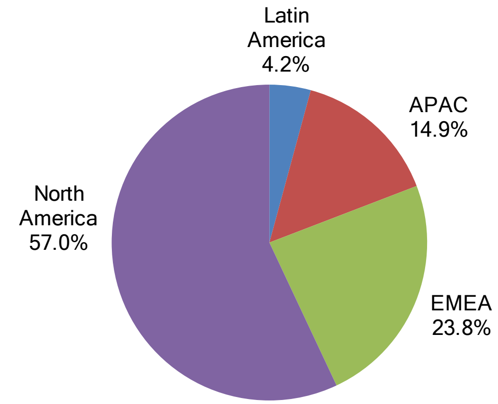
Radio satisfies a number of underlying needs for consumers – music discovery, local news-gathering, spoken-word content, and information-sharing – all from a portable, low-cost source with virtually ubiquitous coverage. Consumption trends are well-positioned in many countries. In its analog form, radio offers a high level of fragmentation and niche programming and this characteristic is enhanced further with digital broadcasting because of the ease with which stations may offer additional "channels." Such fragmentation should allow broadcasters to cause consumers to listen to more radio than they otherwise would with fewer choices. Additionally, in many countries, the percentage of the population using autos for commutes is rising, and therefore the time those commuters spend in their cars increases as well, adding to aggregate levels of radio consumption. Despite these favorable characteristics, we expect growth to generally under-perform the broader ad-supported media economy, with a gain of 3.1% in 2011 and growth averaging 4.1% through 2016, at which point the global radio industry should generate $35.9 billion in advertising revenue. Radio should account for 6% of the global advertising industry, a share which will fall in the years ahead. Key markets for growth include India, China and South Africa. Radio should benefit in markets that are liberalizing (such as India, where FM radio has only recently launched) or licensing new airwaves (as in Malaysia).

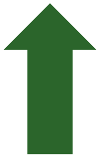
However, flat growth levels and subsequent share declines in larger markets such as the US, Canada, France and Germany (presently the first, third, fourth and fifth largest advertising economies for radio) meaningfully constrain growth in years ahead. This trend will largely occur because traditional radio is unfavorably positioned to thrive in a digital age. Consumers now have greater access to online music sites (and communities), streaming radio and downloadable music. Further, online media has generally supplanted radio for news bulletins in many countries and GPS-based services will eventually replace radio as the best source of on-the-go information about traffic. These alternatives are continually gaining traction with consumers and new technologies integrated with mobile data services may result in even faster growth. Further, prospects for revenue growth among terrestrial broadcasters will not be determined in the foreseeable future by successful digital extensions of legacy platforms. Relatively successful online music services such as Pandora (based in the US) and Spotify (based in Sweden) are able to sell some advertising, but the open question is whether services such as these will ultimately capture budgets from Radio advertisers or online advertisers.

Another factor constraining growth is the absence of unique positioning versus other media. On the one hand, Radio should grow in line with the segment of advertisers who finds Radio to be the most appropriate medium for its marketing objectives. Many of these advertisers will be geographically constrained, especially in countries where television does not sell locally. Advertisers that distinguish themselves on the basis of reaching consumers in cars (such as drive-through quick service restaurants) will likely continue to prioritize radio above other media choices. However, there are many other advertisers that uniquely benefit from radio, which presents a challenge to the industry. Radio becomes a generally tactical medium for some advertisers, or a vehicle to bring down total costs per contact for others. This fundamental limitation was exhibited during 2009 and 2010 when we saw a "flight to quality" from many advertisers, and radio underperformed all media other than print (which suffered as much from secular trends as from cyclical ones).

The impact of portable People Meters in some markets, such as the United States, may help mitigate further declines. More reliable and timely data may provide more information to station managers allowing them to iterate and innovate faster than with other measurement methods. As an added benefit, improvements in perception of the quality of the medium's measurement will be helpful in justifying advertisers' budget allocations. This in turn may lead to growth in the future.

