Tackling a Fragmented Europe

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DFC Intelligence Overview

- **Founded in 1994 to focus on games and digital entertainment content**
- **From 1994-1997 a major focus was digital distribution and online games**
- **DFC was a little too early to the online party**
- **From 1998 to 2001, DFC's primary focus was on U.S. retail**
- **Starting in 2001, DFC once again started to focus heavily on the online game market looking at casual games, MMOGs and being one of the first research companies to start looking at the Korean game market**
- **Strategic Market Reports, Forecasts and Analysis of Established and Emerging Investment and Partnership Opportunities**
- **DFC Intelligence offers:**
  - Off-the-shelf reports with market forecasts, company profiles
  - Detailed surveying of consumers on a global basis
  - Custom consulting

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The Diversity of Europe

- **Just defining Europe is not easy**
- **There are over 40 countries, not including the many small pockets (Vatican City, Monaco, Gibraltar in Spain)**
- **European Union consists of 27 countries with a population of about 500 million**
  - Russia and a large part of Eastern and Southeastern Europe are not included
- **In DFC forecasts we have focused on the 17 countries which we often refer to as Western Europe**
  - This is a population of 400 million
  - We have generally lumped the rest of Europe into an “other” category
- **When you include Russia and Turkey, the parts of Europe not well tracked (or Eastern Europe) are another 400 million potential customers…or 800 million total!**

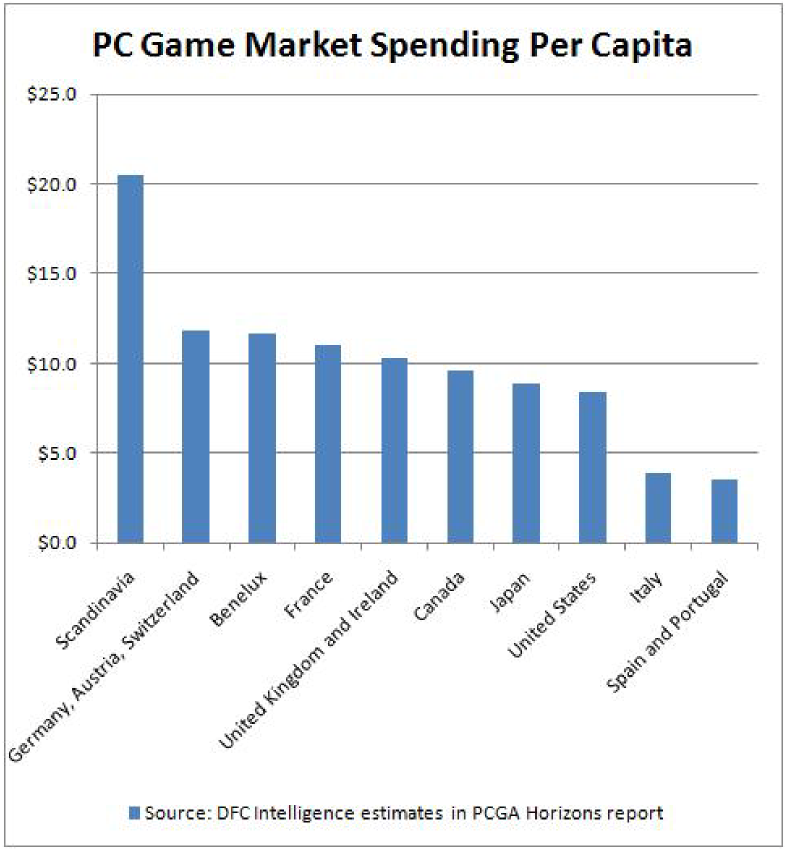
Europe Game Market has been Underserved

- Europe game market has not performed up to its full potential
- Differences in culture, language, laws and infrastructure have been major difficulties
- Physical distribution has been a very tough nut to crack
- Western Europe has grown in recent years…companies like Nintendo, Sony, EA, Activision have worked on physical distribution…BUT
- The future growth is digital

Region	Population (millions)	Game Market Size	Per Capita
W Europe	400	$22 billion	$55
Total Europe	800	$24 billion	$30
U.S./Canada	340	$22 billion	$65

Digital Gets around Physical Distribution Issues

- **The PC game market in Europe has largely gone digital**
- **Per capita spending in top Europe countries is higher than in the U.S. and Japan**
- **Key markets such as Germany, U.K. and France can launch their own home grown products and then go to the rest of Europe and eventually global**
- **Examples include:**
  - France: Anakama with Dofus
  - Germany: Bigpoint and Gameforge
  - U.K.: Jagex and Runescape



