IAB Internet Advertising Revenue Report
2010 First Half-Year Results
Agenda

Survey methodology
2010 Half-year results
Half year and quarterly trends
Advertising formats
Pricing models
Industry category spending
About PwC
Survey Methodology

Survey Scope
The IAB Interactive Advertising Revenue Report is part of an ongoing IAB mission to provide an accurate barometer of Internet advertising growth.

To achieve differentiation from existing estimates and accomplish industry-wide acceptance, key aspects of the survey include:

• Obtaining historical data directly from companies generating Internet / online advertising revenues;
• Making the survey as inclusive as possible, encompassing all forms of Internet / online advertising, including web sites, consumer online services, ad networks, and email providers; and
• Ensuring and maintaining a confidential process, only releasing aggregate data.

Methodology
Throughout the reporting process, PwC:

• Compiles a database of industry participants selling Internet / online advertising revenues
• Conducts a quantitative mailing survey with leading industry players, including Web publishers, ad networks, commercial online service providers, email providers, and other online media companies.
• Acquires supplemental data through the use of publicly disclosed information
• Requests and compiles several specific data items, including revenue format, industry category, and pricing.
• Identifies non-participating companies and applies a conservative estimates based on available public sources
• Analyses the findings, identifying and reporting on key trends
1H 2010 Revenues Totaed $12.1 Billion

Online advertising revenue increased 11.3% in 1H 2010.
Second quarter revenues totaled $6.2 billion in 2010.

Revenue in Q2 2010 was 13.9% higher than in Q2 2009.
A historical perspective of internet advertising
Quarterly growth comparison, 2001–1H10

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$7,134</td>
<td>$6,010</td>
<td>$7,267</td>
<td>$9,626</td>
<td>$12,542</td>
<td>$16,879</td>
<td>$21,206</td>
<td>$23,448</td>
<td>$22,661</td>
<td>$12,127</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In billions
1H 2010 shows record revenues

Historical revenue mix, first half vs. second half

Last 6 months
First 6 months

In billions

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

$4.07 $3.41 $3.03 $3.98 $5.03 $6.76 $8.97 $11.21 $11.94 $11.76 ?

$4.01 $3.72 $2.98 $3.29 $4.60 $5.79 $7.91 $9.99 $11.51 $10.90 $12.13

PwC
Display advertising shows the strongest growth
Advertising formats – 1H 2010 results
Historical trends in internet advertising formats
Revenue share by major ad formats, 2005–1H 2010

- Search
- Display Banners
- Classifieds
- Rich Media and Digital Video
- Lead Generation
- Sponsorship

% of Total Revenues

- 2005
- 2006
- 2007
- 2008
- 2009
- 1H 2010

PwC
Pricing models shift towards performance
Internet Ad Revenues by Pricing Model

1H 2009
- Impression-based: 58%
- Performance-based: 38%
- Hybrid: 4%
Total – $10.9 billion

1H 2010
- Impression-based: 61%
- Performance-based: 35%
- Hybrid: 4%
Total – $12.3 billion
**Historical Pricing Model Trends**

Internet Ad Revenues by Pricing Model, 2005-1H 2010

Note: Pricing models definitions may have changed over time period depicted, both within the survey process and definitional by survey respondents.

PwC
Internet Ad Revenues by Major Industry Category

$23.4 B in 2008 vs. $22.7 B in 2009

<table>
<thead>
<tr>
<th>Industry Category</th>
<th>1H 2009</th>
<th>1H 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>20%</td>
<td>16%</td>
</tr>
<tr>
<td>Telecom (including ISPs)</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Financial Services</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>Automotive</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Computing</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Packaged Goods</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>Leisure Travel</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Pharma &amp; Healthcare</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Media</td>
<td>4%</td>
<td>4%</td>
</tr>
</tbody>
</table>
**PwC New Media Group**

PwC (www.pwc.com) provides industry-focused assurance, tax and advisory services for public and private clients. More than 146,000 people in 150 countries connect their thinking, experience and solutions to build public trust and enhance value for clients and their stakeholders.

PricewaterhouseCoopers’ New Media Group was the first practice of its kind at a Big Four firm. Currently located in New York, Los Angeles, Boston, Seattle and the Bay Area, our New Media Group includes accounting, tax and consulting professionals who have broad and deep experience in the three areas that converge to form new media: advanced telecommunications, enabling software and content development/distribution.

Our services include:

- Business assurance services
- Web audience measurement and advertising delivery auditing and advisory
- IAB Measurement Certification Compliance auditing
- Privacy policy structuring, attestation and compliance advisory
- Mergers & Acquisition assistance
- Tax planning and compliance
- Capital sourcing and IPO assistance
PwC New Media Group
Contacts

For information about our New Media Group, contact one of the following PwC professionals:

New York
David Silverman
Partner, Assurance Services
646.471.5421
david.silverman@us.pwc.com

New York
Russ Sapienza
Partner, Advisory Services
646.471.1517
russell.j.sapienza@us.pwc.com

New York
Jean Zhao
Senior Manager, Assurance Services
646.471.0620
jean.zhao@us.pwc.com
In closing, we would like to add...
Thank you