



2011 - Lesson learned from the crisis



A brief overview of the Bulgarian advertising market in 2011
3 April 2012

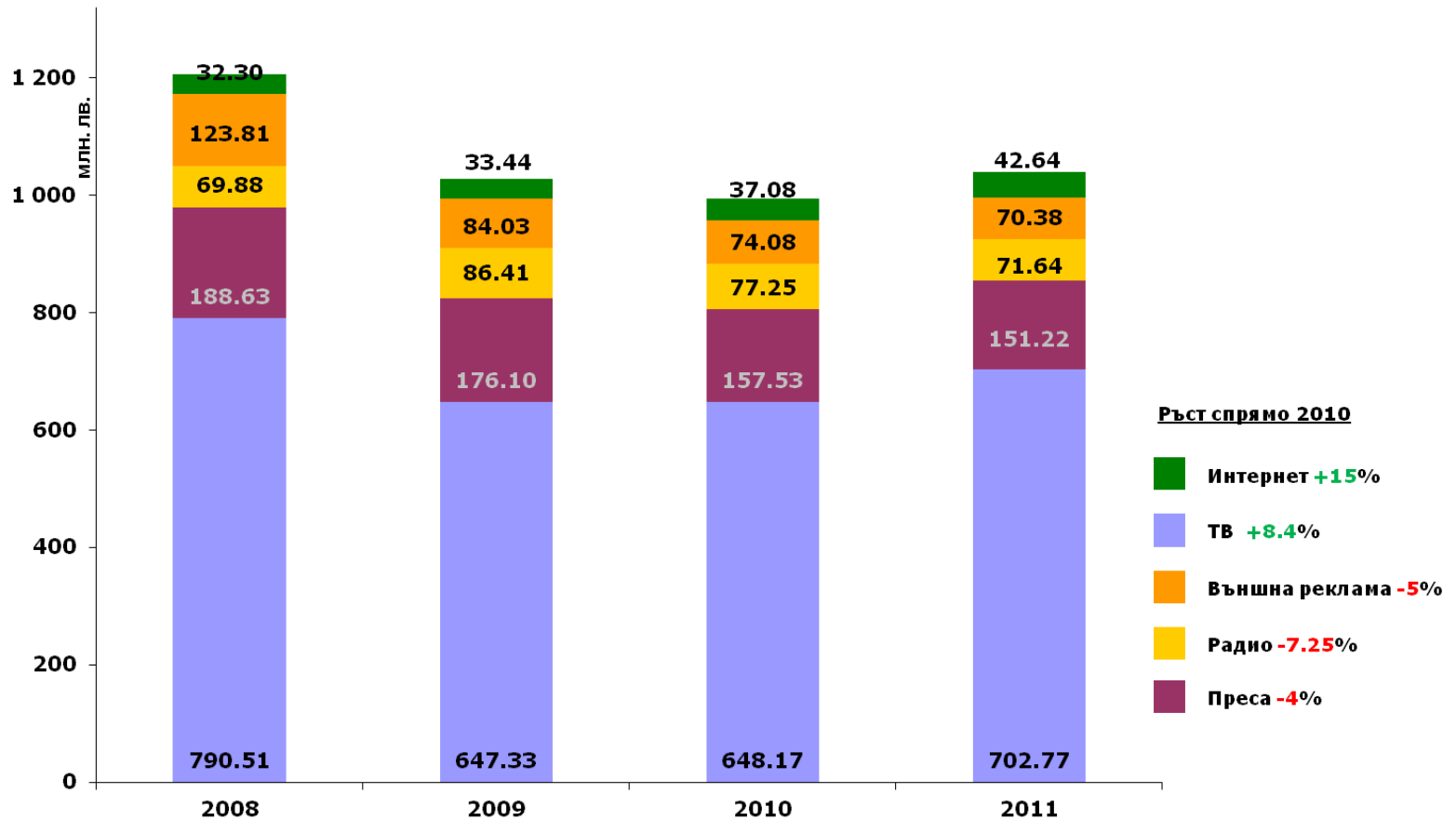
Bulgaria

Macroeconomic indicators

	2007	2008	2009	2010	2011
GDP (BGN million)	56,520	66,728			
GDP growth, %	6.2%	6%			
Population	7,640,238	7,640,238	7,606,551	7,351,234	7,364,570
GDP per capita (BGN)	7,398	8,734	8,702	9,587	10 220*
