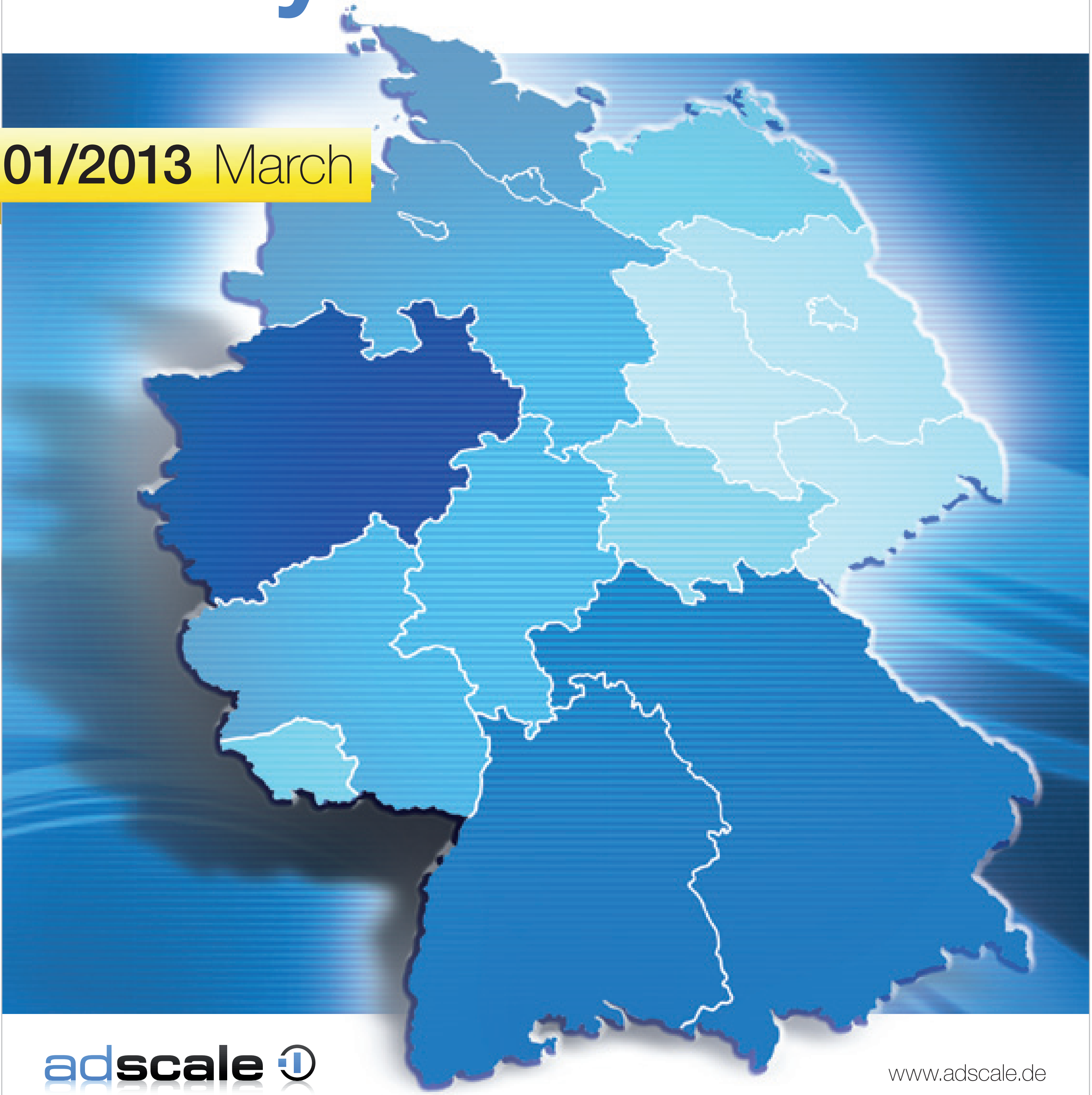
adscale
analyzer

01/2013 March



adscale

www.adscale.de

Dear readers,

In Germany, gross investments of over **€6 billion are currently spent on online advertising,** most of which goes to classic display advertising (€3.7 billion).[1] According to Nielsen, total gross advertising expenditures for 2012 increased by 17.3% over the previous year. Within the space of just a few years, the Internet has emerged as the second most important advertising medium after television.

