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More Growth for the Gross Advertising Market

German Advertising Market 2004

Munich, March 2005

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Gross advertising revenues for classic media

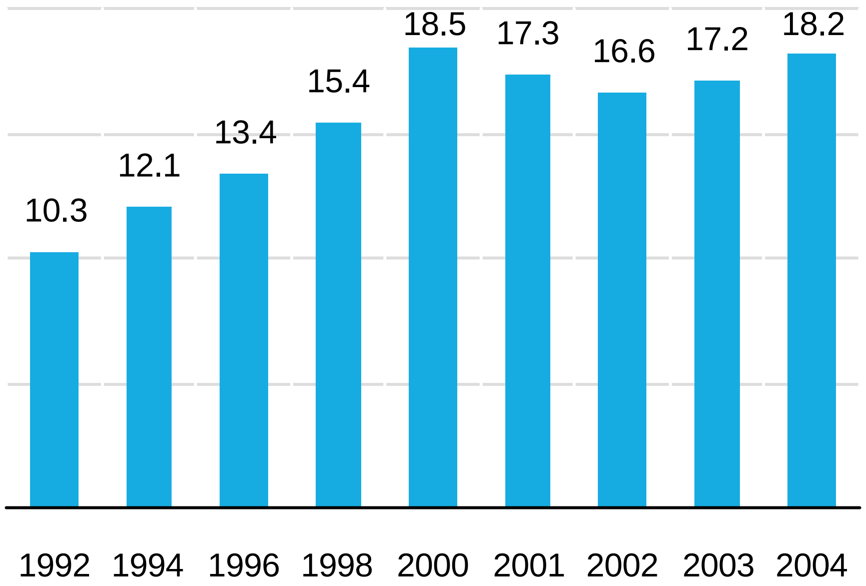
Gross advertising revenues non-classic media

Forecasts for the advertising market

2004: Upwards trend for the gross advertising market

Total gross advertising investment

In bill. EURO



The turnaround that seemed to be emerging in the general advertising market in the second half of 2003 continued in 2004.

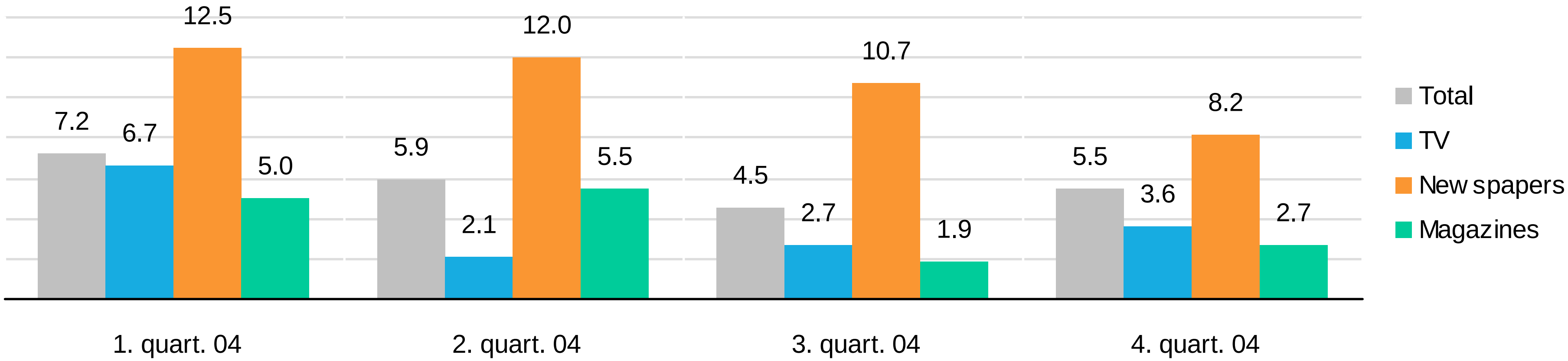
After gross advertising investments already grew by a total of 3.3 per cent in 2003 [according to the market researchers from Nielsen Media Research], they rose by another 5.8 per cent, or by EUR 989 million, to EUR 18.2 billion in 2004. This means that they approached the record level achieved in 2000.

This growth, adjusted by the new advertising media included in 2004, now amounts to a respectable 5.0 percent.

A growth in revenue for all classical media

Development advertising market 2004 by quarters

Changes vs. prior year in %



This positive development is mainly due to the 1st quarter of 2004 when advertising revenue was 7.2 percent above the figure for the previous year.
In interpreting this result it must be taken into account that the same quarter in the previous year was very weak, as a result of the tense political situation around the world [the Iraq War, terror attacks] and other factors. However, growth in the next three quarters was somewhat weaker.

