Interactive Advertising Outlook 2009

A Report to the JP Morgan Chase Virtual Advertising Summit

Cyberspace, New York
January 26, 2009

IAB's Mission Remains…

GROWTH

The Interactive Advertising Bureau is dedicated to the growth of the interactive advertising marketplace, of interactive's share of total marketing spend, and of our members' share of total marketing spend.

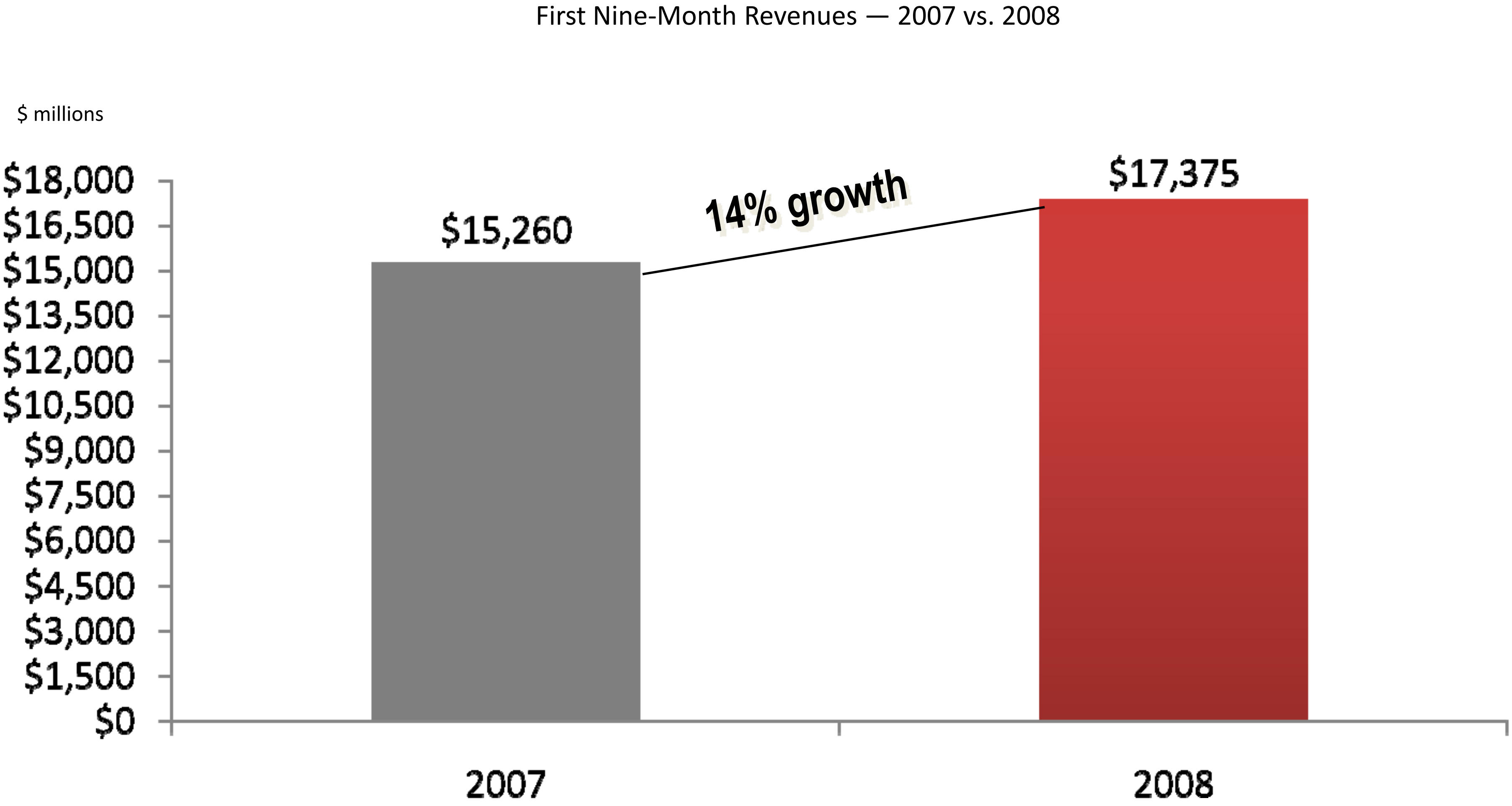
Our ~400 Members Represent 86% of Measured U.S. Interactive Advertising Revenues

Membership Sample

2009 Themes

- Interactive continues to grow despite strong economic headwinds
- Medium girded by its breadth of options, from above-the-line to below-the-line
- Consumers increasingly embracing digital media in all forms
- Share shift by marketers from offline to online to tap into the variety, reach, targetability, and effectiveness of interactive media
- Emerging platforms provide new opportunities for marketers to engage and learn from their customers

2008 First Nine-Month Revenues Totaled Over $17 Billion



Source: IAB Internet Advertising Revenue Report, 2008 Second-Quarter and First Six-Month Results October 2008, and Q3 November 2008 combined