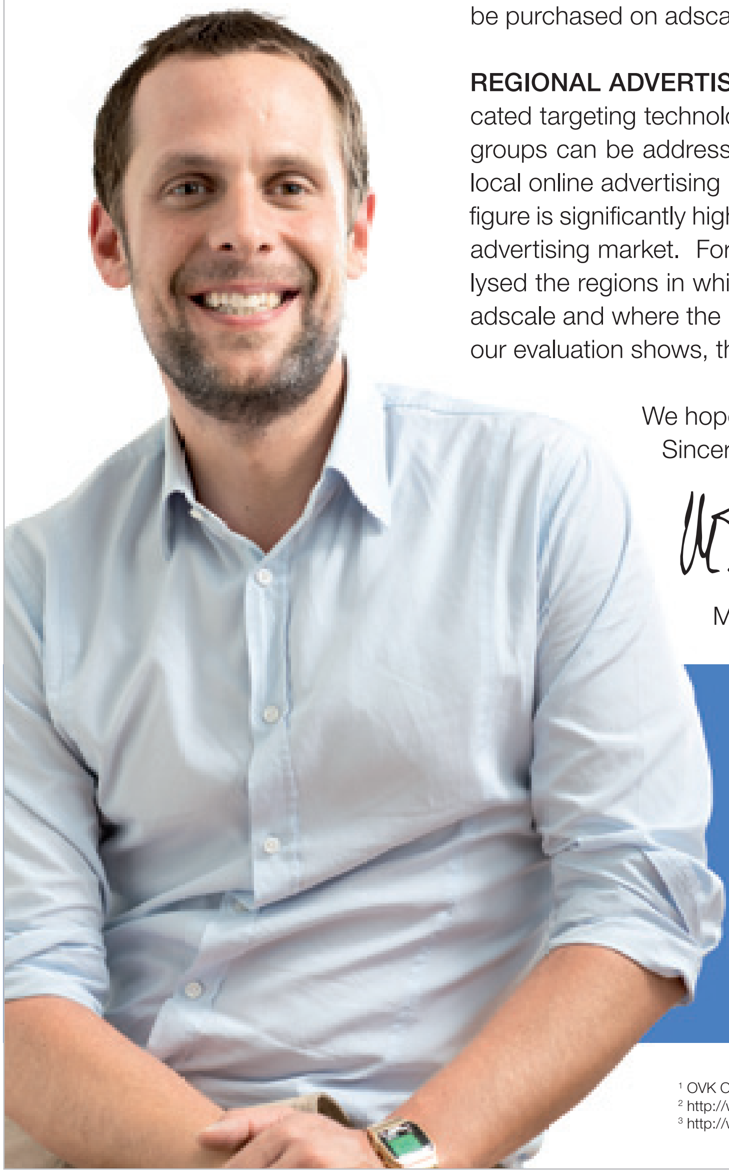
FOR THE DIGITAL INDUSTRY, 2012 WAS A COMPLEX YET SUCCESSFUL YEAR. That applies to adscale as well. In April we introduced and successfully established real-time bidding in the market and on our exchange by the end of the year. Thanks to a VAST interface, adscale opened for external video providers in May. This step led to a noticeable increase in our video business. December 2012 brought highly positive news for the ongoing strategic development of adscale: Ströer AG, one of the most important international providers for out-of-home media, will become our new principal shareholder.[2]

THIS IS ONE OF THE REASONS, WHY 2013 WILL BE AN EXCITING YEAR FOR adscale. The automation of the digital advertising market is progressing because purchases and sales driven by technology offer tremendous benefits. We believe that the share of the display advertising market that will be traded via ad exchanges will approach approximately 40% in Germany this year. Trading in real-time is growing steadily as well (page 4): This year, it is anticipated that 25% of all ad impressions will be purchased on adscale via real-time bidding.

REGIONAL ADVERTISING OFFERS TREMENDOUS POTENTIAL: Using sophisticated targeting technologies and real-time bidding, specific regional and local target groups can be addressed via the Internet. According to a current market[3] forecast, local online advertising in 2013 is expected to grow by 31% in the United States; this figure is significantly higher than the forecast about 18% growth for the national online advertising market. For that reason, in our special section (page 7 pp) we have analysed the regions in which the most ad impressions are currently being delivered via adscale and where the highest cost per mille and click rates have been achieved. As our evaluation shows, the largest cities are not always the leaders.