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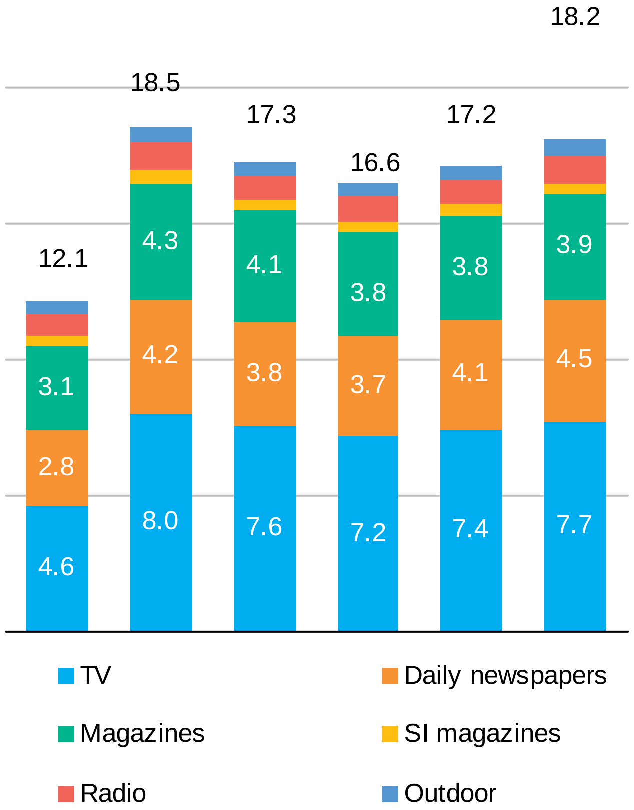
Source: Nielsen Media Research

TV also showing high advertising revenue in 2004

Advertising revenue by media

In bill. EUR



The highest advertising revenue was achieved in TV where the figure amounted to some EUR 7.7 billion. Yet the proportion of TV advertising fell slightly in comparison with the previous year [by – 0.9 percentage points to 42.5 percent].

Daily newspapers benefited from the increased advertising agility of the trading sector and among providers of financial services and, with a gain of 10.7 percent, achieved the biggest increase in advertising revenue among the classical media. On the other hand, the share of magazines fell for the third time in succession in 2004 [by – 0.4 percentage points to 21.5 percent].

Special interest magazines also recovered in 2004 after three negative years [by +2.3 percent to EUR 420 mill.]. Their share of the advertising market, however, fell, to 2.3 per cent [by –0.1 percentage points]. On the whole the print sector increased its share of the total advertising market from 48.2 per cent in the previous year to 48.8 per cent in 2004, thus continuing its upwards trend. While the radio advertising business slightly increased its share of the general advertising market [by +0.2 percentage points to 5.6 percent], the share of posters remained at the same level as in the previous year at 3.1 percent.

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Source: Nielsen Media Research

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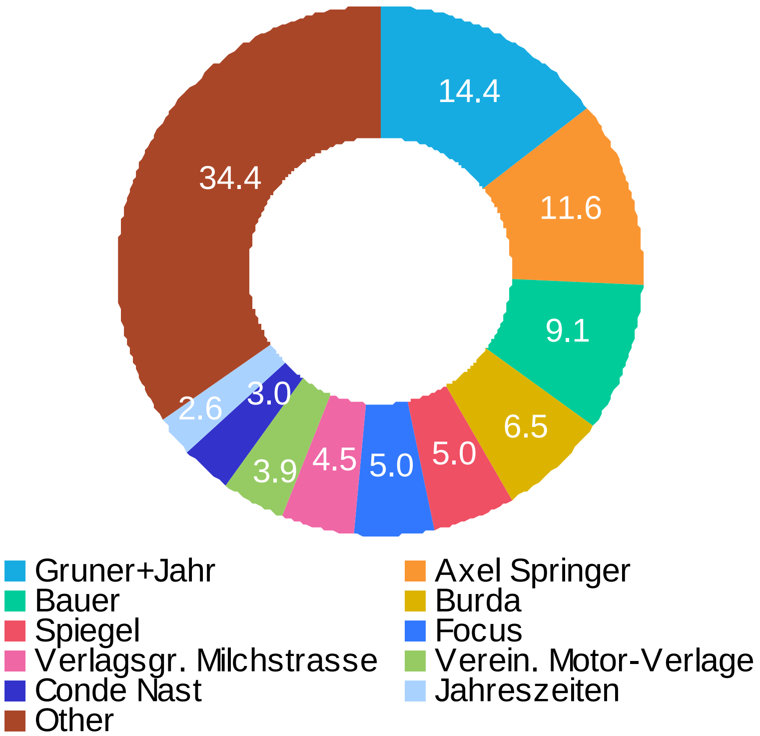
Print: SoA large publishing houses

Large publishing houses' shares of the advertising markets

In percent



All ten major publishing houses posted rising advertising revenues in 2004.

As in the previous years, Gruner+Jahr defended its position as a leading publishing house with an advertising volume of EUR 559 million, followed by Axel Springer Verlag and Bauer, which achieved revenues of EUR 451 million and EUR 356 million respectively.

