Press Release

Advertisers Spent CZK 28,6 billion on Internet Advertising Last Year

Prague, March,6, 2019 – **In 2018 the volume of internet advertising exceeded CZK 28 billion. Compared to 2017, this represents growth of 23 per cent caused, in absolute figures, primarily by display advertising (+23 %) and search advertising (+25 %). From the viewpoint of the manner of advertising space purchase the programmatic purchase of display advertising increased by 54 per cent. Expectations for the coming year are also optimistic; the survey participants assume that online advertising will continue to grow by 14 per cent in 2019. Out of the total advertising expenditures, online advertising accounts for a 25 per cent share. The data come from the annual survey of Internet advertising performance conducted for SPIR by Median.**

Development of Total Expenditures in Internet Advertising

In 2018 advertisers used online advertising in the volume of CZK 28,6 billion. This is by 23 per cent more than in the previous year and confirms the ongoing growing trend in the use of online forms of advertising). This year's growth is expected to reach 14 per cent, i.e. CZK 32,5 billion spent on internet advertising.

"The figures for 2018 are good news for the digital market and show that its potential is far from being exhausted. Last year, the market managed to deal with the implementation of the GDPR and, if there is no senseless regulation, I believe in its further growth," comments Michal Hanák, the SPIR Chairman.

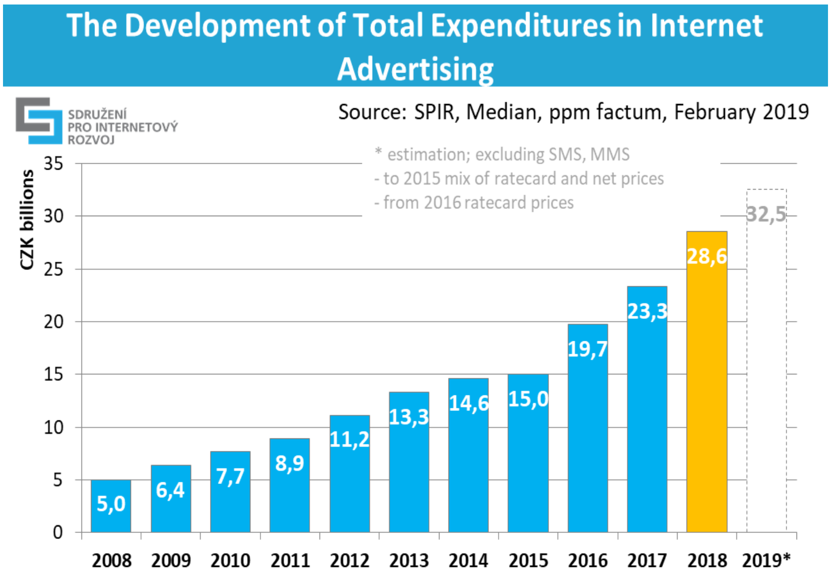

chart 1: The Development of Total Expenditures in Internet Advertising

The largest part of advertising expenditures is attributable to display advertising (CZK 20,1 billion in ratecard prices). Display advertising includes also advertising in content networks (in particular Seznam Sklik, Google AdWords and Facebook), RTB and native advertising. **The second most frequently used advertising form is paid search with expenditures of CZK 7,3 billion in real prices**. The sales in respect of classifieds and directories were declared in the amount of CZK 1,1 billion in ratecard prices. With respect to SMS and MMS campaigns, which are not being included in internet advertising, the advertisers spent CZK 98 million in ratecard prices.