We hope you enjoy this issue of the adscale Analyzer.
Sincerely yours,

Matthias Pantke



Digital advertising climate: sunny but challenging

[1] OVK Online Report 2012/02
[2] http://www.adscale.de/inhalt/lib/tpl/adscale/pdf/pressemitteilungen/adscale-pressemitteilung-2012-12-17.pdf
[3] http://www.emarketer.com/Article/Local-Digital-Ads-Take-Center-Stage-SMBs/1009623

Development of the **price level**

THE GRAPH REFLECTS THE LEVEL of the CPM (cost per mille) on adscale. The baseline for the price index, equal to 100, is the period of time between January 2010 and December 2012. All other figures are based on this comparison value. Indexation is based on standard rates that are independent of adscale's margin.

Explanation: January 2010 served as the reference month until the Analyzer 2/2012 issue. To represent the price development more meaningfully, the average price of the last three years will serve as the baseline starting in the Analyzer 1/2013 issue.

2012 ADVERTISING PRICES: CPM LEVEL RAISED BY BRANDING, TARGETING, AND RTB

ONLINE ADVERTISING PRICES ARE CONTINUING TO RISE: In 2012, the general price level on adscale averaged around 42% higher than the average price of the past three years (2010 to 2012). The large demand particularly in the fourth quarter, traditionally a strong part of the year, resulted in this clear gain.

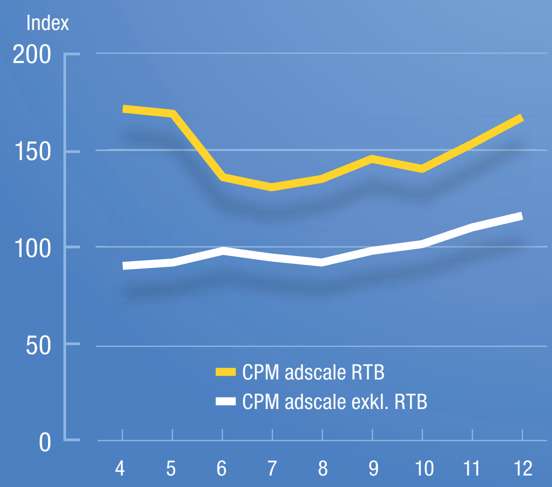
This increase has been driven by the following developments:

1. Prices for IAB standard ads have reached a higher level because many campaigns are now booked in conjunction with various targeting elements.
2. There is a high demand for branding ad formats such as video advertising and large special ad formats. In general, they have a higher price level than standard ad units.
3. The average CPM for standard ad space purchased via real-time bidding (RTB) is 12% to 45% higher than the average CPM for standard ads booked without RTB (see page 4).

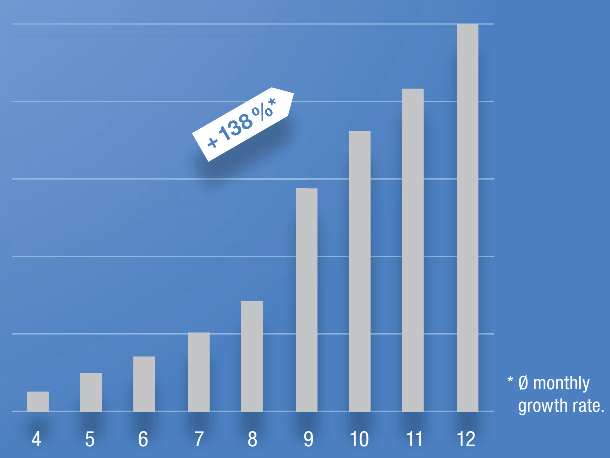
Both the use of technologies for efficient campaign control (targeting, RTB, etc.) as well as the trend for large and eye-catching branding advertising space (video, special ad formats) is continuing in 2013; as a result, we expect that prices will continue to rise. Initial indications can be seen in the first two month of this year. Although the indices are traditionally lower than in December, they are still higher than the 2012 figures.

