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ONLINE PAID CONTENT U.S. MARKET SPENDING REPORT

Conducted in partnership with



This report covers Full Year 2005

March 2006

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INTRODUCTION

If there was any doubt, 2005 proved that the Web has become a vital entertainment destination. Last year we used the word “burgeoning” to describe 2004’s growth in online music purchases. In 2005, the digital entertainment bloom continued and catapulted the Entertainment/Lifestyle category to the top spot in our ranking. With the availability of new devices and new video content, we certainly expect this trend to continue.

The digital entertainment ripple effect led to online content revenues jumping 15 percent overall in 2005, and reaching an all-time high of \$2 billion. But this strength was not entirely due to the success of iTunes and its competitors. Eight of the 11 content categories covered in our Report saw growth in 2005 – including double-digit percentage gains in Entertainment/Lifestyles, Games, Personal Growth and Research.

In addition to crossing the \$2 billion mark, paid content reached another milestone in 2005 as the average annual spending per consumer crossed the \$100 threshold. It’s important to note, however, that the strong overall growth in paid content is not simply a result of the same consumers spending more money – our Report also shows consistent growth in market penetration. The combination of more money being spent, and more consumers spending, is a very positive indicator for continued growth.

There are fascinating trends in development and the picture of online paid content as an increasingly important business is clearly emerging. We look forward to following these developments and sharing our findings with you.

Best Regards,

Pam Horan
Vice President, Marketing & Membership
Online Publishers Association

EXECUTIVE SUMMARY

Online content spending totals \$2 billion in 2005

- ◆ U.S. consumers spent \$2 billion for online content in 2005; this represents an increase of 15% compared to 2004 and was driven largely by the Entertainment/Lifestyles category

Entertainment/Lifestyles overtakes Personals/Dating as the largest paid content category

- ◆ Consumer spending on Entertainment/Lifestyles content reached \$573.8 million in 2005, surpassing Personals/Dating content to rank first among all paid content categories
- ◆ Entertainment/Lifestyles also registered the largest year-over-year growth (38.8%), fueled by growth in online music sales
- ◆ Research, Games and Personal Growth also showed strong annual gains of 32.3%, 22% and 21.5%, respectively
- ◆ The top three categories – Entertainment/Lifestyles, Personals/Dating and Business Content/Investment – accounted for just over two-thirds (68%) of online content spending

Single purchase share of paid content sales reaches highest point yet

- ◆ In 2005, single purchase sales hit a record high of \$442.2 million, up 61% from 2004, driven by single purchases of music downloads
- ◆ Single purchase sales in the Entertainment/Lifestyles category generated \$270 million in revenue in 2005, more than double the \$125.7 million it accounted for in 2004
- ◆ Among single payments, mid-range payments (between \$5 and \$50) accounted for two-thirds of single payment revenue for 2005
- ◆ The growth in digital music track/album sales shifted the overall single purchase versus subscription mix, with single purchases accounting for 21.6% of sales in 2005 versus 15.4% in 2004
- ◆ Even with the popularity of single purchase sales, subscriptions were the dominant pricing model, responsible for about four-fifths of online content spending
- ◆ Monthly subscriptions represented 61.3% of total subscription revenues in 2005 versus 57.6% in 2004, an increase of 6.4%; annual subscription revenue dipped 6% over this period

The number of U.S. consumers paying for online content continues to grow and spending per consumer crosses the \$100 threshold

- ◆ 20.6 million U.S. consumers paid for online content in Q4 2005, up 8% from the 19 million who paid for online content in Q4 2004
- ◆ Average consumer spending in Q4 2005 was \$103.54, up 4% from Q4 2004 and compares favorably with Q4 2003 to Q4 2004 per consumer spend, which was flat

CATEGORY HIGHLIGHTS

A definition of each category is provided in Appendix B.

Business Content/Investment

- ◆ Rebounded from a 2004 revenue decline to show positive growth in 2005
- ◆ Had the highest proportion of single-purchase sales of \$50+

Community-Made Directories

- ◆ Slowed down its 2004 revenue decline
- ◆ Has a relatively high percentage of revenue from single-purchase sales of \$50+

Credit Help

- ◆ Reversed its 2004 revenue decline with positive growth in 2005
- ◆ Relies heavily on both single purchases and long-term subscriptions

Entertainment/Lifestyles

- ◆ Surpassed Personals/Dating as the top revenue-generating content category
- ◆ Had the greatest year-to-year revenue growth of any category
- ◆ Single purchase music sales helped push per consumer spending over \$100

Games

- ◆ Continued its trend of 20%+ annual revenue growth
- ◆ Registered gains in subscription share from 2004

General News

- ◆ Grew revenue over 50% from 2001
- ◆ Increased its annual subscription revenue

Greeting Cards

- ◆ Had a strong Q4 as online holiday cards become more popular
- ◆ Grew its annual subscription revenue

Personal Growth

- ◆ Posted double-digit growth in 2005
- ◆ Relies almost exclusively on subscription revenue

Personals/Dating

- ◆ Exceeded its 2004 revenue growth, although bumped from the top category spot
- ◆ Increased its annual subscription revenue

Research

- ◆ Had the second largest revenue gain among content categories in 2005
- ◆ Improved its single-purchase sales revenue

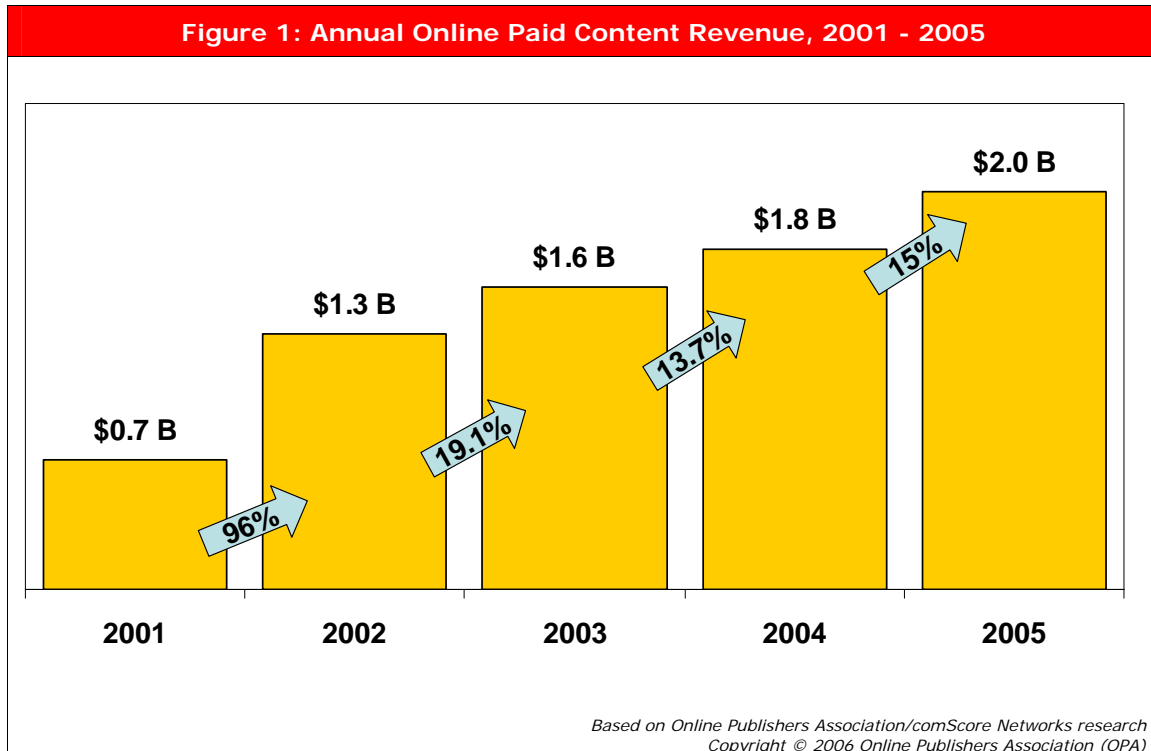
Sports

- ◆ Saw a small revenue decline after a strong 2004
- ◆ Subscription revenue, especially annual, rose from previous years