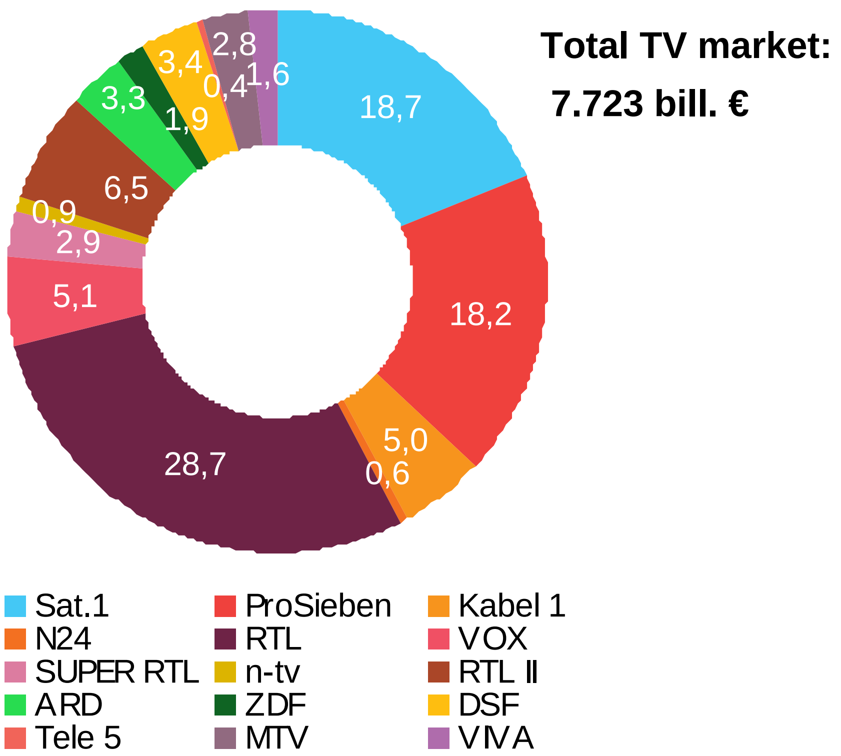
Axel Springer Verlag showed the greatest growth in absolute terms.

Source: Nielsen Media Research

Recovery of the TV advertising market

Advertising market shares German TV stations

In percent



Above-average increases in the TV advertising business were achieved by N24 [+35.1 percent], ARD [+24.3 percent [e.g. by broadcasting matches played by the national division, the Football European Cup and Olympia], n-tv [+23.6 percent] and the broadcasting stations SUPER RTL, DSF, RTL II and MTV.

RTL II succeeded in increasing its advertising revenues by EUR 63 million gross. The clear growth of this broadcasting station, however, can be largely attributed to a massive increase in self-promotion and to telephone services, which have intensified their advertising activities on RTL II. ProSieben and ARD finished the year with increases of EUR 57 million and EUR 49 million respectively.

With a 28.7 percent share of the advertising market, market leader RTL lost 2.0 percentage points in comparison with 2003. No other broadcasting station lost as much in 2004.

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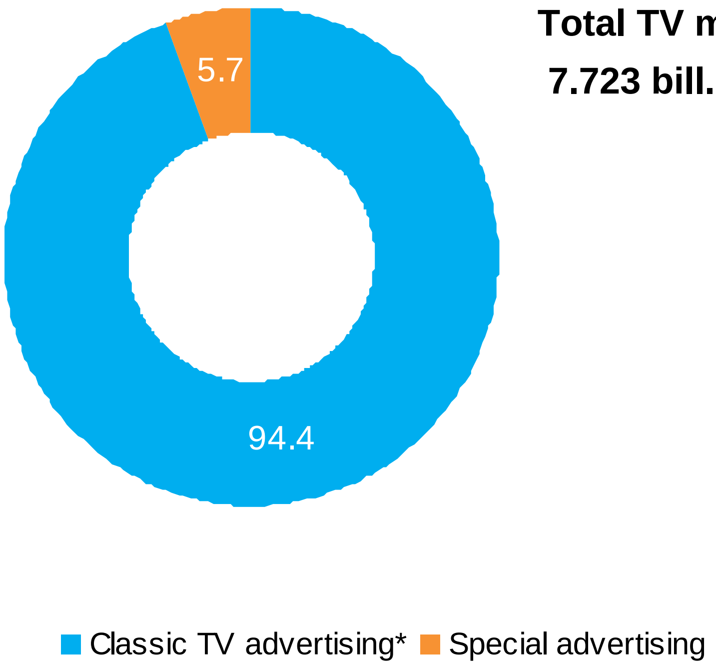
Source: Nielsen Media Research

Special forms of TV advertising on the increase

TV: forms of advertising 2004

In percent



Total TV market:

7.723 bill. €

In television advertising most of the money is still spent on classical commercials.

In 2004 they accounted for 94.4 per cent of all investments in TV advertising. Somewhat more than five percent of the TV advertising revenue was achieved through the sale of special forms of advertising.

Revenues in special forms of TV advertising rose by more than 20 per cent in comparison with 2003, to around EUR 436 million. With a share of 40 per cent, split screens accounted for more revenue than all other forms of special advertising, as in the previous year, followed by sponsoring and permanent advertising spots with shares of 30 percent and 19 percent respectively.