Real-time bidding
Sustainable upswing

Average Price Index RTB vs. Non-RTB (IAB only)



Development of RTB revenues on adscale



PRICE INDEX RTB VS. NON-RTB
Between April and December 2012, the average CPM for standard ad purchased via RTB has been between 12 and 45 percent higher, on average, than the average CPM for campaigns booked without RTB. The index value 100 is not identical to the price level index on page 3 since only the IAB standard ads serve as a baseline. Only IAB formats are currently being traded via RTB.

DEVELOPMENT OF RTB REVENUES ON ADSCALE
Monthly RTB revenues on the adscale exchange using real-time bidding (April to December 2012).

SINCE ITS LAUNCH, REVENUES HAVE INCREASED EIGHTEENFOLD USING REAL-TIME BIDDING

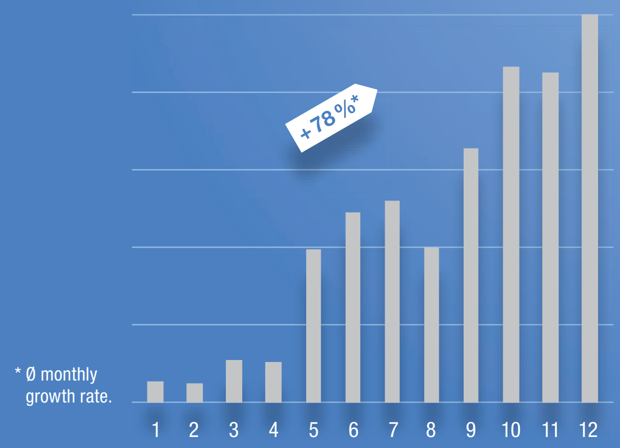
ON adscale, THE TRADE OF AD IMPRESSIONS IN REAL-TIME has shown sustained positive development. Since April 2012, adscale has offered real-time bidding (RTB) on its exchange. After initial CPM fluctuations during the starting phase of the RTB exchange, the RTB price has settled at a high level. It is on average 30% above the level at which standard ad formats are typically purchased.

The RTB volume that is traded and sold via adscale has continued to grow over the course of the year. Over 95% of the ad impressions offered in the exchange can now be purchased in real-time. The greatest demand – and hence also the highest prices – occurred during the traditionally strong Christmas season between October and December 2012. On the RTB day that generated the most revenue, over 30 million ad impressions were sold in real-time. The revenue achieved on our exchange via RTB in December 2012, a high-demand month, was already eighteen times higher than in April 2012. The average monthly growth rate reached 138% between April and December 2012.

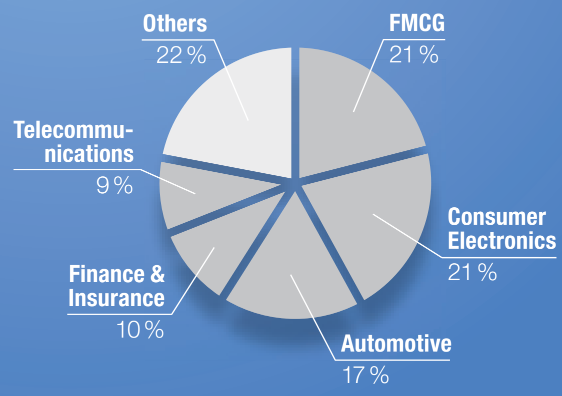
Another figure confirms the sustained positive trend in real-time trade: In 2012, adscale had already generated 22% of its overall display revenues via RTB. We anticipate that this figure will rise to 25% in 2013.

Video advertising
Strong growth

Development of video ad revenues on adscale



Video revenue shares by industries



DEVELOPMENT OF VIDEO ADVERTISING REVENUES ON ADSCALE: Monthly video revenues on adscale (January to December 2012).

VIDEO REVENUES BY INDUSTRIES 2012: Revenue shares with video advertising (pre-roll) on adscale by industries (January to December 2012). Example: Fast-moving consumer goods, consumer electronics, and the telecommunications industry are responsible for half of all video revenues on adscale.

VIDEO ADVERTISING: NEW INTERFACE, MORE TRAFFIC, POSITIVE EFFECT

REVENUE BOOST THROUGH VAST. Starting in May 2012, adscale has offered a new interface for video advertising: video ad serving template (VAST). The IAB standard for the delivery of video ads makes it easier for publishers to offer pre-roll video inventory on our exchange – regardless of the player technology being used. This step has accelerated the positive development of the video exchange and led to strong growth in revenues.

