

Liike2 and Liito Joint Seminar

Drivers and challenges for running a global business: Case Sulake Corporation

Helsinki, November 28, 2006

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Sulake Corporation



» *An interactive entertainment company focused on online communities and casual multiplayer games*

» Flagship product and brand:

Habbo online community and virtual world for teenagers

- one of the largest and fastest growing teen communities in the world



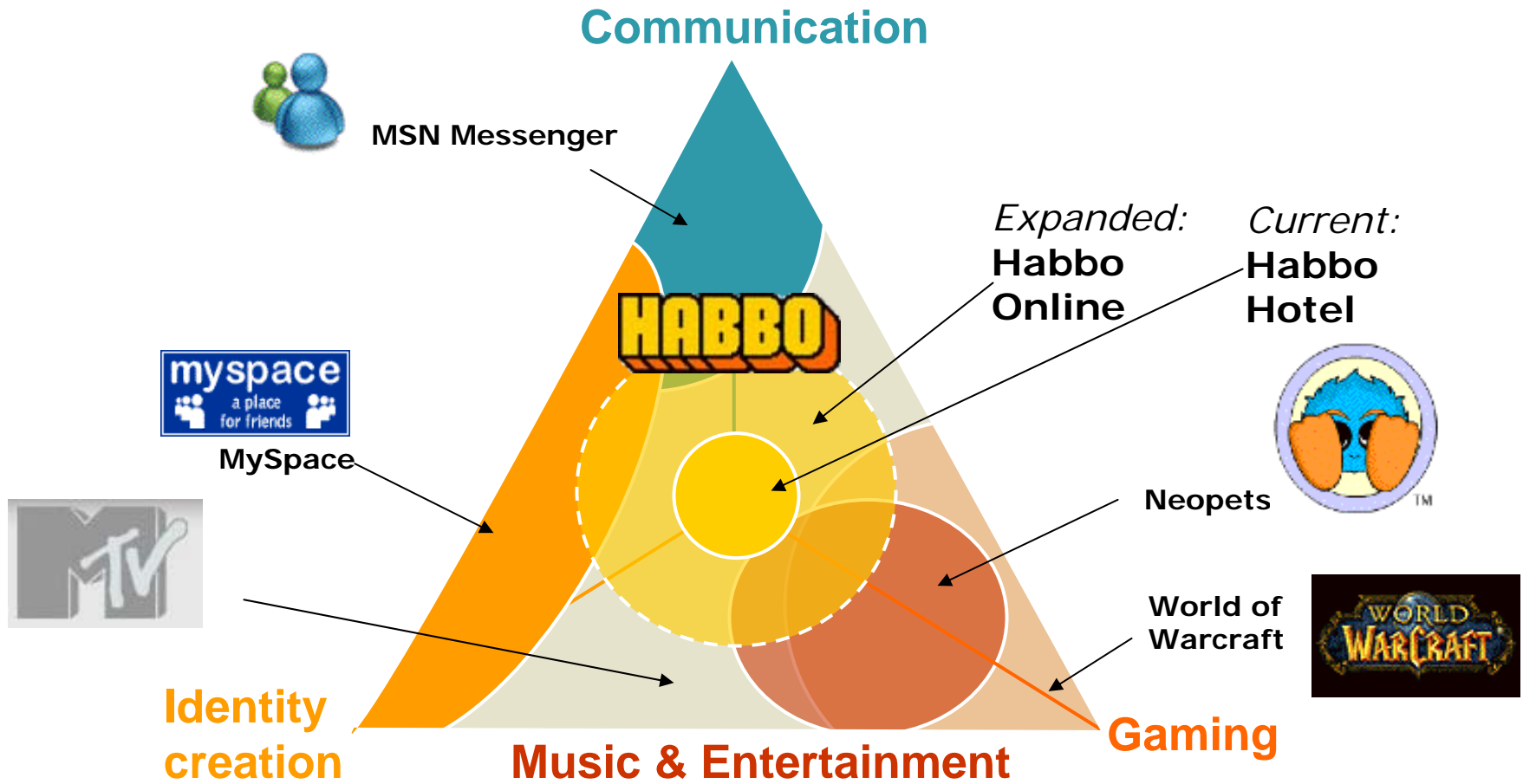
*Habbo mission: To build a **new type of international teen brand** which is **based on the largest teen community** in the world.*