*Classic advertising incl. DRTV, sponsoring and exclusive advertisement

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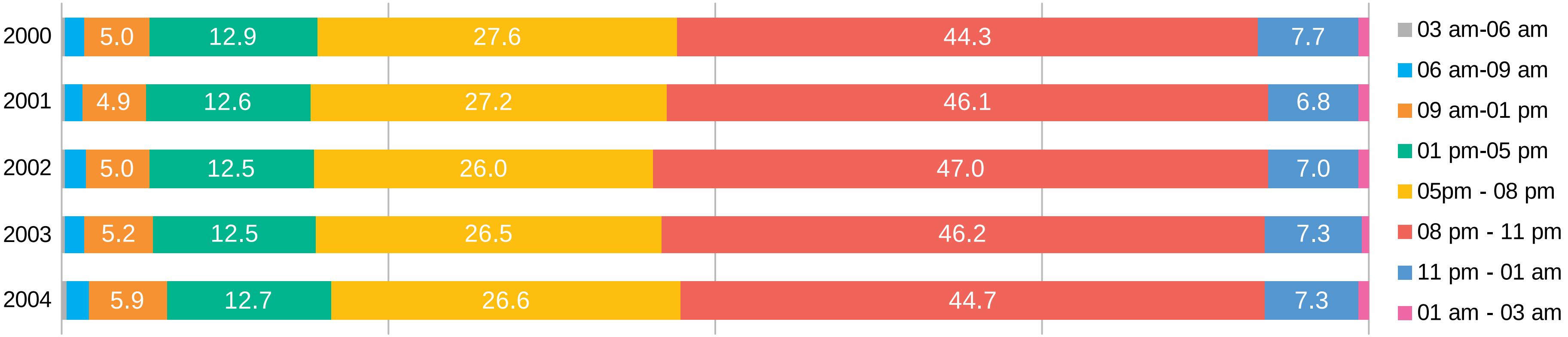
Source: Nielsen Media Research

New record high: advertising minutes

Split by GfK-timeslots [monetary]
Share in percent



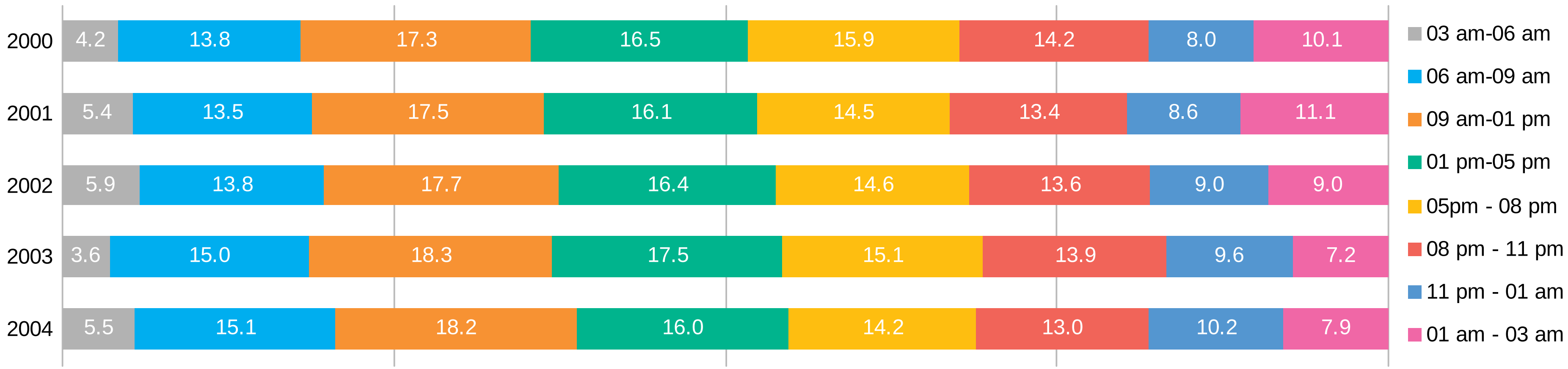
Never before have so many commercials and advertising minutes been broadcast on TV as in 2004.
The number of commercials rose by one fifth to around EUR 3.1 million in 2004. TV advertising minutes increased by 14.4 percent to 1.1 million.
The average length of a commercial, on the other hand, fell by one second to 22 seconds. Most funds are still being invested in the time slots with the greatest range, such as Access Prime [05-08 p.m.] and Prime Time [08-11 p.m.].
In 2004 Prime Time lost some of its importance. Its share of total TV advertising investments fell by 44.7 percent in comparison with 2003, back to the level of 2000.

Day Time: most important time slot in terms of volume

However another picture emerges in terms of advertising volume, measured in seconds.
Here Day Time 1 [09 a.m.-01 p.m.] is generally the most important time slot, followed by Day Time 2 [01-05 p.m.].

In 2004 Morning Time occupied third position, pushing the number three of the previous year, Access Prime, down to position four. While Prime Time fell in comparison with 2003, the time slots in the night showed a clear increase.

