# Poland and the Internet, Market Overview

March 2007

Lasanoz Finance

## Outline

Market Overview

**Poland and the Internet**

**Polish Portals and Communicators**

**Advertising Market**

# Poland and the Internet

## COUNTRY OVERVIEW


*Sources: Polish Statistical Information Center, maps.grida.no*

| Key Statistics | |
|---|---|
| Population: | 38.1 million (2006) |
| Area: | 312,685 km$^2$ |
| Language: | Polish |
| Currency: | Złoty (PLN), 1 PLN = 0.38 USD |
| Time Zone: | GMT +1 |
| Capital: | Warsaw |
| Main Business Centers: | Warsaw, Kraków, Poznań, Gdańsk, Wrocław, Katowice, Łódź |

# Poland and the Internet

## COUNTRY OVERVIEW | MACROECONOMIC DATA

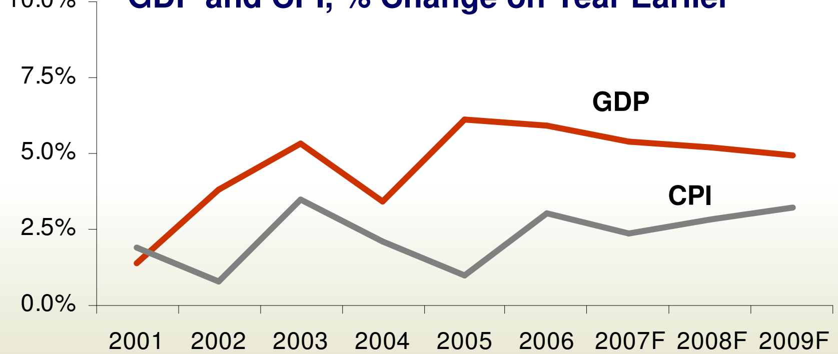
- **Positive macroeconomic and financial market trends**
  - Country rating (S&P's): BBB+ \ stable
  - Real GDP growth 6.2% in 2006 and forecast at over 5% in 2007 and 2008
  - CPI 1.0% in 2006 and expected not to exceed 3.0% over next two years
- **Society characterized by a growing middle class, ageing population, and migration to large cities and to western EU countries**
- **Adoption of Euro currency expected in 2010 – 2012**

### Poland: Key Macroeconomic Data and Forecasts

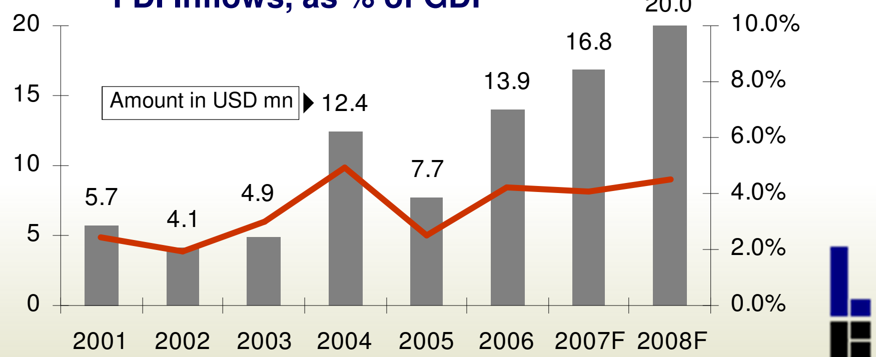
| | 2004 | 2005 | 2006 | 2007F | 2008F |
|---|---|---|---|---|---|
| Nominal GDP (billion PLN) | 923 | 981 | 1 058 | 1 154 | 1 246 |
| Nominal GDP yoy, (%) | 9.6 | 6.2 | 7.7 | 8.9 | 7.8 |
| Real GDP yoy, (%) | 5.3 | 3.4 | 6.2 | 5.9 | 5.4 |
| Inflation (CPI) yoy, Dec (%) | 4.4 | 0.7 | 1.4 | 2.9 | 2.4 |
| Inflation (CPI) yoy, avg (%) | 3.5 | 2.1 | 1.0 | 3.0 | 2.4 |
| Unemployment rate (%) | 19.0 | 17.6 | 14.9 | 14.6 | 13.2 |
| Exchange rate / €, avg | 4.53 | 4.02 | 3.96 | 3.86 | 3.79 |
| Interest rate (reference), end of Dec | 6.50 | 4.50 | 4.00 | 4.75 | 4.25 |
| Interest rate (WIBOR 3M), year avg. | 6.19 | 5.27 | 4.41 | 4.48 | 4.51 |
| FDI / GDP (%) | 4.9 | 2.5 | 4.2 | 4.1 | 4.5 |
| External Debt / GDP (%) | 46.3 | 45.1 | 43.3 | 42.3 | 40.9 |

*Sources: GUS Central Statistical Office, CDM Pekao, ISI Emerging Markets, IBNGR*

### GDP and CPI, % Change on Year Earlier




### FDI Inflows, as % of GDP



# Poland and the Internet

## COUNTRY OVERVIEW | COUNTRY COMPARISON

| Country Comparison | **Poland** | Ukraine | Brazil | Russia | India | China |
|---|---|---|---|---|---|---|
| Population (2006) | 38 mn | 47 mn | 187 mn | 141 mn | 1,095 mn | 1,314 mn |
| Population growth (2002-06 average) | -0.05% | -0.68% | +1.20% | -0.48% | +1.36% | +0.61% |
| GDP (2006) | $341 bn | $103 bn | $1,067 bn | $985 bn | $916 bn | $2,689 bn |
| GDP growth rate (2002-06 average) | 4.0% | 7.3% | 2.7% | 6.7% | 7.8% | 10.7% |
| GDP Per Capita | $8,937 | $2,212 | $5,715 | $6,918 | $840 | $2,045 |
| Inflation (2002-06 average) | 1.9% | 7.4% | 6.4% | 12.5% | 4.5% | 1.5% |
| FDI inflows as % of GDP (2002-06 avg.) | 3.3% | 4.2% | 2.3% | 2.1% | 1.1% | 3.1% |
| Cellular Penetration | 97% | 104% | 46% | 85% | 7% | 35% |
| Internet Penetration | 34% | 17% | 15% | 13% | 4% | 7% |
| Broadband Penetration | 4.5% | 2.0% | 6.4% | 3.5% | 0.4% | 10.0% |
| Online Ad Spend (2006) | $98 mn | $7 mn | $181 mn | $187 mn | $88 mn | $1,000 mn |

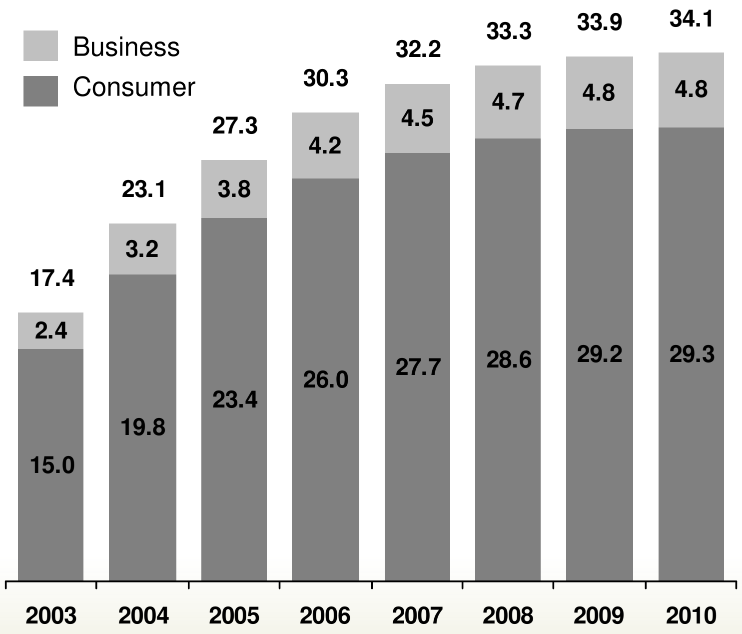
*Sources: Economist Intelligence Unit; CR Media, European Commission i2010 Annual Report 2007, Telenor*
*GDP data at official exchange rates*