» Long Term Objective:

Global interactive entertainment company with a portfolio of online properties for different target groups

- › **Brand extensions** of properties in key areas: *Animation/TV, Publications, Consumer Products*
- › Games and communities on **all mainstream platforms**: *online, mobile, handheld, consoles*
- › **Distributor and Publisher** of broad range of interactive entertainment content *via our international operational infrastructure and payment network*

Habbo Online Positioning - Motives



Habbo Hotel

The core of Habbo is **Habbo Hotel** – easy to use virtual world.

- » Habbo Hotel provides one of the most interactive browser-based social experiences in the world.
- » It's an environment for **rich real-time communication**, **multiplayer gaming** and **user creativity**.

Typical activities

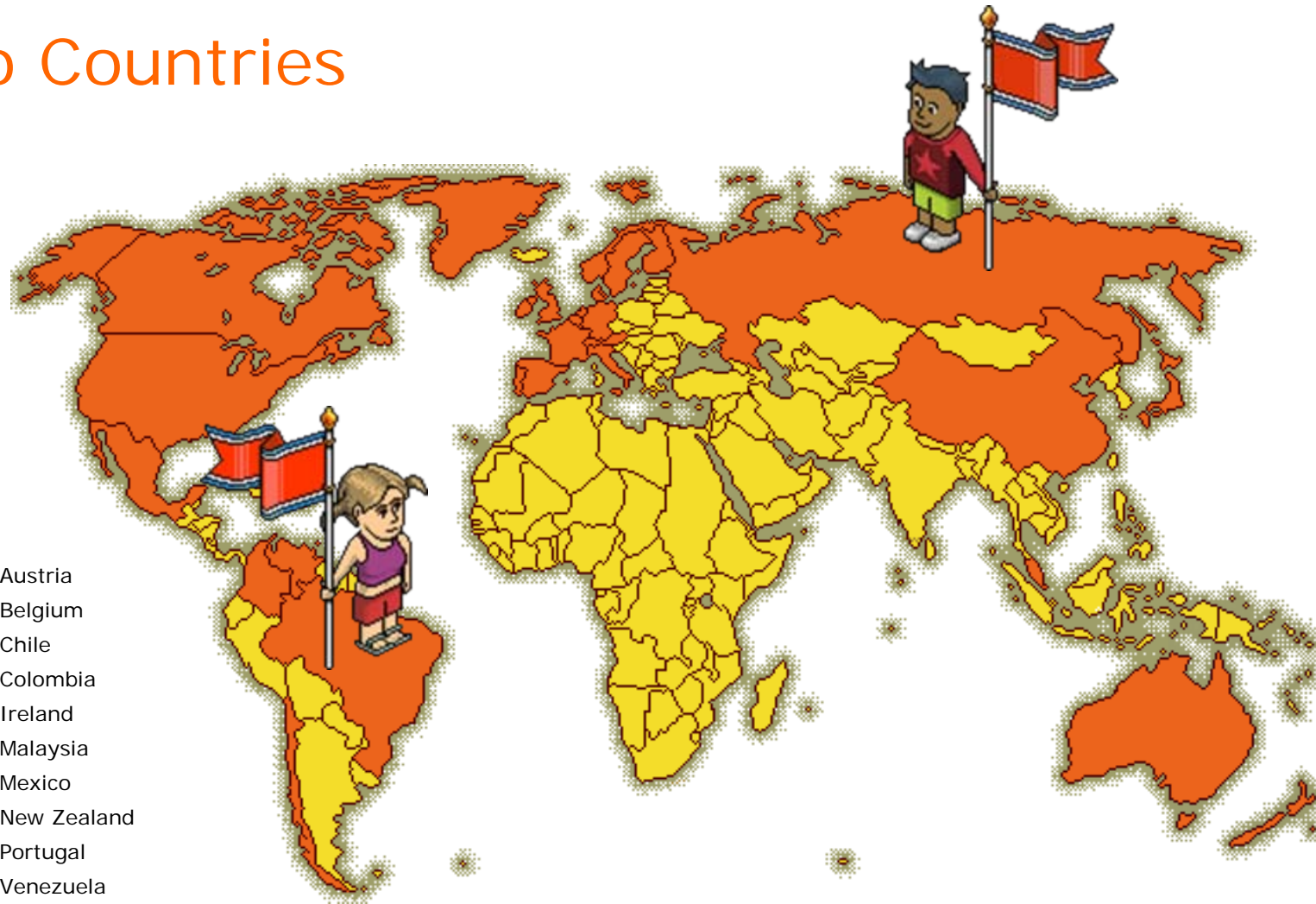
- » Create a personalized Habbo character
- » Visit different public rooms or other Habbos' guest rooms
- » Chat with other Habbos in rooms or use the Habbo Console for communicating with your friends
- » Create your own room and decorate it to your liking
- » Play games – created by Sulake, or by other users
- » Join events, parties and activities – or setup your own
- » Collect and trade items