Split by GfK-timeslots [temporally] / Share in percent



Basis: total advertising volume in seconds
Source: Nielsen Media Research

Media: most active advertiser in 2004

Top advertised industrial sectors
In mill. EURO [%]

Top advertised industrial sectors 2004

	Advertising spendings	Change vs. prior year %	TV	TV-share in %
Total	**18,151**	**5.8**	**7,723**	**42.5**
Media	3,014	8.8	729	24.2
Trading + Shipment	2,350	8.0	386	16.4
Transportation	1,955	0.5	673	34.4
Food	1,672	4.5	1,462	87.5
Personal Care	1,298	-0.8	933	71.8
Finance	1,222	21.4	476	39.0
Office Equip., IT, Comm.	1,013	3.4	494	48.7
Services	967	21.4	498	51.5
Beverages	900	1.9	590	65.6
Others	754	-1.7	233	30.9

In 2004 the media industry itself was the sector with the most intensive advertising.

In total EUR 3.0 billion was accounted for by the publishing houses, television etc., 8.8 percent more than in the previous year. However this is often self-promotion and counterdeals, which do not produce a real cash flow. 24 per cent of media advertising investments were in television.
Three quarters of the 26 sectors covered by Nielsen increased their advertising budgets in 2004.
In addition to media [+EUR 245 million], the financial market [+EUR 215 million] and the "Trading & Shipment" sector [+EUR174 million] topped up their advertising budgets.

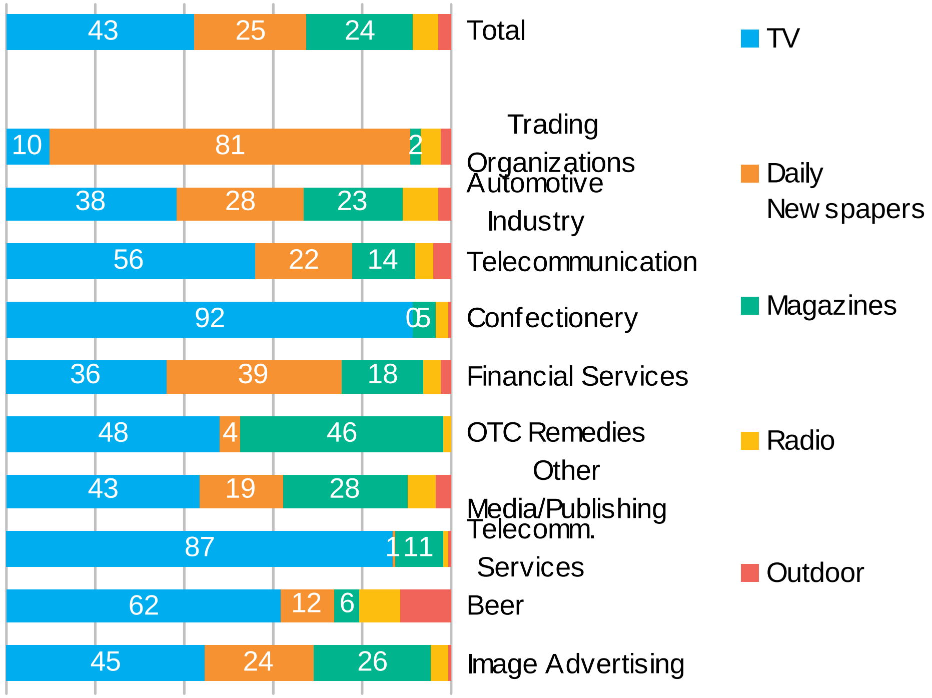
Source: Nielsen Media Research

Clear diffences in the mediamix

Top advertised product groups*
In mill. EURO [%]

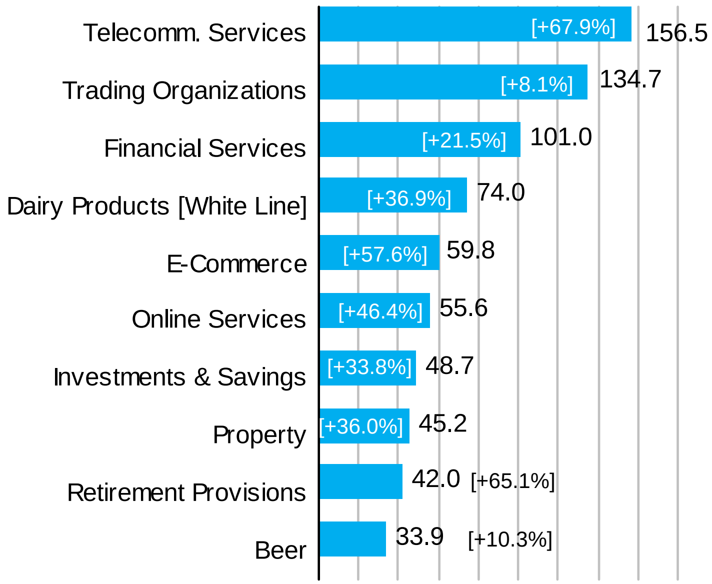
Top advertised product groups 2004	Advertising spendings	Change vs. prior year %	TV	TV-share in %
Total	**18,151**	**5.8**	**7,723**	**42.5**
Trading Organizations	1,803	8.1	178	9.9
Automotive Industry	1,610	0.6	615	38.2
Telecommunication	638	0.1	358	56.1
Confectionery	572	0.0	523	91.5
Financial services	570	21.5	206	36.1
OTC Remedies	526	-3.1	254	48.3
Other Media/Publishing Houses	409	8.4	177	43.4
Telecommunication Services	387	67.9	336	86.9
Beer	364	10.3	225	61.8
Image Advertising	362	-2.8	162	44.9