Gross advertising costs per capita (BGN)					
Net advertising costs per capita (BGN)					
Inflation rate	12.5%	8.0%	0.6%	4.5%	4.2%

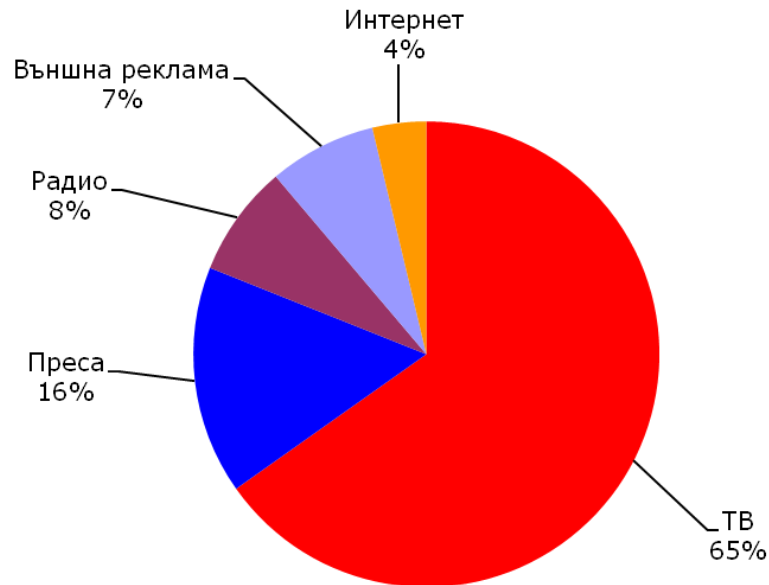
*** Preliminary data**

Change in advertising budgets by years and by media - GROSS values

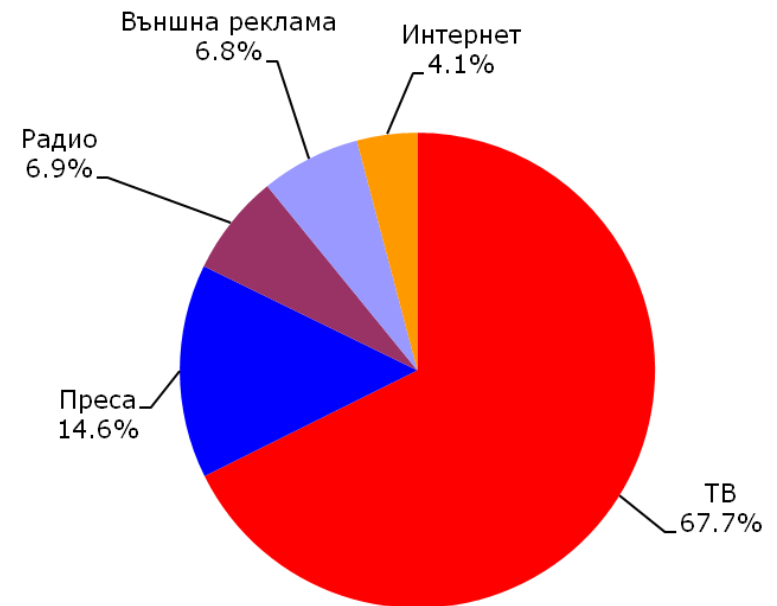


GROSS advertising budgets by media

2010
994,14 млн. лв.



2011
1 038,66 млн. лв.