The key to Habbo is social interactivity: **Meeting other Habbos and having fun together!**

Habbo Countries

- Finland
- UK
- Switzerland
- Japan
- Spain
- Italy
- Sweden
- Netherlands
- Germany
- Canada
- Norway
- USA
- Australia
- France
- Singapore
- Denmark
- Brazil
- China
- Russia
- Austria
- Belgium
- Chile
- Colombia
- Ireland
- Malaysia
- Mexico
- New Zealand
- Portugal
- Venezuela



Company Background



» Founded in May 2000

» Strong and Respected Ownership

- TAIVAS GROUP (www.taivas.com)
 - > 3rd largest advertising group in Finland, part of WPP network
- ELISA OYJ (www.elisa.com)
 - > 2nd largest operator in Finland
 - > Vodafone's local partner
- 3I GROUP PLC (www.3i.com)
 - > world leader in venture capital and private equity, listed on the London Stock Exchange
- BENCHMARK CAPITAL (www.benchmark.com)
 - > Leading venture capital firm focused in technology-driven companies that seek to create new markets and have significant growth potential.
- MOVIDA INVESTMENT
 - > SoftBank and Asian Groove controlled Japanese investment company focused on interactive entertainment and content
- MANAGEMENT AND PERSONNEL

TAIVAS



» Total equity investment: approx. \$37m
in 4 investment rounds

» 270 full time employees in 18 countries
(and 220+ moderators and community managers)



Key Sources of Revenue

1. End user content revenues

- from purchases of virtual furniture, game enhancements, tickets, features etc via all relevant payment methods using transactional and subscription models

2. Advertising

- new type of immersive in-game/community advertising and consumer activities involving and activating users. Also traditional banner ads.

3. Mobile content and games

4. Merchandising & Brand Licensing Royalties

5. 3rd party development and operation fees



New Approach to Advertising



An iPod ad created by a Habbo



Nike Sponsored visit of an NBA star



Co-branding with Sprite in Canada

In Habbo Hotel you can feel and touch trends, hear the users concerns and get immediate feedback

Advertising in Habbo transforms traditional online marketing campaigns into live virtual event marketing experiences

Fun and respectful advertising adds value to our users inside the game and community

Growth Drivers for Sulake's Business

Infrastructure Development

- Internet Penetration
- Mobile Penetration
- Electronic Commerce
- Micropayment Solutions

Media transformation

- Interactive Media Development
- Shifts in Media Consumption
- Online Advertising Opportunities
- Online Games

Business opportunities

- Increase content and user generated content sales
- In-game advertising
- User generated and community-based advertising
- Viral advertising

Enabling Factors

Market Development

Opportunities

Consumer behavior

- Consumer preferences influenced by internet services
- Easy information access
- Peer-to-peer recommendations
- Teenage Behavior Patterns (IM, Mobile, Multitasking, music)

User Generated Content

- Group peer-to-peer activities
- Users create content, and also own the broadcasting channel (media), at virtually no cost
- Social Networking Sites
- Online Communities