RESEARCH DETAILS

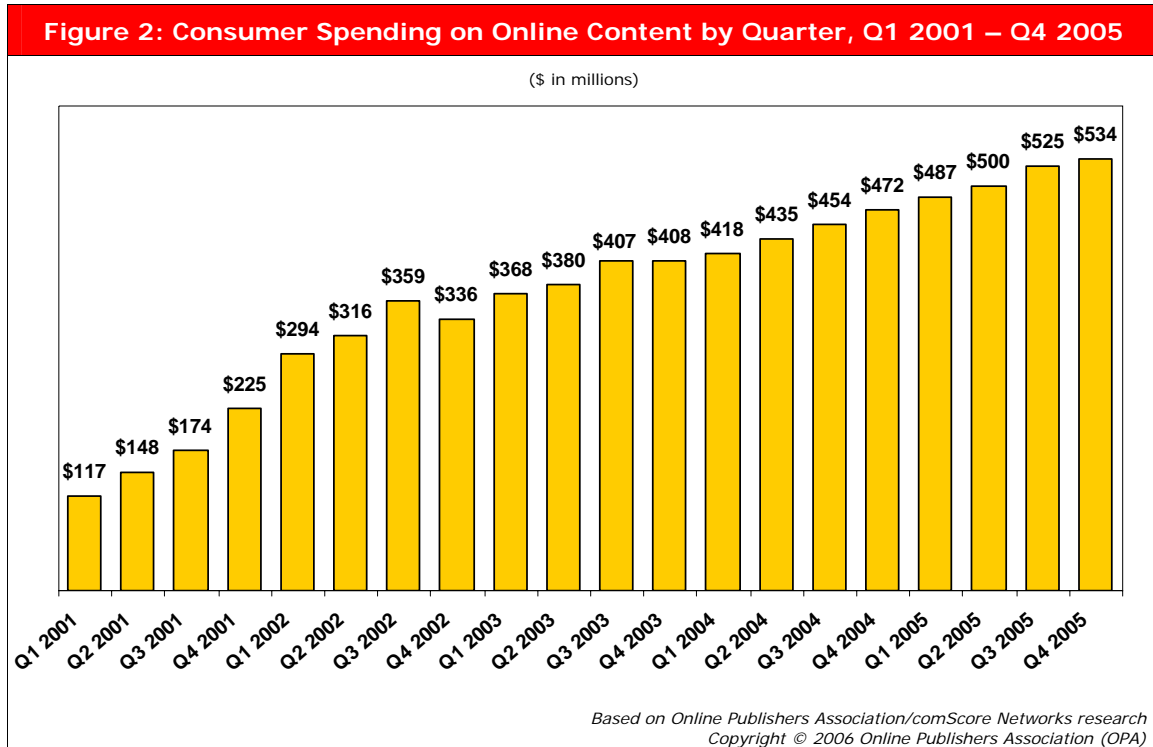
Consumer spending for online paid content continues its strong annual growth trend

U.S. consumers spent \$2 billion for online content in 2005, an increase of 15% compared to 2004. This annual growth rate is up from 13.7% in 2004, demonstrating that paid content is a strong commodity in a maturing online market.



Online paid content spending reaches quarterly high ... again

Online content spending reached an all-time high of \$533.6 million in Q4 2005. There has been positive growth every quarter since Q4 2002.

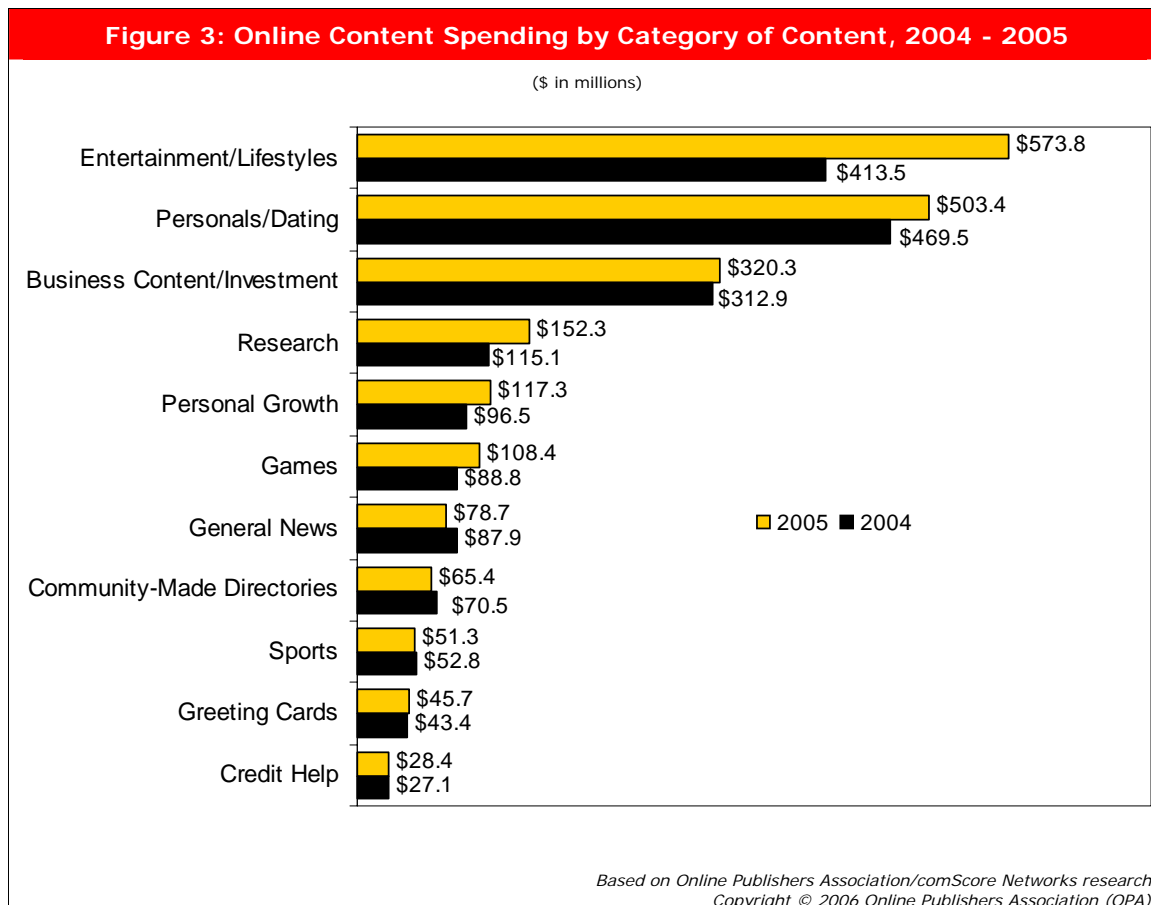


Entertainment/Lifestyles registers biggest gain to supplant Personals/Dating as largest paid content category

Entertainment/Lifestyles surpasses Personals/Dating as the leading paid content category in 2005. U.S. consumers spent \$573.8 million during the year, up 38.8% over 2004. Entertainment/Lifestyles supremacy occurs even with Personals/Dating's increase of 7.2%, from \$469.5 million in 2004 to \$503.4 million in 2005. Personals/Dating had been the largest paid content category the previous three years.