TOP 20 advertisers by share of gross advertising budgets

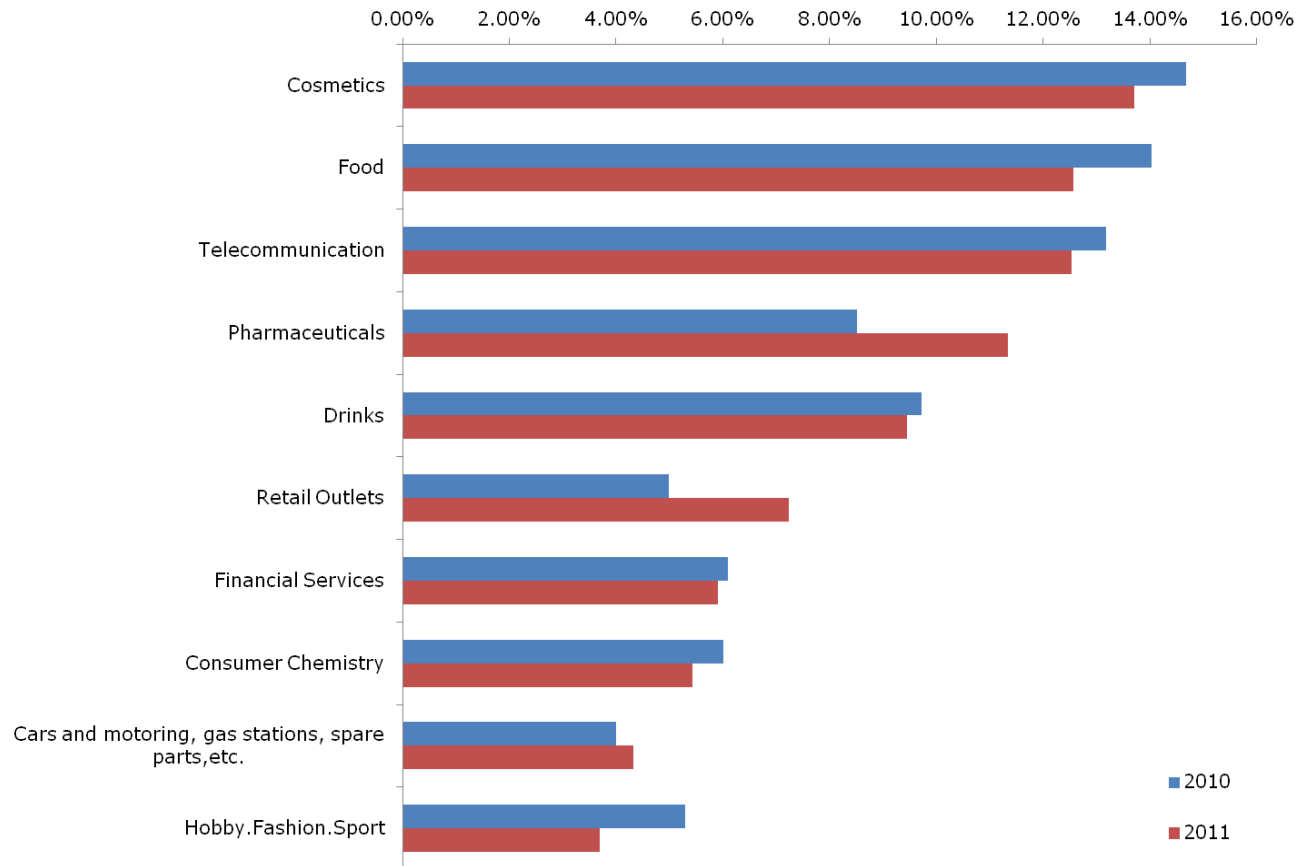
No	2010	%
1		
2		
3	Mobitel	3.82%
4	Henkel	2.68%
5	Globul	2.66%
6	Kraft Foods	2.57%
7	L'Oreal	2.57%
8	Ficosota	2.45%
9	Vivacom	1.84%
10	Coca Cola	1.73%
11	Newspaper Group Bulgaria	1.46%
12	Actavis	1.40%
13	Bella	1.21%
14	Reckitt Benckiser	1.16%
15	Beiersdorf	1.13%
16	Danon Serdika	1.10%
17	Germanos	1.04%
18	Inter Snacks	1.00%
19	Unilever	0.83%
20	Italfood	0.82%