## Poland and the Internet

### TECHNOLOGY UPTAKE IN POLAND

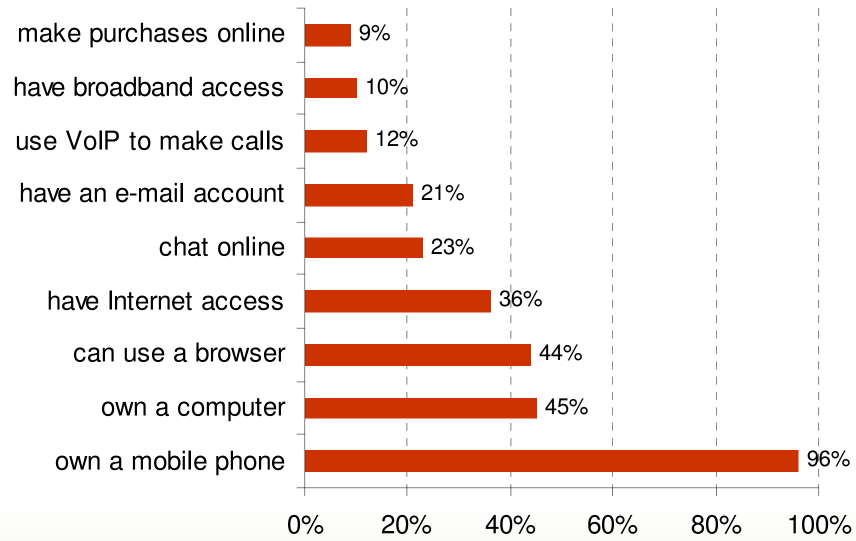
- Poles are **fast adopters** of new technology
- After 50 years of communism, they are **eager to catch up** to their Western European peers
- 9% shopped online in 2006, spending **USD 1.5 bn**
- Over 96% use a mobile phone