After a mid-2004 decline, spending in the Business Content/Investment category continues to rebound, increasing 2.4%, from \$312.9 million in 2004 to \$320.3 million in 2005.

The top three categories – Entertainment/Lifestyles, Personals/Dating and Business Content/Investment – accounted for 68% of online content spending in 2005, slightly up from 67.3% in 2004.



A definition of each category is provided in Appendix B.

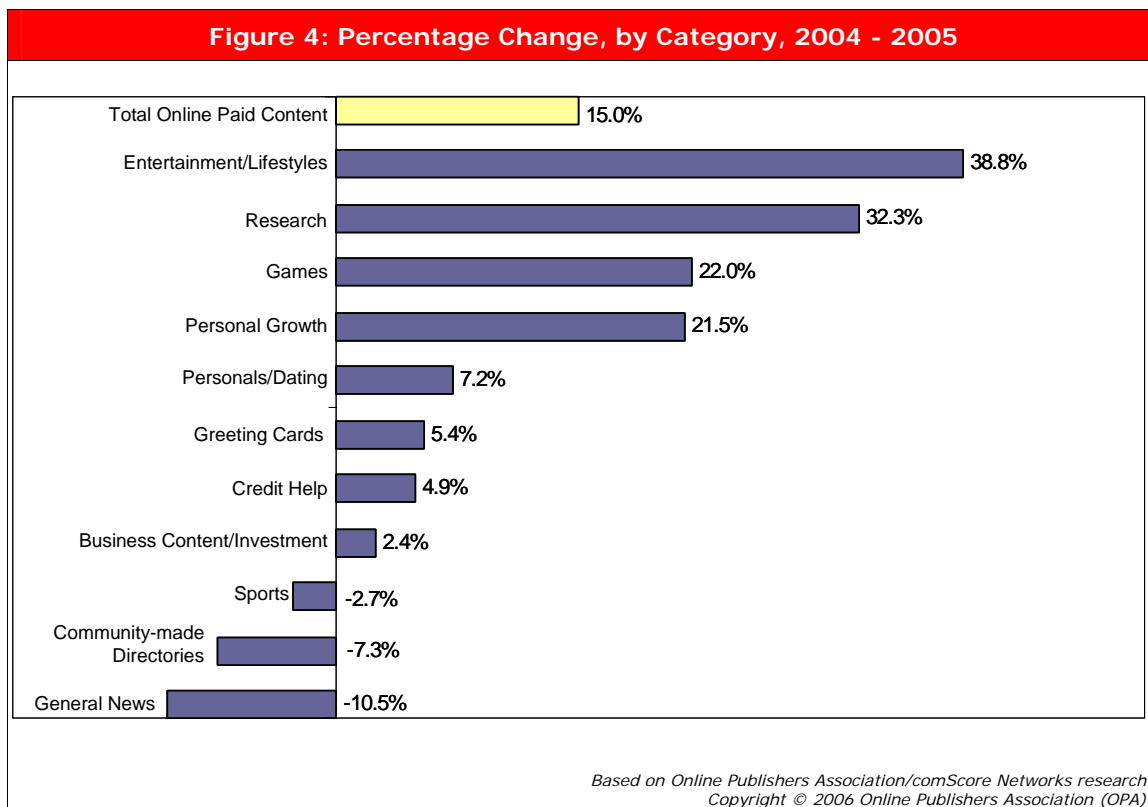
Revenue for most content categories is up from 2004

Not only is revenue up for most content categories, but four of seven content categories that experienced growth in 2004 experienced even greater growth in 2005: Research, Games, Personal Growth and Personals/Dating.

The growth rate for the Entertainment/Lifestyles category, 38.8% over 2004, was the highest year-over-year percentage increase for all categories, but other categories also posted high gains. After taking a dip during the first three quarters of 2004, Research continues its resurgence with the second-largest percentage gain among categories, a 32.3% increase. Games and Personal Growth were also up significantly, 22% and 21.5%, respectively.

Credit Help witnessed a turn-around, going from a 26% decrease in 2004 to a 4.9% increase in 2005.

Sports experienced a decline in 2005 (-2.7%) after a strong 2004 revenue increase (38%). Community-made directories' revenue downturn (-7.3%) slowed from 2004 (-18.9%). After a flat 2004 (0.4%), General News' revenue had the largest 2005 category decrease at -10.5%.



Most categories' revenues grow year-to-year

Paid content revenue grew over 200% from 2001. Greeting Cards, Personals/Dating, Entertainment/Lifestyles, Sports, Personal Growth, Research and Games had triple-digit growth from 2001 – 2005.

Sites with revenue growth across all years of the Paid Online Content Report were Games, Greeting Cards, Personal Growth, Personals/Dating and Research. More recently, Entertainment/Lifestyles and Games exceeded total paid content growth rates from 2003 to 2005. Until 2005, Sports experienced at least double-digit growth every year.

General News' revenue growth slowed year-to-year, to the point of decreasing in 2005. Community-Made Directories, after nearly doubling its 2001 revenue in 2002, has since experienced revenue declines each year. Credit Help is the only category with 2005 revenue lower than 2001 revenue.

Table 1: Annual Change of Online Content Spending by Category, 2001 - 2005

Content Category	2001 to 2002	2002 to 2003	2003 to 2004	2004 to 2005	2001 to 2005
Total	96%	19%	14%	15%	205%
Business Content/Investment	36%	14%	-6%	2%	49%
Community-Made Directories	98%	-5%	-19%	-7%	42%
Credit Help	25%	-9%	-26%	5%	-12%
Entertainment/Lifestyles	103%	-4%	90%	39%	412%
Games	55%	1%	22%	22%	133%
General News	35%	25%	0%	-11%	52%
Greeting Cards	1,662%	12%	7%	5%	2,127%
Personal Growth	79%	104%	7%	22%	375%
Personals/Dating	319%	49%	4%	7%	599%
Research	84%	2%	6%	32%	163%
Sports	203%	26%	38%	-3%	412%

