INSIDER'S REPORT

ROBERT COEN PRESENTATION ON ADVERTISING EXPENDITURES

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MAGNA

ECONOMIC TRENDS AND ADVERTISING COMMITMENTS IN MOST MEDIA WORSENED IN THE U.S. AND MOST OVERSEAS COUNTRIES AS 2008 UNFOLDED.

MAGNA NOW EXPECTS U.S. ADVERTISING IN 2008 TO DECLINE 3.2% TO $270.8 BILLION. COMBINED OVERSEAS ADVERTISING IS EXPECTED TO RISE 3.3% IN 2008 TO $372.0 BILLION, AND TOTAL WORLDWIDE ADVERTISING IS EXPECTED TO RISE BY ONLY 0.5% TO $642.8 BILLION THIS YEAR.

IN 2009 THERE WILL BE CONTINUED ECONOMIC PROBLEMS IN THE U.S. AND MANY OTHER OVERSEAS COUNTRIES. MAGNA FORECASTS A 4.5% DECLINE IN U.S. ADVERTISING IN 2009 FOR A TOTAL OF $258.7 BILLION. OVERSEAS AD SPENDING IN 2009 IS EXPECTED TO BE UP 2.7% TO $382.0 BILLION AND TOTAL WORLDWIDE ADVERTISING TO BARELY CHANGE IN 2009 WITH A DECLINE OF 0.3% FOR A COMBINED TOTAL OF $640.7 BILLION.

U.S. ADVERTISING DEMAND IN 2009 WILL SUFFER BECAUSE OF THE POOR ECONOMY AND THE ABSENCE OF EXTRA POLITICAL AND OLYMPIC ADS.

OVERSEAS AD SPENDING IN 2009 IS EXPECTED TO CONTINUE TO SOFTEN. THE LARGER INDUSTRIALIZED COUNTRIES OF WESTERN EUROPE AND ALSO JAPAN HAVE BEEN EXHIBITING SIMILAR ECONOMIC AND AD TRENDS AS HAVE BEEN EXPERIENCED IN THE U.S.. MANY OF THE LESS DEVELOPED EMERGING COUNTRIES CONTINUE TO REPORT GOOD AD EXPECTATIONS FOR 2009 BUT NOT AT THE STRONG DOUBLE-DIGIT PACE OF THE RECENT PAST.

ADVERTISING AS A PERCENT OF GDP, AN INDICATOR OF THE HEALTH OF ADVERTISING DEMAND, BEGAN TO SOFTEN IN 2005 AND SLIPPED FURTHER IN 2006, 2007, AND 2008 IN THE U.S., AS WELL AS IN SELECTED DEVELOPED COUNTRIES. PART OF THE REASON HAS BEEN THE SHIFT IN MARKETING BUDGETS FROM TRADITIONAL MEDIA TO NEWLY EMERGING MARKETING COMMUNICATION TECHNIQUES SUCH AS SEARCH MARKETING.

WE BELIEVE THE MAIN SOURCE OF THE ADVERTISING SLOWDOWN HAS BEEN DRAINS ON CONSUMER SPENDING, SLOW INCOME GROWTH, HIGH DEBT, AND THE RISE IN MANY CONSUMER EXPENSES. THERE IS LITTLE LIKELIHOOD OF RELIEF FOR CONSUMERS IN 2009 AND NOT MUCH REASON TO EXPECT ANY IMPROVEMENT IN MARKETERS' ADVERTISING BUDGETS NEXT YEAR.

In 2009 we look for relatively weak ad growth in the U.S. The extra large ad demand from political contests will nearly all disappear. The extra ad spending tied to the 2008 Summer Olympics in China will not be present, and drains on consumer incomes and confidence are likely to worsen if unemployment rises as presently expected. There are a few positive forces that may kick in during 2009, but not many. There are some key product goods marketers whose market share has slipped in recent years, and some may become more competitively aggressive as media prices soften. There may also be some new product improvements such as more fuel efficient automobiles which will receive extra advertising, but these may not appear until 2010 or later.

If some improvement in ad demand does make an appearance it will probably be later in 2009 rather than early in the year. The improvement may only be a comparative one since the ad spending trends have been so poor in many months during the second half of this year.

Until consumers start spending more and marketers become confident that sales of their products are recovering, they will not loosen the tight controls on their ad budgets and will also hold down the size of their work forces. Advertising lags behind the economy, and there is little hope that there will be much economic recovery in 2009.