**SIM cards in Poland (millions)**




*Sources: Merrill Lynch, Gartner, Ovum, CAIB, Deutsche Bank*

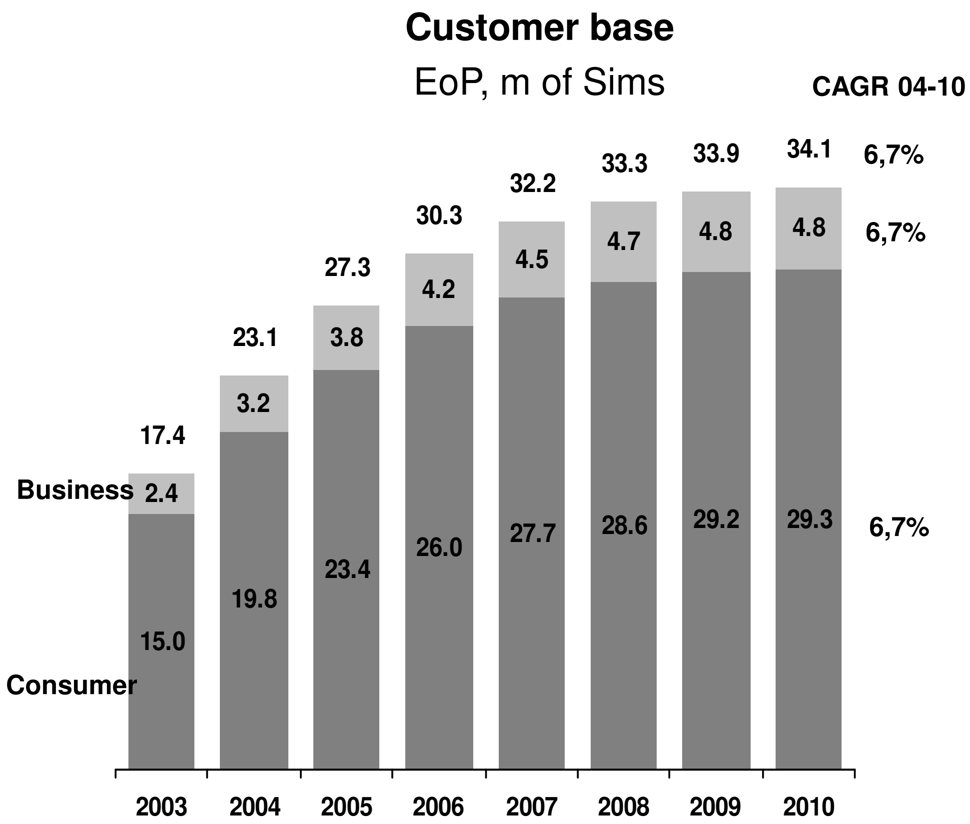
**Percentage of Poles who:**

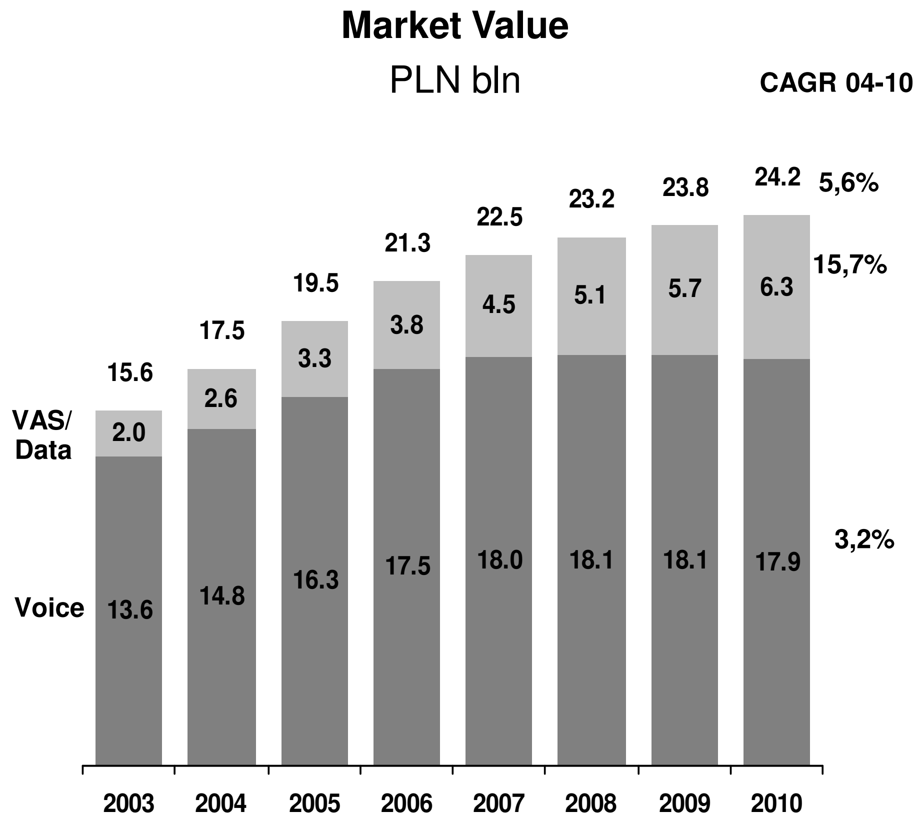



*Sources: GUS Central Statistical Office, Point Topic*

## Poland and the Internet

### POLAND MOBILE MARKET: ONE OF EUROPE'S LARGEST




*Sources: Merrill Lynch, Gartner, Ovum, CAIB, Deutsche Bank*

# Poland and the Internet

## POLISH CONSUMER BEHAVIOUR

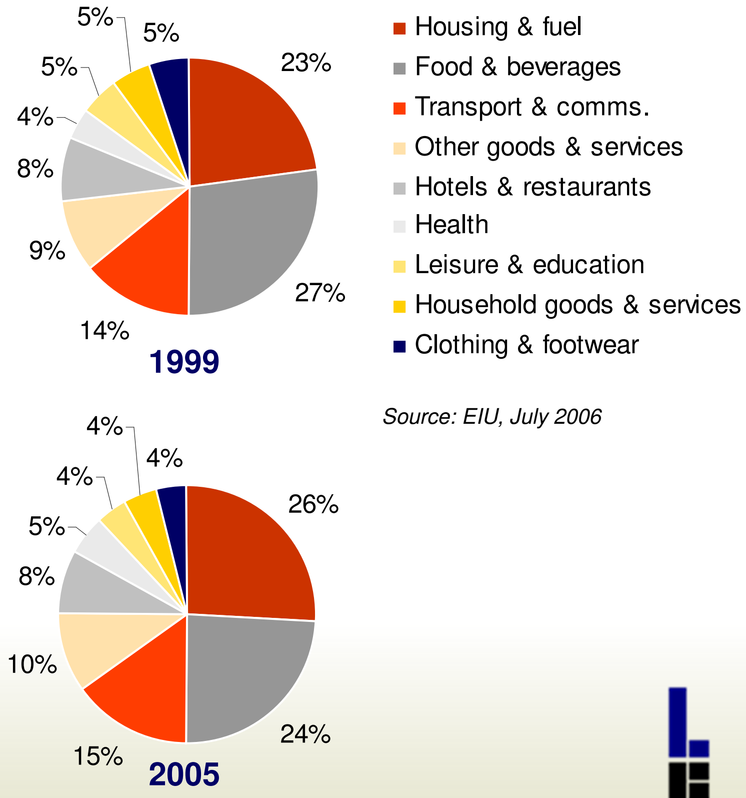
- **Polish consumer base is ageing and increasingly wealthy**
- **Growth in purchasing power (PP) favors city dwellers**
- **Average household spending patterns stable**
- **Price-sensitivity: only 3% of Polish customers would buy their favourite brands regardless of the price in 2005[1]**
- **Product patriotism: about 2/3 of Polish consumers choose goods manufactured in Poland[1]**

**Polish Consumer Expenditure**

| | 1999 | 2004 | 2009F |
|---|---|---|---|
| Consumer expenditure, USD bn | 139.8 | 159.7 | 187.6 |
| Annual growth rate | 7.3% | 14.3% | 17.5% |

*Source: EIU, July 2006*

**Composition of Average Polish Consumer Expenditure**




*Source: EIU, July 2006*

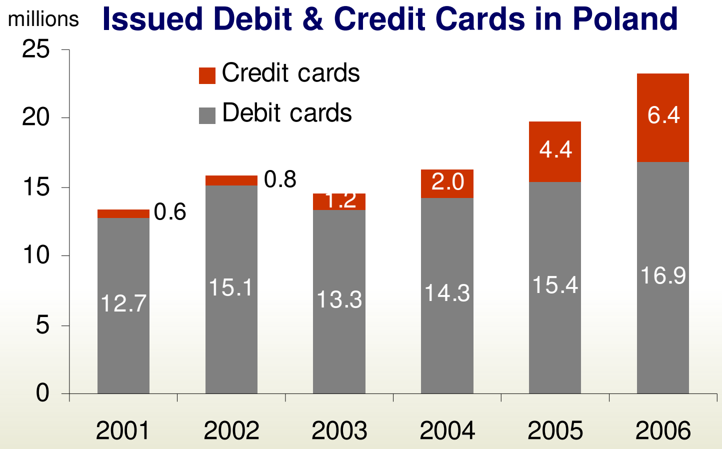
1 *Source: PWC report on Poland 2005*

# Poland and the Internet

## PAYMENT MECHANISMS IN POLAND

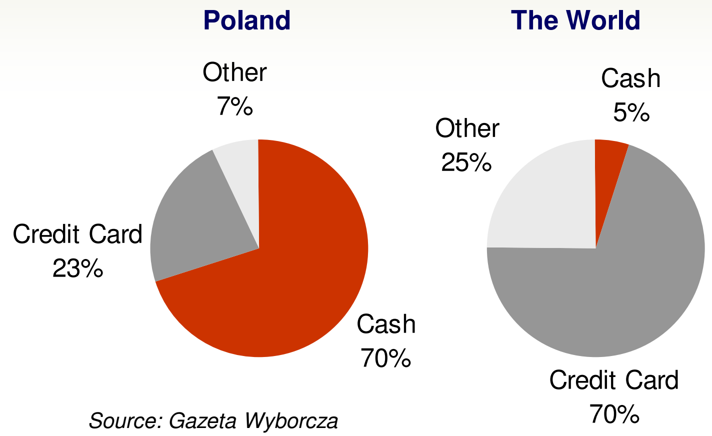
- "**Cash is King**" – cash used for 70% of online purchases, via bank transfer or COD
- Due to limited credit worthiness, few Poles have **embossed** credit cards, which banks require for online credit card transactions
- In response, some banks rolling out new technology enabling online purchases with **debit cards**
- No. plastic payment cards issued is growing quickly
- **MojeRachunki** and **UniKasa** enable utilities bill payments at various retail stores
- **PayU**, a PayPal clone, launched recently
- SMS used for small purchases (up to PLN 10.00)

### Issued Debit & Credit Cards in Poland



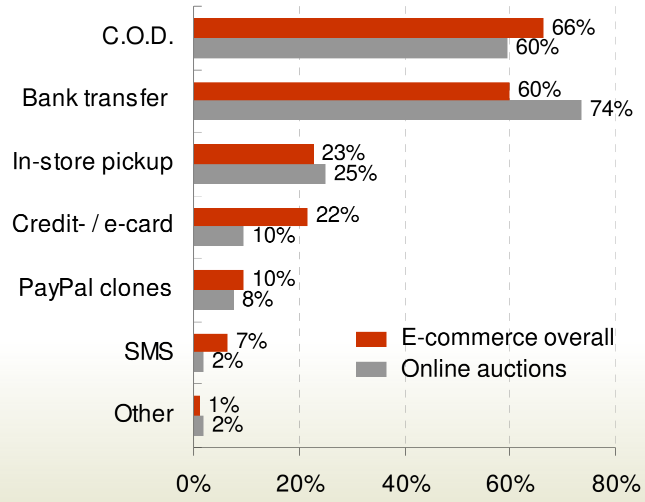

*Source: National Bank of Poland*

### How Online Payments are Conducted in…




*Source: Gazeta Wyborcza*

### Breakdown of Polish Online Payments



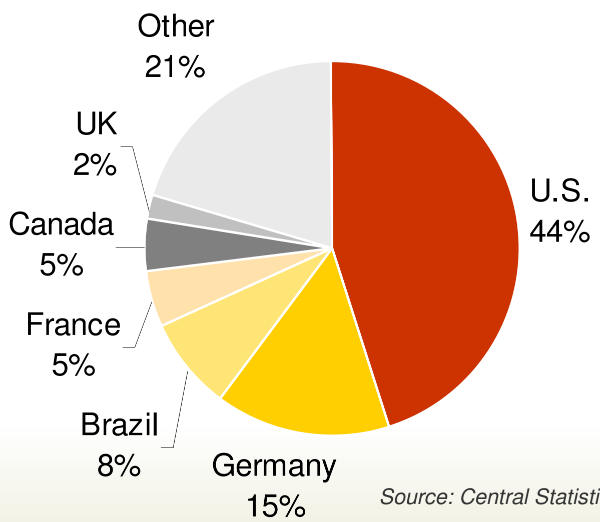

*Source: Gazeta Prawna*

## Poland and the Internet

### POLISH DIASPORA AND RECENT MIGRATION PATTERNS

- **Approx. 1.1 million economic migrants to EU since May 2004**
- **UK, Ireland, Germany, Holland, Italy, France and Spain preferred destinations**
- **One-third of Poles (approx 20 million) live outside Poland**
- **Onet.pl and other portals actively build service offerings for expats**
  - Communication tools
  - Content including news, culture, celebrities, and politics