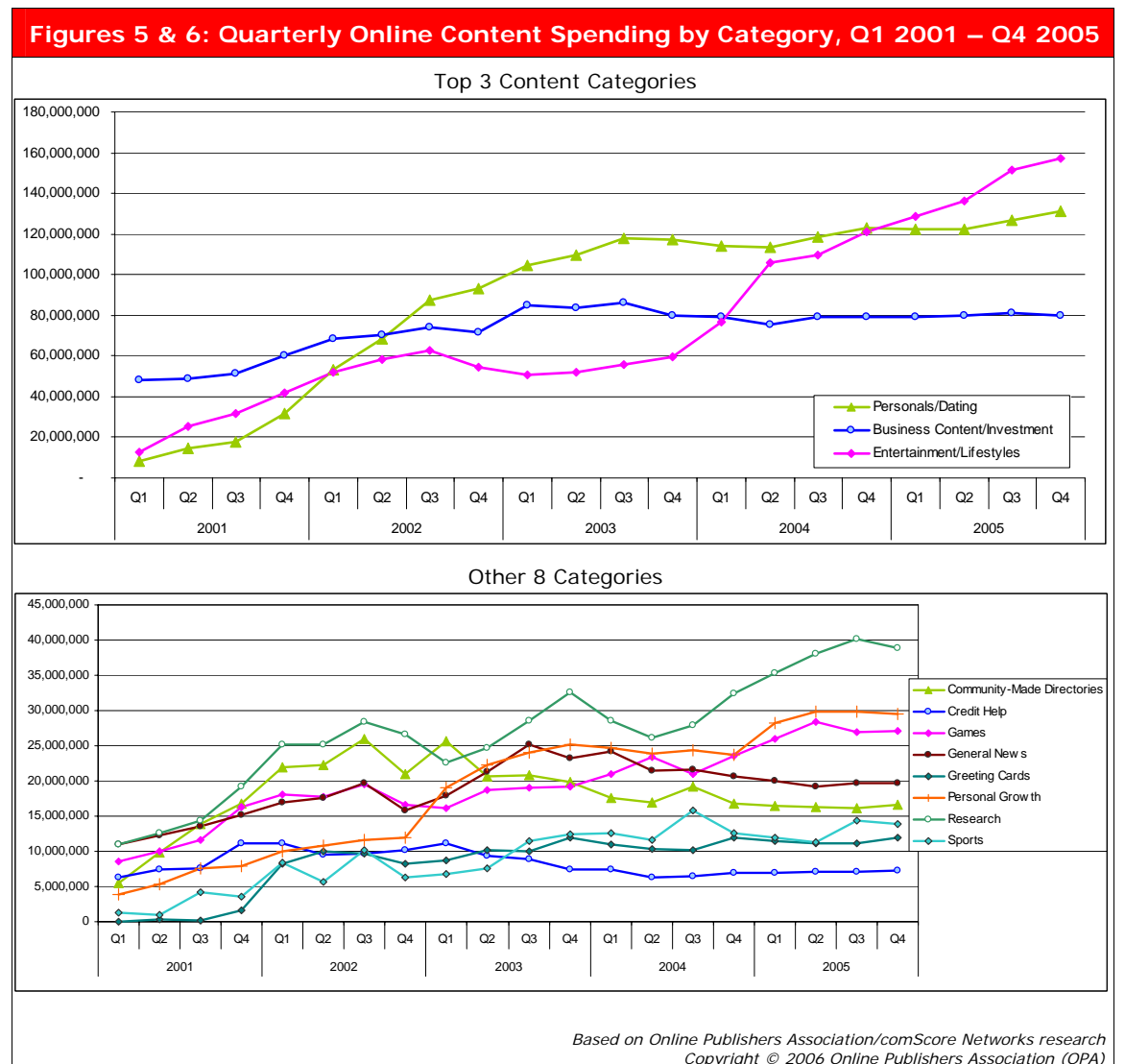
*Based on Online Publishers Association/comScore Networks research
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Quarterly trends show many categories continuing growth, others resuming growth

Entertainment/Lifestyles had a banner year, being the only category among the top three to post consecutive growth over all four quarters. Entertainment/Lifestyles trend of quarter-to-quarter growth began Q1 2003. Personals/Dating rebounded from a slight Q2 decline to grow the last two quarters. Business Content/Investment was slightly up from a 2004 downturn.

After experiencing a decline in H1 2004, Research compiled five consecutive quarters of growth. Credit Help continues its quarterly growth trend that began Q3 2004.

Similar to 2004, Sports' revenue peaked Q3. Games continued its 2004 trend of rebounding in Q2 and Q4.

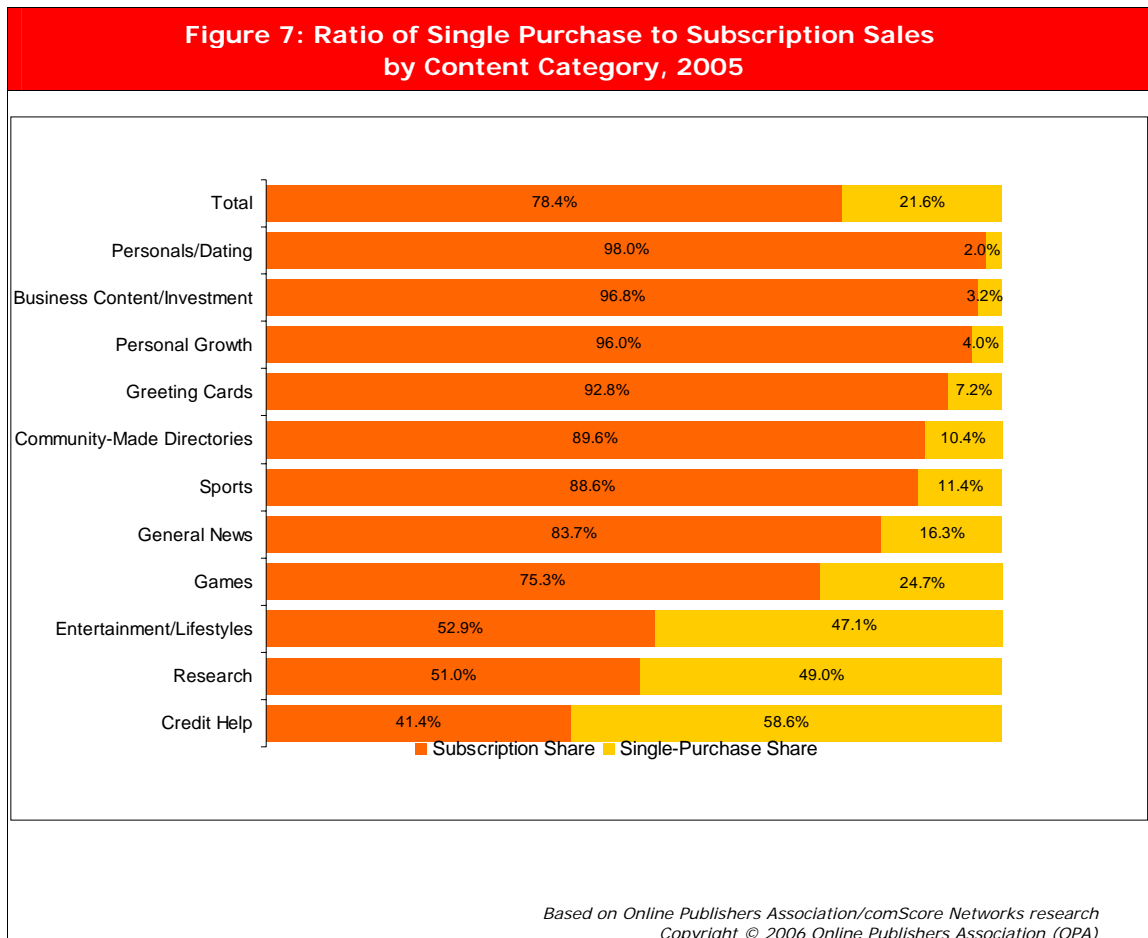


Single purchase share of paid content sales reaches (another) record high

Driven by digital music downloads, single purchase share of paid content continues to increase, from 15.4% in 2004 to 21.6% in 2005, for a 40% increase. Single purchase revenue increased 61% in 2005 to \$442.2 million, up from \$274.7 million in 2004. The Entertainment/Lifestyles category, which includes digital music, experienced 115% single purchase revenue growth, from \$125.7 million in 2004 to \$270 million in 2005.

The Research category's solid 2005 was due largely to a la carte report, tools and data purchases.