Share of global Radio advertising by region: 2011

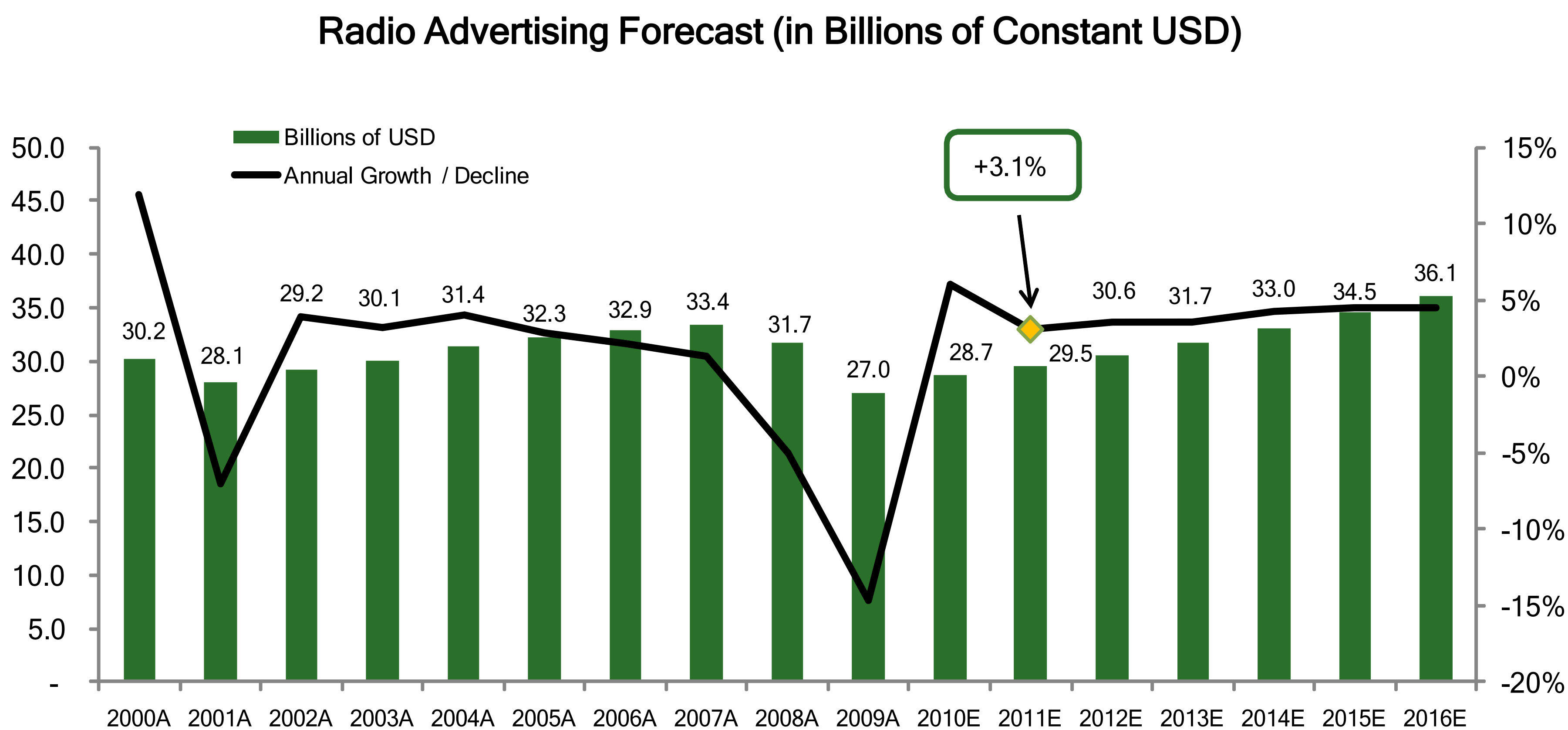




Radio remains skewed towards North American and European markets, where large local advertising markets have developed

Source: MAGNAGLOBAL

RADIO


Radio Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+3.1%
50.0
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
-
15%
10%
5%
0%
-5%
-10%
-15%
-20%
30.2
28.1
29.2
30.1
31.4
32.3
32.9
33.4
31.7
27.0
28.7
29.5
30.6
31.7
33.0
34.5
36.1
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

OUT-OF-HOME

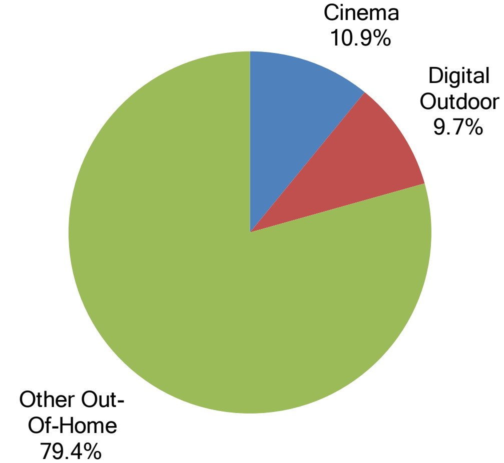
Out-of-home (or "outdoor") media has straddled trends facing new and old media for many years. While conventional poster faces are arguably the oldest form of advertising, digital billboards and related signage are based on cutting-edge technologies. But the most important factor supporting outdoor advertising's growth is the ease with which a range of solutions can be provided for advertisers of all sizes. Out-of-home advertising grew slightly below trend in 2010, up by 6.4% vs. 6.9% for the global economy. In 2011 – when we expect growth of 7.9% - and in years beyond, the sector should grow at a faster pace than advertising overall. Accounting for $26.3 billion in revenues during 2011, Out-of-home advertising will generate $38.6 billion in revenues in 2016. Digital out-of-home will almost double in size, from $2.6 billion in 2011 to $5.2 billion in 2016 (a growth rate averaging 15.2% during that time), and Cinema will rise from $2.9 billion to $4.4 billion. Conventional billboards, transit, and related advertising will still grow at a pace which exceeds advertising's global average, rising by an average of 6.8% each year through 2016. South Korea, India, China and the Philippines are all among the fastest growing countries globally, but the US, UK, France and Japan will remain among the most important in years ahead, much as they are today.

Conventional outdoor advertising grows in part because of an expanding number of commercial "faces" on buildings as well as through more sophisticated management of inventory on new and existing public transit systems. Continued format innovation and creative executions are critical parts of this trend, as plain billboards, posters, transit and street furniture all afford a wide range of possibilities with physical media. Digital outdoor advertising is growing for relatively obvious reasons. The advent of inexpensive digital displays and cheap-to-connect networks has fostered an expansion in the number of outdoor surfaces available for commercial messaging which is inherently more flexible (in terms of time-of-day targeting or altering creative content) than historical applications of outdoor advertising. Further, these trends have enabled suppliers to develop inventory in new environments – new stores and more rural areas – much more cheaply than ever before. Interaction with mobile devices, especially with short code messages, has made the medium more engaging for consumers as well. Cinema advertising is also benefitting around the world from the increased commercialization of the medium and is growing in most markets where audiences are attracted by 3D content that cannot generally be viewed at home, as well as by the development of new cinemas with the capacity to run digital advertising networks.

However, the sector's growth is partially constrained. First, it remains highly localized -which implicitly requires that an advertiser has a means for assessing campaign success at the local level. This may be inconsistent with the way that national advertisers assess their efforts, and consequently means that many of them may choose not use the medium. Government bans on advertising are always a looming threat in many territories, and as a result, certain markets (such as Brazil) have seen advertisers seek to eliminate outdoor from their budgets because of the challenges in reaching consumers. Cinema faces unique constraints, whose effects vary from country to country, as home theaters and access to cinematic content through computers become increasingly inexpensive while conventional theater tickets prices continue to rise.