**Polish Diaspora, 2006**



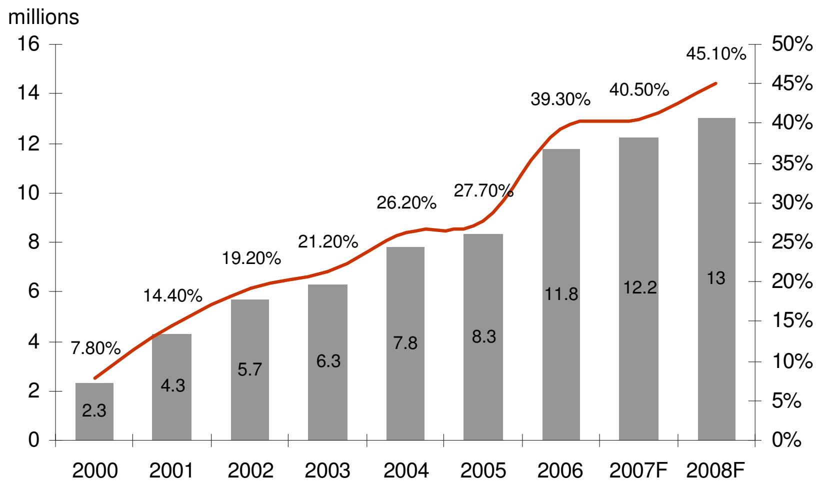

*Source: Central Statistics Office*

## Poland and the Internet

### INTERNET PENETRATION

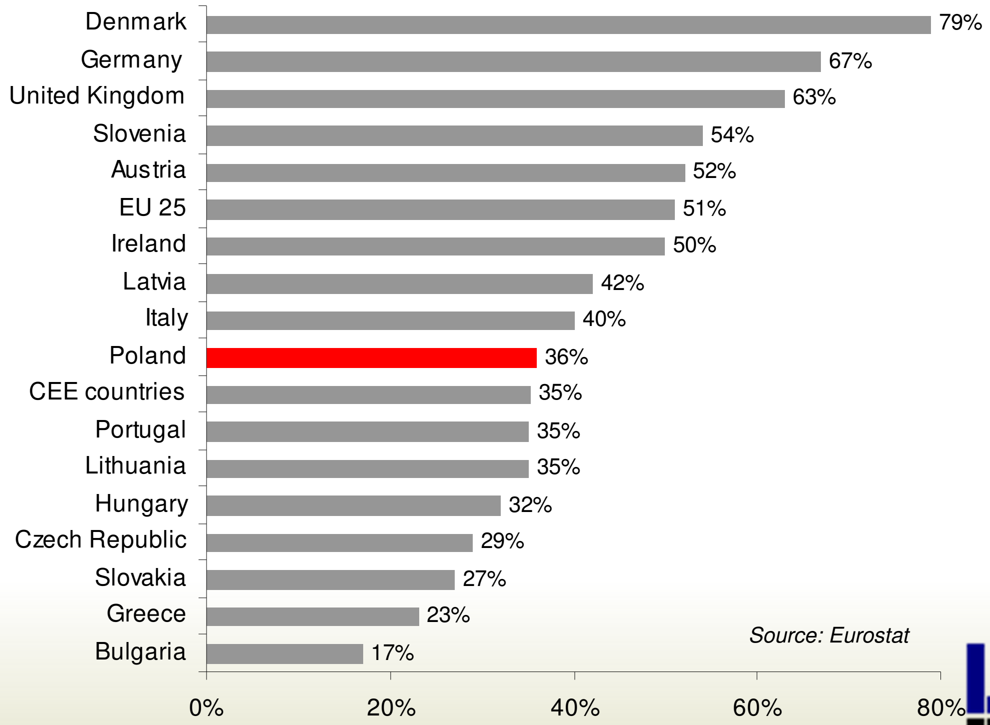
- **Number Polish adults with access to the Internet grew by over 40% last year to 11.8m**
  - Worldwide increase was just above 10%
- **36% of Polish households currently have Internet access, in line with the CEE average (35%)**
- **2 million broadband Internet subscribers in Poland (13% HH penetration) in June 2006**

### Internet users in Poland (age 15+)




*Sources: SMG/KRC Net.track, Gemius, OECD, CR Media, Ad.Media*

### Household Internet Penetration, 2006



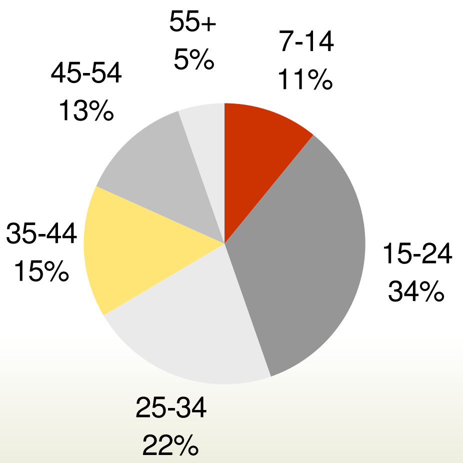

*Source: Eurostat*

## Poland and the Internet

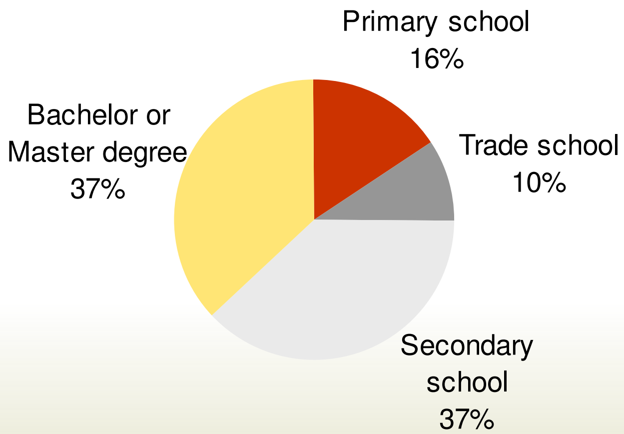
### CHARACTERISTICS OF POLISH INTERNET USERS

- **A typical Polish Internet user:**
  - Is well-educated (37% of users declares to have an academic degree)
  - Is relatively young (45% under 25 years)
  - Lives in a city or town (74%)
  - Has been using the Internet for over 2 years (60%)
  - Has disposable income (44% declaring so affirmatively)

**Age Structure of Polish Internet Users**



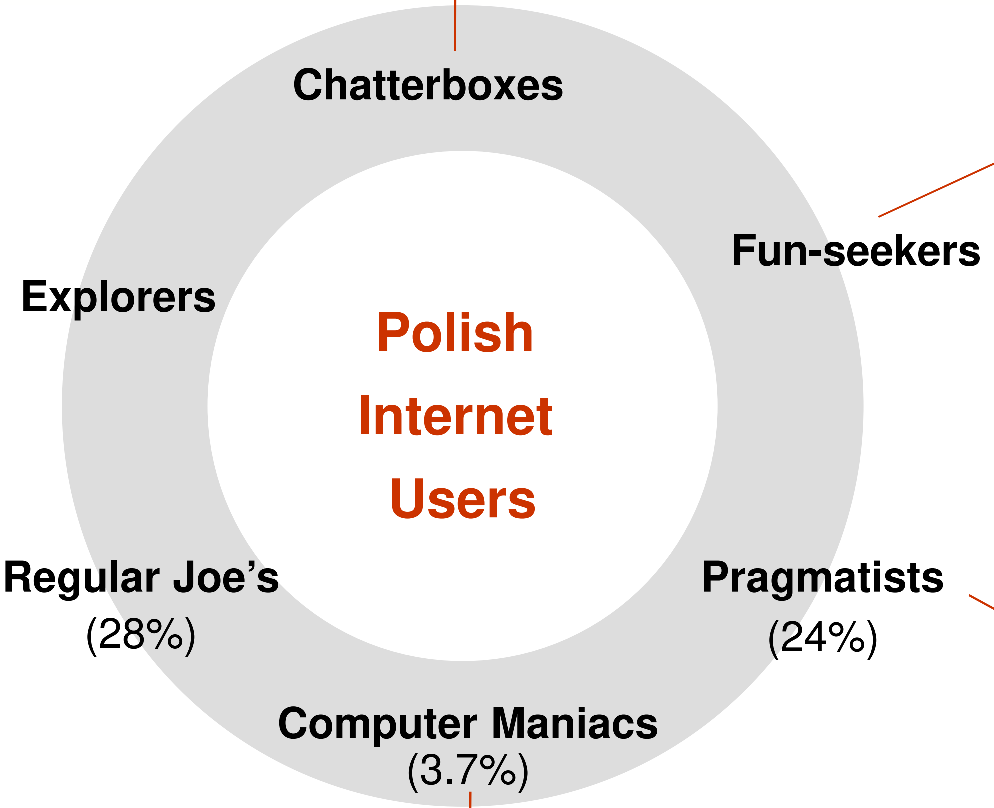

**Education Structure of Polish Internet Users**




*Source: Gemius*

## Poland and the Internet

### POLISH INTERNET USERS: SEGMENTATION




- Intermediate user
- High traffic
- Young, typically female

- Intermediate user
- e-commerce (68%)
- Banking (55%)

- Beginner user
- Middle-aged

- Internet beginner
- Low traffic
- Female (65%)