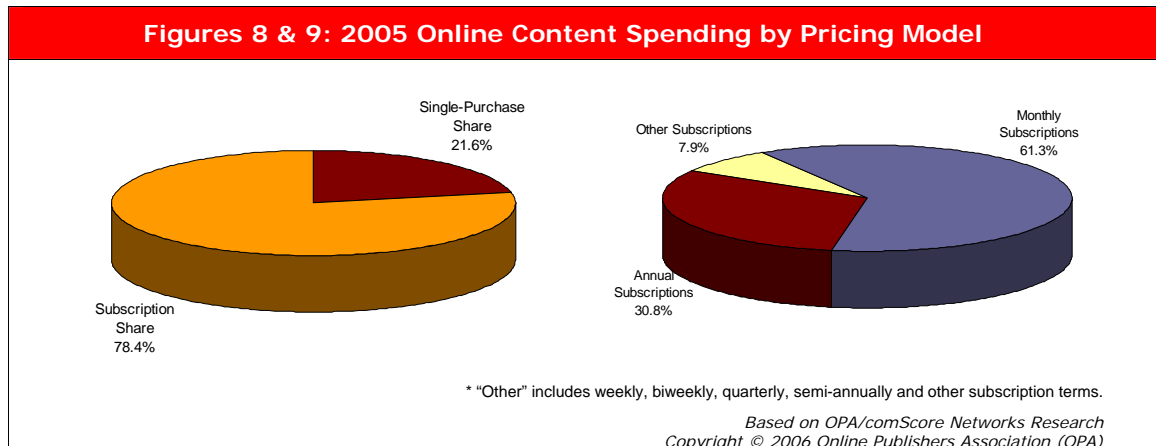
Business Content/Investment, Personal Growth, Greeting Cards, Sports and Games registered gains in subscription shares from one year ago.



Subscription pricing, especially monthly subscriptions, dominate online content sales

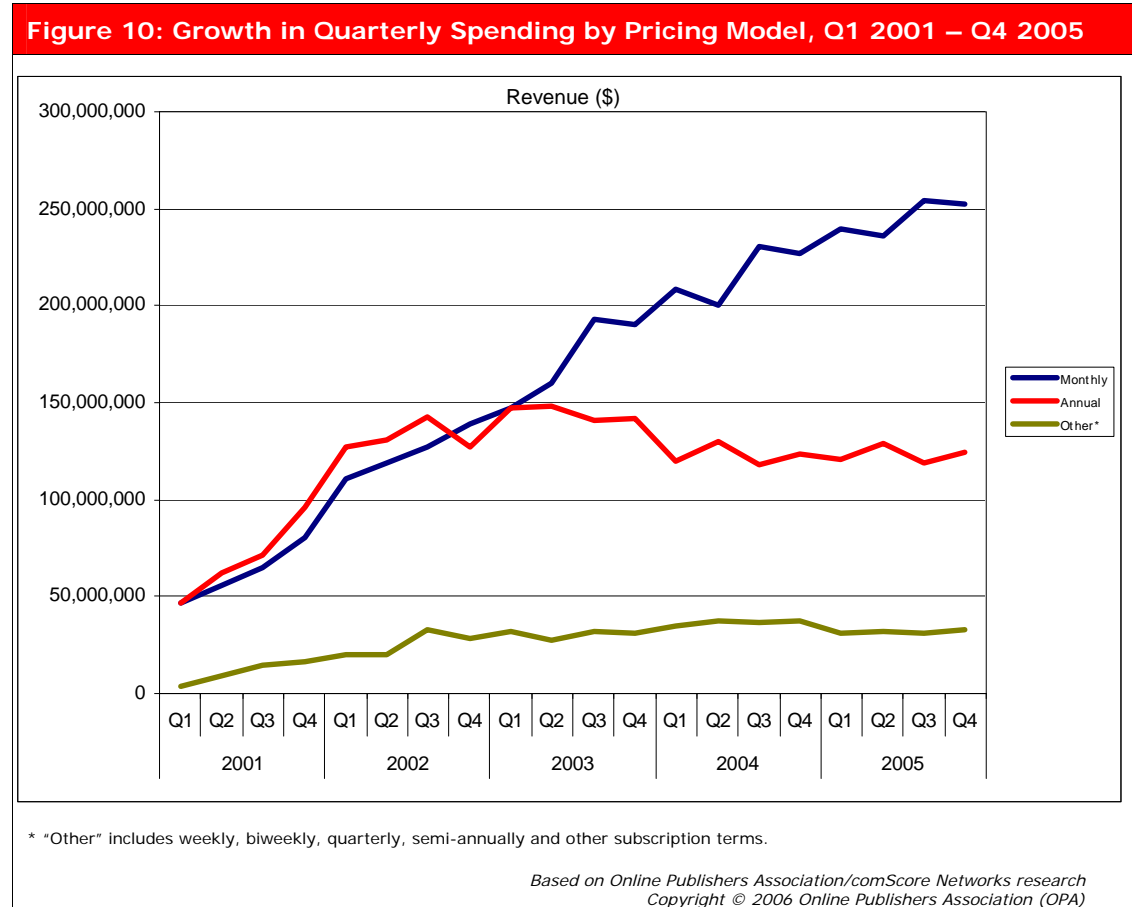
Subscriptions continue to be the dominant pricing model, accounting for almost four-fifths of online content revenue in 2005. For every category except Credit Help, subscription revenue was greater than single-purchase revenue for this period.

Monthly subscriptions continue to grow and be the predominant revenue model, increasing 6.4% from 57.6% of total subscription revenue in 2004 to 61.3% in 2005. The trade-off is a 6% decline in annual subscription revenue, from 32.7% in 2004 to 30.8% in 2005.



Similar to 2003 and 2004, annual subscription revenue experienced gains in Q2 and Q4 2005. However, even these gains could not bring annual revenue back to its Q2 2003 peak of \$148.6 million.

Subscription terms other than monthly or annual have yet to gain much traction, and 2005 revenue declined from these alternative subscription models.