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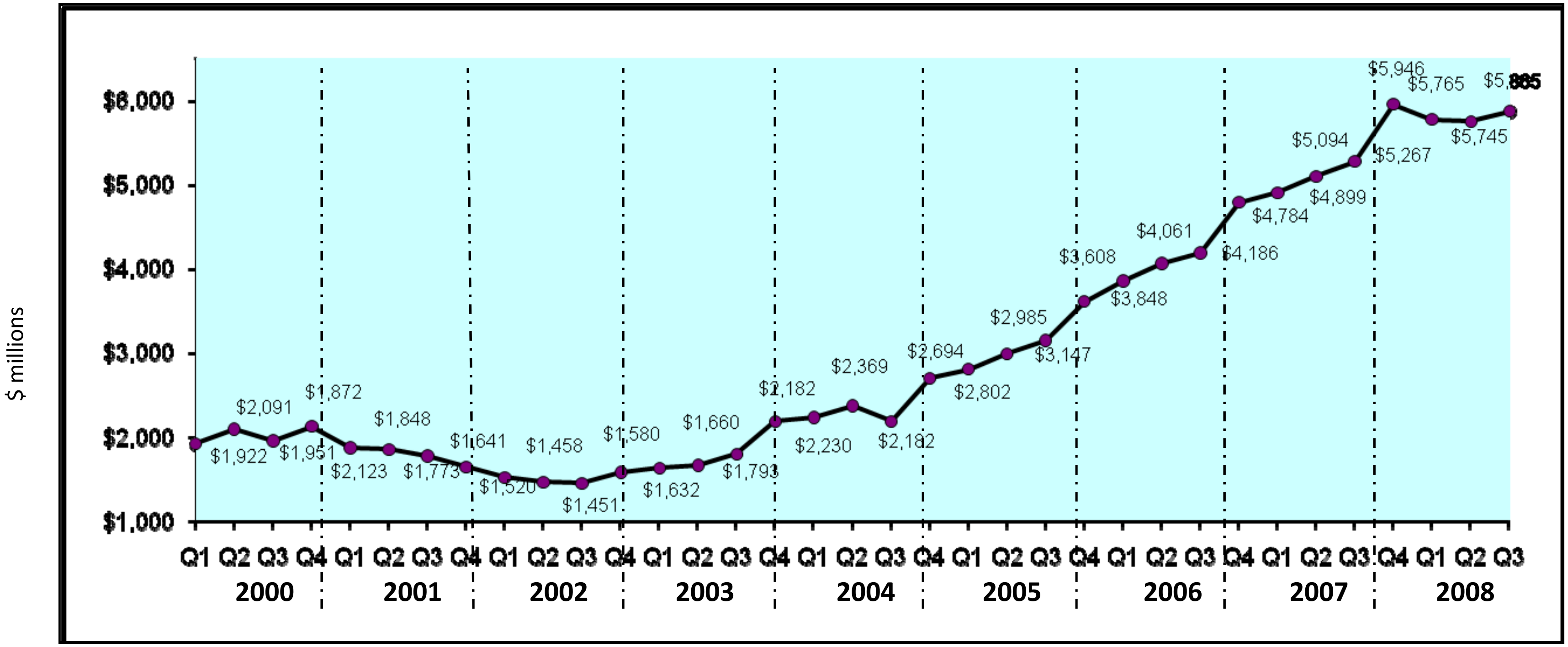
Historical Quarterly Revenue Trends

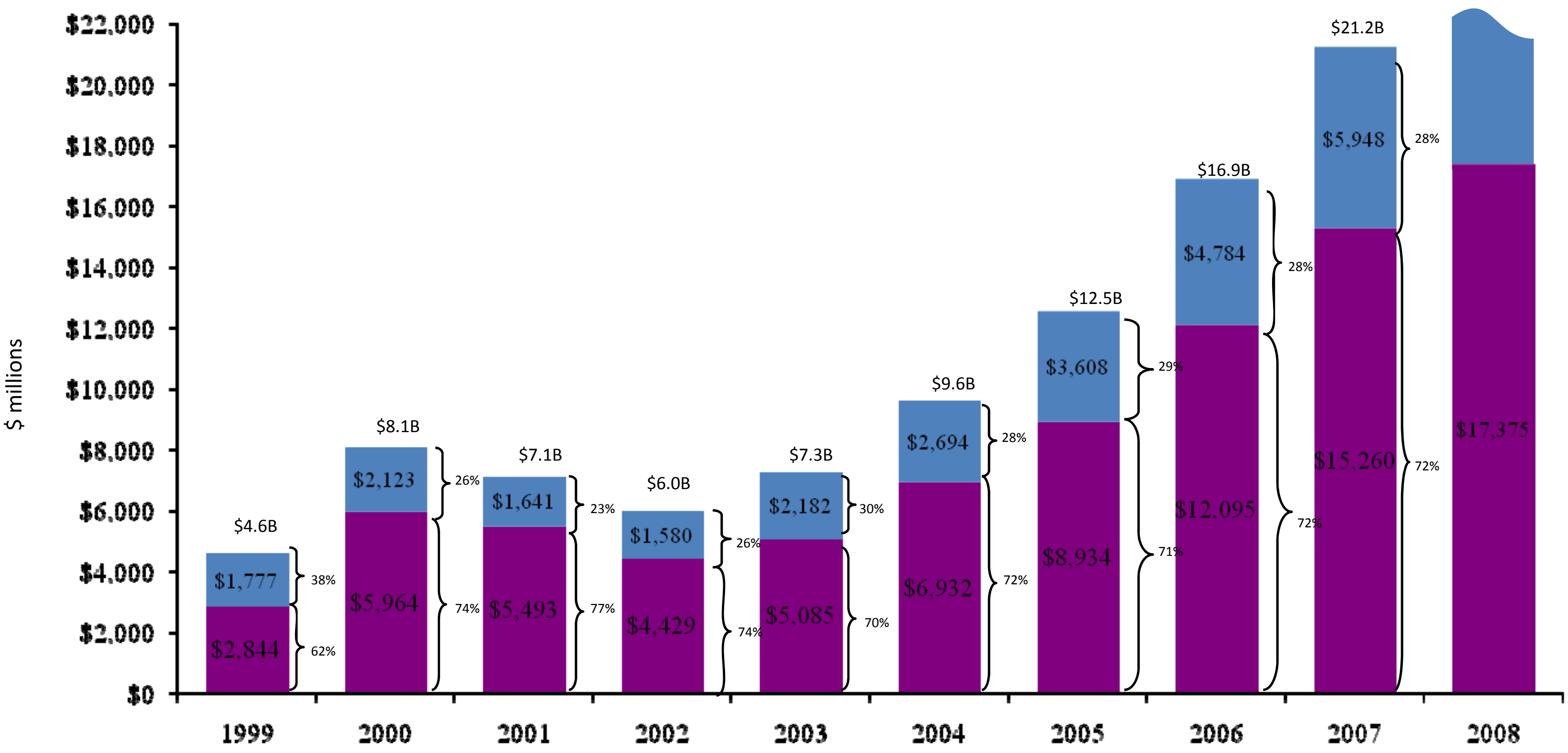
Since the third quarter of 2002, revenues have increased 21 of the past 24 consecutive quarters. Quarterly Revenue growth remains strong on a cumulative year-over-year percentage and dollar basis.