Robert J. Coen, Senior Vice President, Director of Forecasting at MAGNA, made these predictions on December 8, 2008 at the UBS Global Media Conference in New York City. This issue of the MAGNA Insider's Report reviews the highlights of Bob's latest forecast.

IN 2001, THE ECONOMY SLUMPED, THE INTERNET BUBBLE BEGAN TO LEAK, THE STOCK MARKET STARTED TO SLIDE, AND THE SEPTEMBER 11TH TERRORIST ATTACKS OCCURRED, ALL CONTRIBUTING TO THE WORST ADVERTISING YEAR IN HALF A CENTURY.

From 2002 until 2004, the economy and the ad industry appeared to be on the traditional path to recovery. In 2004, an Election/Summer Olympics year, ad spending improved significantly, but unlike in the past, the ad recovery stalled in the following year, 2005. Since 2005, U.S. ad growth has failed to keep pace with economic growth, and this trend continued in 2008.

Since 2005, advertising as a percent of GDP has been falling, and it has continued to do so again in 2008.

2008 BUDGETS OF NATIONAL ADVERTISERS

	% Change Over 2007	2008 Projections $(000,000)
4 TV Networks	+3.5%	$17,226
Spot TV	-3.0	9,834
Cable TV	+4.0	21,440
Syndication TV	+7.0	3,560
Radio	-10.0	3,828
Magazines	-6.0	12,960
Newspapers	-10.0	5,948
CONSUMER MEDIA SUB-TOTAL	**-0.8**	**74,796**
Direct Mail	-1.0	59,622
Yellow Pages	-2.0	2,141
Internet	+8.0	11,371
Other National Media	+0.4	37,119
TOTAL NATIONAL	**+0.1%**	**$185,049**

THE CONSENSUS OUTLOOK FOR THE U.S. ECONOMY HAS CONTINUED TO DETERIORATE SINCE THE END OF LAST YEAR. THE FORECASTS FOR AD SPENDING FOR MOST MEDIA HAVE ALSO BEEN LOWERED.

The Internet is expected to finish the year with another gain, but not as large as in recent years. The elections and the Summer Olympics have helped the television media, but not enough to offset significant declines in spending for non-political campaigns or for non-Olympic advertising. National marketers have continued to reduce advertising activity in most traditional media as the year has unfolded and consumer spending has dropped. The trends in local marketing spending are declining even more.

2008 EXPENDITURES OF ALL ADVERTISERS

	% Change Over 2007	2008 Projections $(000,000)
Local Newspapers	-16.0%	$29,840
Local TV	-9.0	13,114
Local Radio	-8.0	13,707
Local Yellow Pages	-3.0	11,703
Other Local Media	-0.5	17,354
TOTAL LOCAL	**-9.1**	**85,718**
TOTAL NATIONAL	**+0.1**	**185,049**
GRAND TOTAL	**-3.2%**	**$270,767**

THE RELATIVE IMPORTANCE OF ADVERTISING PEAKED IN 2000 BUT HAS DECLINED EACH YEAR SINCE WITH THE EXCEPTION OF 2004, WHEN ADVERTISING APPEARED TO BE ABOUT TO STAGE A TYPICAL RECOVERY. HOWEVER THE RECOVERY STALLED IN 2005, AND THE TREND HAS BEEN WEAK EVER SINCE.

ADVERTISING AS A PERCENT OF GDP

Year	AD Share (%)
2000	2.52
2001	2.28
2002	2.26
2003	2.24
2004	2.25
2005	2.18
2006	2.14
2007	2.02
2008 (Preliminary)	1.89

Many forces have contributed to the slowdown in the relative importance of advertising in the marketing of goods and services. Included are shifts to new emerging marketing efforts such as the Internet, search marketing, and others. We believe the most dominant factor has been the unrelenting pressure for more profit growth year after year. The intensified search for better return on marketing investments short term may be hurting many marketers' long-term goals.

THE ECONOMIC INDICATORS POINT TO MORE OF THE SAME SLOWING IN AD SPENDING IN 2009.