Mediamix Top 10-industry sectors*
In percent

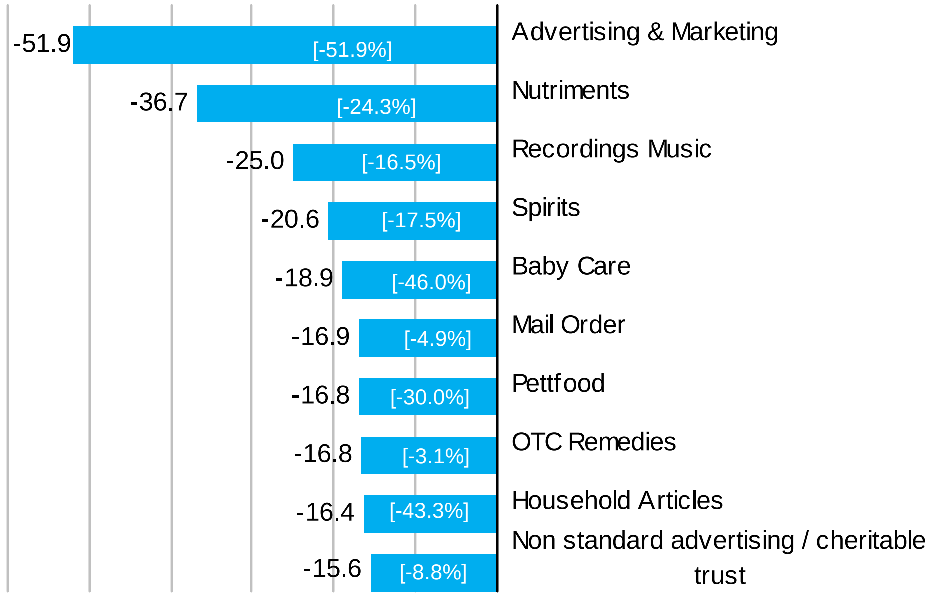


Telecommunications: greatest growth in advertising

Industrial sectors – strongest growth 2004*
Changes vs. prior year in mill. EUR [%]



Industrial sectors – biggest losses 2004*
Changes vs. prior year in mill. EUR [%]



In 2004 the strongest stimulus for growth came from telephone and fax services and from trade. Providers of telephone and fax services invested EUR 386.7 million in advertising, 67.9 percent more than in the previous year. There was an especially strong increase in advertising for mobile phone services and erotic telephone services. In 2004 the greatest reductions in advertising budgets were to be found in "Marketing and Advertising" where investments in advertising fell to EUR 48.6 million.

* Total ad spendings, house advertising of media not included
Source: Nielsen Media Research

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Rise in the number of TV advertisers

After falling to the lowest level ever in 2002, the number of advertisers rose both in 2003 and in 2004.
In total there were 27,256 companies [+4.6 percent] advertising 60,267 products, more than at any time in 14 years and 5.3 per cent more than in the previous year.

In 2004 there was an above-average increase in the number of advertisers who were on air on TV in comparison with 2003, the figure rising by 10.9 percent to 1,627.

In total 6.101 products were advertised on television, 17.4 per cent more than in the previous year.

Media Markt/Saturn Hansa Top-Spender 2004

Top advertising companies* 2004
In mill EUR [%]

Top advertising companies 2004	Advertising spendings	Change vs. prior year %	TV	TV-share in %
Total	**18,151**	**5.8**	**7,723**	**42.5**
MediaMarkt/Saturn	349	40.9	69	19.7
Procter&Gamble	344	-5.8	326	94.6
Lidl	335	24.4		
Axel Springer Verlag	293	19.1	43	14.7
Aldi	245	30.5		
Ferrero	232	-0.7	224	96.9
L'Oréal	214	-4.1	165	77.0
Gruner&Jahr	165	7.6	23	13.9
C+A	159	5.6	33	20.6
Unilever	158	3.8	145	91.4

As far as the top ten advertisers in Germany are concerned, the picture was dominated by trading companies with their advertising geared towards fast selling.
Among the ten companies with the most intensive advertising the textiles company C+A, stood out, as in the previous year. It increased its investments in advertising by almost EUR 8 million.
Going against the general trend, the consumer goods giants among the advertisers, such as the number one the year before, Procter&Gamble, Ferrero and L'Oréal, cut back their investments in advertising.

In total the amount spent on advertising by the ten companies who engage in the most advertising accounted for almost 14 percent of the total advertising market, two percentage points more than in the previous year.