One factor constraining all forms of outdoor advertising is measurement. Efforts to improve measurement of the medium help to be certain, but standards for measurement fall well below those for other media in most countries. Although the absence of measurement does not prevent many advertisers from using the medium, it hinders efforts to bring more advertisers, as many consider quality measurement to be a prerequisite for allocating budgets. The degree of fragmentation among suppliers is another issue, as operational costs involved in executing an outdoor campaign may prove overwhelming. It may require a significant number of suppliers to satisfy a campaign's objectives in any one local market, leading to challenges in delivery of creative or content copy, verification that a campaign ran, and measurement of the campaign's impact.

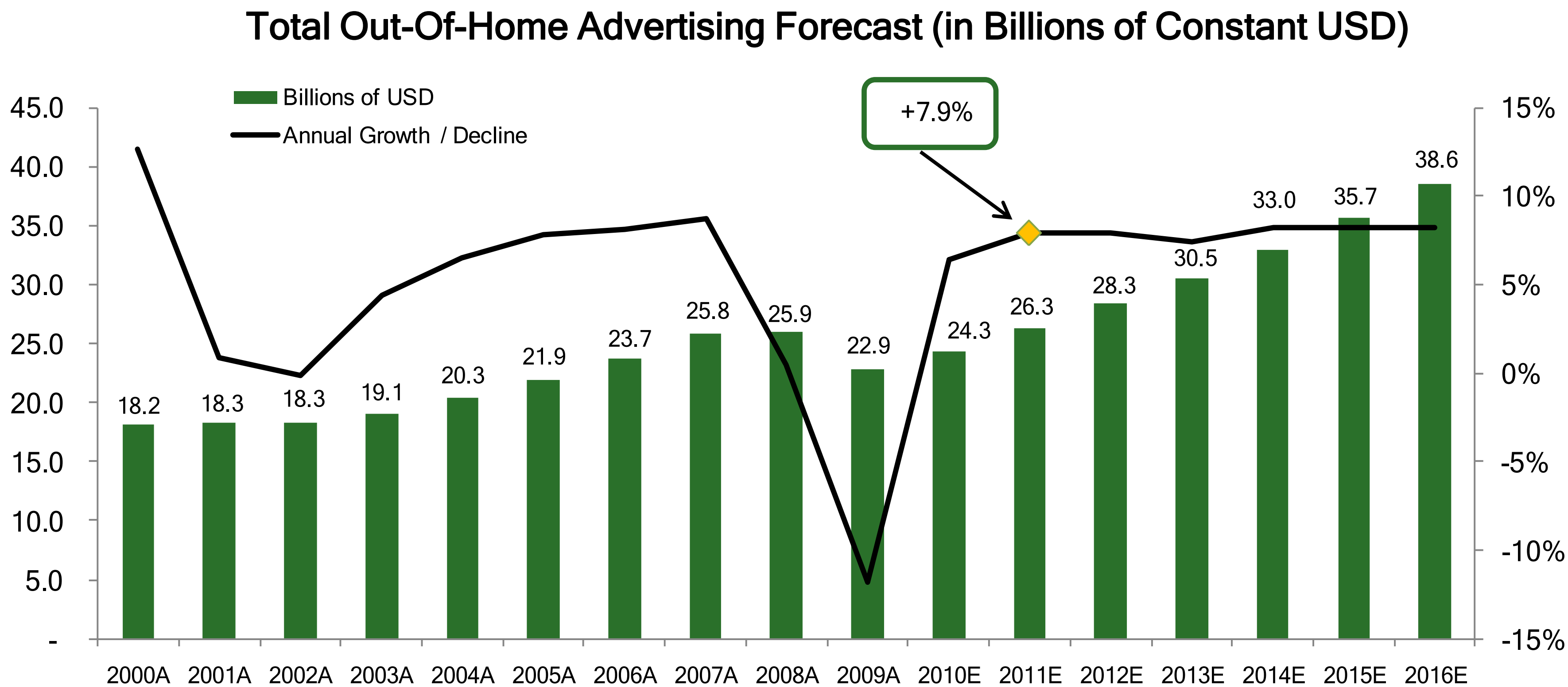
Share of global Out-Of-Home advertising: 2011



Creative executions and ease with which new inventory may be created supports growth for out-of-home media, although it is constrained somewhat by fragmented media ownership in many countries