RECENT TRENDS AND EXPECTATIONS

(Percent change over previous years)

						Forecast	
	2003	2004	2005	2006	2007	2008	2009
Real GDP	+2.5%	+3.6%	+3.1%	+2.9%	+2.1%	+1.4%	-0.4%
Real Personal Consumption Exp.	+2.2	+3.6	+1.4	+3.5	+2.8	+0.4	-0.6
Corporate Profits	+12.1	+24.0	+17.6	+15.2	+1.6	-7.4	-3.1
Unemployment Rate	6.0	5.5	5.1	4.6	4.6	5.7	7.4

There are many ways of interpreting the causes behind these economic trends, but there is no doubt that by 2007 personal consumption expenditures were slowing and increased corporate profits were hard or impossible to come by. In 2009 consumers will not be spending much, as they will focus on their debt levels and their job security, and marketers will be desperately looking for ways to improve or hold on to their profit levels. Demand for advertising time and space is not likely to be very good.

ADVERTISING SPENDING BY VARIOUS MARKETERS HAS BEEN SERIOUSLY AFFECTED BY THE RECENT ECONOMIC TRENDS.

TOP PRODUCT CATEGORY CHANGES

(Percent change Jan-Aug 2008 vs. Jan-Aug 2007)

Category	TV Nat'l Networks*	Spot TV	Magazines	Totals
Automobiles	+3%	-10%	-19%	-7%
Drug/Remedies	+2	-14	-14	-3
Toiletries/Cosmetics	-4	+1	-8	-5
Telecommunications	+5	+4	-9	+4
Direct Response	+4	+15	-6	+2
Restaurants	+8	0	-6	+5
Food	+5	+10	+2	+5

*ABC, CBS, Fox, NBC, Pax, CW, Cable TV Networks & National TV Syndication

In the first eight months of 2008, the combined ad expenditures for this group of most important marketers was down 1% as compared with the same period a year ago. For the month of August this group of marketers was up 8% over August of 2007 mainly because of TV advertising in the Summer Olympics. The results for the balance of 2008 will be down even more than the 1% decline of the first eight months of the year.

SECONDARY PRODUCT CATEGORY CHANGES

(Percent change Jan-Aug 2008 vs. Jan-Aug 2007)

Category	TV Nat'l Networks*	Spot TV	Magazines	Totals
Movies	0%	-6%	+16%	0%
Beverages/Snacks	-3	-12	-1	-3
Apparel	+16	+28	-7	+1
Insurance	+4	+3	+10	+4
Resorts/Tours	-7	+10	+3	+1
Computers	+12	+20	-13	+3
Beer & Wine	+21	-17	+2	+13

*ABC, CBS, Fox, NBC, Pax, CW, Cable TV Networks & National TV Syndication

For the first eight months of 2008 combined ad expenditures for these categories was up 1%, but if the month of August is taken out of both years, this group as a whole was also down 1%.

It appears that the weakness in 2008 advertising has fallen widely across most marketing categories, and there is little likelihood that ad demand across the board will turn back upwards soon.

SELECTED SMALLER PRODUCT CATEGORY CHANGES

(Percent change Jan-Aug 2008 vs. Jan-Aug 2007)

Category	TV Nat'l Networks*	Spot TV	Magazines	Totals
Brokers/Mutual Funds	-9%	-29%	+7%	-4%
Banks/S&L	-48	+1	-19	-32
Real Estate	-17	-4	-16	-14
Fitness/Diet Programs	+20	-23	-2	-1
Colleges/Universities	-7	+5	+1	+2
Liquor	-16	-6	-32	-20
Airlines	+155	-3	+20	+43

*ABC, CBS, Fox, NBC, Pax, CW, Cable TV Networks & National TV Syndication

Year-to-date changes for a number of special selected smaller categories sometimes provide insight into newly evolving developments. In total these categories were down 14% in ad spending during the first eight months of 2008. The biggest declines were in the Investment and Real Estate categories that began to soften considerably in the spring of this year. Two of the other selected categories are about the same in 2008 as in 2007, while Liquor ad spending slipped back from last year's level. The surge in Airline spending occurred mainly in August during the Summer Olympics and as a result of United Airlines spending.

This data further confirms that the current weakness in advertising is widespread, and there is no likelihood that things will get better soon.

AD SPENDING INCREASES BY ONLINE MARKETERS IN TRADITIONAL CONSUMER MEDIA ARE HARD TO EXPLAIN.

After four years of increases these new marketers reduced their ad spending in traditional media in 2007. It appeared that the online marketers were in the process of gradually reducing their dependence on the traditional media. However, now in 2008 when the brick and mortar retailers are sharply cutting their ad budgets, these new marketers have spent about the same amount for traditional media through the first eight months of this year. Time will tell whether this was just a temporary aberration due to the Summer Olympics or something else.