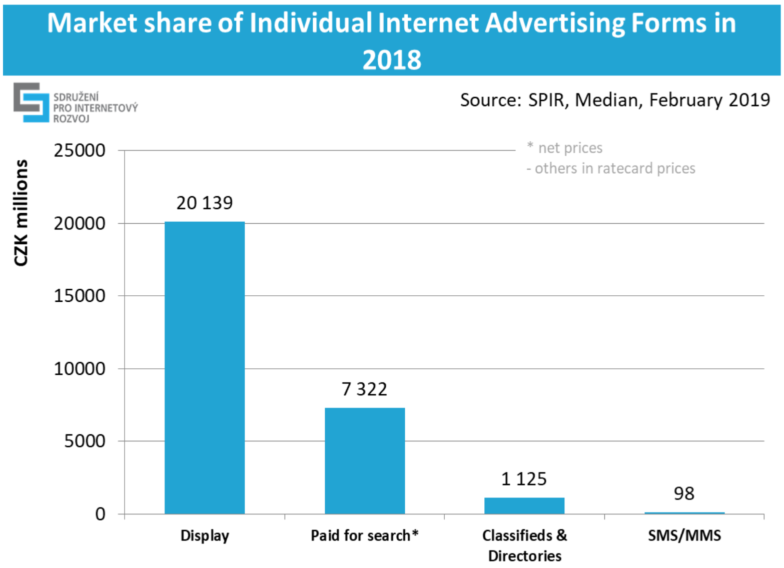

chart 2: Market share of Individual Internet Advertising Forms in 2018

Video advertising represented a 25 per cent share of the overall display advertising (CZK 5,09 billion), i.e. a 43 per cent year-to-year increase, and is expected to grow by 15 per cent in 2019. Native advertising had almost a 3 per cent share (CZK 622 million), increased two times (97 per cent), if compared to the last year, and is expected to grow by 18 per cent in 2019.
The share of mobile advertising out of the overall display advertising was 30 per cent (CZK 5,95 billion), i.e. a 107 per cent year-to-year increase, and is expected to grow by 20 per cent in 2019.

Programmatic forms of advertising, which are related to content networks and RTB, together represented a 62 per cent share (CZK 12,47 billion in ratecard prices) and increased by 54 per cent, if compared to the last year. Content network reached a 55 per cent share (CZK 11,03 billion in ratecard prices + 56 per cent increase), while RTB represented a 7 per cent share (CZK 1,43 billion in ratecard prices + 41 per cent increase).

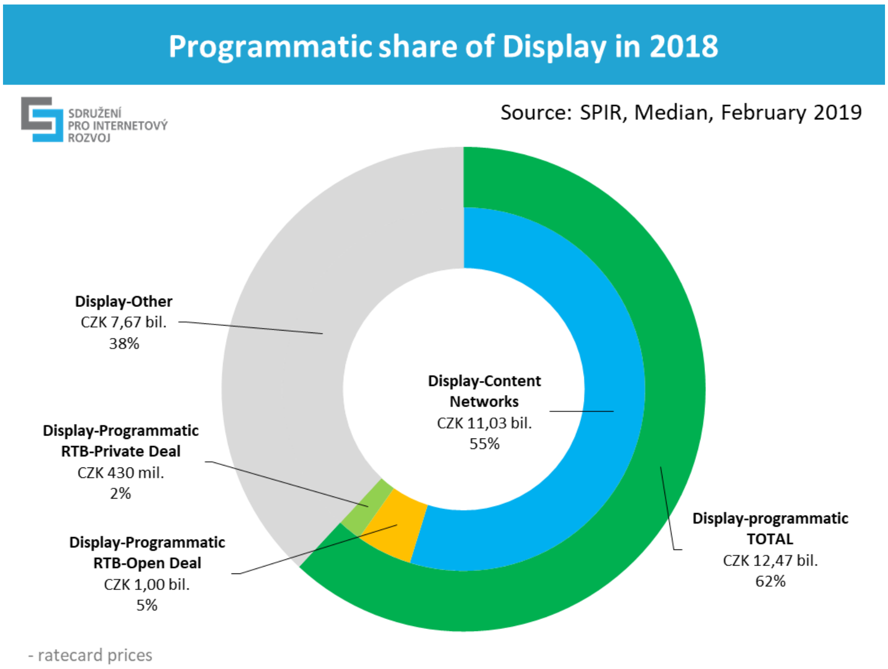

chart 3: Breakdown of display advertising according to the purchase form in 2018

With respect to programmatic advertising, which in 2018 reached the volume CZK 10,84 billion in real prices, the highest share (89 per cent) was represented by content networks (CZK 9,59 billion in real prices). RTB share was 11 per cent with the total volume of CZK 1,25 billion in real prices.

Development of Individual Forms of Internet and Mobile Advertising

The long-term growth is clearly visible in the case of display and search advertising. As far as the display advertising is concerned, the growth is caused primarily by programmatic forms – content networks and RTB.