- Advanced user
- Aged 25-44
- e-commerce & banking (62%)

- Expert user
- High traffic
- Male (86%)

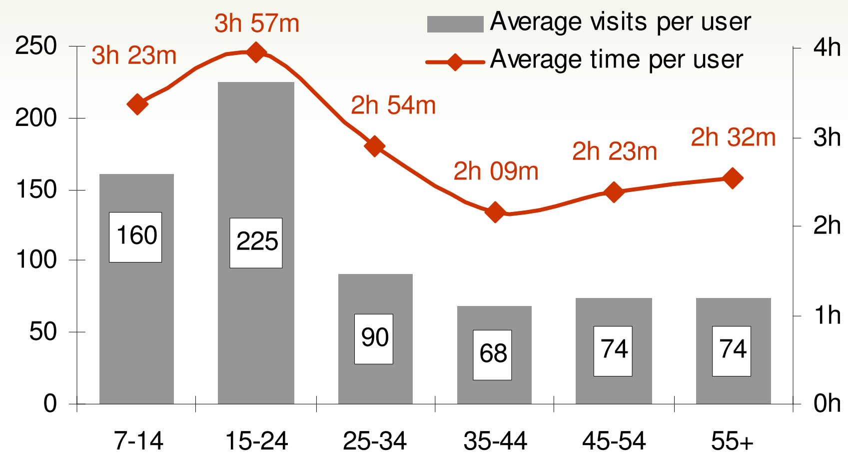
*Sources: Gemius, February 2006*

# Poland and the Internet

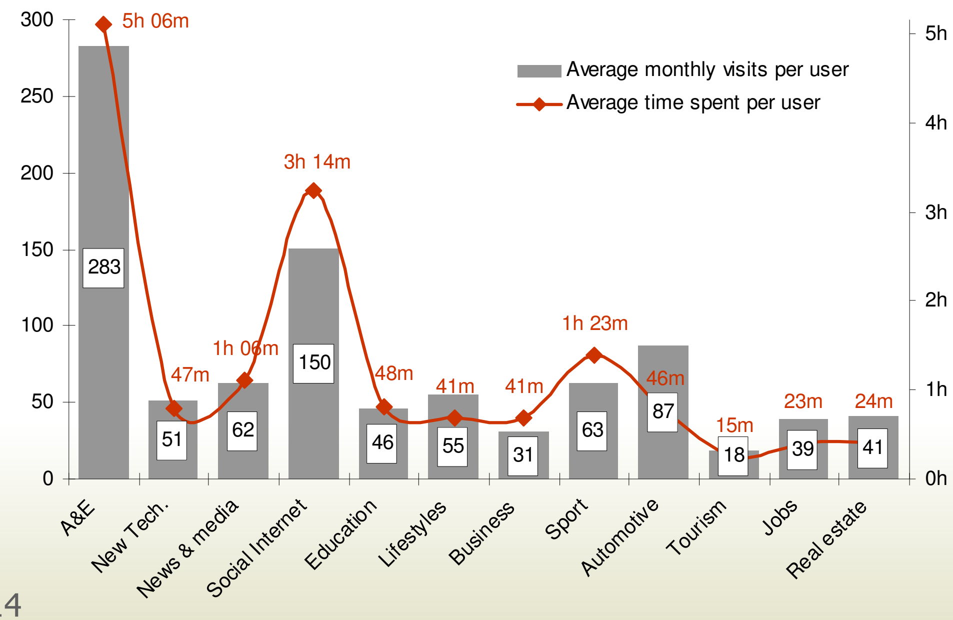
## POLISH INTERNET USE: USAGE

- **A&E, new technologies, and news & media are most popular destinations**
- **A&E leads in terms of share in time spent online and in page views**
- **Social networking is 2nd-most popular in terms of time spent online**

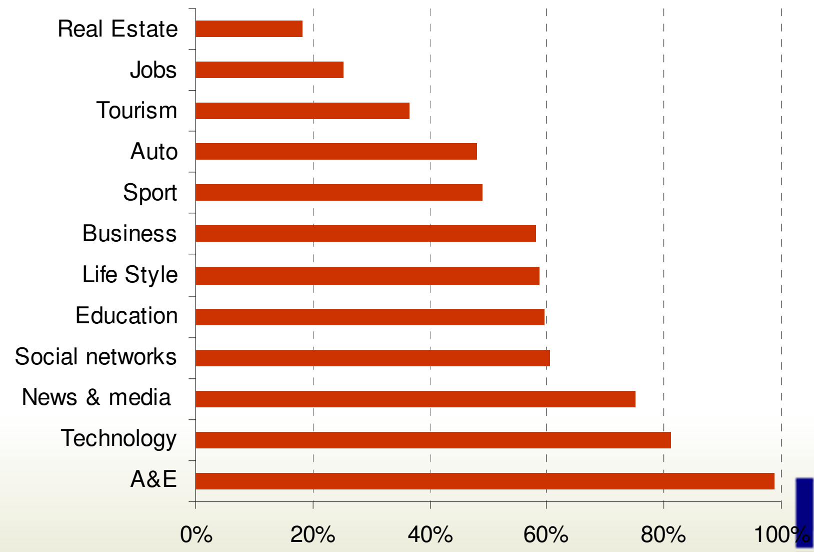
### Social Web Site Visits, by Age Group




### Categories of Polish Web Properties, by Time & Views




### Categories of Polish Web Properties, by Reach

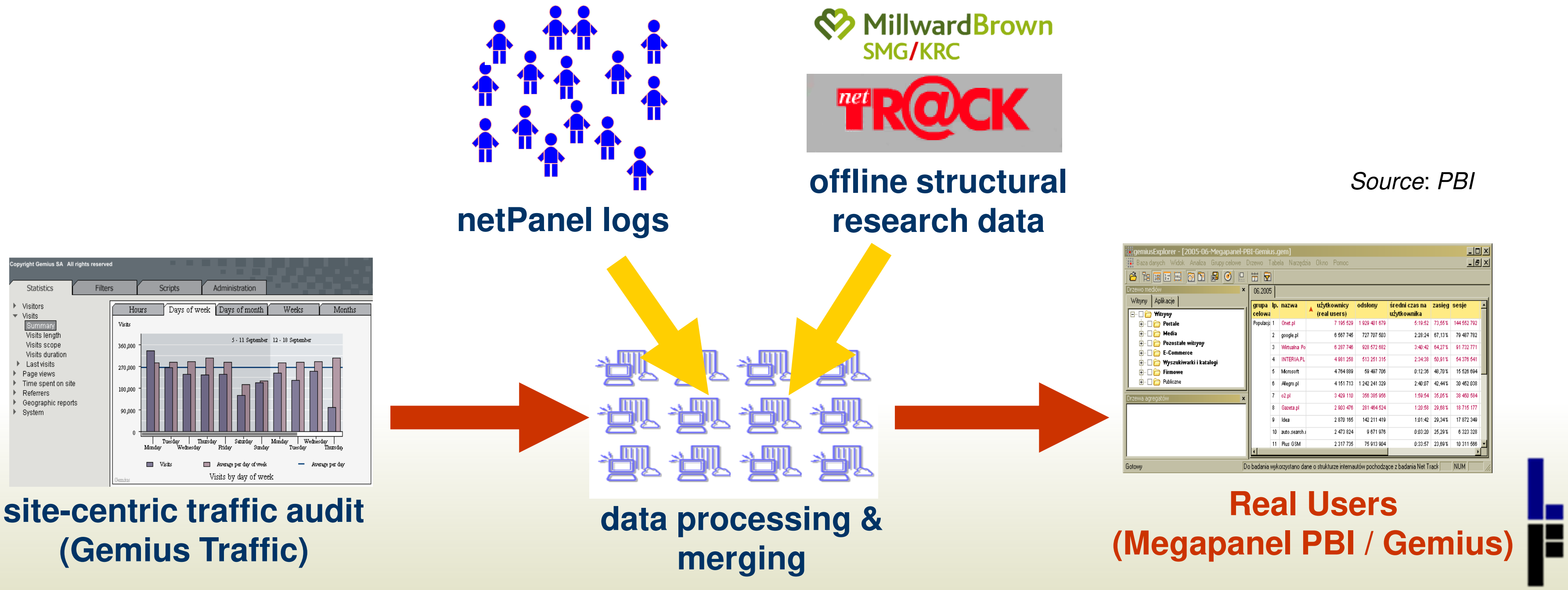



*Source: Gemius*

# Poland and the Internet

## POLISH INTERNET: REAL USERS MEASUREMENT METHODOLOGY

- **Megapanel PBI / Gemius is a direct means measuring Internet user statistics widely accepted among Polish ad agencies and Web property owners as the industry standard**
- **The methodology is based on continuous monitoring of an opt-in group of statistically selected Internet users, through a thin client application installed on their computers**
- **Raw data are processed to determine actual number of site visits and merged with data from participants' logfiles as well as offline research institutes**
- **The result is the number of monthly Real Users per site, where a real users is defined as at least one page view by one Internet user in a given month**