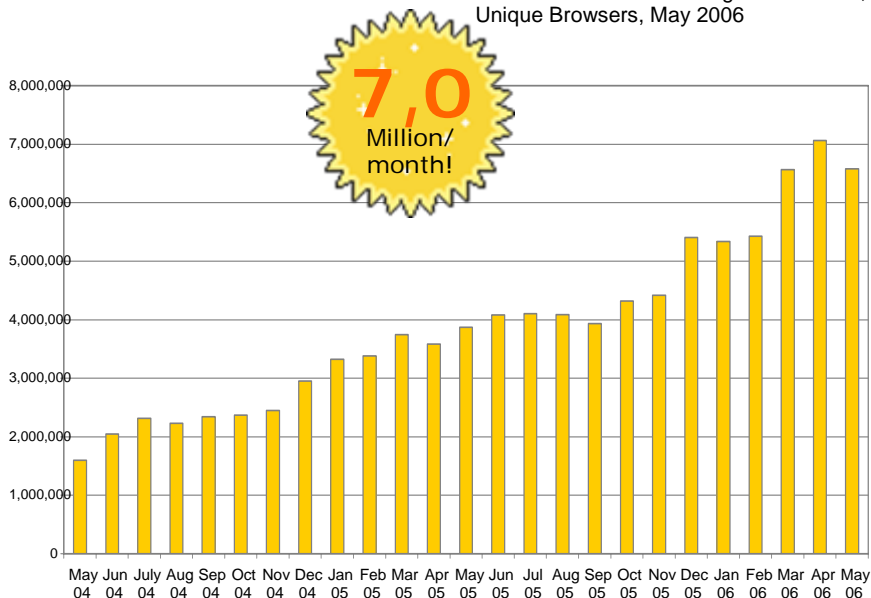
Cutting Edge Opportunities

- Virtual Worlds
- 'User-programmed' personalized services
- User created content is cost efficient and reduces risk of 'guestimating' user needs in producer created content.

Habbo Community Growth

» 7.0 million unique browsers per month!

Source: Nielsen//NetRatings SiteCensus, Unique Browsers, May 2006



Annual Growth

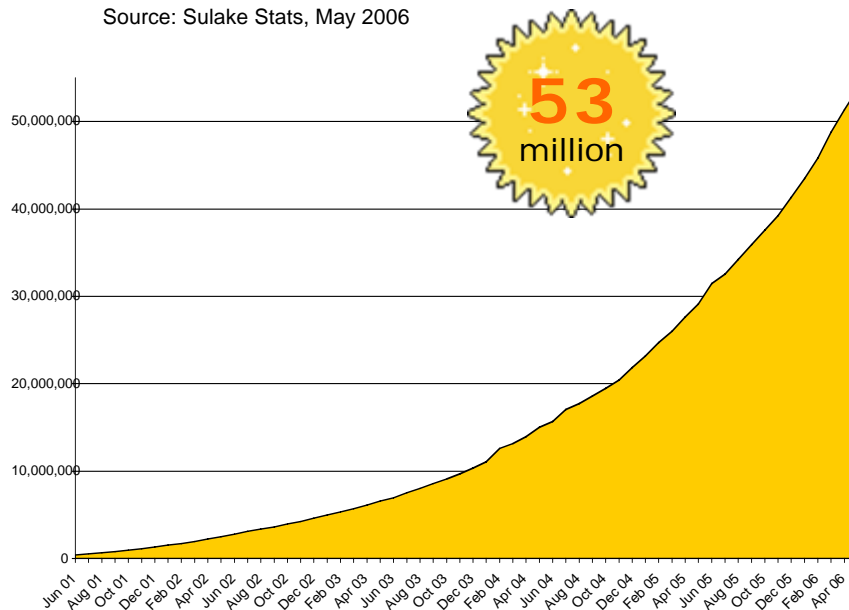
- 2004: **121%**
- 2005: **83%**

Traffic split by sites:

