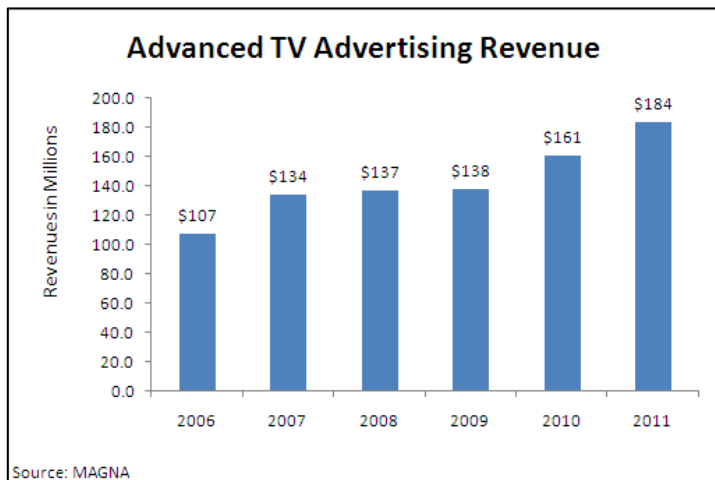




ADVANCED TV ADVERTISING FORECAST – MAY 2009

A missed opportunity for many years, Advanced TV advertising in the United States is poised to generate modest growth starting in 2010 as key sources of industry hope to gain traction. Although industry participants are hopeful that Canoe and other inventory / infrastructure aggregators can catalyze the sector, the industry has struggled so far to establish efficient ways to buy Advanced TV on a meaningful scale. In this environment, we expect virtually flat growth in 2009 that may lead to double digit gains as infrastructure and inventory come together through 2010, by which point we expect \$168 million in total Advanced TV advertising.



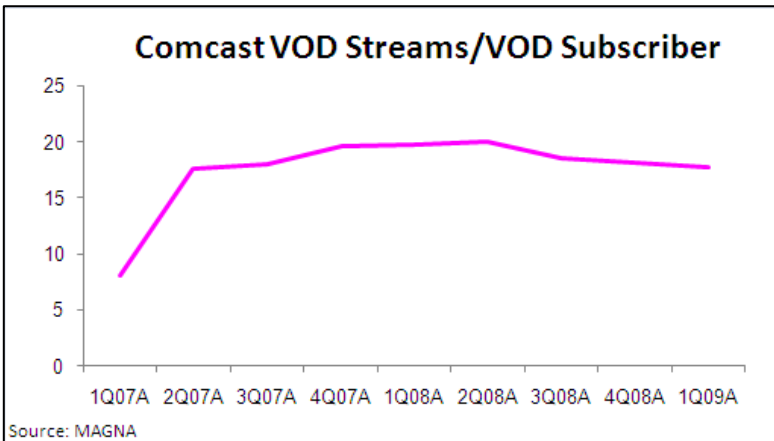
Our definition of Advanced TV advertising includes Video on Demand (VOD), requests for information (RFIs), long-form showcases, DVR advertising, interactive program guide advertising, addressable advertising, creative versioning and advanced trafficking systems. With such a wide variety of approaches, Advanced TV is similar to mobile advertising in that it reflects a collection of widely varying media types all centered around one key consumer device. The medium is similarly challenged by the balkanized nature of the cable and satellite industry's advertising infrastructure. This produces a chicken-and-egg problem of limited

media investment without better infrastructure and content, but limited infrastructure and content without more media investment.

Unfortunately for Advanced TV, VOD is similar to online video in that it can involve pro-active consumer viewing of traditional TV creative assets. Consequently, with many years spent to promote the value of VOD, but no way for it to be efficiently sold, online video has had a ready market of advertising dollars to tap into as the infrastructure



and content were in place to capitalize on interest in marketing alongside novel forms of video. However, Advanced TV has a key advantage over online video, at least for advertisers requiring scale in the sheer volume of passive, conventional TV consumption among the population-at-large, which we estimate as accounting for 244



times the volume of professional programming consumed online. VOD also benefits from tonnage of consumption within certain markets. Among the 17 million of its subscribers with VOD access, industry leader Comcast reports this group consumes 150 million hours of VOD content per month over approximately 300 million VOD assets. This likely equates to well over 3% of total TV viewing in the footprint, and by our estimates, accounts for approximately 18 VOD streams per VOD subscriber per month.

Given this volume, it is not surprising that VOD is still the largest component of Advanced TV advertising, accounting for about half of the total. However, we expect VOD advertising fell in 2008 and may do so again in 2009 partially due to broader economic issues, but also because of advertiser frustration around the lack of dynamic ad insertion, lead times to buy in excess of one month and limited availability of premium content assets. But VOD exists for much more than advertising, given the multi-billion dollar pay per view business and the generally positive effects on churn reduction among VOD viewers. As a result, growth in consumption can continue for the foreseeable future as increasing numbers of homes have access to VOD and premium content becomes available, but the aforementioned problems will restrain meaningful advertising growth in the years ahead.

Other approaches to Advanced TV advertising should grow enough to offset VOD weakness given latent advertiser interest in using these new technologies and workflows to drive total costs out of their television budgets. Importantly, this will hold only to the extent that technology providers can grow distribution and advertising inventory relationships with MSOs. They will concurrently need to continue securing content-insertion rights with programmers for additional opportunities to generate meaningful scale required to improve trafficking, interactivity and addressable advertising capabilities on a large scale.

Canoe is a significant wild card in our forecast, given varying logistical and political challenges. The venture, a consortium funded and organized by the industry's largest cable operators, faces meaningful challenges in coordinating technical, sales and operational staff across thousands of varying units of infrastructure. Canoe must also balance the interests of individual companies among its ownership group, which are generally synchronized at this time, but may diverge over the time it takes to assemble a unified advanced TV platform. The venture faces further challenges convincing those same programmers to divert scarce sales staffs and operational resources to



support the effort in the current economic environment. Nonetheless, we expect Canoe and related efforts to contribute modestly to overall sector growth over the next few years.

About MAGNA

MAGNA is the global media forecasting and investment strategy unit of Mediabrands. MAGNA is the foremost industry source on the ad-supported media economy, whose forecasts of advertising expenditures and industry knowledge are relied upon by Wall Street. MAGNA provides a complete market perspective, and with a unique model of flexible scale, MAGNA offers best-in-class client value and an unparalleled pricing advantage.

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