No	2011	
1		
2		
3	Mobitel	2.98%
4	L'Oreal	2.93%
5	Globul	2.92%
6	Kraft Foods	2.57%
7	Henkel	2.21%
8	Vivacom	2.13%
9	Ficosota syntez	1.70%
10	Lidl	1.70%
11	Coca Cola	1.68%
12	Actavis	1.57%
13	Reckitt benckiser	1.55%
14	Beiersdorf	1.47%
15	BG Printmedia OOD	1.24%
16	Glaxo smith kline	1.05%
17	Wrigley's	1.03%
18	Zagorka	0.98%
19	Bella	0.93%
20	Germanos	0.92%

Data do not include Internet and Outdoor advertising
Data referring to radio cover 6 radio stations

Source: TV Plan/TNS / GARB, Piero97

TOP 10 industries by share of gross advertising budgets



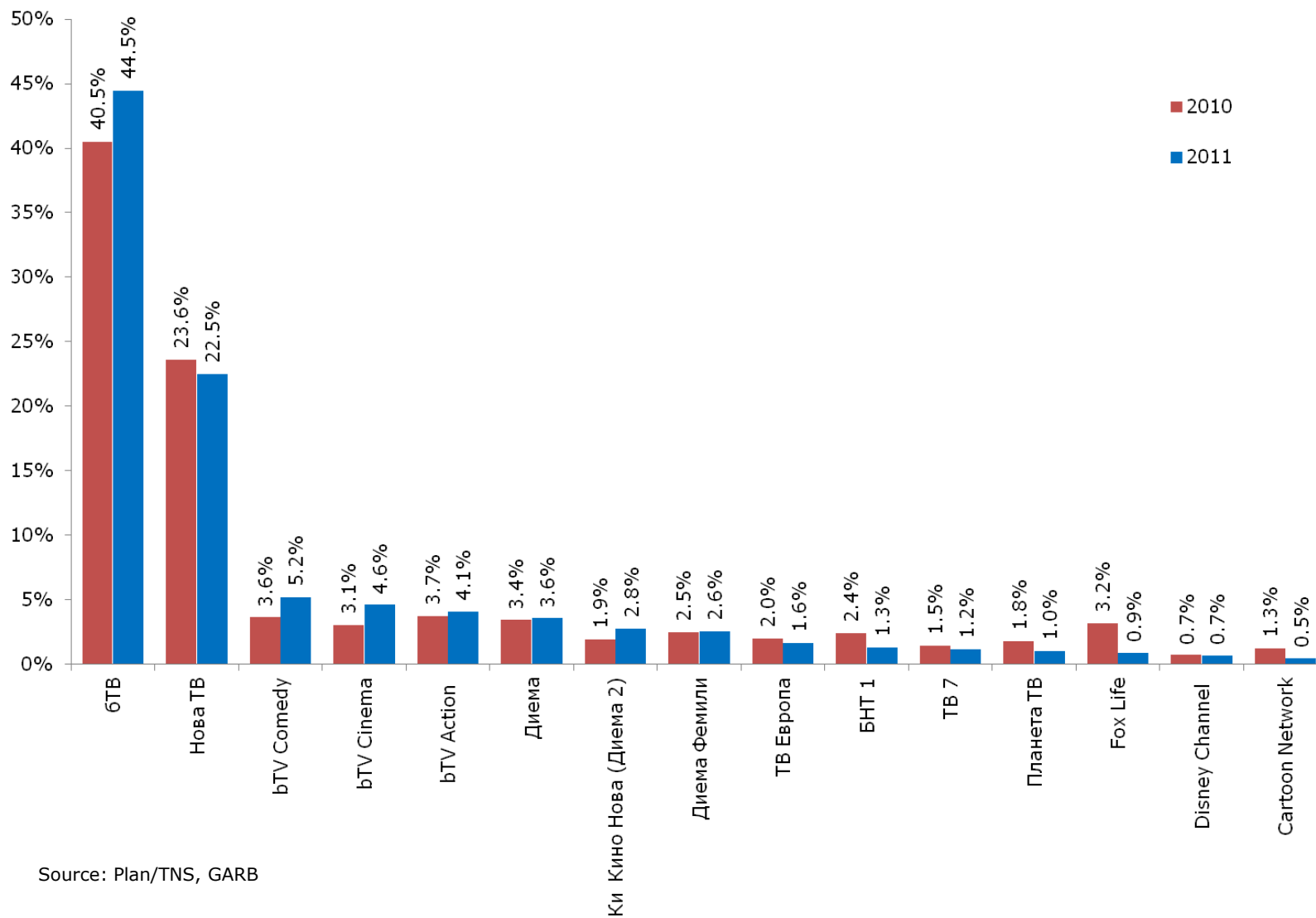
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Source: TV Plan/TNS / GARB, Piero97