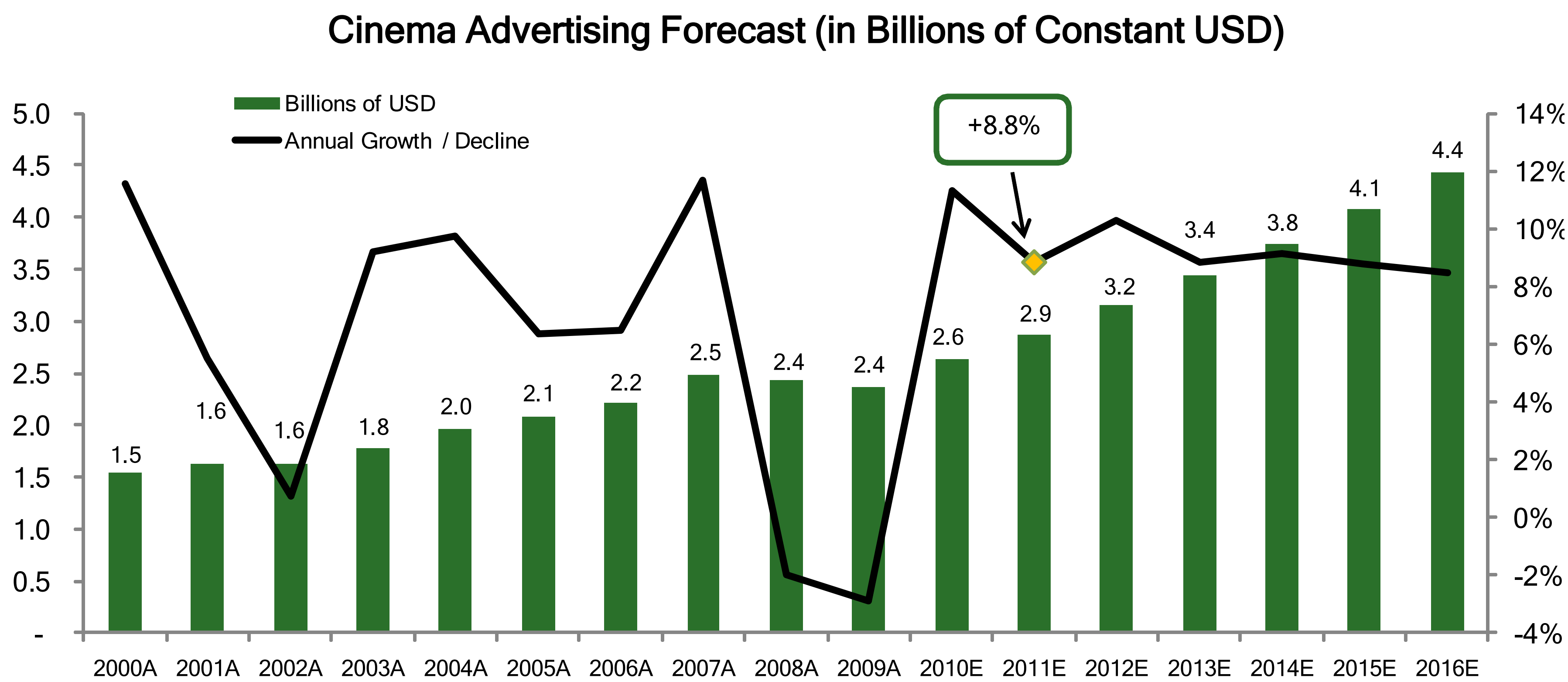
Source: MAGNAGLOBAL

OUT-OF-HOME

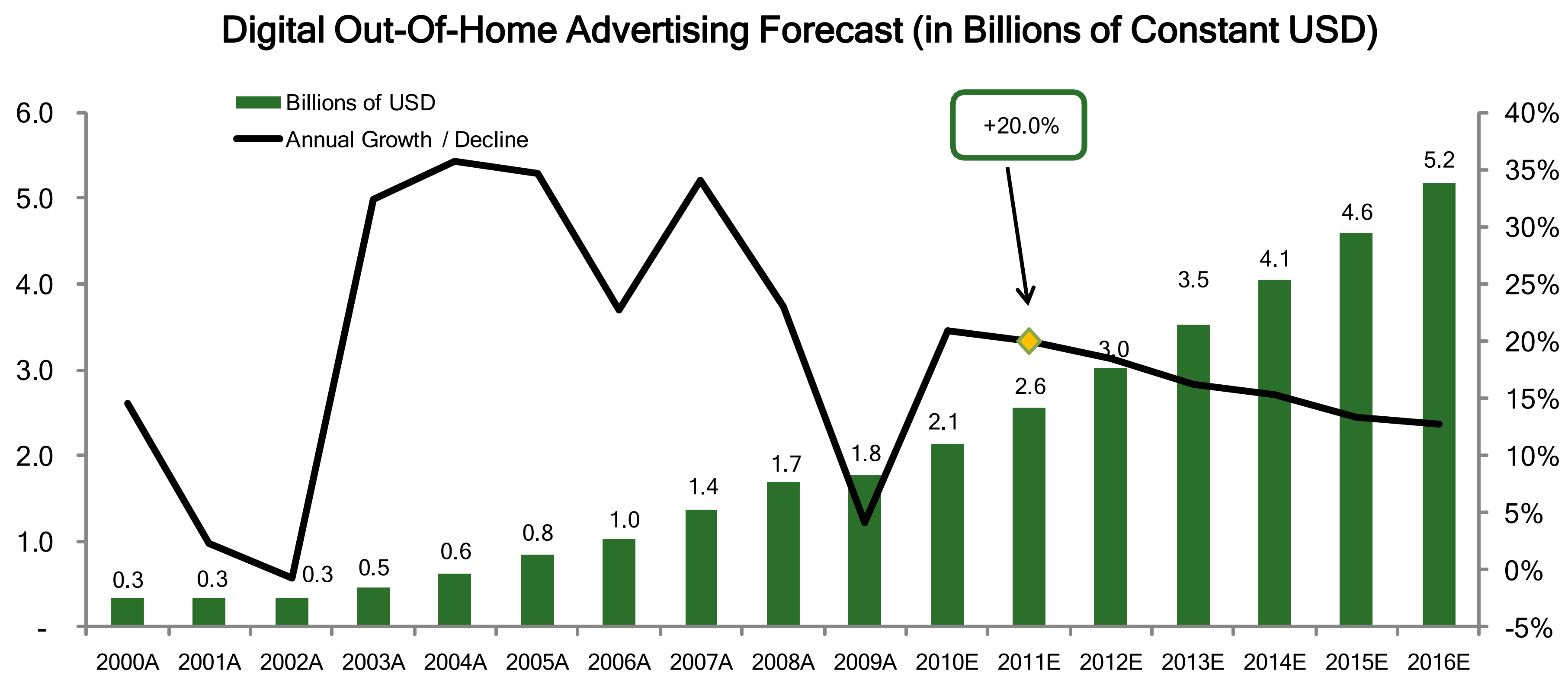


Total Out-Of-Home Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+7.9%
45.0
40.0
35.0
30.0
25.0
20.0
15.0
10.0
5.0
-
15%
10%
5%
0%
-5%
-10%
-15%
18.2
18.3
18.3
19.1
20.3
21.9
23.7
25.8
25.9
22.9
24.3
26.3
28.3
30.5
33.0
35.7
38.6
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