In the Christmas season, a traditionally strong time for businesses, almost five times as much was invested in video advertising as compared to the beginning of the year. Three industries shape the business: Fast-moving consumer goods (FMCG), providers from the consumer electronics segment (21% each), and the automotive industry (17%) have spent the most on adscale for video advertising.

For many customers and agencies, pre-roll advertising remains an area for brand advertising in which quality plays a key role. In general, adscale offers only click-to-play video traffic that starts only actively called by the user. This video format is effective and has a high full-view rate of 80% (see also Analyzer 2/2012, page 7).

In a case study, Nielsen Media Research was commissioned by Hasseröder, Universal McCann, and adscale to investigate the effects of video advertising. The result: Video ads on transparent ad exchanges work well for image campaigns. They also found that even a low number of contacts is effective: 78% of all users that visited the landing page of Hasseröder, clicked there after just the first or second contact with the pre-rolls.[4]

[4] http://blog.adscale.de/2013/01/28/bewegte-bierwerbung-hasseroder-video-ads-erzielen-erstklassige-werbewirkung/

Ad formats:
CPMs and click rates

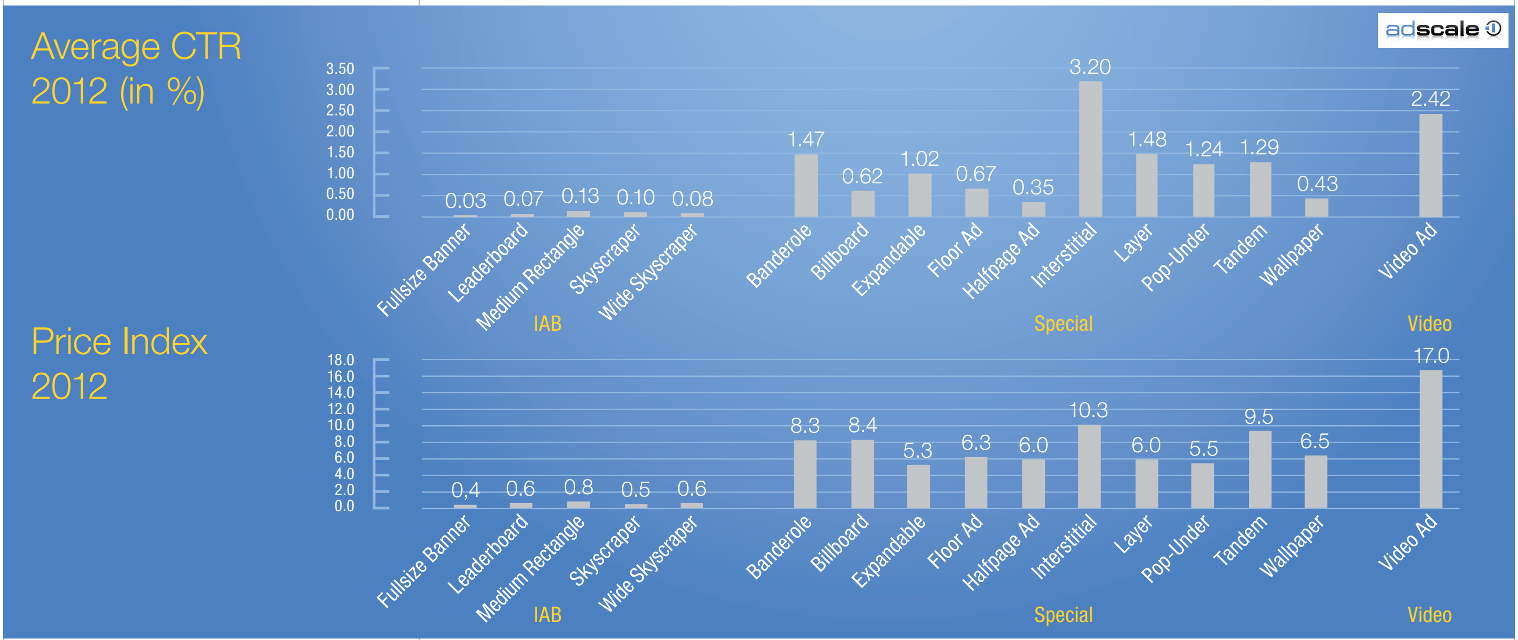


TABLE OF PRICE INDEX AND CLICK RATE DEVELOPMENT:

CTR = Click-through rate in per cent

Price index = An index value of 1 represents the average CPM of all ad formats surveyed

Example: Layers are on average six times as expensive (factor 6.0) as the average of all formats, and cost almost two thirds less than Video Ads (17.0).