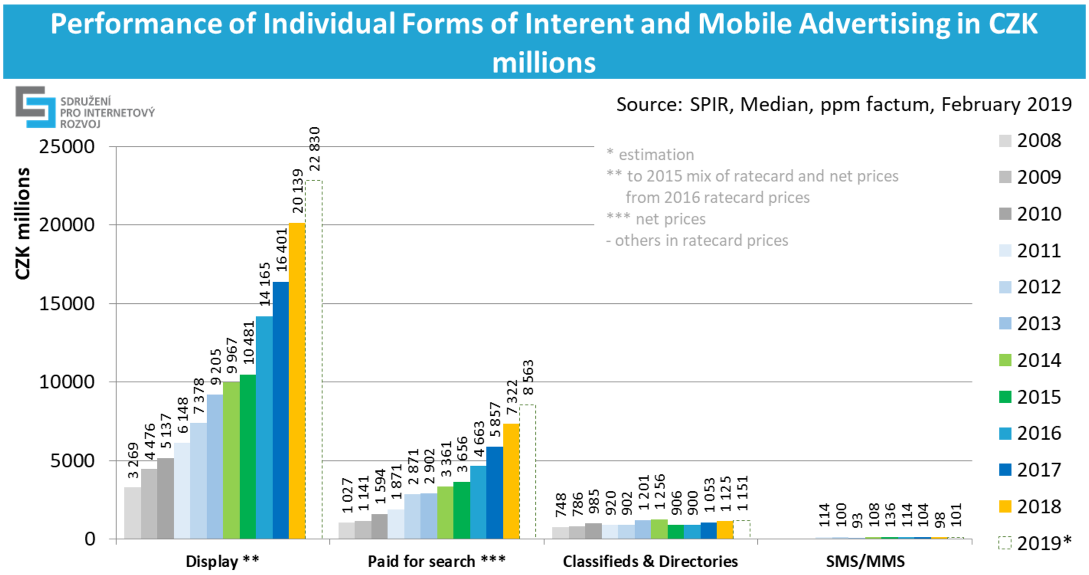

chart 4: Performance of individual forms of internet advertising

Performance of individual forms of internet and mobile advertising in CZK ths.:

in thousands of CZK	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019* (estimate)
Display **	5 137 305	6 148 289	7 378 185	9 204 844	9 967 379	10 481 447	14 164 675	16 400 893	20 139 248	22 829 717
Paid for search ***	1 593 704	1 871 320	2 871 428	2 901 804	3 360 886	3 656 319	4 663 124	5 857 274	7 321 593	8 563 335
Classifieds & Directories	985 445	919 806	901 784	1 200 788	1 256 196	906 356	899 652	1 052 715	1 124 984	1 150 698
SMS/MMS		114 027	99 537	93 264	107 870	135 947	113 935	104 150	98 000	100 940
TOTAL (SMS/MMS excl.) **	**7 716 454**	**8 900 469**	**11 151 399**	**13 307 435**	**14 584 460**	**15 044 122**	**19 727 451**	**23 310 883**	**28 585 825**	**32 543 750**

** estimate*
*** ratecard and real prices mix until 2015, ratecard prices since 2016*
**** real prices (net net)*
the rest in ratecard prices (gross)

table 1: Performance of individual forms of internet and mobile advertising in CZK ths.

Share of Individual Mediatypes in 2018

For the purpose of comparing the volume of advertising in individual media types, data derived from the Nielsen Admosphere monitoring of advertising expenditures were used. **TV advertising with CZK 53,1 billion maintains its dominant position in the advertising market (46,3 per cent). Online advertising has a 25 per cent share (CZK 28,6 billion).** Press advertising reached CZK 19,6 billion and has an 17,1 per cent share in advertisement budgets. Radio advertising reached the level of CZK 8,0 billion (7,0 per cent) and OOH advertising generated CZK 5,2 billion (4,6 per cent) last year.
The prices do not include self-promotion. **Since 2008, when the SPIR online advertising performance survey started, we note a long-term growing trend of expenditures in internet advertising.**