OUT-OF-HOME

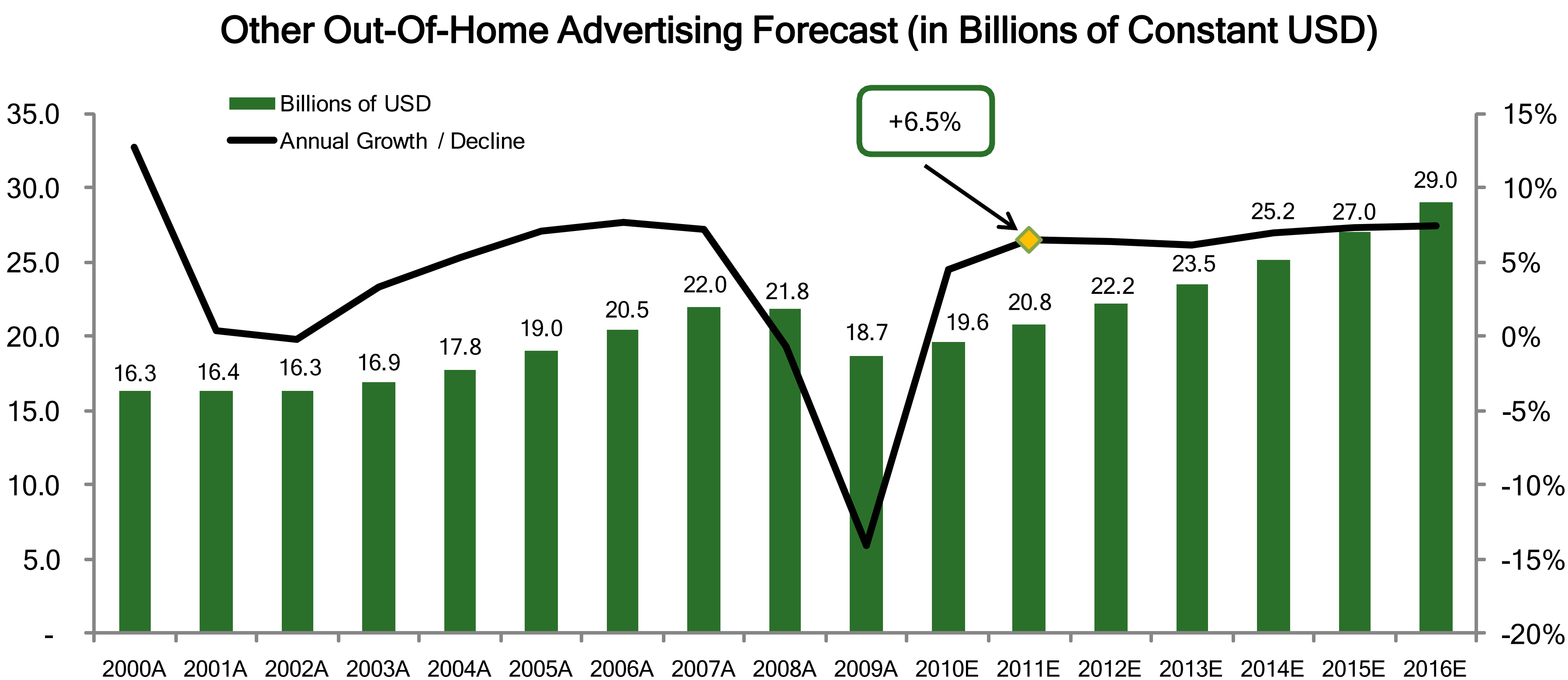

Cinema Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+8.8%
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
-
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
1.5
1.6
1.6
1.8
2.0
2.1
2.2
2.5
2.4
2.4
2.6
2.9
3.2
3.4
3.8
4.1
4.4
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

OUT-OF-HOME



Digital Out-Of-Home Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+20.0%
6.0
5.0
4.0
3.0
2.0
1.0
-
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
0.3
0.3
0.3
0.5
0.6
0.8
1.0
1.4
1.7
1.8
2.1
2.6
3.0
3.5
4.1
4.6
5.2
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

OUT-OF-HOME



Other Out-Of-Home Advertising Forecast (in Billions of Constant USD)
Billions of USD
Annual Growth / Decline
+6.5%
35.0
30.0
25.0
20.0
15.0
10.0
5.0
-
15%
10%
5%
0%
-5%
-10%
-15%
-20%
16.3
16.4
16.3
16.9
17.8
19.0
20.5
22.0
21.8
18.7
19.6
20.8
22.2
23.5
25.2
27.0
29.0
2000A
2001A
2002A
2003A
2004A
2005A
2006A
2007A
2008A
2009A
2010E
2011E
2012E
2013E
2014E
2015E
2016E

REGION: LATIN AMERICA

By historical standards, Latin America is a remarkably stable – if rapidly-growing – region of the world. But by more recent standards, many countries have had to overcome exceptional circumstances including national disasters, political turmoil, and unexpected threats that have enormous effects (violence in Mexico, earthquake in Chile, ongoing threats of nationalization of the economy in Venezuela). However, countries that are commodity-rich, such as Argentina and Brazil, are being lifted by huge demand from Asia, and this latter trend is supporting world-beating growth from most countries in the region.

Despite changes at a macro-economic level, the media industry's structure has not changed much in Latin America. Government policies continue to favor the presence of a handful of dominant companies (such as Globo/Record in Brazil and Televisa/Azteca in Mexico), who set the direction of the industry in the region. Broadband and Pay TV access are generally low, as is Internet usage, and these factors restrain the degree to which fragmentation has meaningfully impacted traditional media venues. Under these conditions media owners have fared well despite the economic crisis, continually investing in their product (perhaps to a greater degree than in more established markets where media economies were weaker). In total, we estimate Latin American media owners' advertising revenues will have grown by 11.3% during 2010 to total $19.6 billion, with Brazil representing almost half of the total. For 2011 we expect additional growth of 14.0%, and growth averaging 12.3% over the following five years. Although Latin America's scale is smaller than that of other regions, its growth pace exceeds all others globally.