*Source*: *PBI*

# Outline

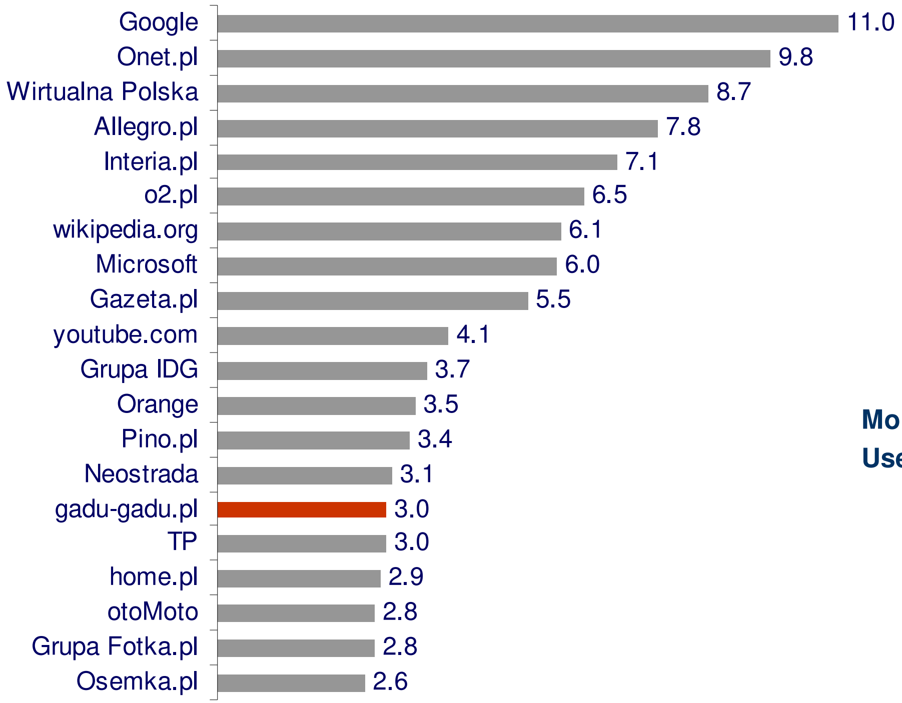
Market
Overview

# Polish Portals and Communicators

## PORTALS

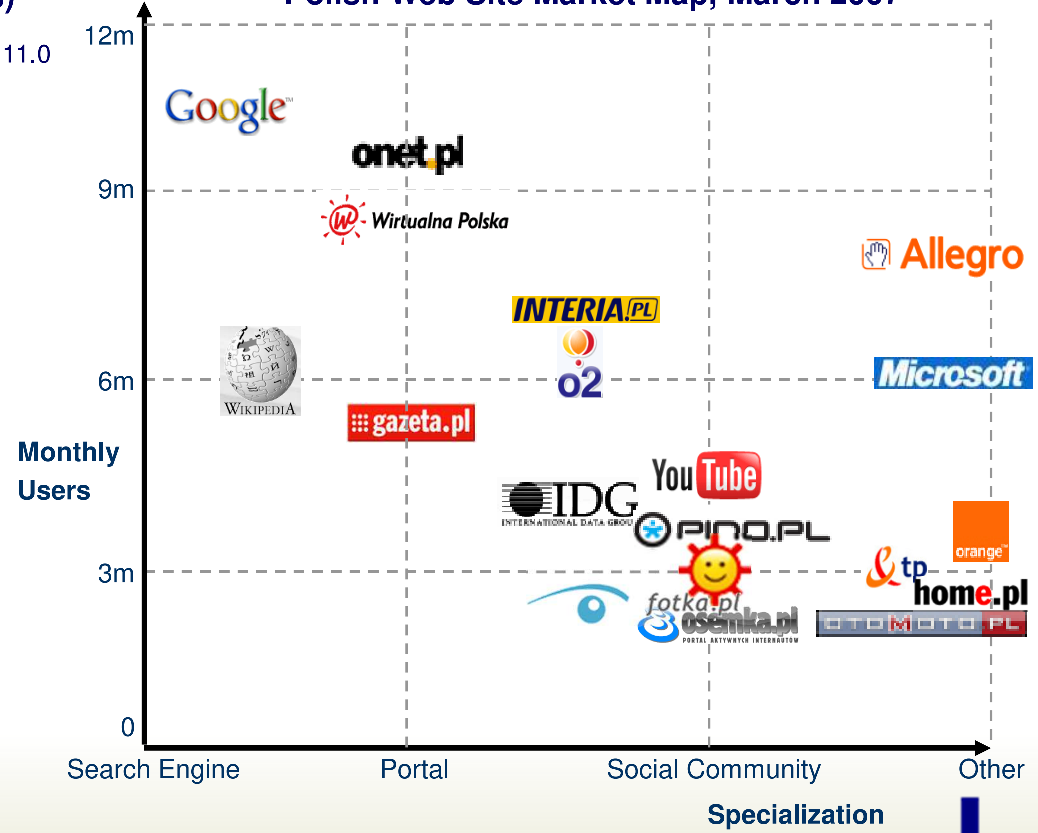
- **Google is the most popular Polish Web site in March, with 11 million real users**
- **No. 2 and 3 are Polish portals onet.pl and Wirtualna Polska**