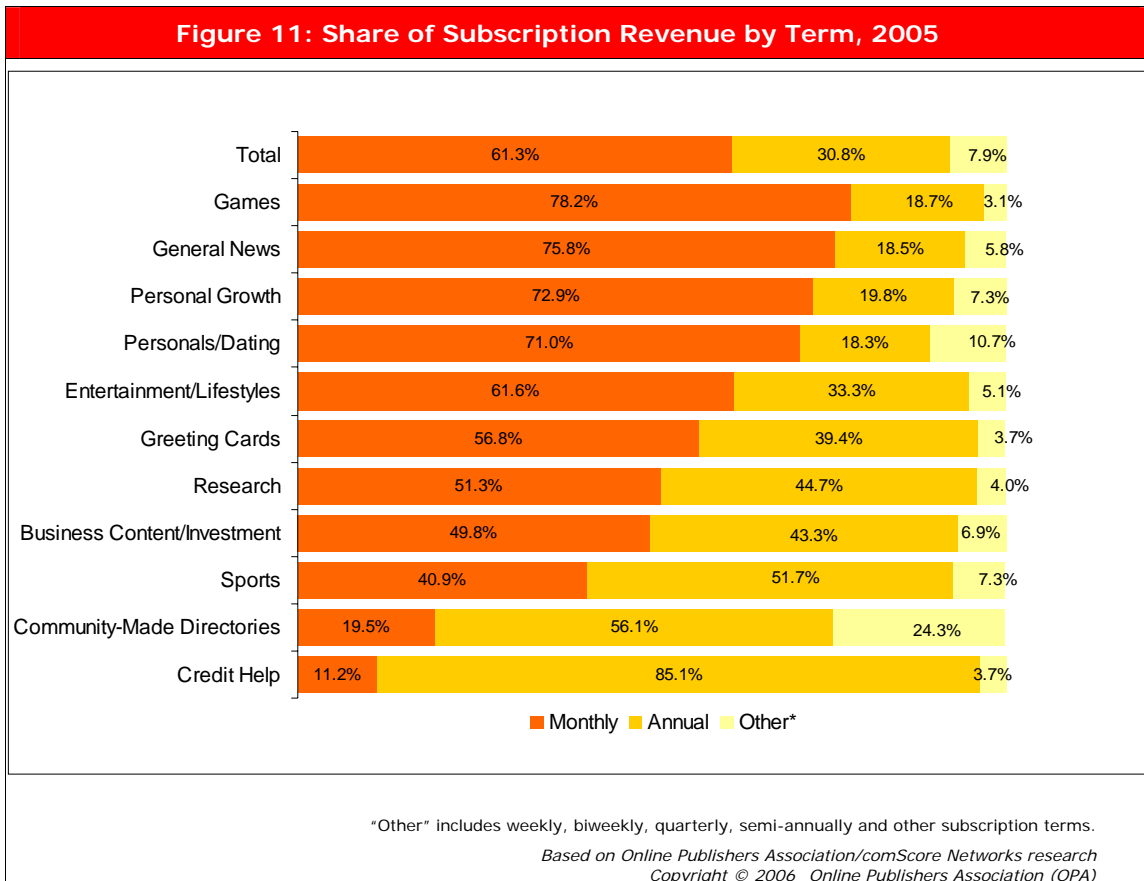


Monthly subscriptions account for majority of subscription revenue in most categories

Monthly subscriptions account for the majority of subscription revenue in most categories, with the exception of Business Content/Investment, Sports, Credit Help and Community-Made Directories.

Sports again registered a year-over-year increase in revenue derived from annual subscriptions, potentially attributable to the fact that many sports sites are moving to annual subscriptions as opposed to seasonal subscriptions.

Even with the popularity of monthly subscriptions, annual subscription revenue also increased for Entertainment/Lifestyles, General News, Personals/Dating and Research.

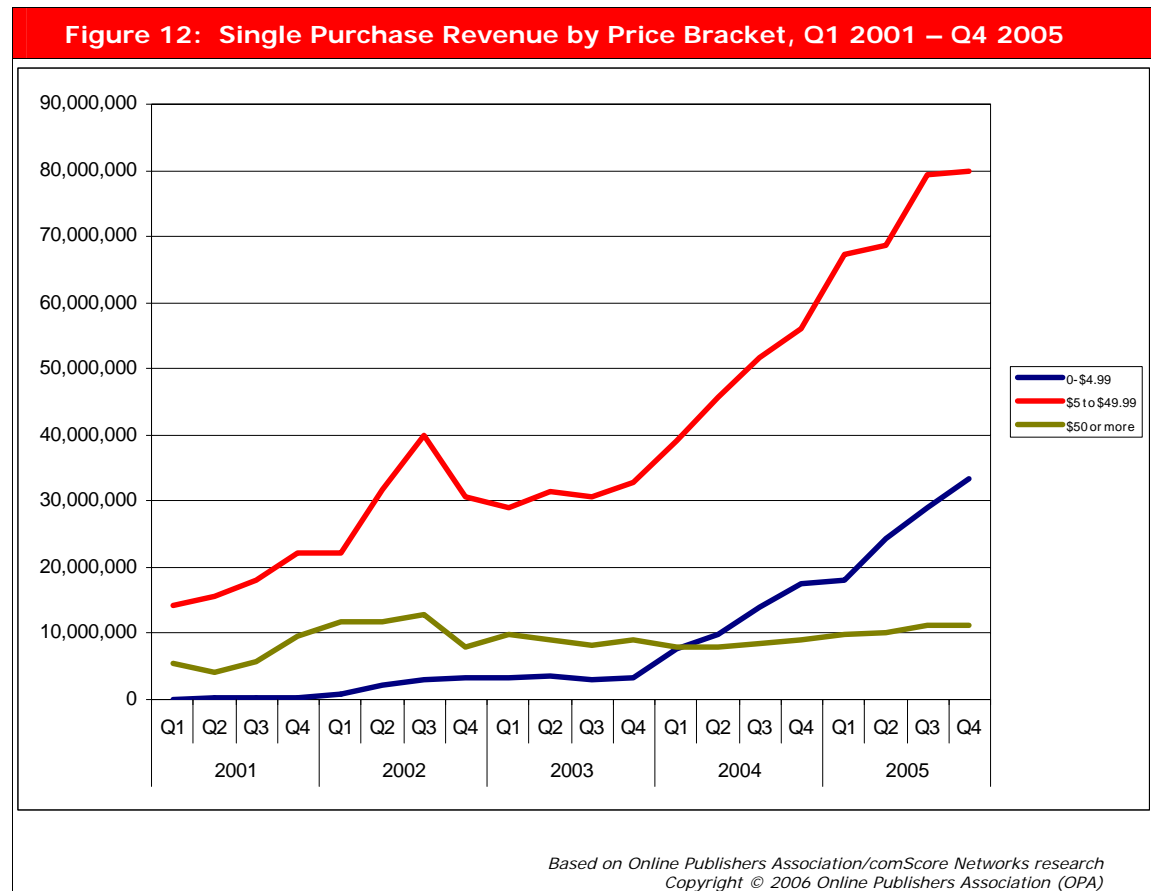


Music downloads drive low-end single-purchase content sales

Driven by digital-music downloads, payments in the lowest price point, \$0–\$4.99, increased to 23.7% of the single-purchase total for 2005, up from 17.9% for 2004. Revenue from low-price-point sales more than doubled from \$49.2 million in 2004 to \$105 million in 2005. Furthermore, low-price-point sales revenue has grown each of the last nine quarters.

Mid-range payments (between \$5 and \$50) were down slightly from 70% of revenue for all of 2004 to 66.7% in 2005. The revenue increase in this range was still substantial: from \$192.3 million in 2004 to \$294.9 million in 2005, for a 53% increase.

Single purchases in the \$50.00+ range were down from 12.1% in 2004 to 9.6% for 2005. However, until Q4 2005, revenue from these high-end purchases grew five consecutive quarters.