The television in 2011



TV Advertising budgets Market shares



Source: Plan/TNS, GARB

The TV market in 2011

In 2011 the TV advertising budgets, according to TV Plan/TNS / GARB, reported a growth of **+8.4% in gross values**

In 2011 there is an estimated decrease of **- 4.7% in the NET budgets for TV advertising**

Key trends during the year

- The budgets of the major advertisers were focused again to the national televisions and their niche channels.
- The other TV channels strove for individual deals at continuously decreasing values.
- The trend that first appeared in 2009 and became a practice, i.e. more advertising against smaller budgets and "squeezing" all possible bonuses, continued steadily in 2011.

Changes in TV media in 2011:

- On 22 January Pro.BG finally ceased broadcasting to make place for **bTV Action**
- On 8 March a new Fox channel for women was launched – **Utilisima**. On 1 March 2012 the channel was completely rebranded to 24 Kitchen.
- Bulgaria on Air was launched on 9 September 2011; it broadcasts in the frequencies of M-SAT television and has positioned itself as an information business television, a part of Bulgaria On Air media group.
- On 16 October 2011 was launched **BNT 2** - a successor of the second channel of BNT - Efir 2 - which stopped broadcasting in 2000. This channel replaced the five regional TV channels of BNT - Sofia, Plovdiv, Varna, Ruse and Blagoevgrad.
- On 21 February a new TV channel was launched only for BG pop, rock and RnB music: **BOX TV** - the music of Bulgaria

Forecast for 2012

In the first two months of 2012 we observed **a decrease of the TV advertising budgets compared to the levels in the beginning of 2001**, which is explained mostly by the strong fluctuation in markets and processes, mainly outside Bulgaria, which prevented or delayed to a great extent the advertising agreements for 2012.

However in 2012 we expect a growth in TV advertising investments of some 3% to 5% on an annual basis.

The press in 2011

According to TV Plan/TNS **the reported gross values decrease** in respect of the press is - **4%**

Actual decrease /according to estimates/ in NET values -**3.6%**

The above mentioned decrease is the average indicator for the press in general, however the newspapers reported some increase by 5.11% for the first time since 2009, but the magazines were adversely affected - a decrease by some 15%. This is explained by the existence of advertising campaigns under Public procurements in newspapers, including the regional ones, as well as the coverage for the local government and the presidential elections in 2011.

In 2011 the budgets for printed advertising of the largest advertisers in the automotive sector, financing institutions, telecommunications, real estates, fashion brands maintained their "crisis" levels.

Despite of the lack of unified audit and transparency in the press as regards circulation, in 2011 there was a serious decrease in the circulation officially announced by the media compared to the previous year.