**Top 20 Polish Portals, March 2007 (mn Real Users)**




*Source: Megapanel PBI/Gemius*

**Polish Web Site Market Map, March 2007**

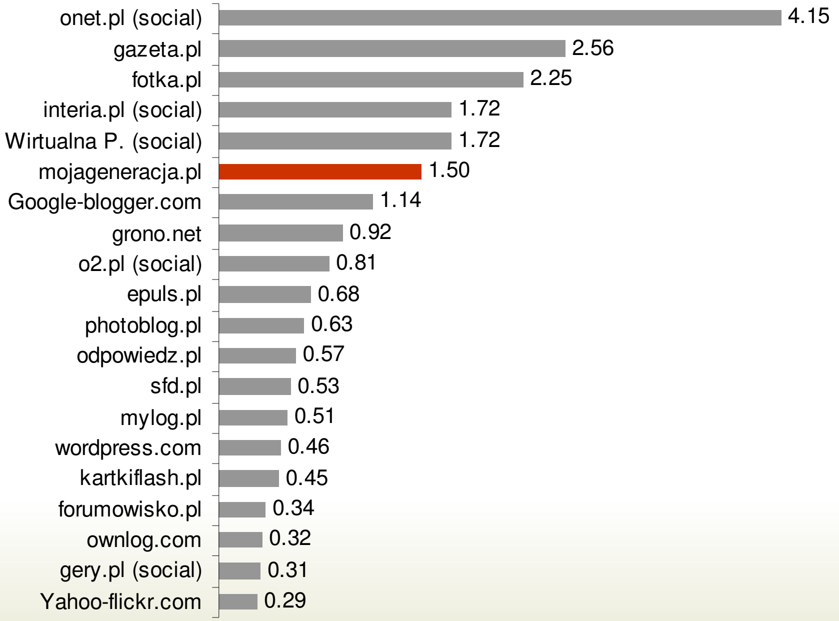


## Polish Portals and Communicators

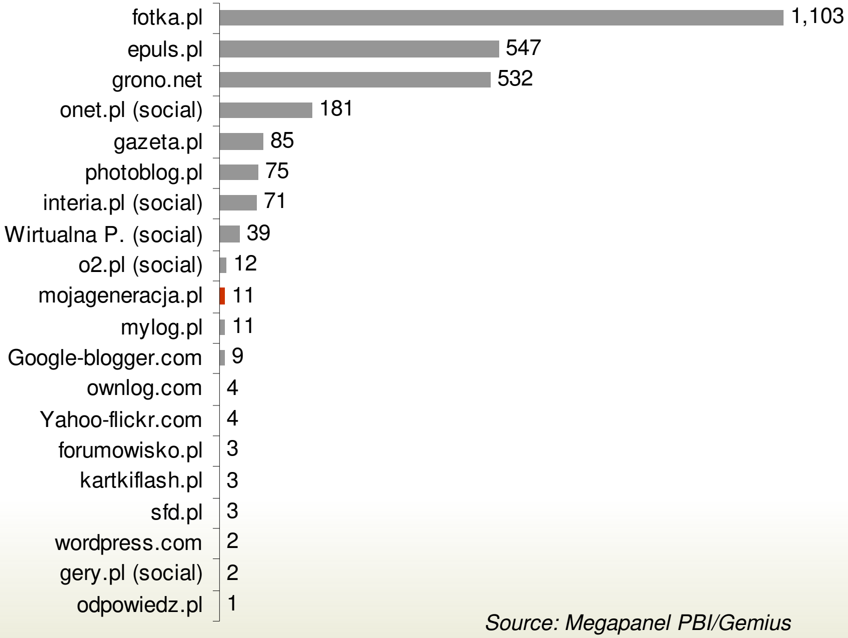
### SOCIAL INTERNET RANKINGS

- **Onet.pl is No. 1 in terms of real users (over 4 million in March 2007)**
- **No. 3 (in terms of real users) fotka.pl is an absolute leader in page views, doubling the results of No. 2 epuls.pl and No. 3 grono.net. The rest of the market is far behind**

**Social Portals by Real Users in March 2007 (millions)**




**Social Portals by Page Views in March 2007 (millions)**



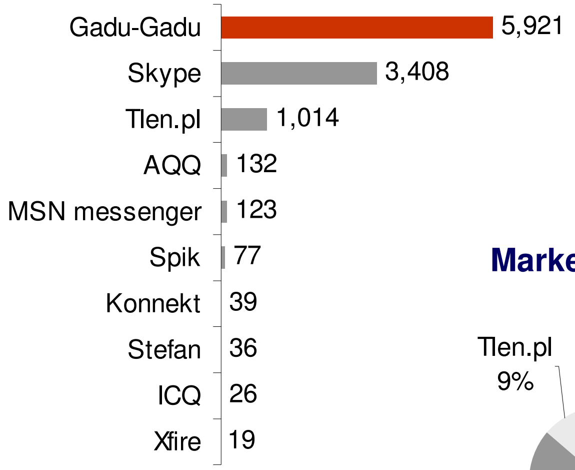

*Source: Megapanel PBI/Gemius*

# Polish Portals and Communicators

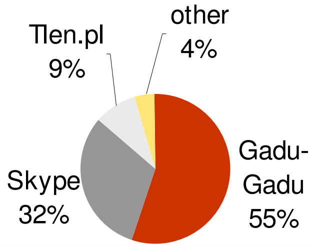
## INSTANT MESSENGERS

- Gadu-Gadu is the **No. 1 IM in Poland** with 5.9 million users and **55% market share**
- No. 2 Skype is popular mainly as a **cheap telephony provider**
- No. 3 Tlen.pl is a fast-growing upstart run by young founder-entrepreneurs
- Yahoo! Messenger, MSN, and Google Talk **have little or no traction** as they are not localized

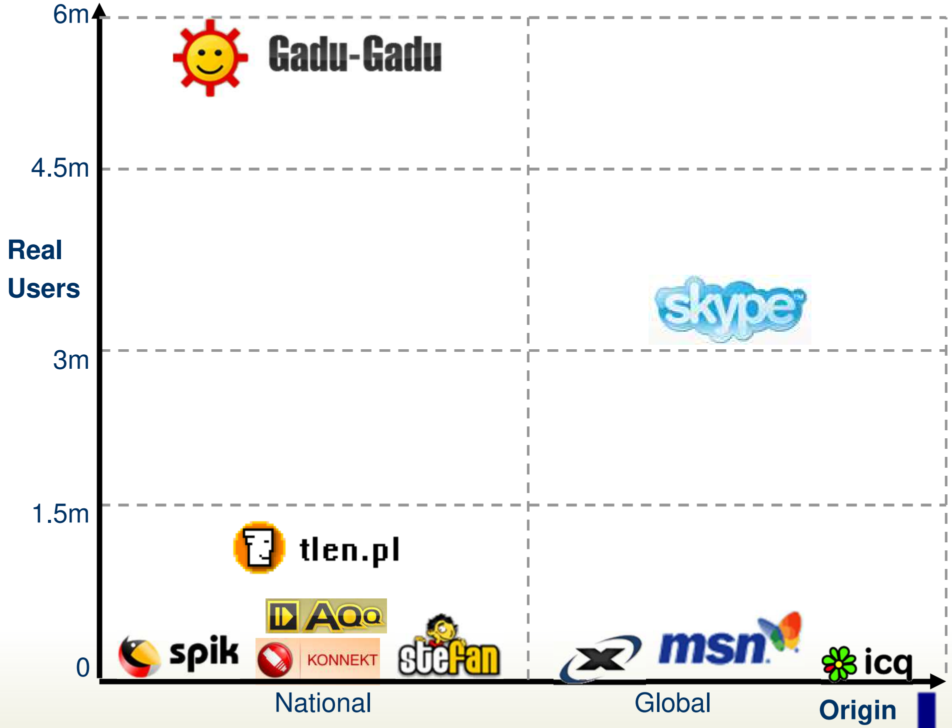
**Top Polish IM's by Real Users***
**(March 2007)**




**Market Share**




**Polish IM Market Map**




*Sources: Megapanel PBI/Gemius*

* A Real User is defined as at least one visit by one Internet user aged 7+ in a given month. See also slide 15 for a description of the Megapanel PBI/Gemius methodology.

# Outline

Market Overview

Poland and the Internet

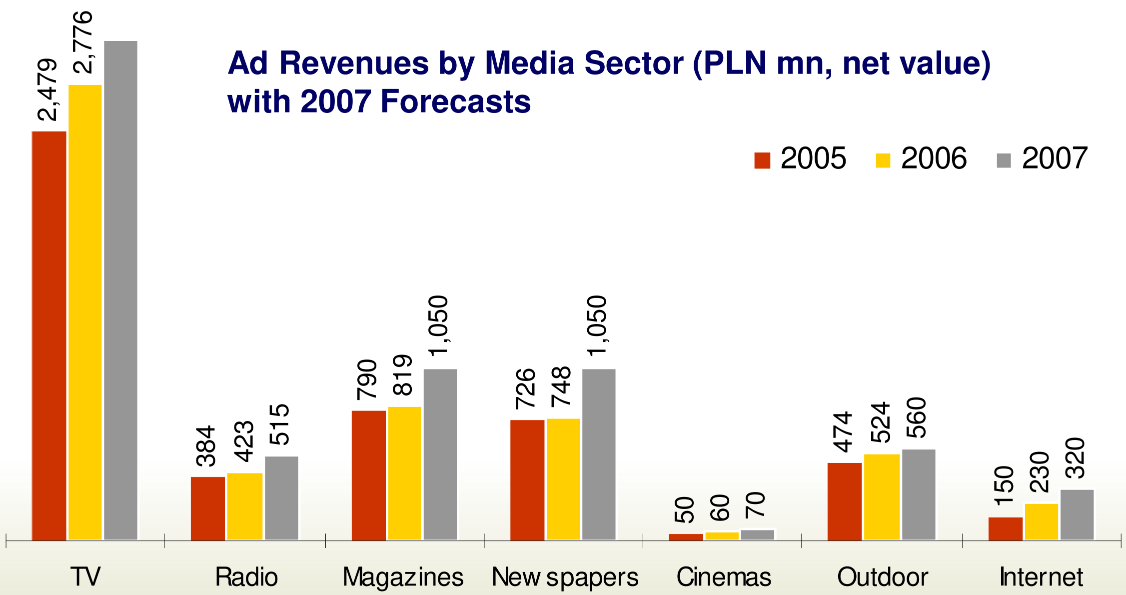
Polish Portals and Communicators

**Advertising Market**

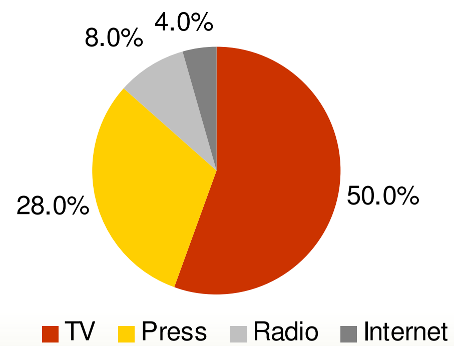
# Advertising Market

## AD MARKET IN POLAND

- **The Polish ad market grew by more than 10% in 2006, to PLN 5.6bn**
  - Internet ad spend up 60%
  - TV ad spend up 12%
- **Overall ad market expected to grow 8.5 – 9.5% p.a. over the next three years, driven by:**
  - further liberalization in the telecommunications, energy, rail and air transport sectors
  - inflow of competition from other EU countries
  - Launch of PLAY, Poland's 4th mobile operator