CONSUMER MEDIA ADVERTISING BY ONLINE MARKETERS

(Percent change over prior year)

YEAR	AD EXPENDITURES	CHANGE
2000	$5,597,000,000	+81.0%
2001	2,662,000,000	-52.0
2002	2,150,000,000	-19.0
2003	2,210,000,000	+2.8
2004	2,762,000,000	+25.0
2005	3,700,000,000	+34.0
2006	4,155,000,000	+12.0
2007	3,902,000,000	-6.1
2008*	3,898,000,000	-0.1

* Forecast

The developments in the U.S. economy during 2008 have been extreme and few had been completely foreseen. There were problems on the horizon when the year began, but despite the extra spending for the elections and the Summer Olympics, advertising is in recession or about to enter into one.

THERE WILL BE NO SUMMER OLYMPICS OR HEAVY POLITICAL SPENDING IN 2009. ADVERTISING HAS HISTORICALLY LAGGED BEHIND AN ECONOMIC RECOVERY, AND EVEN IF THE ECONOMIC CLIMATE IMPROVES BY MID 2009, A RECOVERY IN U.S. AD BUDGETS WILL PROBABLY NOT GET UNDERWAY UNTIL 2010.

THE OUTLOOK FOR 2009 NATIONAL ADVERTISING

	% Change Over 2008	2009 Projections $(000,000)
4 TV Networks	-7.5%	$15,934
Spot TV	-11.0	8,752
Cable TV	+1.0	21,654
Syndication TV	+2.0	3,631
Radio	-6.5	3,579
Magazines	-7.0	12,053
Newspapers	-10.0	5,353
CONSUMER MEDIA SUB-TOTAL	**-5.1**	**70,956**
Direct Mail	-2.0	58,430
Yellow Pages	-3.0	2,077
Internet	+5.0	11,940
Other National Media	-2.6	36,142
TOTAL NATIONAL	**-3.0%**	**$179,545**

National marketers are expected to reduce their advertising outlays next year. The media that enjoyed extra ad revenues in 2008 as a result of the Summer Olympics and political contests will experience large relative declines in 2009 when there will be no Olympics and very little political advertising. However, due to the economic slowdown most other media also look for lower ad revenues in 2009 with the exception of the Internet.

THE OUTLOOK FOR TOTAL ADVERTISING 2009

	% Change Over 2008	2009 Projections $(000,000)
Local Newspapers	-12.0%	$26,259
Local TV	-7.0	12,196
Local Radio	-6.0	12,884
Local Yellow Pages	-5.0	11,118
Other Local Media	-3.7	16,710
TOTAL LOCAL	**-7.6**	**79,167**
TOTAL NATIONAL	**-3.0**	**179,545**
GRAND TOTAL	**-4.5%**	**$258,712**

Local advertising revenues are expected to decline again in 2009. Local retail business will be hurt by the economic softness well into 2009 and will again further reduce the pace of total U.S. advertising in 2009.

In 2009 we expect U.S. advertising as a percent of GDP to drop to 1.78% which is close to the low of 1.71% during the severe energy shortage of the 1974/1975 recession over half a century ago.

ECONOMIC TRENDS IN MAJOR MARKETS

(Percent change in real GDP over previous year)

		Forecast	
COUNTRY	**2007**	**2008**	**2009**
United States	+2.0%	+1.4%	-0.4%
Canada	+2.7	+0.7	+0.9
Japan	+2.0	+0.4	-0.1
Germany	+2.5	+1.3	-0.3
United Kingdom	+3.1	+0.6	-1.1
France	+2.1	+0.9	-0.4
Italy	+1.4	-0.1	-0.6
Brazil	+5.4	+4.6	+4.8
Mexico	+3.1	+2.2	+1.2
Australia	+4.3	+2.5	+2.3
South Korea	+5.0	+4.1	+3.1
China	+11.9	+9.7	+9.0
India	+9.0	+7.2	+6.8

THE ECONOMIES OF MOST MAJOR COUNTRIES IN THE WORLD HAVE BEEN GROWING WEAKER DURING THE LAST TWO YEARS. AS THEIR ECONOMIC OUTLOOK HAS DETERIORATED SO HAS THE OUTLOOK FOR ADVERTISING IN NEARLY ALL OF THESE MAJOR MARKETS AROUND THE WORLD.

