

PRESS RELEASE

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Advertising boom in developing ad markets compensates for credit-crunch gloom in the West

- ZenithOptimedia downgrades 2008 ad expenditure growth in North America and Europe to 3.8% but upgrades the rest of the world to 11.1%.
- Developing market dynamism will maintain global ad growth above ten-year average despite sluggish growth in the developed world.
- Developing markets to contribute 63% of ad expenditure growth between 2007 and 2010, and increase their share of the global ad market from 27% to 33%.
- Asia Pacific to overtake Western Europe in 2010.
- Internet to account for 9.7% of world ad expenditure this year and 12.3% in 2010

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 | 181,816 | 186,667 | 193,606 | 197,921 | 202,605 |
| Western Europe | 103,576 | 108,287 | 112,559 | 117,253 | 122,249 |
| Asia Pacific | 91,811 | 98,842 | 106,980 | 113,937 | 122,520 |
| Central & Eastern Europe | 24,124 | 28,756 | 34,010 | 39,527 | 45,143 |
| Latin America | 22,725 | 25,627 | 29,025 | 31,941 | 34,540 |
| Africa/M. East/ROW | 13,480 | 16,657 | 18,715 | 21,976 | 26,063 |
| World | 437,531 | 464,837 | 494,895 | 522,555 | 553,119 |

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 | 2.7 | 3.7 | 2.2 | 2.4 |
| <i>of which USA</i> | 5.2 | 2.5 | 3.7 | 2.1 | 2.2 |
| Western Europe | 5.0 | 4.5 | 3.9 | 4.2 | 4.3 |
| Asia Pacific | 6.2 | 7.7 | 8.2 | 6.5 | 7.5 |
| Central & Eastern Europe | 18.9 | 19.2 | 18.3 | 16.2 | 14.2 |
| Latin America | 15.1 | 12.8 | 13.3 | 10.0 | 8.1 |
| Africa/M. East/ROW | 26.1 | 23.6 | 12.4 | 17.4 | 18.6 |
| World | 7.1 | 6.2 | 6.5 | 5.6 | 5.8 |

Source: ZenithOptimedia

In its first advertising expenditure forecasts of 2008, ZenithOptimedia downgrades its combined growth forecasts for North America and Western Europe this year from 4.4% to 3.8%, as the credit crunch drains consumer and business confidence. However, growth continues to strengthen elsewhere – we have increased our 2008 forecasts for the rest of the world from 10.9% to 11.1%.

The combined result is a slight downgrade of global growth from 6.7% to 6.5%, still well above the 5.0% average rate at which the global ad market has grown for the last ten years. We predict continued above-trend growth in 2009 and 2010, again thanks to dynamism in Asia Pacific, Central & Eastern Europe, Latin America and the Middle East.

Top ten contributors to global adspend growth between 2007 and 2010

| Country | Growth (US\$ million) | Growth (%) |
|--------------|-----------------------|------------|
| USA | 14,812 | 8.3 |
| China | 9,243 | 61.5 |
| Russia | 8,248 | 92.1 |
| UK | 4,541 | 19.5 |
| Brazil | 4,520 | 46.6 |
| India | 3,163 | 52.2 |
| Japan | 2,347 | 5.7 |
| South Korea | 2,095 | 21.6 |
| South Africa | 2,070 | 45.8 |
| Pan Arab | 1,987 | 54.2 |

The table above demonstrates the contribution of developing markets to the growth in global ad expenditure. China and Russia follow closely behind the US as contributors to growth over the next three years, even though China's ad market is just 8% of the size of the US ad market, and Russia's is 5%. Brazil's contribution is very nearly the same as the UK's, while its ad market is less than half the size.

Between 2007 and 2010 China will rise in the rankings of the largest advertising markets from fifth to fourth; Russia will rise from eleventh to sixth; Brazil will rise from ninth to seventh; and India will rise from fourteenth to thirteenth.

