

PRESS RELEASE

Embargoed until 0900 GMT, Monday 3 December 2007

Global ad market to accelerate in 2008 despite credit squeeze

- ZenithOptimedia predicts global ad expenditure to grow 6.7% in 2008, up from 5.3% this year, thanks to the Olympic Games, elections in the US, and European football
- Developing markets have taken over as the main contributors to global growth, compensating for slow growth in developed markets
- By 2010 China will be the fourth-largest advertising market, and Russia will be sixth
- Between 2007 and 2010 internet adspend will grow 69% and raise its market share from 8.1% to 11.5%
- In 2010 the internet will overtake magazines to become the world's third-largest advertising medium

Advertising expenditure by region

Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
US\$ million, current prices. *Currency conversion at 2006 average rates.*

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| North America | 182,584 | 187,226 | 194,972 | 201,094 | 207,458 |
| Western Europe | 102,442 | 107,427 | 112,631 | 117,873 | 123,893 |
| Asia Pacific | 88,913 | 94,222 | 102,683 | 108,735 | 116,570 |
| Central & Eastern Europe | 23,831 | 28,188 | 32,979 | 38,067 | 43,188 |
| Latin America | 20,619 | 22,273 | 23,924 | 25,438 | 26,783 |
| Africa/M. East/ROW | 13,722 | 15,784 | 18,380 | 21,492 | 24,876 |
| World | 432,111 | 455,119 | 485,570 | 512,700 | 542,768 |

Source: ZenithOptimedia

**Major media (newspapers, magazines, television, radio, cinema, outdoor, internet)
Year-on-year change (%)**

| | 2006 v 05 | 2007 v 06 | 2008 v 07 | 2009 v 08 | 2010 v 09 |
|--------------------------|------------|------------|------------|------------|------------|
| North America | 5.3 | 2.5 | 4.1 | 3.1 | 3.2 |
| <i>of which USA</i> | 5.2 | 2.5 | 4.1 | 3.0 | 3.0 |
| Western Europe | 5.1 | 4.9 | 4.8 | 4.7 | 5.1 |
| Asia Pacific | 6.1 | 6.0 | 9.0 | 5.9 | 7.2 |
| Central & Eastern Europe | 18.1 | 18.3 | 17.0 | 15.4 | 13.5 |
| Latin America | 11.9 | 8.0 | 7.4 | 6.3 | 5.3 |
| Africa/M. East/ROW | 26.3 | 15.0 | 16.4 | 16.9 | 15.7 |
| World | 6.9 | 5.3 | 6.7 | 5.6 | 5.9 |

Source: ZenithOptimedia

ZenithOptimedia forecasts global ad expenditure to grow 6.7% in 2008, up from 5.3% in 2007. While the credit squeeze is dampening economic growth around the world, we do not expect the ad market to follow suit, for several reasons.

Unlike in the periods leading up to the last two ad recessions, advertisers have not been increasing their budgets faster than warranted by economic growth. Instead, over the last few years ad expenditure has roughly tracked the economy, and has remained at 0.92%-0.93% of GDP. Before the last two recessions this proportion increased rapidly and peaked at 1.08% (in 1989) and 1.06% (in 2000).

The last ad recession also followed a period of heavy, one-off expenditure by dotcom and telecoms companies convinced that all they needed to do was establish their brands, and profits would inevitably follow. These companies spent their investment capital on advertising instead of building up their business, and when the inevitable crash came this money disappeared for good. There are now lots of dotcom start-ups seeking investment capital again, leading some to worry whether this is another bubble. If it is, it won't have the same effect on the ad market. Most of them are basing their business model on selling advertising: instead of adding demand for advertising space, they are increasing its supply.

The housing downturn and credit squeeze will certainly hit property and finance advertising in advanced economies like the US. But the ad market will be boosted by US\$6 billion in spending from the 'quadrennial events' in 2008: US\$3 billion from the Olympics, US\$2 billion from the Presidential and congressional elections in the US, and US\$1 billion from the European football tournament Euro 2008. The quadrennial accounts for almost all of the acceleration in 2008: without it, growth would remain flat at 5.4%.

But perhaps most significantly, weakness in developed markets no longer guarantee a global downturn, since developing markets have taken over as the biggest contributors to adspend growth. North America is growing at a disappointing 3%-4% a year, Western Europe is growing at 5% a year, and Japan is barely growing at all (0%-2% a year over our forecast period). By contrast, developing markets (by which we mean all markets outside North America, Western Europe and Japan) are growing at double-digit rates. Between 2007 and 2010 we forecast developing markets to add an extra US\$49.5 billion to the world ad market, while the developed markets add US\$37.5 billion. We expect developing markets to contribute 26% of global adspend in 2007, and 31% in 2010.

**The ten fastest-growing ad markets
Growth in adspend (%)**

| | 2010 v 07 |
|----------------------|------------------|
| Kazakhstan | 155.2 |
| Belarus | 101.8 |
| Serbia | 101.1 |
| Egypt | 100.1 |
| Russia | 90.2 |
| Moldova | 89.6 |
| Indonesia | 85.4 |
| United Arab Emirates | 84.6 |
| Ukraine | 77.8 |
| Pan Arab | 75.0 |

Source: ZenithOptimedia

Many of the fastest-growing countries are essentially new advertising markets where adspend is growing from a very low base. Russia's ad market is likewise relatively new, but this growth is far from coming from a low base. Russia is currently the 14th-largest ad market in the world, and we expect it to rise to sixth by 2010. That year we also expect China to overtake Germany to become the fourth-largest ad market.