Quarterly $ Revenue Growth Comparisons — 2000-2008 YTD



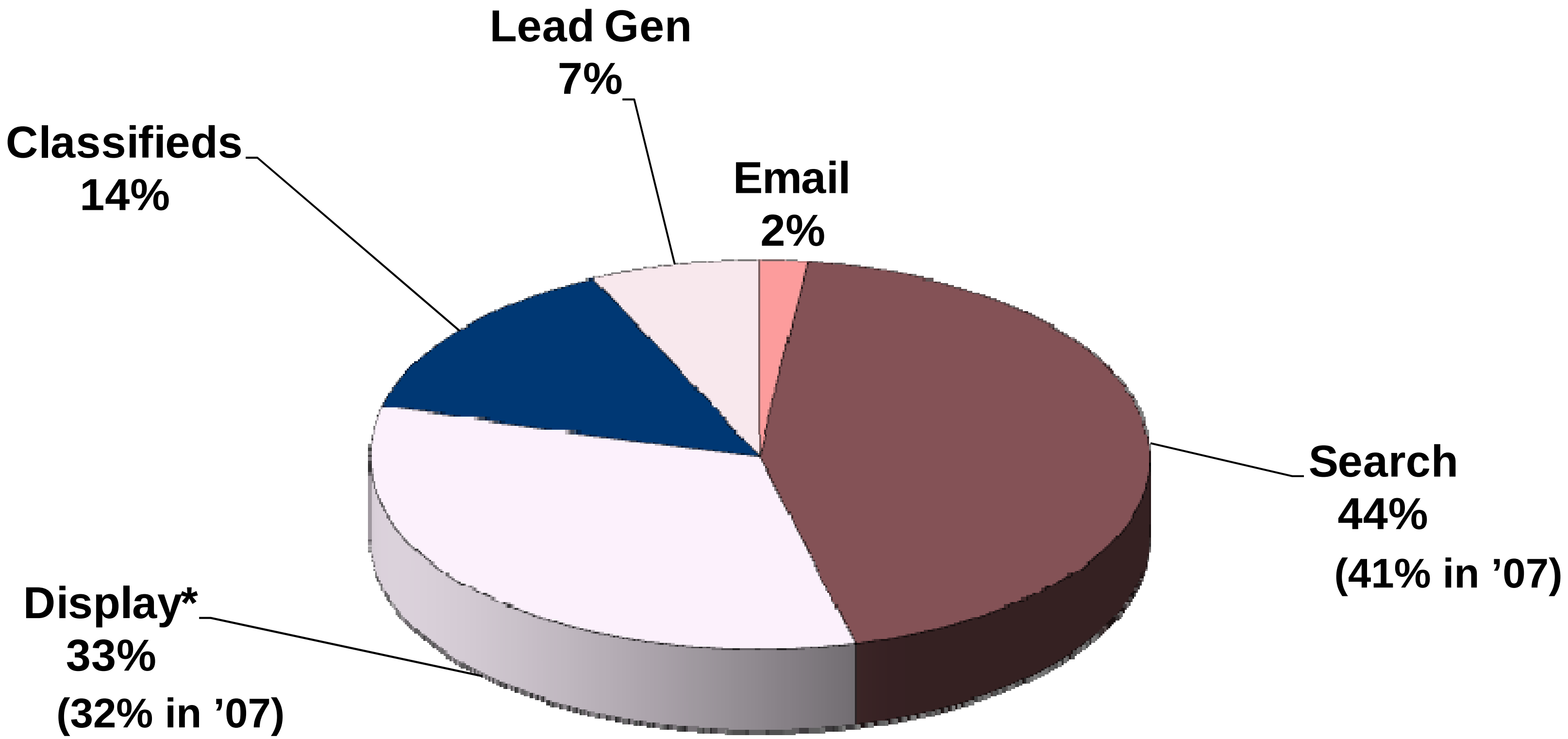
Source: IAB Internet Advertising Revenue Report, 2008 Second-Quarter and First Six-Month Results, October 2008

Seasonal Trends Relatively Strong Through First 9 months



Source: IAB Internet Advertising Revenue Report, 2008 Second-Quarter and First Six-Month Results, October 2008

YOY % Search & Display Spend Grow



2008 First Six-Month Revenues: $11.5 Billion

Source: IAB Internet Advertising Revenue Report, 2008 Second-Quarter and First Six-Month Results, October 2007, 2008

** Display-related advertising includes Display Banner Ads, Rich Media, Digital Video and Sponsorship*

Interactive is the fastest-growing *display* medium

Percentage Change in Measured Ad Spending:
Jan-Sept 2008 vs. Jan-Sept. 2007.