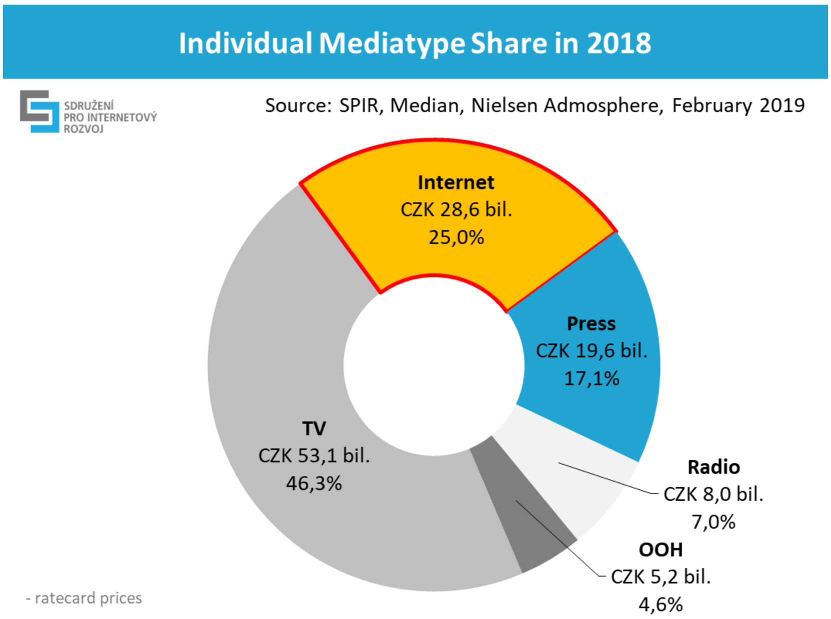

chart 5: Individual Mediatype Share in 2018

The full version of the internet advertising performance is to be found at: http://www.inzertnivykony.cz/en.
The used types of internet advertising are to be found at: http://www.inzertnivykony.cz/en/terminology-methodology.
More detailed description of advertising forms are to be found at: http://www.spir.cz/reklamni-formaty-a-html-5.

Below you will find selected terms that might be incorrectly understood from the viewpoint of terminology. A more detailed version is to be found at the above specified links.

Internet display advertising: Banner advertising in standard (banners, skyscrapers, leaderboards...) and non-standard formats (overlays, interstitials) and video banners. Now the display advertising also includes content network and RTB.
Paid search advertising: Advertising appearing on specific word requests on search engines or premium positions.
Programmatic: automated process of purchase and sale of digital advertising space. Display programmatic includes content network and RTB.
RTB (real-time-bidding) is a type of business model for selling banner advertising targeted at desired audience, where each impression is delivered in real time by automatic systems as is appropriate for the required target group. In the RTB model, geographical, linguistic or behavioural targeting of advertising is often used, on the basis of previous activity and the interests of the user. The main characteristic of the

RTB model is the auction sale in real prices of advertising. Now RTB advertising is included within display advertising.

Methodology Description

For the purpose of surveying and processing the results, in the interest of objectivity and the protection of sensitive data, the Median agency was commissioned. The survey was conducted during January and February 2019 and was based on current closings of individual subjects. The performance of all types of advertising was based on declared performance of individual providers of content, agencies, and operators of advertising networks and mobile operators.

From 58 important internet operators, who were addressed, 22 became actively involved; their media have impact on vast majority of Czech Internet users. In case of 1 operator was provided their data for the last year. 2 of 3 addressed mobile operators provided financial data related to SMS and MMS advertising messages, 1 was used data from last year. In order to obtain data on the performance of individual advertising networks, three operators, 51 media, digital and specialized agencies, as well as 185 direct advertisers were addressed. One operator of an advertising network (Sklik of Seznam.cz), 21 agencies and 9 direct advertisers undertook active participation. In case of 3 agencies and 2 advertisers were provided their data for the last year. To calculate the total advertised amount in advertising networks, the claimed performance of the Sklik advertising network is used; along with the weighted average of the percentage distribution of spending by agencies into advertising networks. Breakdown of performance into search and content networks is based on SPIR expert estimates this year, not on agency and direct advertiser declarations. Operators of DSP systems were addressed in order to calculate the overall RTB programmatic advertising through shares of individual DSP with respect of agencies and direct advertisers. Taking into consideration the zero participation of DSP operators the calculation was not possible. The RTB volume was determined as value from 2017 increased by trend 2018/2017 RTB advertising from media side.

Data up to 2016 include partial correction of prices in the case of those internet display advertising, which are obtained in real (net net) prices, because they have no ratecard prices.
For the purpose of comparison with the volume of other advertising, which is indicated in ratecard prices, as well as other media types, the prices of programmatic forms (content networks and RTB) were increased by 15 per cent. The difference between a ratecard and real price is, undoubtedly, higher but because of insufficient support the minimal value was finally used.
For the purpose of transparency, volumes of programmatic forms of display advertising are indicated in real (net net) prices. Search advertising remains in real prices, and since it is not display advertising, the subsequent calculation is not necessary. The remaining media types use ratecard prices; estimates of real prices are not available. The overall performance of the internet does not include SMS and MMS campaigns, which cannot be considered as a type of internet advertising.

For more details, please, contact:

Peter Kokavec – technical inquiries
SPIR Project Manager
mobile: 775 200 949
e-mail: peter.kokavec@spir.cz

Tereza Tůmová – other inquiries
PR Manager
mobile: 739 465 233
e-mail: tereza.tumova@spir.cz

Petr Kolář – technical inquiries
Analyst
mobile: 603 749 847
e-mail: petr.kolar@spir.cz