Global advertising expenditure by medium

US\$ million, current prices Currency conversion at 2006 average rates.

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------|----------------|----------------|----------------|----------------|----------------|
| Newspapers | 123,031 | 124,047 | 127,366 | 130,955 | 134,829 |
| Magazines | 52,959 | 54,393 | 56,427 | 58,518 | 60,588 |
| Television | 160,356 | 168,359 | 180,335 | 189,110 | 198,894 |
| Radio | 35,347 | 36,472 | 37,782 | 39,437 | 41,032 |
| Cinema | 1,870 | 1,984 | 2,180 | 2,414 | 2,691 |
| Outdoor | 23,516 | 25,126 | 27,145 | 29,099 | 31,249 |
| Internet | 27,185 | 35,999 | 44,583 | 51,963 | 60,888 |
| Total * | 424,264 | 446,381 | 475,818 | 501,496 | 530,171 |

Source: ZenithOptimedia

* The totals here are lower than the totals in the 'Advertising expenditure by region' table above, since that table includes total adspend figures for a few countries for which spend is not itemised by medium. That table also excludes some advertising that does not fit into the above media categories.

Share of total adspend by medium 2006-2010 (%)

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------|-------------|-------------|-------------|-------------|-------------|
| Newspapers | 29.0 | 27.8 | 26.8 | 26.1 | 25.4 |
| Magazines | 12.5 | 12.2 | 11.9 | 11.7 | 11.4 |
| Television | 37.8 | 37.7 | 37.9 | 37.7 | 37.5 |
| Radio | 8.3 | 8.2 | 7.9 | 7.9 | 7.7 |
| Cinema | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| Outdoor | 5.5 | 5.6 | 5.7 | 5.8 | 5.9 |
| Internet | 6.4 | 8.1 | 9.4 | 10.4 | 11.5 |

The internet will nearly double its share of global adspend between 2006 and 2010, at the expense of most of the other media. All media are growing, but apart from the internet, only cinema and outdoor will gain share over this period.

Internet advertising will be worth US\$36 billion this year – US\$5 billion more than we predicted in

December 2006. We forecast it to grow 24% in 2008 and 69% over the next three years, reaching US\$61 billion in 2010. We forecast the traditional media to grow 5% and 14% respectively over the same periods.

We predict internet advertising to pass three milestones over the next three years: we expect it to overtake radio advertising in 2008, to attain a double-digit share of global advertising in 2009, and to overtake magazine advertising in 2010, with 11.5% of total adspend. Even then there will remain plenty of scope for further growth. Internet advertising already takes over 15% of adspend in four markets (Denmark, Norway, Sweden and the UK). By 2010 we forecast the internet to take more than 20% in the same four markets and more than 15% of adspend in 10.

Advertising Expenditure Forecasts is published quarterly priced £395. It may be ordered in hard or soft copy from www.zenithoptimedia.com

For further information, please contact:

Jonathan Barnard

Head of Publications

Tel: +44 20 7961 1192

Fax: +44 20 7291 1199

E-mail: jonathan.barnard@zenithoptimedia.com

Anne Austin

Senior Publications Executive

Tel: +44 20 7961 1194

Fax: +44 20 7291 1199

E-mail: anne.austin@zenithoptimedia.com

ZenithOptimedia is one of the world's leading global media services agencies with 195 offices in 70 countries.

Key clients include Alcatel-Lucent, Beam Global Spirits & Wine, British Airways, Electrolux, General Mills, Giorgio Armani Parfums, Hewlett-Packard, Kingfisher, Mars, MBNA Europe, Nestlé, L'Oréal, Puma, Polo Ralph Lauren, Qantas, Richemont Group, Sanofi-Aventis, Siemens, Thomson Multimedia, Toyota/Lexus, Verizon, Whirlpool, Wyeth and Zurich.

ZenithOptimedia is committed to delivering to clients the best possible return on their advertising investment.

This approach is supported by a unique system for strategy development and implementation, The ROI Blueprint. At each stage, proprietary ZOOM (ZenithOptimedia Optimisation of Media) tools have been designed to add value and insight.

The ZenithOptimedia Village enables the widest range of communications opportunities and skills to be brought together to ensure the most powerful connections are made with consumers.

For further information on ZenithOptimedia, please contact:

Steve King

Chief Executive Officer

Tel: +44 20 7961 1046

Fax: +44 20 7961 1042

E-mail: steve.king@zenithoptimedia.com

John Taylor

Director of Client Service - Worldwide

Tel: +44 20 7961 1133

Fax: +44 20 7961 1002

E-mail: john.taylor@zenithoptimedia.com

Tim Jones

Chief Executive Officer – Americas

Tel: +1 212 859 5100

Fax: +1 212 727 9495

E-mail: tim.jones@zenithoptimedia-na.com

Philip Talbot

Chief Executive Officer – Asia Pacific

Tel: +852 2236 9080

Fax: +852 2250 9388

E-mail: philip.talbot@zenithoptimedigroup.com.hk

All our publications are available online at www.zenithoptimedia.com