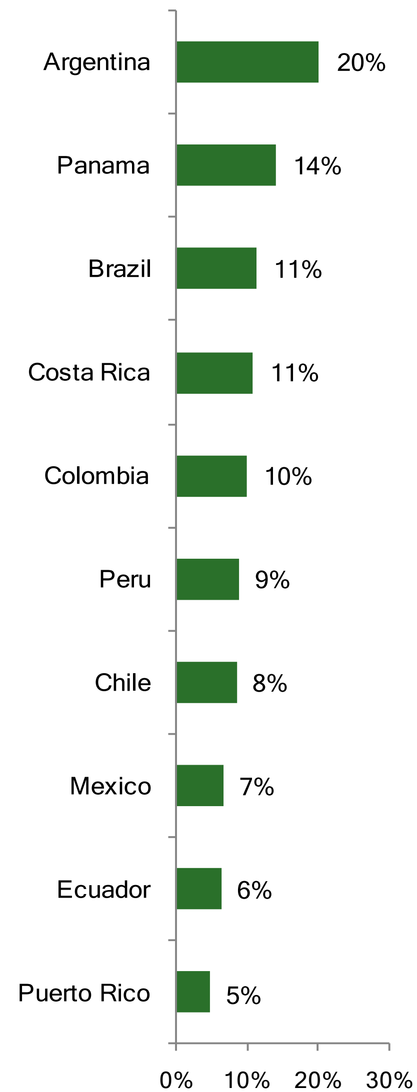
Television, particularly free-to-air TV, continues to dominate Latin American media. This dynamic may change in the future as Pay TV grows to reach more and more of the middle and lower-classes across the region. While we estimate that free to air TV accounts for $11.4 billion, or 90% of total television advertising, we expect that Pay TV growth of 16.6% will outpace the rate at which the rest of the medium grows, as it should reflect a $22.2 billion sector by 2016. Total TV will grow faster in Latin America than in any other region globally – led by Argentina in terms of relative growth, and Brazil in absolute terms. Brazil is already the fifth largest TV market globally, but should be the fourth largest by 2016.

Despite low penetration levels, many countries in Latin America have fast growing internet sectors, although they remain constrained, in part by the dominance of television, and in part by the absence of e-commerce markets which support growth elsewhere. Still, we forecast paid search to grow by 20.6% in 2011 and by a further 15.6% over the following five years. This pace will fall in line with most other emerging digital platforms across the region

Newspapers and magazines are generally growing across the region as well, with newspaper advertising up by 17.1% in 2011 and by 13.9% over the following five years, on average. Magazine advertising will rise by 12.2% in 2011 and by another 10.3% through 2016, by contrast. The largest market for newspapers will be Argentina, where advertising equates to $1.4 billion in 2011, but should rise to $3.8 billion by 2016, making the country the sixth largest globally. Brazil's magazine market should continue to be the region's largest, growing by 9.7% each year through 2016, by which point we expect $1.2 billion in total advertising from the medium.

Radio remains a highly fragmented medium in much of Latin America, and captures only 5.6% of advertising revenues across the region in 2011. Outdoor is hampered in some countries by regulatory issues – especially in Brazil, where some regional governments such as Sao Paolo's have effectively banned billboards, leading many advertisers to reconsider their commitment to the medium. Still, we expect new forms of out-of-home advertising to contribute to growth, and as such forecast 12.8% growth for the medium through 2016, allowing it to rise from $1.2 billion in 2011 to $2.3 billion in 2016 – significant growth and scale for the region, considering Brazil's market will only account for $284 million in 2011 and $441 million in 2016.

5-year growth rates for advertising in Latin America



REGION: EMEA

Europe remains a tale of two regions. Austerity measures in the peripheral nations and continued concerns about their solvency will negatively impact growth. Germany and France have done particularly well in 2010 as their economies benefit from higher exports. The German Central Bank recently raised its real GDP forecast to 3.4% from 1.4% for 2010 and increased 2011 to 1.8% from 1.6%. Business sentiment in Germany has risen for the last six months. Fears of contagion will likely weaken the Euro and further benefit exports. However, 2011 will not see the same key drivers of industrial output that drove growth in 2010, namely the inventory cycle and pent-up demand. It is also unlikely that Europe can rely solely on demand from China in years ahead. Countries facing severe fiscal deficits are challenging environments for marketers and media owners alike, and we expect many to “bump along the bottom” as these countries face semi-permanent changes to attitudes towards consumption and debt. Across the region, advertising growth will be moderate with average gains of 4.6% each year through 2016.

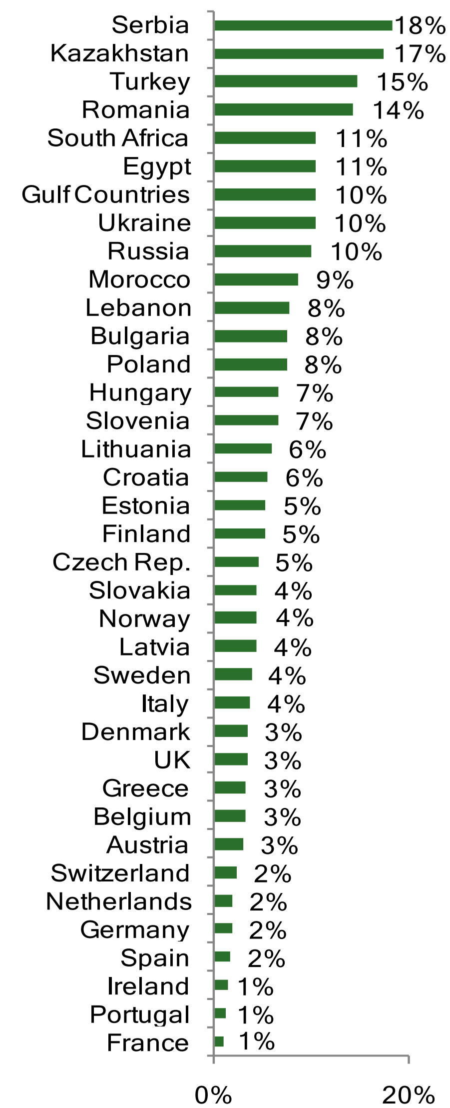
Television in Europe should return to something resembling normalcy during 2011. 2010 featured upheavals in a number of countries – France and Spain in particular – where media inventory on public broadcasters was sharply reduced or eliminated, leading to sharp increases in revenues for incumbent free to air broadcasters. Much as they were before the economic crisis, emerging markets within the region are once again key to future growth. Although small in scale compared against the largest countries, four of the world’s ten fastest growing TV markets include Turkey, Serbia, Kazakhstan and Romania. Much of emerging Europe will grow at rates close to10% each year. By contrast, most of the established markets of Europe will grow between 1 and 3% each year through 2016 (with the notable exception of Germany, which we expect to grow by closer to 5%).