Media Sector	**Percentage Change**
Television Media	2.1%
Magazine Media	-3.9%
Newspaper Media	-10.0%
Internet (Display Ads Only)	**7.0%**
Radio Media	-8.8%
Outdoor	-0.5%
FSIs	0.9%
Total	-1.7%

Source: "TNS Media Intelligence Reports U.S. Advertising Expenditures Declined 1.7 Percent in First Nine Months of 2008 ," TNS Media Intelligence Press Release, Dec. 11, 2008. Note TNS does not track search advertising revenue. URL: http://www.tns-mi.com/news/12112008.htm

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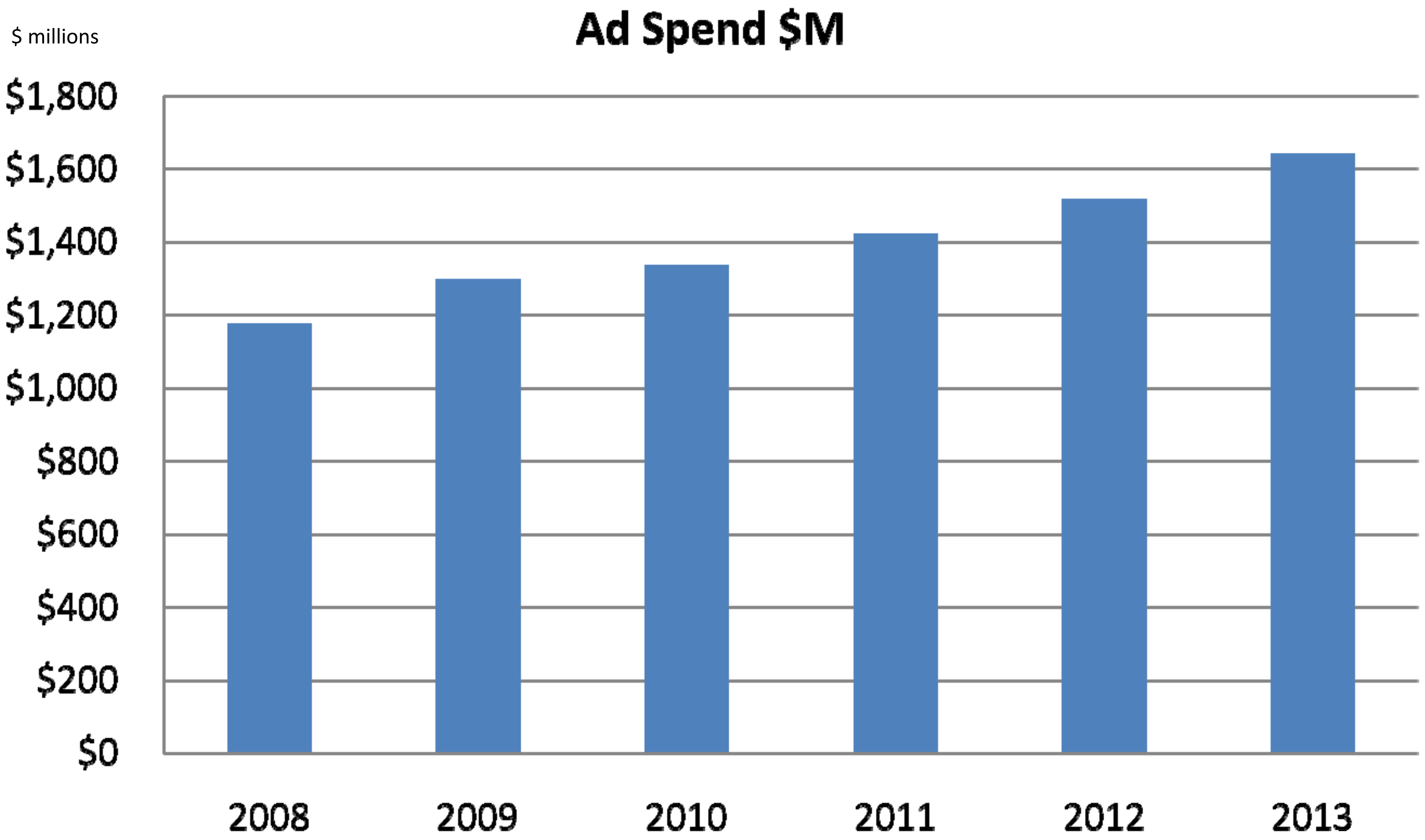
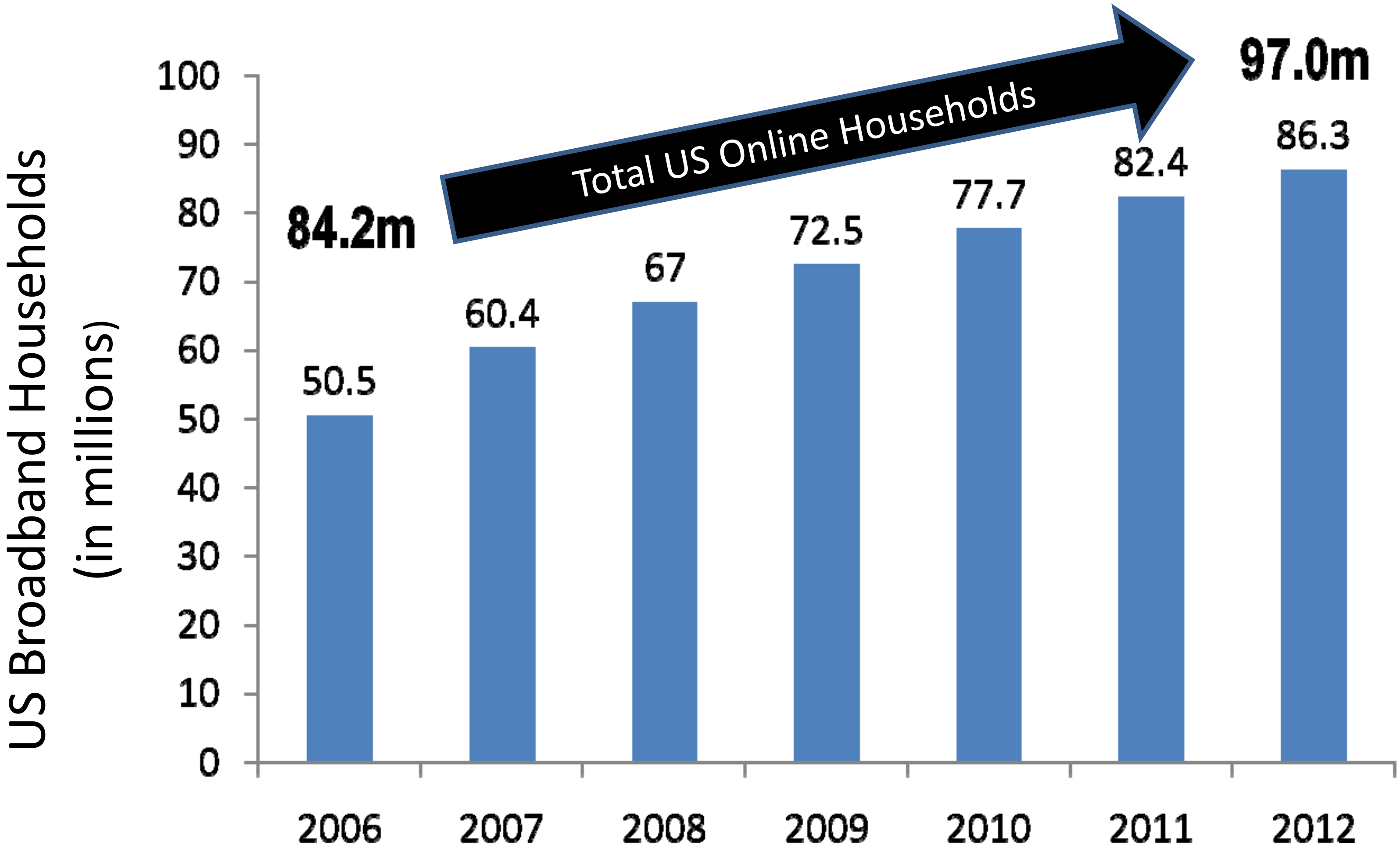
US Online Social Network Ad Spending Projected to Grow