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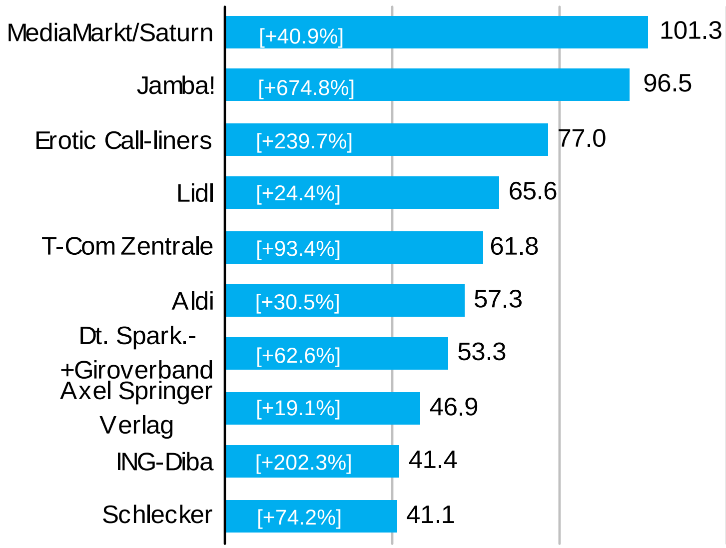
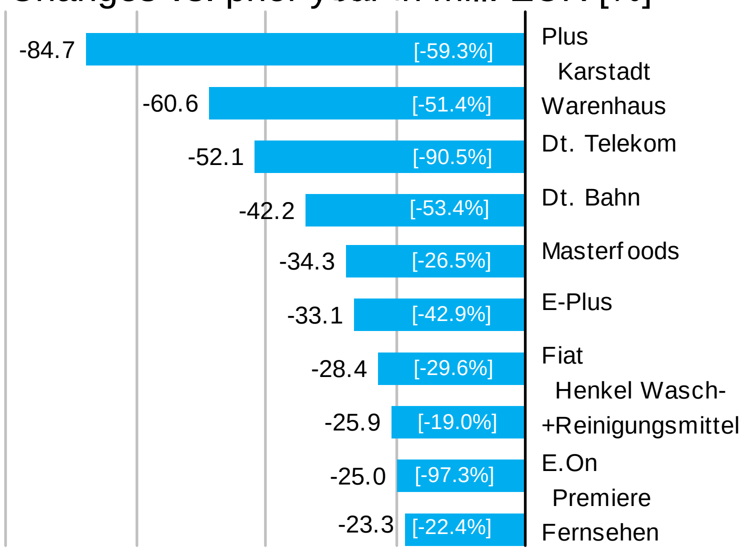
*companies [no corporate groups], excl. image advertising
Source: Nielsen Media Research

Corporate investments in advertising

Corporate advertising
– biggest increase 2004*
Changes vs. prior year in mill. EUR [%]



Corporate advertising
– biggest reduction 2004*
Changes vs. prior year in mill. EUR [%]



With an increase of more than EUR 100 million MediaMarkt/Saturn was the premier driving force among German corporate advertisers, with the new Berlin company, Jamba!, following hot on its heels. This company engaged in increasingly aggressive advertising for its ringing tones, logos und and other services for mobile phones.
While the big discounters increased their advertising budgets yet again, the trading companyies and the struggling Karstadt group dramatically slashed their investments in advertising.

*companies [no corporate groups], total ad spendings
Source: Nielsen Media Research

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Gross advertising revenues for classic media

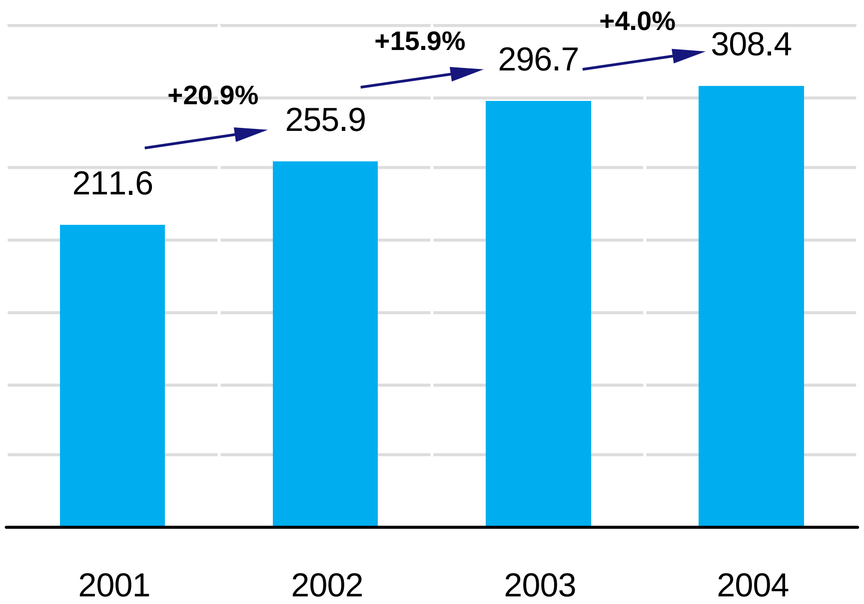
Gross advertising revenues non-classic media

Forecasts for the advertising market

More growth in online advertising

Development online advertising market

In mill EUR, changes vs. prior year in percent



In 2004 the online advertising market grew yet again, thus continuing its positive development of the previous year.
According to the Nielsen online statistics, gross advertising investments in the internet rose by EUR 11.7 million to EUR 308.4 million. With an increase of 4.0 percent the market for online advertising, however, showed considerably weaker growth than in the two previous years.