But television is not the largest medium in many established markets: in Denmark, Finland, Sweden, Norway and the UK, Internet-based media are a bigger collection of platforms. But regional differences can be significant, as broadband penetration in southern and eastern Europe tends to lag behind northern Europe’s, and this contributes to lower levels of advertising intensity. However, across the region advertisers are actively engaging new approaches to advertising online. Search has historically been the province of small and mid-sized enterprises, but is increasingly being used by large brands; social media is by now commonly incorporated into major brands’ marketing activities. Mobile advertising is generally nascent, but high levels of access to mobile data and advanced hand-sets have created a marketplace worth USD $490 million in 2011 (and likely $2.0 billion by 2016).

Across the region, print media face difficulties, with essentially flat growth across EMEA over the next five years, and declines in Europe itself. In developed nations, the threat from the Internet is severe especially for newspapers, as news content is becoming commoditized. News magazines are also likely to face similar headwinds, though, as a segment, Magazines could benefit from titles that provide experiences which are unlikely to be supplanted by the Internet. However, freesheets – largely pioneered in Scandinavia – have become commonplace, and contribute to relatively higher print readership levels. Newspapers are looking to add value for advertisers, investing heavily in websites and forging deals with mobile phone carriers to shed their reputations as traditional news providers. In addition to losing audiences to the Internet, Magazines have been doubly impacted by the economic downturn: hundreds of titles (especially those covering niche topics) across the region have folded. However, magazines that lasted through the crisis have retained readers and will be in a position to hold prices in coming years.

Radio will remain a key medium for local advertisers in many markets including Spain and Germany. In larger nations, radio’s local/regional focus allows it to be an attractive contrast to TV (which is primarily a national medium in most European countries, with correspondingly expensive inventory for smaller marketers). Outdoor’s prospects vary by country, with structural challenges (too much excess inventory and high clutter) in many markets, but long-established traditions of using outdoor media in many others.

5-year growth rates for advertising in EMEA



REGION: APAC

Asia has led the global economic recovery, supported especially by China and India. Despite historical reliance on exports, governments have turned attention towards domestic consumers in recent periods. The resulting affluence has brought investment from foreign firms and reinforced fundamental underpinnings of Asian economies. However, these conditions create heightened risks of rising inflation, and many governments are acting to curb this threat.

Still, the region exhibits tremendous growth, reflected in a regional advertising economy which will expand by 10% in most years through 2016. Three of the world's ten fastest growing media markets are within APAC, including China, India and Indonesia, and this growth compounds the region's absolute size. China's growth warrants additional attention: by 2012 we expect that its advertising market will exceed the size of Japan's and will become the world's second largest. China will be retain this position for many years, as by 2016 we expect its advertising market will be almost double the size of Japan's (although still only one third of the size of America's). For perspective on the region, all of APAC will represent 23% of global advertising in 2011, and rise to 27% by 2016. By contrast, Europe (excluding the Middle East and Africa) will fall from 27% to 23% during that time.

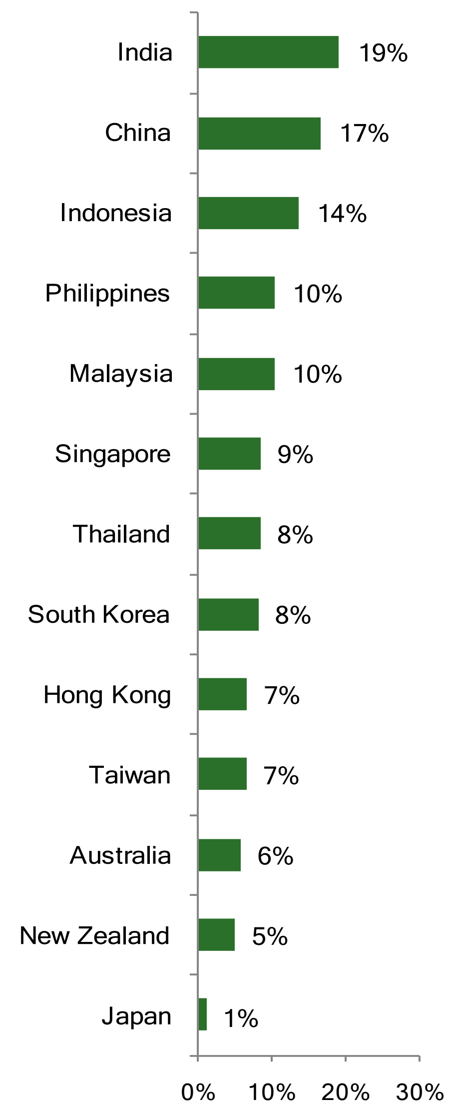
As in other regions, Asian markets increasingly incorporate Internet-based advertising into media budgets, and media owners' ad revenues for internet-based media are rising, up by 15.5% in 2011 and 13.9% each year through 2016. Growth will continue by virtue of the vastness of the markets and the large populations of consumers yet to go online, although the long-term potential will be partially constrained if ad networks and third party ad serving do not become commonplace in the future. By contrast, Online video and related technologies will likely take on outsized importance in many APAC markets in years ahead. The region faces a confluence of factors, including low rates of Pay TV penetration, unentrenched habits with respect to ways in which multichannel TV is accessed (certainly in comparison to the United States and Western Europe), easily available and inexpensive consumer electronics devices which can access internet-delivered content, and high levels of media piracy. Online video advertising should grow by 21.0% each year between 2011 and 2016, accounting for 34% of the world's total by 2016.