Source: eMarketer, December 2008

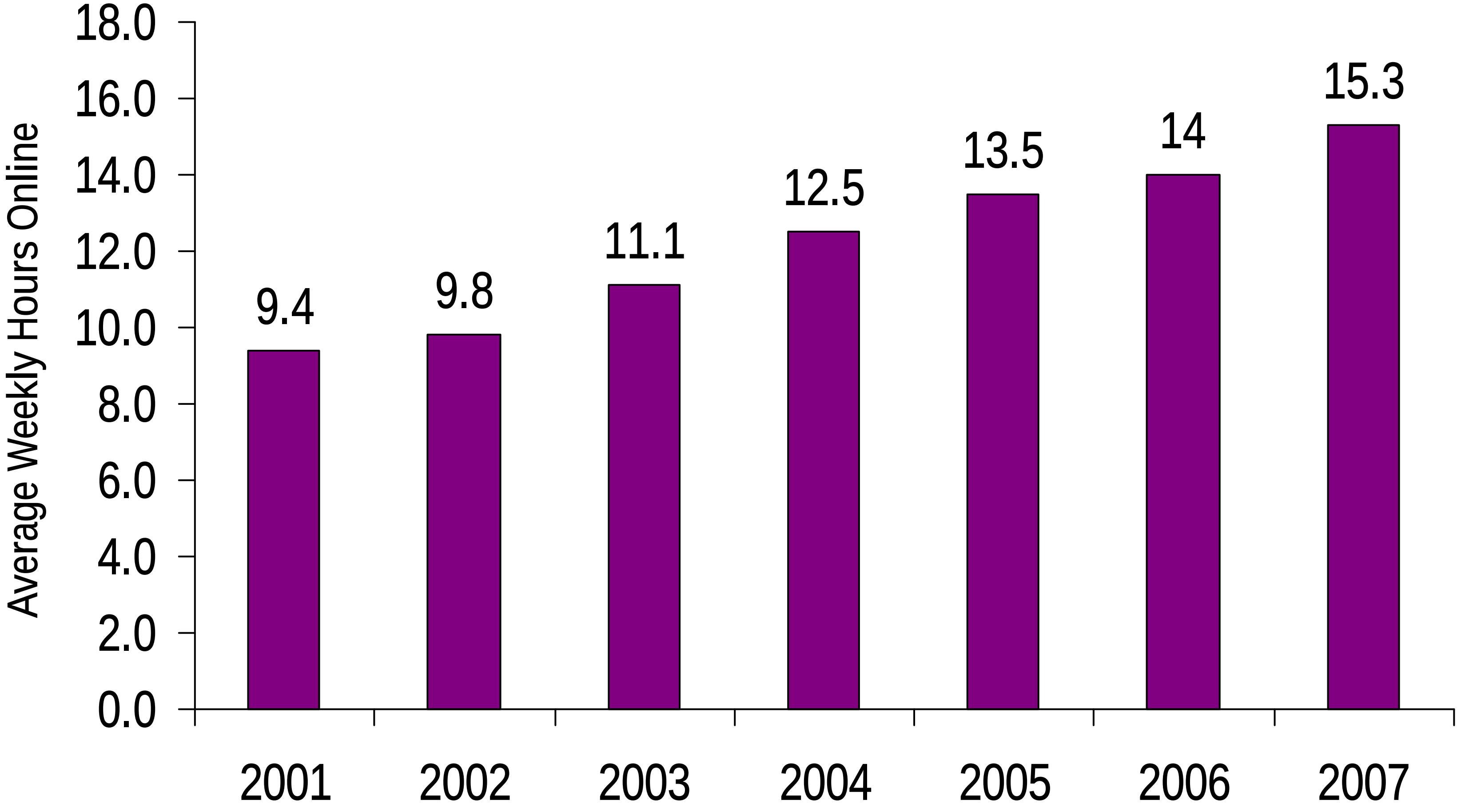
Key Growth Drivers

Drivers of Interactive Ad Growth Include Rising Broadband Penetration…



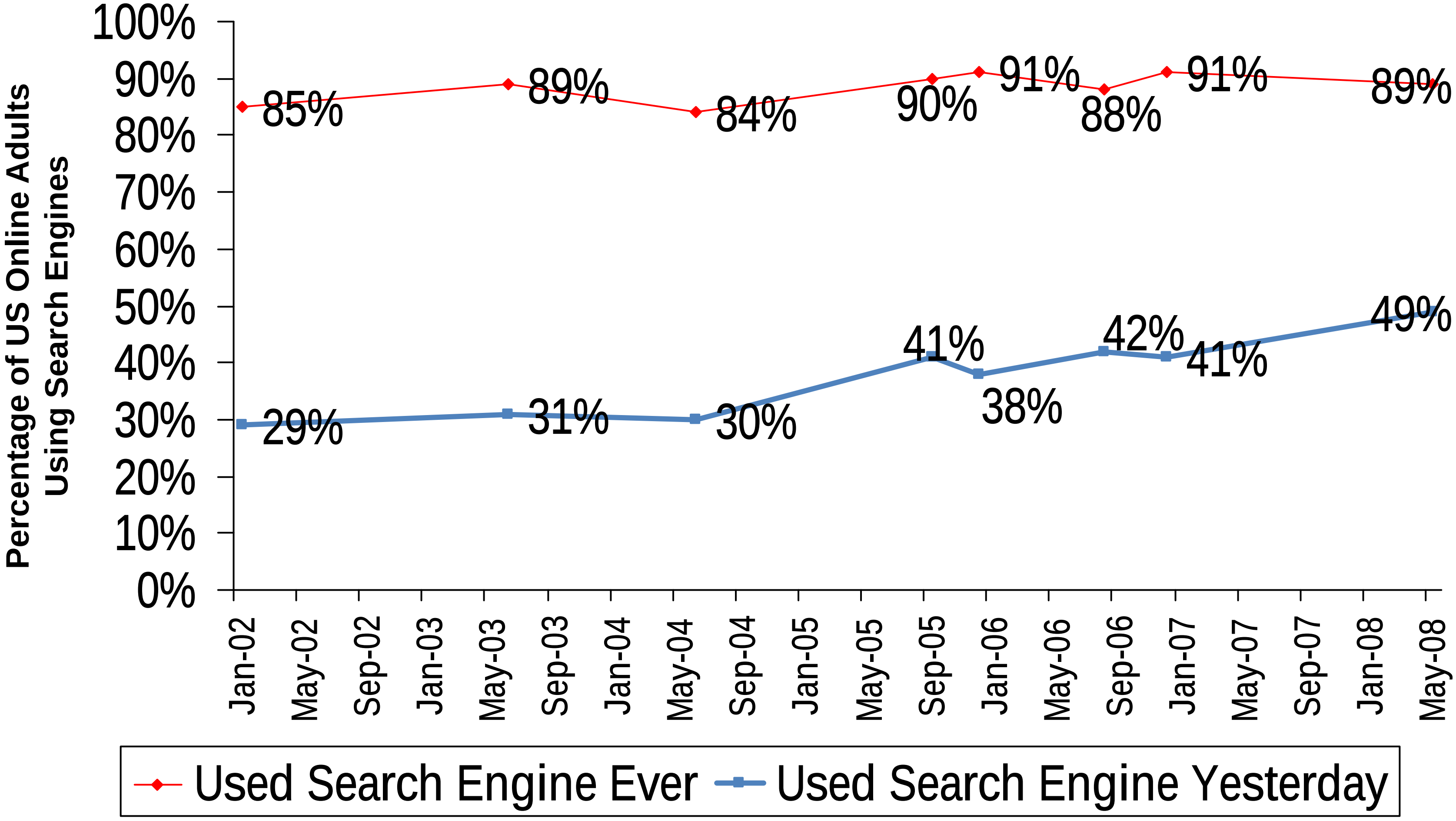
Source: JupiterResearch Internet Access Model, 3/07 (US Only)

Consumers Time Spent Online Keeps Increasing



Source: USC Annenberg School Center for the Digital Future, The 2008 Digital Future Report, and previous Digital Future Report releases.

Search Is Now Habitual



Source: "Almost Half of All Internet Users Now Use Search Engines on a Typical Day," Pew Internet & American Life Project Data Memo, August 6, 2008 Link: http://www.pewinternet.org/PPF/r/258/report_display.asp