PRICES VARY AS GREATLY AS THE CLICK RATES

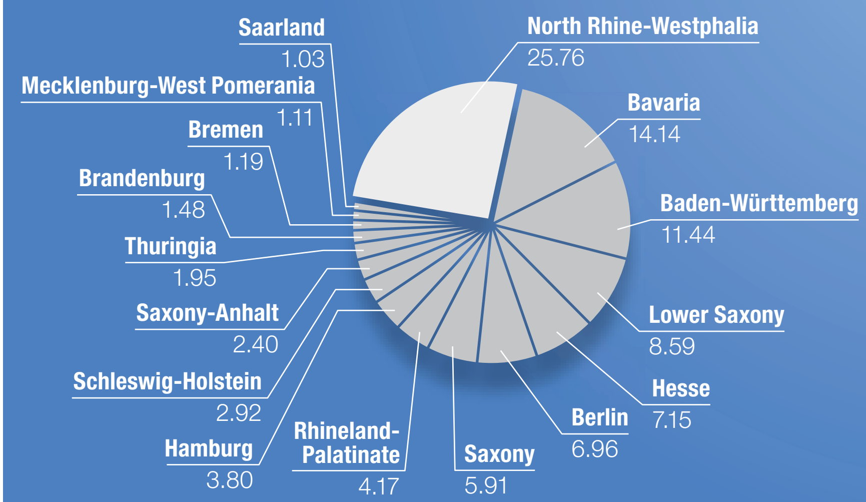
THERE ARE HUGE DIFFERENCES AMONG THE DIFFERENT ONLINE AD FORMATS: That applies to both the click rates (CTR) as well as the costs per mille (CPMs). Special ad formats and pre-roll spots cost considerably more than standard ad formats. An example: The average CPM of a video ad is 42 times as high as that of a full size banner. The banderole ad costs ten times the CPM of a medium rectangle. But: While rates for special formats rose by 38 per cent, rates for IAB standard units jumped by 43 per cent. One of the reasons for this development: The different price levels. Special ad formats already command much higher prices than standard ads.

Highest-click special formats: Interstitial, Layer and Banderole

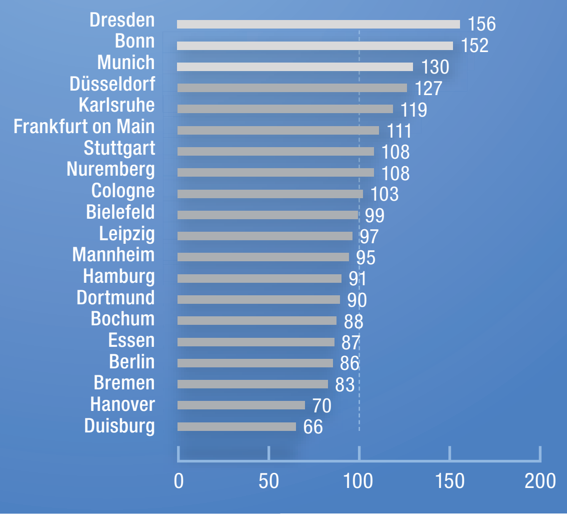
Of the special ad formats, the Interstitial, Layer, and Banderole show especially good performance. With a CTR of 3.20 per cent, the Interstitial gets the highest click rate of the special formats, followed by Layer ads (CTR 1.48 per cent). With a click through rate of 1.47 per cent, the Banderole in third place gets eleven times more clicks then the best-performing IAB standard unit, the Medium Rectangle. All three special ads are frequently used for brand and product campaigns, which benefit from these formats' large surface area and high-attention placement.

Special
Regional focus on online

Ad Impression shares by German states (in %)



Indexed Ad Impressions per resident



AD IMPRESSION INDEX
calculation based on the number of absolute delivered ad impressions (AI) in relation to the population of the specific city. The population figures are based on statistics from the Statistisches Bundesamt (status 12/31/2011). Index value 100 = average value of all 20 cities listed above. The analysis was conducted of only the 20 cities that showed on average the highest absolute number of ad impressions per day.