Top ten advertising markets 2007

| Country | Ad expenditure (US\$ million) |
|-------------|-------------------------------|
| USA | 179,251 |
| Japan | 41,528 |
| UK | 23,320 |
| Germany | 21,676 |
| China | 15,023 |
| France | 12,881 |
| Italy | 11,227 |
| Spain | 9,847 |
| Brazil | 9,703 |
| South Korea | 9,701 |

Top ten advertising markets 2010

| Country | Ad expenditure (US\$ million) |
|-------------|-------------------------------|
| USA | 194,063 |
| Japan | 43,875 |
| UK | 27,861 |
| China | 24,266 |
| Germany | 22,678 |
| Russia | 17,205 |
| Brazil | 14,223 |
| France | 13,486 |
| Italy | 12,319 |
| South Korea | 11,796 |

We noted in our last forecast that in 2007 developing markets for the first time became the main drivers of global adspend growth. Our new forecasts emphasise this point. We now predict that developed markets (which we define as North America, Western Europe and Japan) will contribute 37% of new ad expenditure between 2007 and 2010, while developing markets (everywhere else) will contribute 63%. Over that period the proportion of global ad expenditure going to developing markets will rise from 27% to 33%, two percentage points more than we forecast back in December.

Central & Eastern Europe, Latin America and Middle East/Africa/Rest of World are all growing at double digit annual rates. Asia Pacific is growing rather less rapidly, because it includes Japan, which is barely growing at all. Excluding Japan, the region grew 13% in 2007, and we expect it to grow by 9%-13% a year to 2010. We predict that Asia Pacific (including Japan) will overtake Western Europe to become the second-largest advertising region in 2010.

Global advertising expenditure by medium

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

| | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------|----------------|----------------|----------------|----------------|----------------|
| Newspapers | 122,795 | 125,030 | 126,327 | 127,583 | 130,070 |
| Magazines | 53,795 | 55,437 | 57,151 | 59,338 | 61,566 |
| Television | 161,633 | 171,823 | 184,212 | 193,673 | 204,559 |
| Radio | 35,834 | 37,251 | 38,587 | 39,927 | 41,246 |
| Cinema | 1,882 | 2,013 | 2,197 | 2,410 | 2,700 |
| Outdoor | 26,802 | 28,952 | 31,676 | 34,475 | 37,330 |
| Internet | 28,818 | 37,795 | 47,544 | 57,106 | 66,903 |
| Total * | 431,561 | 458,301 | 487,695 | 514,512 | 544,375 |

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 | 28.5 | 27.3 | 25.9 | 24.8 | 23.9 |
| Magazines | 12.5 | 12.1 | 11.7 | 11.5 | 11.3 |
| Television | 37.5 | 37.5 | 37.8 | 37.6 | 37.6 |
| Radio | 8.3 | 8.1 | 7.9 | 7.8 | 7.6 |
| Cinema | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| Outdoor | 6.2 | 6.3 | 6.5 | 6.7 | 6.9 |
| Internet | 6.7 | 8.2 | 9.7 | 11.1 | 12.3 |

Once again we have substantially increased our forecasts for internet advertising as it has continued to exceed our expectations. By 2010 we now forecast internet ad expenditure to reach US\$67 billion (up from US\$61 billion in our last forecast), and account for 12.3% of the ad market (up from 11.5%). Online video and local search are now generating substantial new revenues; in the slightly longer term we expect behavioural targeting on social networking sites to provide fruitful new opportunities to advertisers.

Some of the internet's growth is coming at the expense of newspapers, which we expect to grow only 4% over our forecast period. After adjusting for inflation, this equates to a 5% decline in expenditure. We count advertising on newspapers' websites as internet advertising, and this is helping newspaper publishers claw back some of their lost revenue.

Cinema and outdoor are the only media apart from the internet to be gaining market share. Cinema is growing rapidly in the US, where it is still quite new, and is benefiting from the spread of digital distribution technology, which is reducing production costs and allows advertisers to run time-sensitive campaigns and target local areas more easily. Digital technology is likewise enhancing the value of outdoor to advertisers, as is contractors' investment in research and improvement of non-digital displays.

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 AlcatelLucent, Beam Global Spirits & Wine, British Airways, Darden Restaurants, 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.

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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@zenithoptimediagroup.com.hk

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