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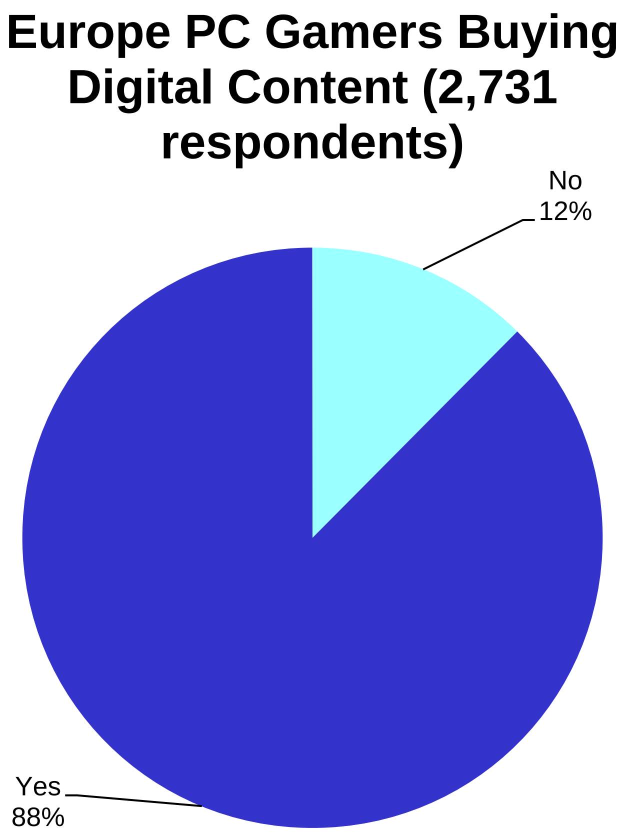
Question to Europe PC Gamers: Have you Ever Bought Digital Content?

Country	No	Yes
Denmark	11.36%	88.64%
Finland	14.75%	85.25%
France	19.05%	80.95%
Germany	21.43%	78.57%
Italy	20.00%	80.00%
Netherlands	19.17%	80.83%
Norway	8.16%	91.84%
Poland	18.13%	81.87%
Spain	23.08%	76.92%
Sweden	7.02%	92.98%
United Kingdom	7.30%	92.70%
Grand Total	**12.45%**	**87.55%**



Question to Europe PC Gamers: Have you Ever Bought "X" Type of Digital Content?

Country	Full Game	Game add-on level	Game Performance Item	Decorative Item
Denmark	27.27%	18.18%	6.82%	31.82%
Finland	12.30%	24.59%	4.10%	23.77%
France	14.29%	23.81%	7.94%	20.63%
Germany	19.58%	25.40%	8.99%	19.31%
Italy	8.57%	8.57%	8.57%	20.00%
Netherlands	15.02%	20.45%	5.43%	19.17%
Norway	26.53%	18.37%	12.24%	32.65%
Poland	8.81%	20.73%	4.15%	16.58%
Spain	5.13%	10.26%	2.56%	5.13%
Sweden	21.05%	21.05%	8.77%	17.54%
United Kingdom	44.23%	40.82%	10.99%	33.52%
Grand Total	**33.49%**	**32.14%**	**9.84%**	**29.96%**