2009 AD OUTLOOK IN KEY INDUSTRIALIZED COUNTRIES

(Percent change over prior year in nominal currencies)

COUNTRY	2007	Forecast 2008	Forecast 2009
Japan	+1.0%	-2.0%	-4.0%
Germany	+5.7	+2.6	+1.0
United Kingdom	+4.1	+0.1	+0.1
France	+1.5	+0.5	+1.3
Italy	+5.1	+0.6	+0.3
Spain	+5.5	-4.3	-1.3
Canada	+5.5	+3.2	+3.8
Mexico	+22.0	+12.0	+12.0
Australia	+4.6	+3.0	+2.0
Netherlands	+7.8	+8.0	-5.0

The ad outlook for key overseas industrialized countries is a little better than the current expectations for the U.S., but not much.

2009 AD OUTLOOK IN OTHER SELECTED COUNTRIES

(Percent change over prior year in nominal currencies)

COUNTRY	2007	Forecast 2008	Forecast 2009
Belgium	+8.0%	+5.0%	-5.0%
Brazil	+12.0	+8.0	+7.0
Sweden	+5.4	+3.6	+2.1
Denmark	+6.0	+3.0	+2.0
Philippines	+10.0	+7.0	+6.0
China	+12.0	+10.0	+8.0
Czech Republic	+1.8	+5.0	+3.1
Poland	+10.0	+7.5	+7.0
India	+10.0	+9.0	+8.0
Russia	+26.0	+18.0	+19.0
Argentina	+35.0	+20.0	+10.0

Advertising growth in many of the smaller developed countries in recent years was often better than in many neighboring larger developed countries, but now many are experiencing slowdowns. The exceptional growth in advertising in other countries from emerging parts of the world is still above average, but the expansion in consumer marketing and advertising is not as explosive as in the recent past.

WORLDWIDE AD GROWTH: 1990-2009

	U.S.A. BILLION US$	U.S.A. % CHANGE	OVERSEAS BILLION US$	OVERSEAS % CHANGE	TOTAL WORLD BILLION US$	TOTAL WORLD % CHANGE
1990	$130.0	+3.9%	$145.9	+11.8%	$275.9	+7.9%
1991	128.4	-1.2	153.9	+5.5	282.3	+2.3
1992	133.8	+4.2	165.4	+7.5	299.2	+6.0
1993	141.0	+5.4	163.2	-1.3	304.2	+1.7
1994	153.0	+8.6	179.0	+9.7	332.0	+9.1
1995	165.1	+7.9	205.9	+15.0	371.0	+11.7
1996	178.1	+7.9	212.1	+3.0	390.2	+5.2
1997	191.3	+7.4	210.0	-1.0	401.3	+2.8
1998	206.7	+8.0	205.2	-2.3	411.9	+2.6
1999	222.3	+7.6	213.8	+4.2	436.1	+5.9
2000	247.5	+11.3	226.8	+6.1	474.3	+8.8
2001	231.3	-6.5	209.6	-8.6	440.9	-7.9
2002	236.9	+2.4	213.6	+1.9	450.5	+2.2
2003	245.5	+3.6	244.4	+14.4	489.9	+8.7
2004	263.8	+7.4	279.8	+14.5	543.6	+11.0
2005	271.1	+2.8	298.0	+6.5	569.1	4.7
2006	281.6	+3.9	323.0	+8.4	604.6	+6.2
2007	279.6	-0.7	360.1	+11.5	639.7	+5.8
2008*	270.8	-3.2	372.0	+3.3	642.8	+0.5
2009*	258.7	-4.5	382.0	+2.7	640.7	-0.3

* In current local currencies

MAGNA now forecasts no growth in worldwide advertising spending in 2009, assuming the same exchange rates in 2009 as 2008. MAGNA expects a considerable decrease in U.S. advertising in 2009 in contrast to 2008 when extra spending in the Olympics and Elections offset some losses.

In 2009, the U.S. losses will be offset by modest overseas ad growth valued in local currency. Most overseas developed countries will post little if any ad growth but better-than-average growth is still expected in a number of emerging countries, although their growth in 2009 is not expected to be as large as in the recent past. However, if exchange rates for a number of overseas countries continue to drop in 2009, then the dollar value of worldwide advertising could decline next year.

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