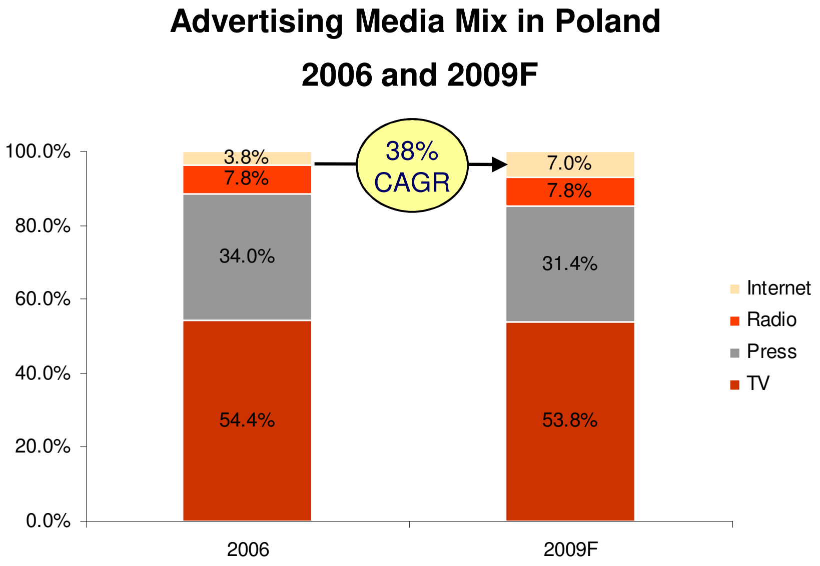

Source: CR Media Consulting



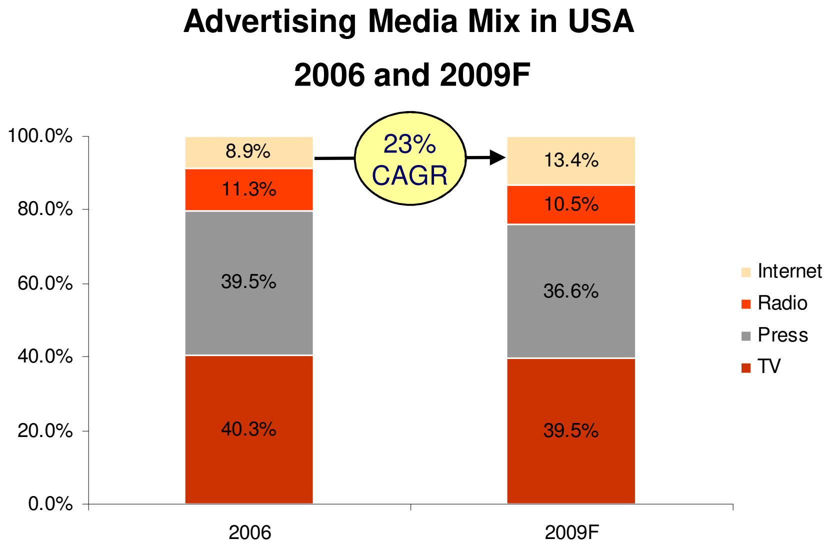
## Advertising Market

### AD MARKET IN POLAND: U.S. AD MARKET COMPARISON

- **Polish Internet advertising market is 4-5 years behind the U.S.**
- **In 2006, only 3.8% of ad buys were online, compared to 8.9% in the U.S.**
- **Higher rate of growth expected over the next three years: 38% compared to 23% in U.S.**




*Source: CR Media Consulting / Ad.Media Raport*



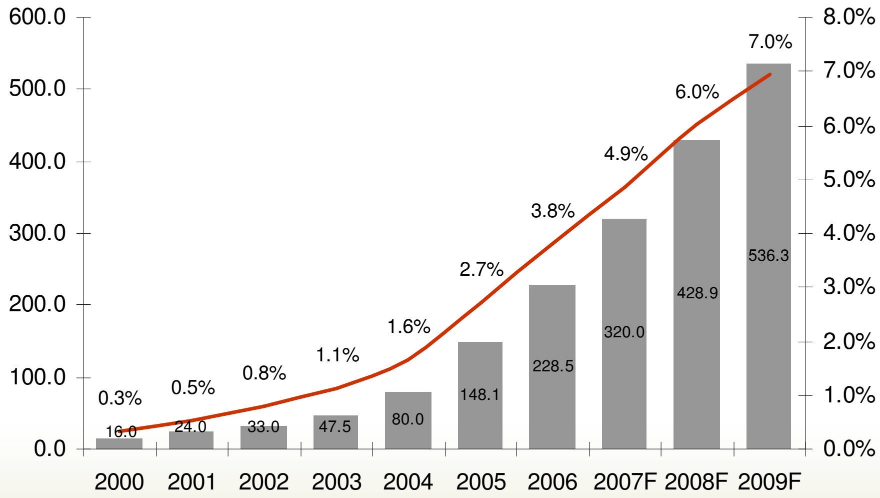

*Source: Morgan Stanley Internet Advertising Outlook*

## Advertising Market

### ADVERTISING IN POLAND – INTERNET AND RADIO

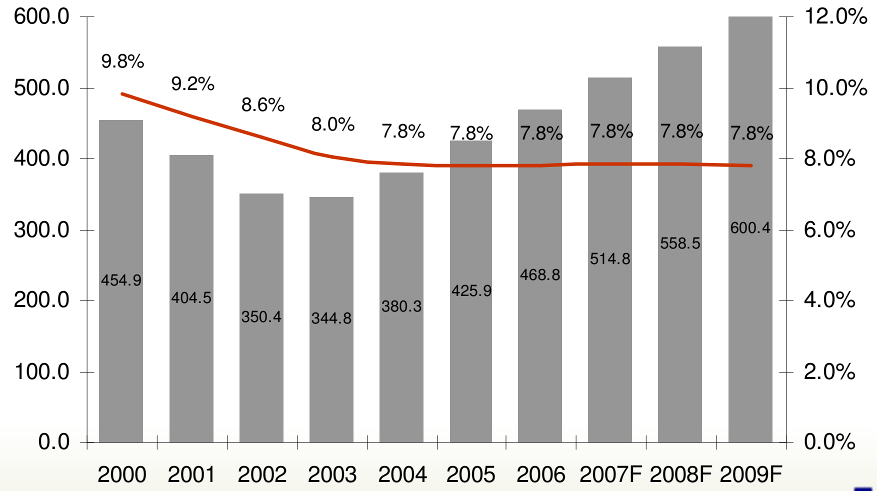
- Internet ad spend was PLN 230 million in 2006 (3.8% of total advertising expenses)
- Predicted to grow to PLN 540 million in 2009 (7% of total advertising expenses)
- By comparison, radio advertising share is expected to remain at 7.8%
- Internet is increasing its share in the media mix at the expense of radio, press and TV

**Advertising in Internet in Poland 2000-2009F**
**(spending in PLN million and % share of media mix)**




*Source: CR Media Consulting / Ad.Media Raport*

**Advertising on Radio in Poland 2000-2009F**
**(spending in PLN million and % share of media mix)**




*Source: CR Media Consulting / Ad.Media Raport*