Conventional TV is also growing rapidly - up almost 10.2% each year through 2016 - despite the medium's current dominance (accounting for just under half of the region's total advertising). While free-to-air TV captures 73.0% of the region's television advertising in 2011, this figure will fall to 62.4% by 2016 as Pay TV proliferates (growing 17.8% each year on average). Other legacy media will not fare as well. Print advertising revenues be tepid by comparison, rising over the next five years by 3.1% for magazines, and 4.6% for newspapers each year. Although the region is home to four of the largest advertising markets for newspapers and two among the ten largest for magazines, few Asian countries are among the fastest growing globally. This partially explains the industry's weakness worldwide.

Radio is generally a stable medium in most Asian markets. In China, with more cars on the road and longer commutes, demand for Radio inventory in the world's second largest radio market is expected to continue growing. However, it is India, with its liberalizing radio regulatory regime which is likely to experience the world's fastest growth rate for radio, up by 21.9% each year on average through 2016.

Outdoor advertising is growing rapidly as well, of course. Although Japan - and increasingly China - are known for digital out-of-home displays - the overall region is critical to global growth, as six of the ten fastest growing global outdoor markets are within the region, due in large part to the ease with which new inventory - digital and traditional alike - can be created to satisfy a vast range of price points for advertisers of all sizes.

5-year growth rates for advertising in APAC



REGION: NORTH AMERICA

The US economy has clearly improved in 2010, but some pessimism is surfacing as we enter 2011: the Federal Reserve recently reduced estimates for 2011 GDP growth from between 3.5% and 4.2% to between 3.0% and 3.5%. In 2010, the federal government filled the spending gap left by the private sector and local governments, but a new political landscape renders a repeat of this scenario unlikely for 2011. In this environment we expect personal consumption levels below the historical trend, despite industrial production growth at heightened levels (which should occur as long as demand from abroad is sustained by a depreciating dollar). These latter two figures have been key to forecasting the US advertising economy. Much as in the US, in Canada, domestic demand is expected to decelerate. This was among the factors which led the Bank of Canada to recently reduce its real GDP forecast to 3% in 2010 and 2.3% in 2011, down from prior forecasts of 3.5% and 2.9%, respectively, made during the summer. Economic conditions in both countries should consequently constrain advertising growth trends relative to similar points in time in previous economic recoveries.

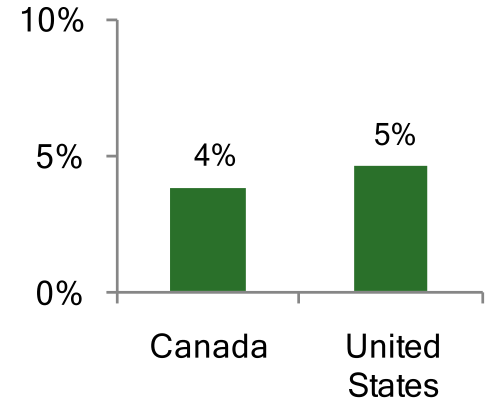
Under our definition of Core media advertising revenue (which differs from the Total media advertising definition we use in our US-only forecasts, differing by inclusion of Directories and Direct Mail), we expect that US advertising will grow by 2.4% in 2011. But normalizing these results to account for the impact of political and Olympic advertising (which skews reported growth rates substantially), US advertising should grow by 3.9% for the year, very much in line with the 3.7% growth rate we expect for Canada.

Among major media platforms in North America, online advertising will grow fastest in 2011, up by 11.6% for the year. Paid Search is the largest segment of online advertising now, worth $15.0 billion during 2011. The medium continues to be driven by activity from small and mid-sized enterprises as well as online endemics, whose businesses are rooted in e-commerce. Online video and mobile are two nascent categories of media now coming into their own, with $1.8 billion and $624 million in advertising revenues, respectively, for 2011. The US accounts for virtually all of these figures, but these platforms should become comparably important in both countries over an extended time frame (by 2016, online video should equate to approximately 5% of the total volume of TV advertising revenue in each country). Mobile advertising has finally had the breakthrough year that many industry observers were long expecting, and interest in the medium has never been higher among advertisers. The increasing - although still, ultimately, limited - penetration of tablet devices has been a key catalyst. Although much of the money directed to mobile advertising will be used to sponsor conventional mobile web content, the creation of new apps by publishers and advertisers will likely be the primary source of growth for the medium, as the best way to target prospective users of mobile services will likely be through mobile advertising. By 2016, mobile advertising revenues should equate to 4.7% and 3.7% of total online advertising, in each of Canada and the US, respectively.

Conventional television has proven to be remarkably robust in the United States as advertisers have re-concentrated budgets on the medium. Excluding the impact of political and Olympic advertising, TV advertising would be up by 5.7% in 2011, after a year of growth of 8.2% during 2010. Canada's TV sector is growing at a more moderate pace, with 3.8% growth expected in 2011 after gaining 4.7% during 2010. In both countries, pay TV-related advertising ("cable" in the United States, and "specialty channels" in Canada) are far outpacing growth of free-to-air broadcast TV advertising.

Print will remain challenged in North America for reasons common to publishers all around the world, with an eroding readership base and the medium's legacy advertisers looking for other means to accomplish objectives. Radio will similarly experience tepid growth in years ahead, but we expect some divergence between outdoor advertising growth rates in Canada and the US. Sustained format innovation – and advertiser interest in many of the related, creative executions associated with the evolving outdoor sector – should contribute to higher growth levels south of the border.

5-year growth rates for advertising in North America



Our updated industry models with country-specific and global data sets are now available.
Please contact MAGNAGLOBAL for additional details.

globalforecasting@magnaglobal.com
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