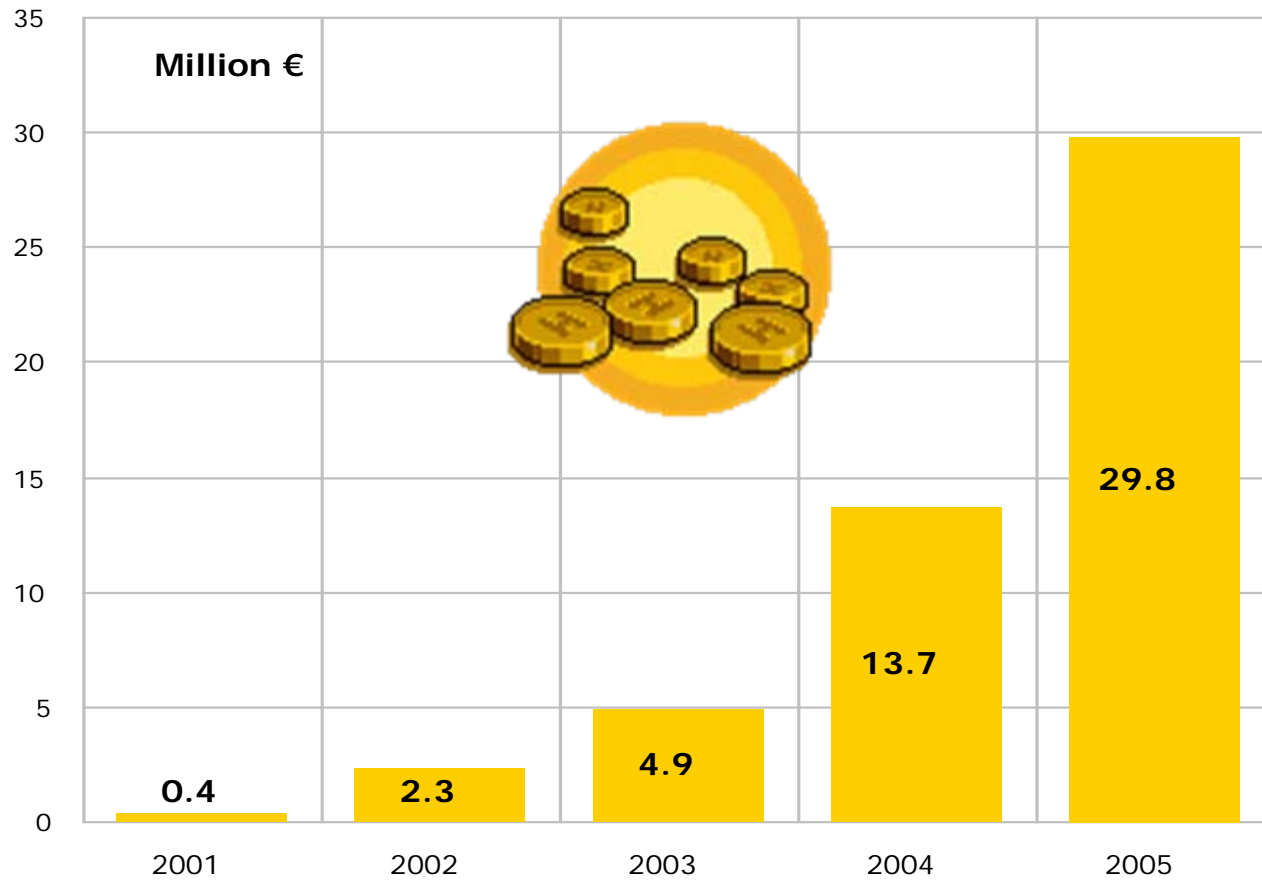
- > Americas 28%
- > Europe 66%
- > APAC 6%

» Over 53 million registered Habbo-characters!

Source: Sulake Stats, May 2006



Sulake's Revenue Growth



Standard Business Launch Model

» Market Feasibility and Partner Selection:

- Population, size of the target audience, and level of disposable income affect the decision on new markets;
- Partners include a potential local marketing partner (e.g., media company), and several (2-6) payment system partners.

» Product Localization and Integration:

- Product is initially localized into the local language, and from then on continuously by feeding in locally-oriented content;
- Initial mix of selected payment systems are integrated with the service before launch.

» Legal Setup and Recruiting:

- Legal entity with required registrations and infrastructure is established;
- Key local recruitments (Country Manager, Site Producer, Community Manager, User Support) are being made.

» Service launch:

- Service is typically launched within 6 months from the launch decision.