Example: The index value of 156 for Dresden means that an average of 56% more ad impressions were delivered per inhabitant in Dresden than the average number distributed to residents of the top 20 cities.

BUNDLED ADVERTISING POWER IN GERMAN URBAN CENTRES

A REGIONAL FOCUS ON ONLINE ADVERTISING: For our current special section, we analysed the regions in which the most ad impressions were delivered, where the highest cost per mille are charged, and where the best click rates are achieved. Large cities are not always the leaders in this regard. For the special section in January 2013, we evaluated over 500 million ad impressions in 8,239 cities and communities from 16 German states.

Of all ad impressions, adscale plays the majority in North Rhine-Westphalia: Over one quarter (25.76%) of all advertising contacts are achieved in Germany's most densely populated federal state. One factor is that the state is home to seven cities – Cologne, Düsseldorf, Dortmund, Bonn, Essen, Bochum, and Duisburg – in which a particularly high number of ad impressions are delivered. Coming in second and third in the state rankings for ad impressions are Bavaria (14.14%) and Baden-Württemberg (11.44%).

In addition to the states in Germany, we also analysed the 20 cities in which, based on a daily average, the most ad impressions are played. Each of these cities has a population of approximately 300,000. If the delivered ad impressions are put in relation to the specific population, we see that although Berlin is Germany's capital in terms of the absolute number of ad impressions, it does not hold true when looking at the ad impressions per resident (ad impression index). In the latter case, Dresden tops the ranking with an index value of 156, indicating that its city residents view a particularly high number of ad impressions. Bonn follows closely with an index of 152 and Munich with an index of 130. The lowest number of per capita advertising contacts from among the cities with the highest AI levels can be found in Duisburg (index 66), Hanover (index 70), and Bremen (index 83).

Special

Regional focus on online

Average indexed CPMs by German states (subscripted)

CPM Index	88-93
CPM Index	94-99
CPM Index	100-104
CPM Index	105-110
CPM Index	>110

CPM index by cities/ communities

	City / Community	Local Price Index	German state
1	**Gaienhofen**	179	Baden-Württemberg
2	**Pewsum**	176	Lower Saxony
3	**Bad Berleburg**	176	North Rhine-Westphalia
4	**Eigeltingen**	173	Baden-Württemberg
5	**Niederissigheim**	173	Hesse
6	**Vetschau**	167	Brandenburg
7	**Eitelborn**	167	Rhineland-Palatinate
8	**Burgbrohl**	165	Rhineland-Palatinate
9	**Öhningen**	164	Baden-Württemberg
10	**Crostau**	163	Saxony

LOCAL PRICE INDEX:
Calculation based on the cost per mille (CPM) of the specific German state and the specific city/community in relation to the average CPM in Germany 2012. An index value of 100 indicates the average value. The CPMs of 16 German states and 2,833 cities and communities were analysed.

Example: The index of 122 for North Rhine-Westphalia means that in NRW the price for 1,000 ad impressions is on average 22% more expensive than the average price for 1,000 advertising contacts in Germany as a whole.

SOUTH-NORTH DIFFERENCES IN ONLINE ADVERTISING PRICES

THE PRICES FOR ONLINE ADVERTISING ARE RISING BECAUSE OF LARGE-AREA AD FORMATS, new technologies, and a high demand. Yet where in Germany can the highest prices be found for 1,000 ad contacts? We analysed the data of 2,833 cities and communities in which on average adscale plays at least 1,000 ad impressions every day.

The result: North Rhine-Westphalia tops the rankings in terms of the average cost per mille (CPM). The average CPMs paid in the German state with the highest population were 22% (index 122) above the national average. Ranked by ad impression, places two and three go to Southern Germany as well: The second-highest CPMs are counted in Baden-Württemberg with an index value of 107 as a national average. Bavaria follows in third place with a CPM that averages five percent (index value 105) above the average CPM. The prices in Northern and Eastern Germany tend to be somewhat lower than those in Southern and Western Germany.