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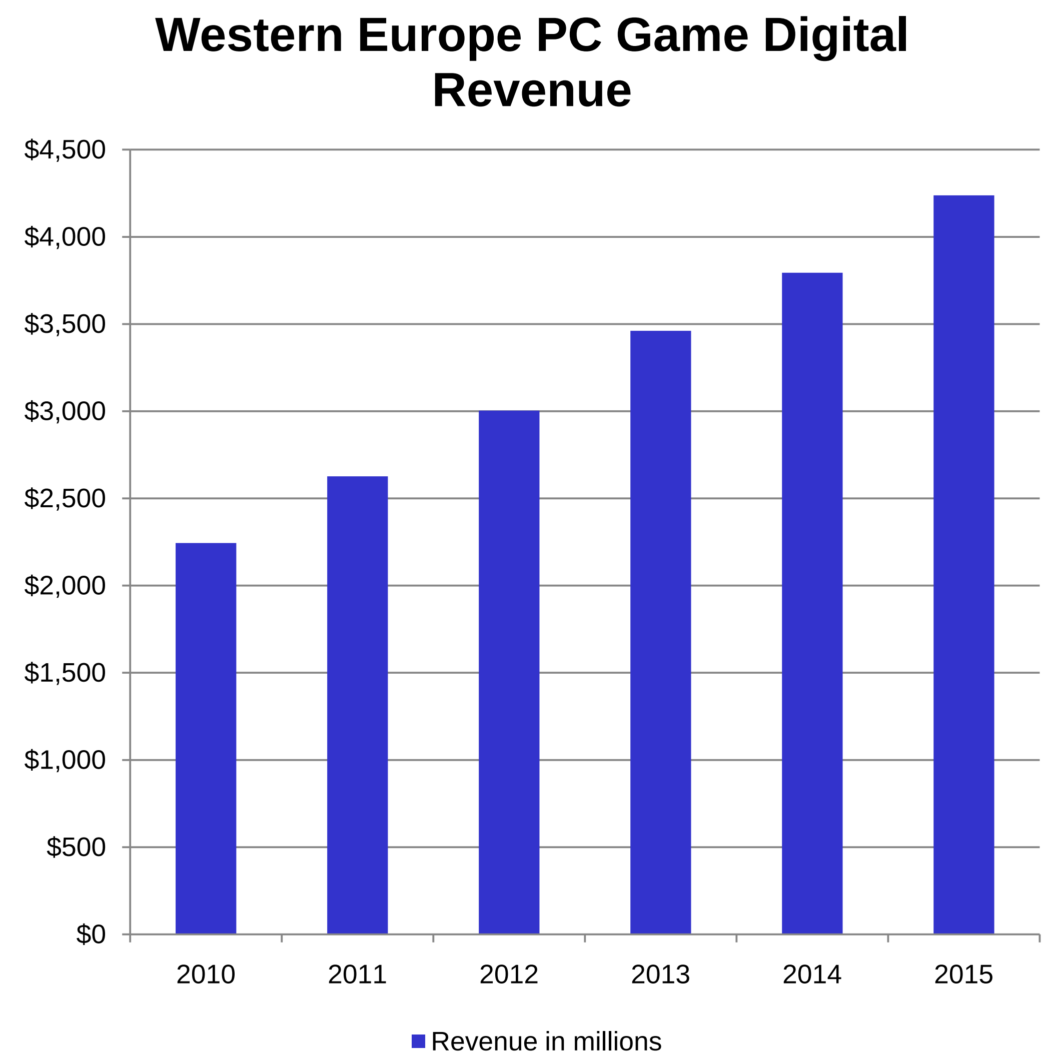
Western Europe Grows to $4.2 billion by 2015

This is a very modest growth forecast that focuses only on the top 17 countries with about 400 million consumers.

With an increased ability to reach the audience and an ability to reach Eastern Europe and the other 400 million there is substantially more growth potential.

But…even with digital it is still not easy

One of the biggest barriers is payment processing



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Payment Processing is Fragmented Across Europe

- Much of Europe does not have credit cards and instead relies on payment methods such as debit cards, bank transfers, direct debit, payment cards, mobile payments and others
- Easily over 100 payment options in Europe and it varies significantly by country
- Chargebacks and fraud can be a huge issue
- A major key to reaching Europe consumers will be adopting to the wide variety of payment methods

Examples of How it Varies By Country

- **Spain and Italy**
  - About 50% credit card
  - Italy likes prepaid cards
  - Spain is big on COD (cash on delivery)
- **Czech Republic and Hungary**
  - Less than10% credit card
  - Fraud is high
- **Romania**
  - Fast broadband
  - Many gamers but limited budget
  - Mobile payments are growing

How to Measure a Countries' "Game Market Potential"

- **Of course, size, economic and social factors…BUT**
- **Access to product is key**
  - Lack of efficient distribution has limited many markets
  - It was not cost effective to focus on physical distribution in many smaller markets
- **High speed Broadband opens new distribution channels**
- **Effective local Payment Processing is the next hurdle**

Country	Broadband Speed (Mbps)
South Korea	20.2
Romania	16.3
Sweden	10.4
Netherlands	6.4
U.S.	5.3

Speed on Pando Networks

Country	2010 Volume/User	2010 Avg Trans/User
Norway	€ 156	5
Romania	€ 125	5
U.K.	€ 111	5
Sweden	€ 109	4
Germany	€ 95	4

Data From Gamers Using Moneybookers.com

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Contacting DFC

- **Receive a complimentary copy of our new report *Monetizing the European Market for Virtual Currency***
  - This report was produced in conjunction with Live Gamer and Skrill Holdings operator of Moneybookers.com
  - Looks at Europe market for digital content with a focus on actual payment processing data from 27 countries
  - Available March 2011
- **Sign-up to receive the report**
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