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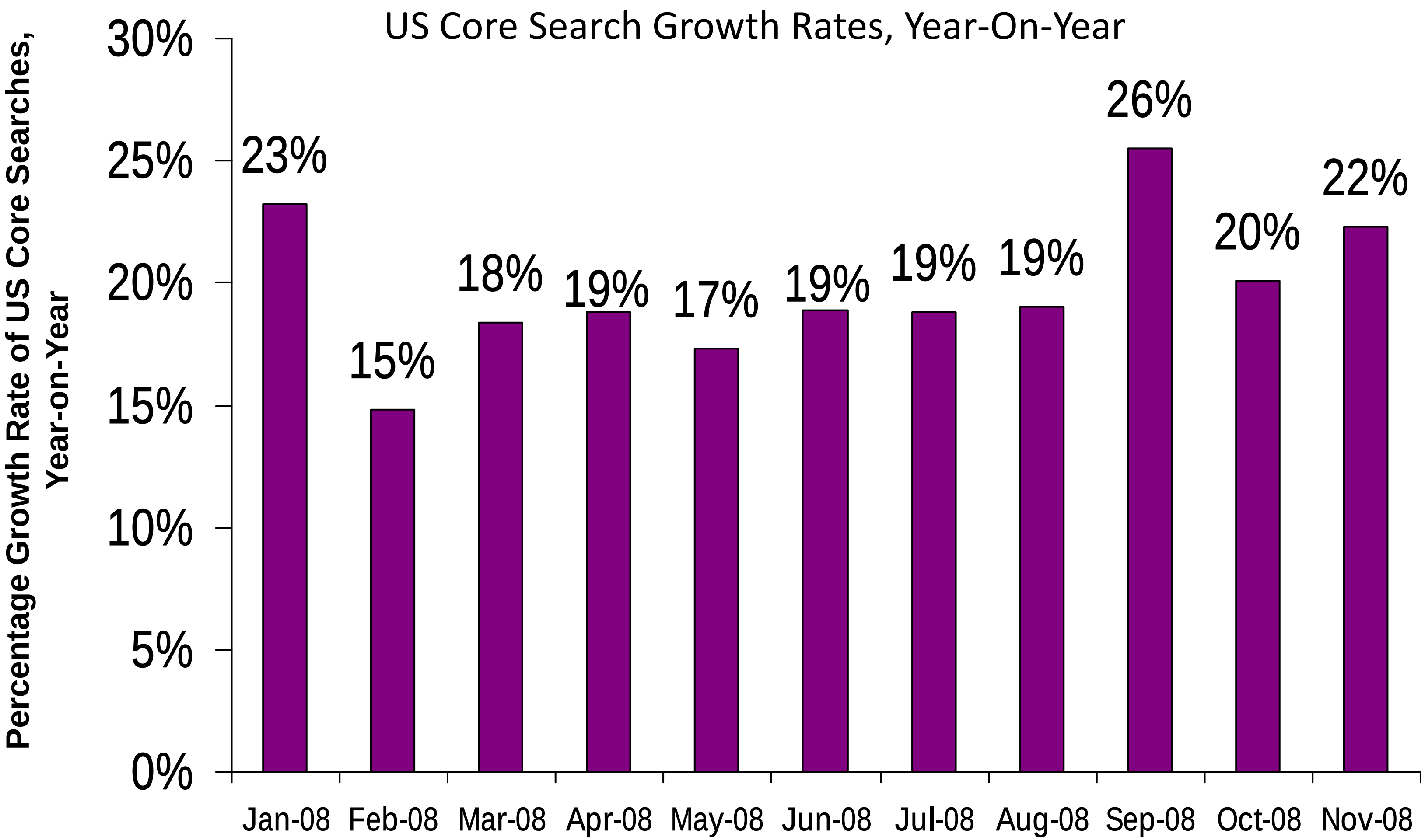
During 2008, US Search Volumes Grew by 15-26% Each Month



Source: comScore qSearch, quoted in "ComScore: YouTube Now 25 Percent of All Google Searches," TechCrunch, Dec. 18, 2008, http://www.techcrunch.com/2008/12/18/comscore-youtube-now-25-percent-of-all-google-searches/

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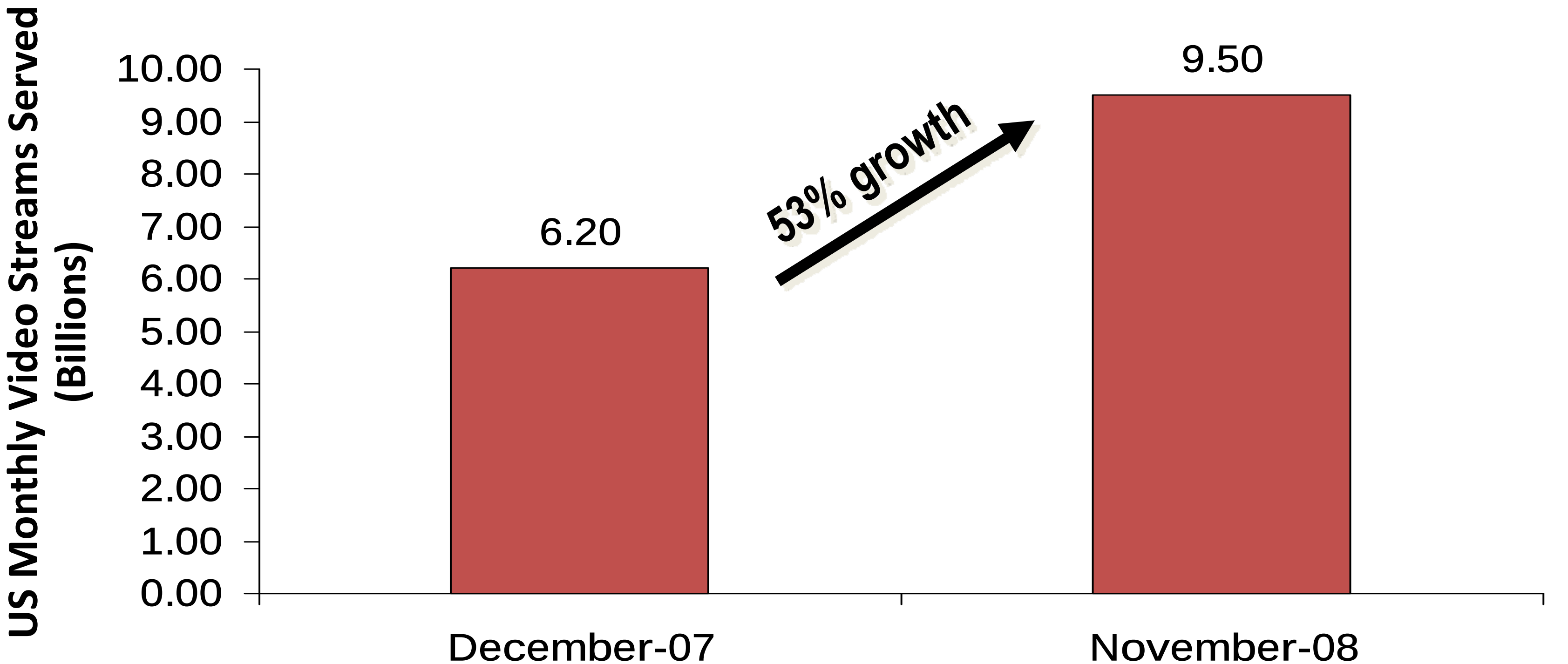
Digital Video Is Now a Mainstream Medium



Key November 2008 Data (Nielsen):
Streams Served: 9.5 billion
Unique Viewers: 124.3 million
Streams/Viewer: 76.8 streams
Time per Viewer: 177.9 minutes

Source: "Nielsen: 9.5B Video Streams in November," NewTeeVee.com, Dec. 30, 2008; "Nielsen Online's VideoCensus: Networks Failing To Reach Men Online," MediaPost Onlline Media Daily, Feb. 15, 2008.