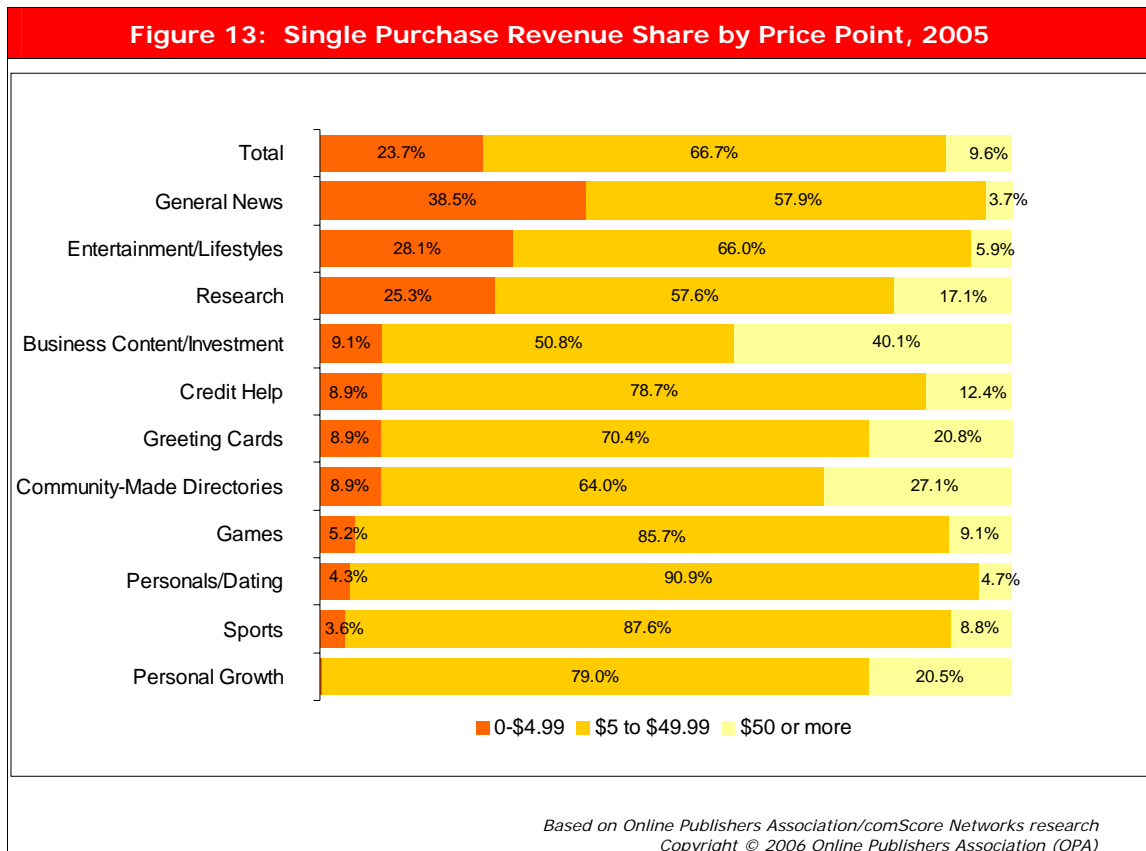


While the general trend has been a decrease in the revenue share of the \$50+ category, Games, Credit Help and Entertainment/Lifestyles all experienced gains in their share of high-end purchases from 2004. Games' \$50+ revenue share nearly doubled from 5% to 9.1%, Credit Help went up two-thirds from 7.5% to 12.4%, and Entertainment/Lifestyles increased one-third from 4.5% to 5.9%.

As in previous years, the Business Content/Investment and Community-Made Directories categories had the highest proportion of single-purchase sales above the \$50 price point, but those percentages dropped in 2005. Business Content/Investment saw single payments over \$50 go from 45.9% of sales in 2004 to 40.1% in 2005 (-13%). Community-Made Directories saw a decrease in \$50+ single payments over the same period, from 35.6% to 27.1% (-24%).

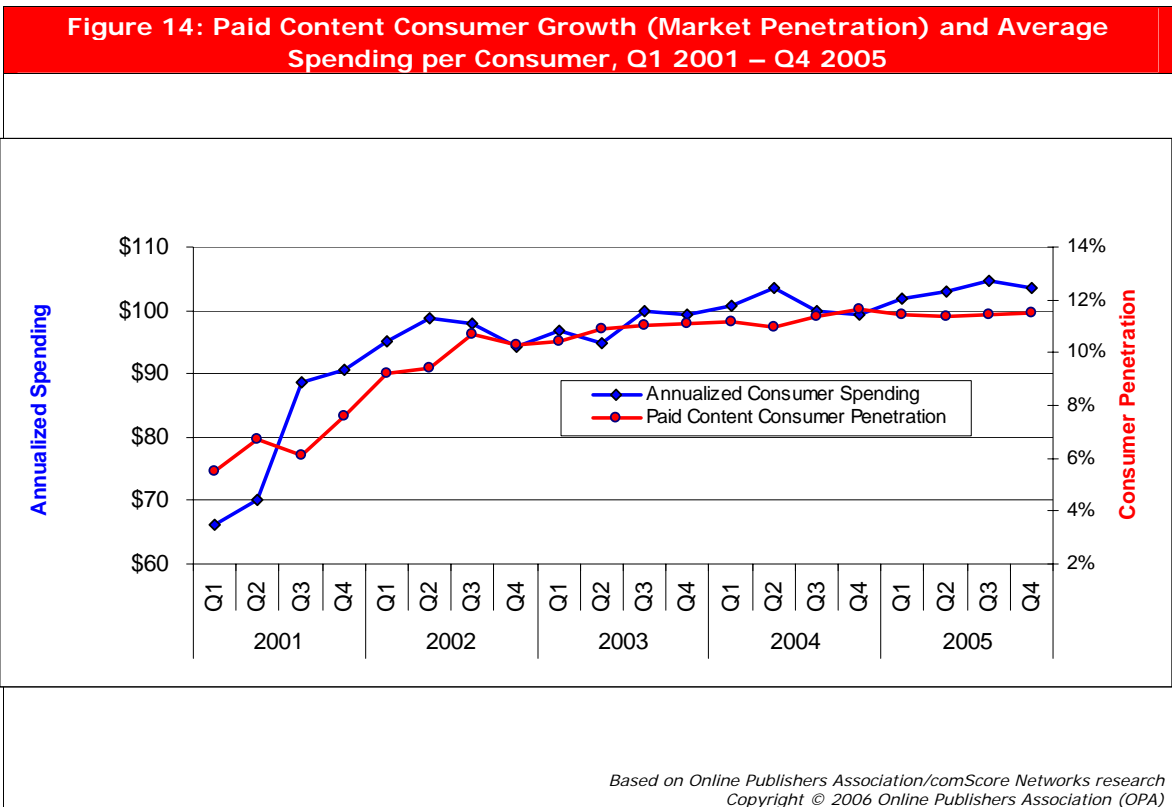
While eight of eleven categories had less than 10% of single purchase sales in the \$0-\$4.99 price range, General News (38.5%), Entertainment/Lifestyles (28.1%) and Research (25.3%) had much higher proportions of sales at this lowest range. The change was greatest for Research (7.8% in 2004), and relatively slight for News (40.9% in 2004) and Entertainment/Lifestyles (28.8% in 2004).

Entertainment/Lifestyles single purchase revenue more than doubled, going from \$125.7 million in 2004 to \$270 million. This growth was fueled largely by \$0-\$4.99 purchases, which generated revenue of \$75.9 million in 2005 from 2004's \$36.3 million (a 110% increase).



The number of U.S. consumers buying online content grows and per-person spending crosses the \$100 threshold, while market penetration remains flat

While the number of paid content consumers has increased two-thirds from 12.4 million in Q1 2002 to 20.6 million at the end of Q4 2005, the average consumer's spending for online content has grown by only 8.9% over that period. The average consumer has spent around \$100 for online content every year since 2002; the annualized total for 2005 increased to \$103.54. Consumer penetration (the percentage of U.S. Internet users who purchased online content) was at 11.5% for Q4 2005, down from the all-time high of 11.6% in Q4 2004.