It is interesting to look at a breakdown on a city and community basis: In a comparison within Germany, it is not the large cities that achieve the highest average CPMs but rather smaller communities – often in suburban areas around larger cities. The reason for this: In addition to the target group size and accessibility, the income and buying behaviour influence the attractiveness and hence the price of an ad impression.

The leader in the price index ranking by cities and communities is not Berlin, Munich, or Hamburg, but rather Gaienhofen (CPM index 179), located in the district of Constance. Taking second place is Pewsum (CPM index 176), a community near the East Frisian city of Emden. Coming in third is Bad Berleburg (CPM index 176) in the district of Siegen-Wittgenstein. Large German cities tend to rank in the middle in the local price index. With an index value of 126, Frankfurt is the only major city to make the top 100.

Special
Regional focus on online

Highest-click cities / communities by German state

Baden-Württemberg	Click Index
Lauf	196
Öhningen	177
Wehingen	174

Bavaria	Click Index
Baldham	183
Diespeck	165
Kraiburg	162

Brandenburg	Click Index
Wandlitz	153
Lychen	129
Neuhausen	129

Hesse	Click Index
Borken	156
Wehrheim	148
Wald-Michelbach	141

Mecklenburg-West Pomerania	Click Index
Gadebusch	136
Bad Doberan	134
Schwaan	131

Lower Saxony	Click Index
Helmstedt	184
Ankum	173
Herzberg	159

North Rhine-Westphalia	Click Index
Lienen	169
Nümbrecht	164
Bad Berleburg	158

Rhineland-Palatinate	Click Index
Burgbrohl	168
Neuhofen	162
Billigheim-Ingenheim	160

Saarland	Click Index
Ebern	160
Rehlingen-Siersburg	137
Spiesen-Elversberg	135

Saxony	Click Index
Radibor	176
Machern	163
Bad Düben	146

Saxony-Anhalt	Click Index
Gerbstedt	156
Gröningen	135
Belleben	128

Schleswig-Holstein	Click Index
Barmstedt	145
Mölln	138
Oeversee	137

Thuringia	Click Index
Georgenthal	146
Wutha-Farnroda	143
Schmalkalden	139

City States	Click Index
Berlin	78
Bremen	103
Hamburg	95

LOCAL CLICK INDEX: calculation based on the click-through rate (CTR) of the specific city or community in relation to the average click rates achieved in Germany in 2012. The index value 100 reflects the average value. The CTRs from 2,833 cities and communities in Germany were analysed.

Example: The click index of 196 for Lauf means that there the click rate on online ads averaged 96% higher than the average click rate on online ads in Germany in 2012. Residents in Lauf clicked almost twice times as frequently on online ads compared to Germany as an average.

THE CLICK KINGS COME FROM LAUF IN THE BLACK FOREST

AS THE THIRD COMPONENT IN ONLINE ADVERTISING, the CTR (click rate or click-through rate) plays a key role. We also evaluated this data based on a total of 2,833 cities and communities, in which on average we played at least 1,000 ad impressions every day. This resulted in the local click index, which indicates the German cities in which the highest click rates were achieved.

The local click index reveals that the nearly 4,000 residents of Lauf, a community in the western part of the Black Forest in Baden-Württemberg, are particularly click-happy. Compared to other German cities and communities, the CTR in Lauf with an index value of 196 is particularly high. Coming in second place is Helmstedt (CTR index 184), a city located close to Brunswick in Lower Saxony. Third place goes to Baldham in the state of Bavaria (CTR index 183); it is located not far from Munich.

Survey method

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THE CALCULATIONS PRESENTED in the adscale Analyzer are based on real-time data from the exchange's database for digital advertising, which reflect both the supply and the actual bookings made on the exchange. As a result, the adscale Analyzer is the only study that presents key indicators on the development of prices in the German online advertising market. The survey, which covers a time period of up to three years, brings transparency to the online advertising market and provides advertisers, publishers, and other market participants with comparison values and forecasts, as a service.

With a reach of 13.8 billion page impressions per month and 44.4 million unique visitors (77.3% of German Internet users according to comScore, January 2013) and a portfolio of more than 5,000 websites, adscale Analyzer has the ability to detect industry-relevant trends and developments.

The adscale Analyzer appears twice a year. The next issue will be published in the fall of 2013.

We welcome any suggestions you may have. If you have any questions about the adscale Analyzer, please do not hesitate to contact us.