The advertisers now "legally" ask for higher and higher discounts than those offered to them and media also "legally" provide to them off-rate discounts and promo-prices, as well as free publications under the form of bonuses. In this "struggle to survive" there are no rules except the ancient Balkan rule "a deal by hook or by crook".

In 2011 the press kept its share in the total advertising mix - 14 % in contrast to the decline of 2 to 4% annually, which was observed in the period 2007 - 2010.

The press in 2011

Headings that dropped out in 2011:

Magazines: Praven sviat (Legal World), Oshte za kashtata (Your house and more) /still available online/, Panacea, Slava (Glory), Telephone, Game Play, Domashna kuhnia (Home cooking), Maximum, Lada, 4x4, Travel, Rolling Stone, Beauty, Yacht&Motors, Horemag /still available online/, Club Anna, Zdrave (Health)

Newspapers: Pari (Money), Dnevnik (still available online)

New headings launched in 2011

Magazines: Forbes, Hello!, HiDrive, Smart Apps, Champions, Parvite sedem (The first seven)

Newspapers: Capital Daily /Pari & Dnevnik merged through a joint property/, Bulgaria Dnes (Bulgaria Today), Vseki Den (Everyday) and **Pressa Newspaper – since January 2012**

Expected headings in 2012:

- Since February Love Style Magazine is on the market
- At the end of April Men's Health will launch in Bulgaria

The radio in 2011

In 2011 **the actual decrease** in the radio advertising budgets is **-7,2% in NET values**, /according to our estimates/

In 2011 no new merger of radio stations occurred but only change in ownership and rebranding: Radio Signal+ stopped broadcasting and Darik 18 radio is now broadcasting in its frequencies ; and bTV radio is now broadcasting in the frequencies of ProFM

- Despite of the reported lower values of advertising income, the radio market still keeps a stable share of the advertising mix - between 7 and 8% since 2007.
- With a view to the commercial policy radio stations are not an exception and they also offer additional bonus broadcasts, special off-rate discounts, etc.
- Once again we have reported lack of efficient method for measuring the value of advertising on the radio market. Again in the last year data about radio stations subject to monitoring are not comparable to the same data for the previous year because in 2011 radio stations, which are important for the radio market, are totally excluded from the monitoring. This makes the picture of radio market according to official data quite chaotic and therefore analysing is much more complex. ABBRO, as an official authority of the private radio broadcasters, also uses its own methods to come to some real values about the market of radio advertising, but both they and we recognize that these are only ESTIMATES.

Conclusions for the press and the radio

- **Critical level of intercompany indebtedness of those involved in the industry:** advertisers - agencies - media. Contracts for deferred payment have become a wide practice /at least 45 days and quite often over 90 days/, as well as the widespread failure to comply with any agreements.
- Another quite new factor - a catalyst for the above finding, is the breach of the terms of payment under Public procurements on the part of different government institutions.
- The serious debasement of the media product and the services offered in this sector long ago reached the permissible "bottom" - probably the time has come for the media to reconsider the effects from selling at dumping prices.
- Probably 2012 will be the last year for some printed headings, which will choose to exist only on the Internet, although in many cases this is a temporary and compromising solution.
- Generally radio continues "surviving" quite steadily and keep its good position in the general picture. Particularly individual chains of radio stations do not even report a decrease /thanks to the advertising revenue generated from Public procurements/, other report minimum decrease but there are also cases of actual decrease in income. The online prospects for the radio stations operating in Bulgaria is still in the distant future.
- According to data of TV Plan for the first three months of 2012, a growth by approx.12% is reported in the gross budgets for the press, which is a very good sign, however it is too early to make optimistic conclusions and forecasts.
- Considering the trend in 2011 and the beginning of 2012, **our realistic forecast** for this sector is that the levels of 2011 will be kept.