CONCLUSIONS

- ◆ Paid content reached the \$2 billion mark in 2005, growing over 200% since 2001.
- ◆ Growth in online content spending in 2005 was driven primarily by growth in the Entertainment/Lifestyles category as a result of online music sales.
- ◆ Entertainment/Lifestyles registered largest year-over-year gains and is the largest paid content category – supporting the trend that consumers are increasingly using the Internet for entertainment.
- ◆ In addition to Entertainment/Lifestyles, spending on Personals/Dating, Research, Personal Growth, Games and Greeting Cards, reached all-time highs.
- ◆ Games, Greeting Cards, Personal Growth, Personals/Dating and Research had revenue growth across all years of the Paid Online Content Report (2001 – 2005).
- ◆ Business Content/Investment and Credit Help rebounded from comparatively weak 2004's.
- ◆ Single purchase share of paid content sales hit a record high, with digital music track/album sales driving an overall shift in the single purchase versus subscription mix.
- ◆ Even with single purchase share of sales reaching a high, subscription pricing was the predominant revenue model.
- ◆ Average consumer spending for online content crossed the \$100 mark, rising to \$104 at the end of 2005.

APPENDIX A

Research Scope and Methodology

comScore Networks (www.comscore.com) has a proprietary technology network that tracks all World Wide Web activity for its panel of 2 million active U.S. Internet users. This technology allows comScore to see (with panelists' permission) even "Secure Socket Layer" (SSL) browsing, including commerce transactions with dollar amounts. This system enabled comScore to observe actual online content purchases among its panelists and look back into its immense data warehouse at content transaction activities for all of 2001 through the present. The Online Publishers Association (OPA) set the scope for the paid content universe principally through the following exclusions:

Excluded Content Categories

- ◆ Pornographic sites
- ◆ Gambling sites
- ◆ Software purchases
- ◆ Illegal drug-related sites
- ◆ Get-quick-rich schemes and scams
- ◆ Internet Service Providers
- ◆ Business services, including electronic faxing and Web-based e-mail applications
- ◆ Games for which subscriptions are purchased and played through a proprietary (non-web browser-based) software interface

Sites not excluded on this basis were then classified according to OPA content categories definitions (see Appendix B), and sites with sufficient transaction activity were classified into two Tiers for analysis. *Tier 1* sites included 59 large sites for which there is sufficient transaction activity to track reliably at a site level. The analysis also includes observed transaction activity at a set of 47 *Tier 2* sites, which were analyzed at a category level to determine revenue contribution among mid-sized paid content vendors. All observations noted above were monitored for both Tier 1 and Tier 2 sites.

To supplement this analysis set, an analysis of visitor activity at a total of 132 known paid content sites was performed to assess the general distribution of online paid content spending within the marketplace. This set represents roughly 8% of the estimated 1,700 U.S. sites currently charging for content. In total, Tier 1 sites account for roughly 85% of revenue. Tier 2 sites account for between 10% and 12%, with the remainder accounted for by remaining sites.

All data are weighted and projected to represent the U.S. Internet online population, as determined by a weekly random-digit dial enumeration study.

The study covers twenty quarterly time periods, spanning the full years 2001–2005. This twenty-quarter range provides the basis for evaluating annual revenue from 2001 through 2005.

Market-size estimates required that incumbent subscriptions as of the study period (i.e., extant subscriptions prior to 2001 Q1) be accounted for. This was accomplished by analyzing traffic volume to subscriber-only sections of a sampling of paid content sites at the beginning of 2001 relative to observed subscription sign-ups to estimate subscription share between new and existing subscriptions.

Sales figures for the Entertainment/Lifestyles category now include online music sales, which became an important segment beginning in 2004.

APPENDIX B

Definitions of Content Categories

Business Content/Investment — Includes business news (e.g., WSJ.com) and investment advice (e.g., fool.com).

Community-Made Directories — Includes sites whose content is created in large part through the efforts of other site visitors; for example, Ancestry.com, Classmates.com and IMDB.com.

Credit Help — Includes sites offering access to consumer credit-history records and related content; for example, ConsumerInfo.com and CreditExpert.com.

Entertainment/Lifestyles — Includes digital music individual downloads and subscription services (e.g., iTunes, Napster, and Rhapsody) and multimedia sites (e.g., Real.com and Movielink.com), as well as humor, recipes and other content intended for amusement, leisure and diversion.

Games — Includes online games that are played through a Web browser, both as distributed through portal sites (e.g., Yahoo! and MSN.com) and as offered directly through specialized gaming sites such as Pogo.com and Gamehouse.com.

General News — Includes such sites as CNN.com, NYTimes.com and Washingtonpost.com.

Greeting Cards — Includes such sites as AmericanGreetings.com, BlueMountainArts.com and Hallmark.com. Single-purchase revenue in this category includes revenue generated from the attachment of gift certificates to content.

Personal Growth — Includes motivational and “self-betterment” sites, such as DailyGuidePosts.com, eDiets.com and WeightWatchers.com.

Personals/Dating — Includes sites that foster dating, such as Match.com, eHarmony.com and Yahoo! Personals.

Research — Includes library-type research tools (e.g., Highbeam.com, Merriam-Webster and Britannica.com), as well as consumer research (e.g., CarFax.com and ConsumerReports.org), people search (e.g., 1800ussearch.com), medical and more.

Sports — Includes sports news, fantasy sports, and league sites, such as ESPN.com, SportingNews.com, Sportsline.com, MLB.com and DRF.com.

Where content at large portal sites, such as Yahoo! or MSN, encompassed multiple content categories, the revenue was counted separately according to content type.

APPENDIX C

About the Online Publishers Association

Founded in June 2001 by some of the Internet's leading content brands, the Online Publishers Association (OPA) is an industry trade organization dedicated to representing high-quality online publishers before the advertising community, the press, the government and the public.

OPA is committed to producing groundbreaking research into online advertising and media consumption with the goal of advancing the online publishing industry. Through credible research and ongoing communications, OPA seeks to establish and promote the Internet as an effective advertising medium for marketers and a sustainable media business for publishers, thereby ensuring the continued availability of quality content to serve the public good.

Current members of the Online Publishers Association are: ABCNews.com, About.com, AllBusiness.com, Bankrate.com, Belo Interactive, BusinessWeek Online, CBS Digital Media, Choice Media, CNET Networks, Inc., CNN.com, CondéNet, ConsumerReports.org, Cox Enterprises, Discovery Communications, Edmunds.com, ESPN.com, Fairchild Bridal Group Internet, Fast Company/Inc.com, Forbes.com, Fox Interactive Media, Gannett Co., Inc., Hearst Interactive Media, Internet Broadcasting, iVillage, Jupitermedia, Knight Ridder Digital, LifetimeTV.com, MarketWatch, Media General, Meredith Interactive, MSNBC.com, MTV.com, Nascar.com, The New York Times Company, Reuters.com, Rodale, Scripps Networks, Scripps Newspapers, Slate, SportingNews.com, Time Inc. Interactive, Tribune Interactive, USATODAY.com, The Wall Street Journal Online, Walt Disney Internet Group, Washingtonpost.Newsweek Interactive, Weatherbug and The Weather Channel Inc.

About comScore Networks

comScore Networks provides unparalleled insight into consumer behavior and attitudes. This capability is based on a massive, global cross-section of more than 2 million consumers who have given comScore explicit permission to confidentially capture their browsing and transaction behavior, including online and offline purchasing. comScore panelists also participate in survey research that captures and integrates their attitudes and intentions. Through its patent-pending technology, comScore measures what matters across a broad spectrum of behavior and attitudes. comScore consultants apply this deep knowledge of customers and competitors to help clients design powerful marketing strategies and tactics that deliver superior ROI. For more information, please visit www.comscore.com.