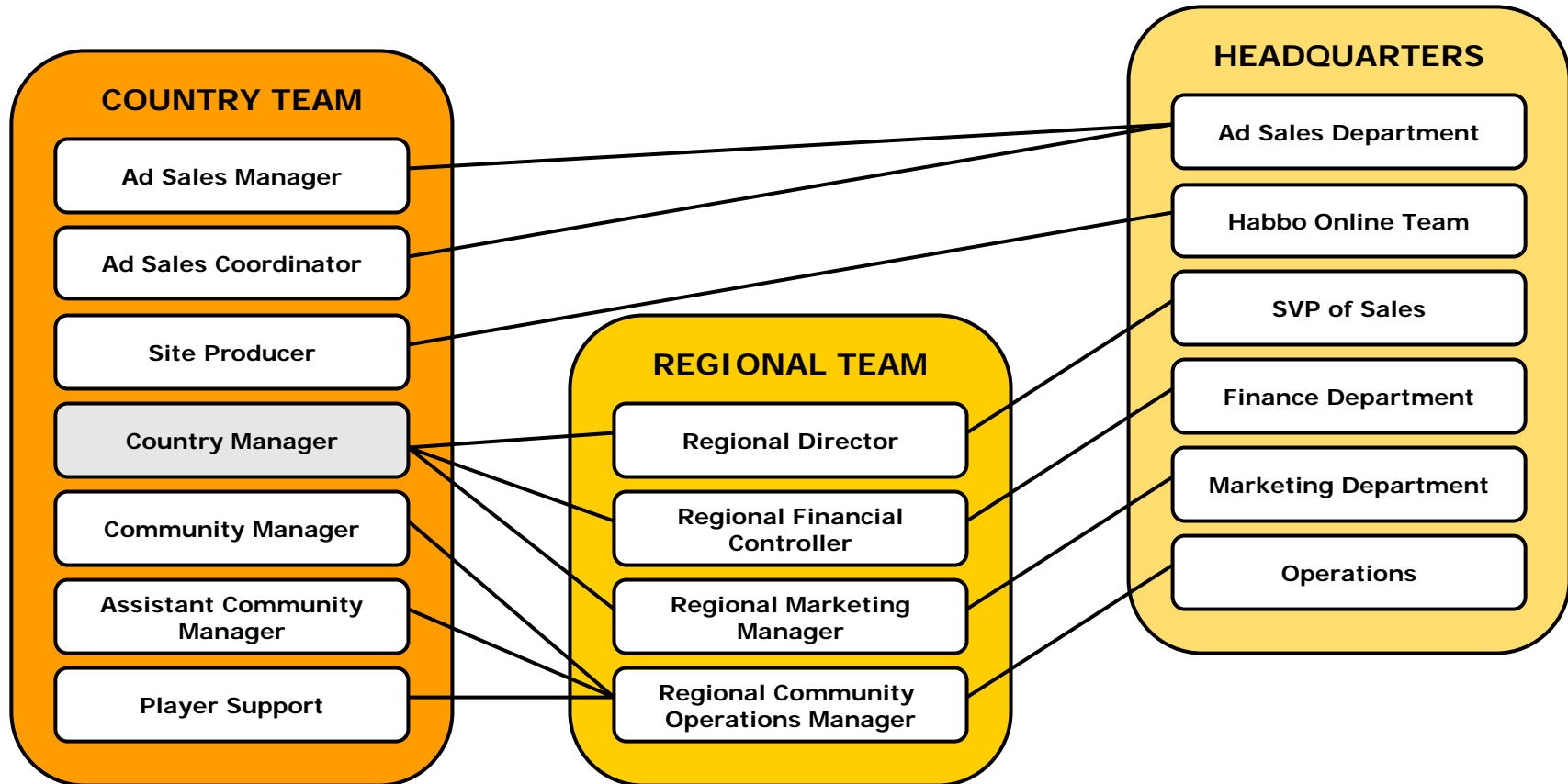
» Product upgrades and ongoing campaigns:

- Service is continuously renewed by product upgrades, as well as ongoing in-game activities, marketing campaigns, and payment system promotions.