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Smartphones Are Unleashing Mobile's Potential

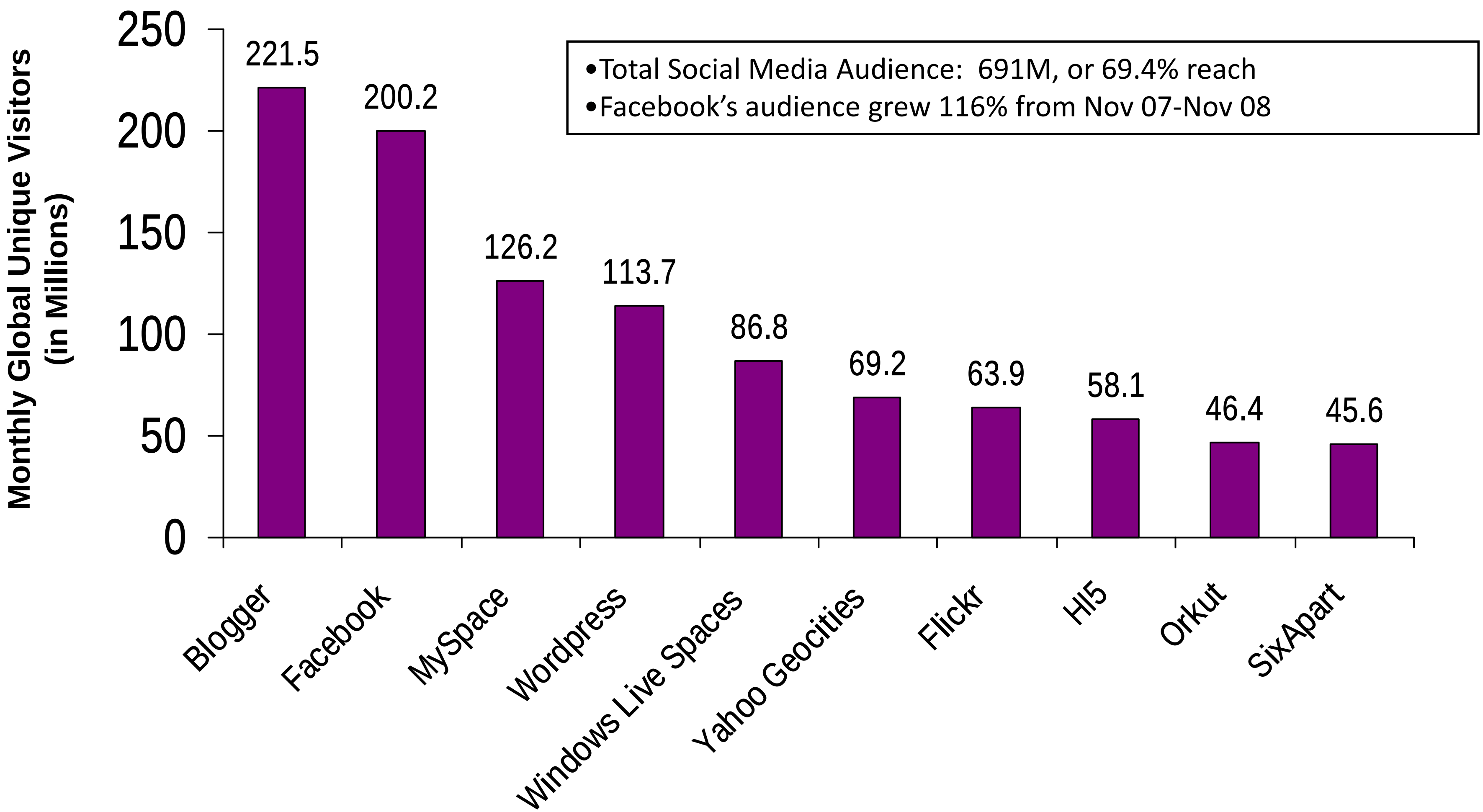
As of 2Q 2008, in the US:

- More than 26 million mobile subscribers use a smartphone device
- Smartphones represent 16% of recent mobile device acquisitions
- 57% of smartphones are acquired by personal users
- 30% of smartphone users are likely to upgrade their device in the coming year

Source: "Nielsen Proivdes iPhone 3G and Smartphone Statistics," Nielsen Mobile Press Release, October 16, 2008. URL: http://www.nielsenmobile.com/html/press%20releases/iPhone3GandSmartphoneStats.html

Social Media Sites Already Exceed Television's Reach

Worldwide Audience for Top 10 Social Media Sites, November 2008



Source: comScore as reported in "Top Social Media Sites of 2008 (Facebook Still Rising)," TechCrunch, Dec. 31, 2008.

Consumers want the Internet to be ad-supported

- For both mobile and PC video, 70% of consumers prefer ad-supported models over consumer-paid models. (*IBM study across 6 major international markets*)

- 67% of US consumers ages 25-34 and 75% of consumers aged 13-24 would "be willing to be exposed to online ads in exchange for free content." 66% of all Internet users would click on more online ads if they were better targeted to them. (*Deloitte*)

Source: "IBM Study Shows Consumers Will Accept New Forms of Advertising If Companies Follow Their Rules," IBM Press Release, Nov. 17, 2008, URL: http://www-03.ibm.com/press/us/en/pressrelease/26077.wss; Deloitte Study quoted in "Survey: More online ads, free content," Forbes, December 26, 2007, link: http://techland.blogs.fortune.cnn.com/2007/12/26/survey-more-online-ads-free-content/

Challenges

- Measurement standardization/simplification
- Cross-media measurement
- Antiquated media-mix modeling
- Overuse/misapplication of DR standards and methodologies
- Creative shabbiness