The 25 marketers cooperating with Nielsen achieved revenue totalling EUR 290 million with the sale of classical advertising, such as banners and skyscrapers.
Key word advertising accounted for EUR 18 million.

Ebay leading in online advertising in 2004

Top advertised industrial sectors 2004
Im mill. EUR [%]

Ad spendings online

	2003	2004	Change in %
Total	**296.7**	**308.4**	**4.0**
Online Services	40.3	61.4	52.1
E-Commerce	58.9	35.9	-39.1
Telecommunications	22.5	24.5	9.0
Financial Services	17.4	22.8	30.6
Image Advertising	15.9	22.0	38.7
Automotive Industry	17.8	21.0	18.2
Insurances	10.8	13.8	27.3
Computers & Equipment	10.0	12.2	21.9
Other Media/Publish. Houses	11.0	8.0	-27.7
Financial Investments	4.9	7.3	49.3

Top advertisers* 2004
In mill EURO [%]

Ad spendings online

	2003	2004	Change in %
Total	**296.7**	**308.4**	**4.0**
Ebay	35.4	15.5	-56.3
T-Online	4.3	6.6	53.5
Dell	4.5	5.8	28.8
Fluxx.com	0.3	4.8	1,743.8
Jamba!	0.1	4.5	6,025.0
Direct Line	1.2	4.4	285.9
T-Mobile	4.3	4.3	-0.5
Postbank	3.5	4.1	19.0
Microsoft	3.2	3.9	20.8
Masterfoods	1.9	3.7	95.0

The engine for growth in 2004 was definitely the market for online services, which increased its investments in online advertising by more then EUR 20 million.
The greatest reductions in budgets were accounted for by e-commerce companies. In 2004 the number of online advertisers increased from 1,964 to 2,108.
There is only one company from the consumer goods sector among the top advertisers on the internet: Masterfoods.

•*companies [no corporate groups], excl. key word advertising
Source: Nielsen Media Research

Gross advertising revenues direct mail and cinema

At the beginning of 2005 Nielsen Media Research published the advertising market figures for direct mail and cinema for the first time.

Direct mail popular in trade and the mail order business

With a volume of 16.6 billion direct mail in Germany, gross advertising investments in this area amounted to EUR 2.63 billion in 2004.

It was mainly trading and mail order companies that used this medium. They accounted for 9.2 billion and thus almost half of all direct mail in 2004. But other sectors also used direct mail for advertising purposes, in the context of customer relationship management and also as a direct method of finding new customers.

Advertising for beverages comes top of the charts in the cinema

In 2004 the cinema achieved gross advertising revenues of EUR 85 million.

With a budget of some EUR 14 million the beverages industry was the most active, but companies from the media and financial sectors and service providers also used the big screen as a medium for advertising. However Nielsen Media Research does not include tobacco products in its research.

Gross advertising revenues for classic media

Gross advertising revenues non-classic media

Forecasts for the advertising market

Growth expected in the net advertising market in 2004

Net advertising market Germany:
Changes vs. prior year in percent

Institutes	Date of prognosis	Total advertising market		TV	
		2004e	2005e	2004e	2005e
WARC	Dec 04	1.6	2.4	1.5	2.6
Zenith Optimedia	Dec 04	1.5	1.8	1.7	2.0
ZAW	Nov 04	0.8			
WARC	Oct 04	1.8	2.6	1.5	2.7
ZAW	Aug 04	2.0			
Zenith Optimedia	Jul 04	2.6	2.8	2.6	3.4

The ZAW [Zentralverband der Deutschen Werbewirtschaft = Central Association of the German Advertising Industry] evaluates the net development of the advertising market once a year. In addition to classical media, its statistics also include advertising sent by post, advertising in advertisement magazines and in the cinema.

The Association is optimistic for 2004. Due to the general recovery in the advertising industry the advertising market will finish the year in positive territory for the first time, also in net terms. While the ZAW still expected a growth of 2.0 percent in August, at the end of the year it reckoned with a modest 0.8 percent.

The forecasts of the World Advertising Research Center [WARC] and Zenith Optimedia also point to growth in the lower single-digit range in the net advertising market.

Increase in advertising revenue also to be expected

In 2005 the hesitant upswing in the German advertising market will gather strength.

The gross advertising market will continue its modest growth. Nielsen Media Research reckons with an increase of some five per cent in gross advertising investment.
The advertising business of daily newspapers, in particular, will show above-average growth in 2005 as well. Television, on the other hand, with a growth of almost four per cent, will show somewhat weaker growth than the market as a whole.
Trade will once again be the engine for growth. Experts reckon with increasing cut-throat competition among DIT markets, retailers of electronic goods and drugstores, which will be reflected in investments in advertising. Further stimulus for growth is expected from the telecommunications sector.

In 2005 the net advertising market will increase its dynamic growth. Depending on the development of consumer consumption, the ZAW reckons with a market growth of between one and two percent. The World Advertising Research Center and Zenith Optimedia are somewhat more optimistic in their forecasts.

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