Outdoor advertising in 2011

Decrease of gross advertising budgets – by approx. **5%**, and of the NET budgets - by **21%**

Decrease in mobilizing the capacity of different facilities

Average occupancy of advertising facilities:

in 2010 – 67%

in 2011 – 63%

Reasons for the decrease:

- The downtrend in the levels of advertising budgets for Out-of-home advertising continued (a decrease by 20 - 25% on an annual basis).
- Total price pressure on the part of advertisers and the anti-market conduct and selling practices on the part of some Out-of-home media at prices equal to or below cost price.
- Ambiguity regarding the facilities for Outdoor advertising in Sofia/ Advertisers that relied on outdoor advertising, planned only short-term campaigns in order to avoid the risk from failures due to dismantling the advertising facilities.
- The existence of numerous small companies and agents on the out-of-home advertising market offering unreasonably low prices has made the impression for endless decrease in price.
- Uncontrolled and commercially unreasonable provision of "bonus" locations

Outdoor advertising in 2011

Investments in outdoor advertising

The number of advertising facilities, which in 2010 came down to "the sanitary minimum" as a result of the dismantling of facilities in the smaller settlements, remained unchanged in 2011. No investments were made in the big cities and on the country road network.

The only investments, which the companies prepared for and could be realized, were in the city of Sofia. Unfortunately the competition for municipal areas in Sofia didn't happen and moreover its scheduling and postponement several times contributed to the decrease of the turnover on the advertising market.

In 2011 there were 2-3 gingerly attempts for **innovation in outdoor advertising**. Advertising presentation of beer by 3D Mapping on the façades of Ivan Vazov National Theatre and NDK were organized but these were single events, mainly due to the lack of willingness and interest and probably resources. Advertisers relied mainly on the traditional and cheap forms of outdoor advertising.

Forecast for 2012

In the ongoing 2012 probably there will be still a decrease in advertising budgets for out-of-home advertising. Considering the trends and realities until now, it is expected a new **decrease of some 5% - 7%**.

Internet advertising in 2011

2011 versus 2010

increase in GROSS budgets by **15%** and

approx. **11.4% increase** in advertising investments on a NET basis

- In 2011 Internet advertising gained a share of approximately **8% on a net basis** and in the media mix it already got ahead of the radio advertising.
- Internet is the only media channel reporting a growth in 2011.
- In 2011 advertising in Facebook increased by 100% compared to 2008.

Leading industries in Internet advertising:

1. Financial institutions
2. Telecommunications
3. Automotive and related industry

Internet advertising in 2011

Types of online campaigns

- Display advertising has the largest share - over 80%.
- Click advertising holds only 10%.
- The largest portion of advertising budgets go for the news websites.
- Facebook attracts over half of the active Internet users and quite many advertising budgets. It is used by approx. 2.3 million Bulgarians.
- Google keeps the leading position among search engines with 98% share.

Internet advertising in 2011

Generally the Bulgarian online market is very dynamic and interesting. We witnessed again many acquisitions, launching new projects, many events connected with digital marketing, many new faces, much enthusiasm and positive energy in general.

•Forecast for the development of online advertising in 2012

•Internet advertising will grow. We expect an increase in net income by 6 to 8%. This year we expect better performance of mobile advertising, too. The potential is great.

Summary of the advertising market in 2011

Increase in the total volume of GROSS advertising budgets by **4.5%**

Decrease in the total volume of NET advertising budgets by **6%**

TV: **Increase** in GROSS volumes of TV advertising by **8.4%**

NET volumes **decreased** by **4.7%**

Press: **decrease** in GROSS volumes by **4%**,

decrease in NET volumes by **3.6%**

Radio: **decrease** in GROSS budgets by **7,25%**,

decrease in NET budgets by **7,2%**

Outdoor advertising: **decrease** in GROSS volumes of outdoor advertising by **5%**,

decrease in NET volumes by **21%**,

Internet: **increase** in GROSS volumes by **15%**,

increase in NET volumes by **11.4%**,