Managing the Business: Knowledge Sharing and Support

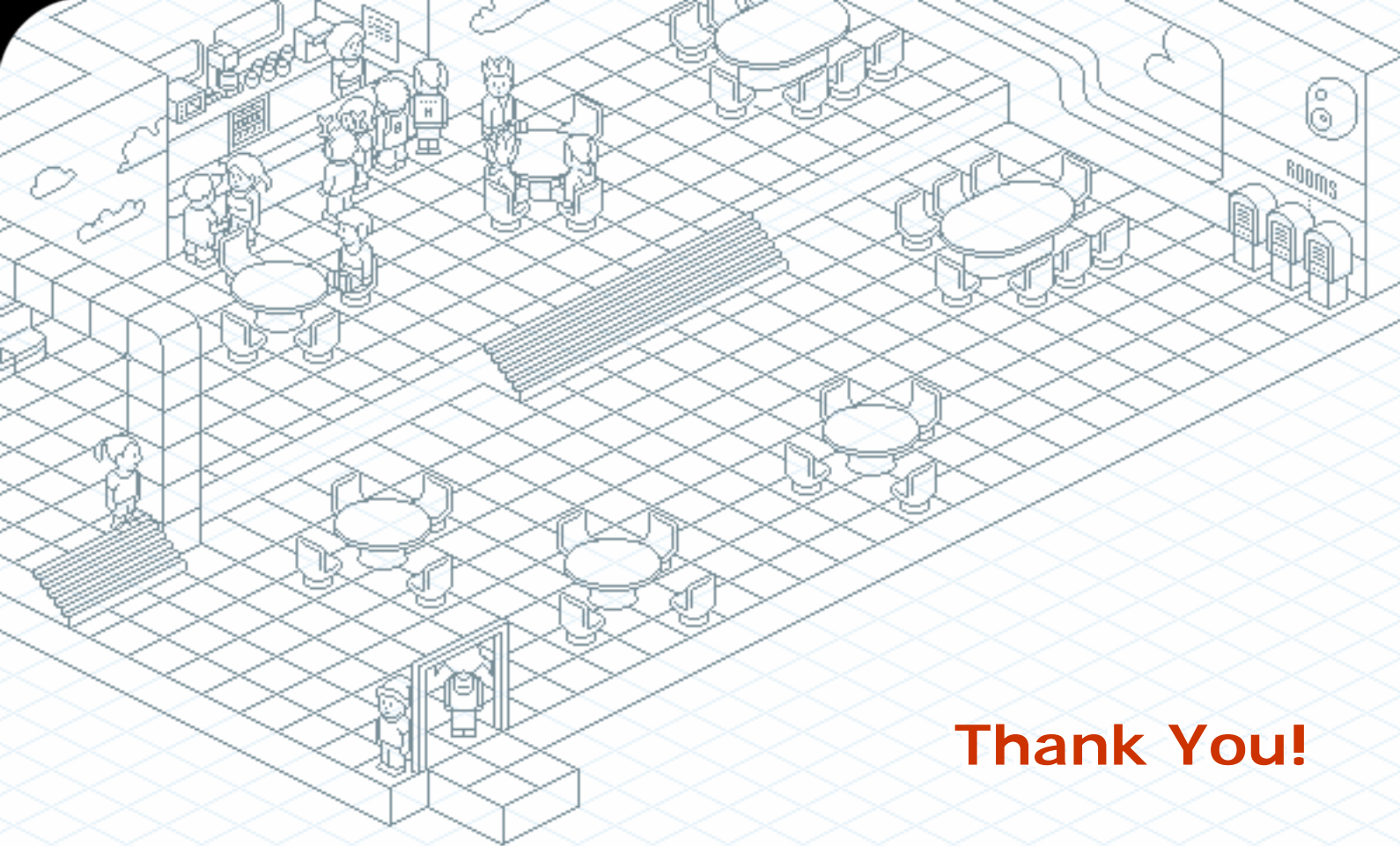


(1) Global strategy development (2) Tactical execution by local experts, and (3) Best practices shared and 'copied'



Key challenges for global expansion

- » How to create an attractive product/service which can copied “easily” into multiple markets;
 - Localization and “nationalization”;
 - Fighting against temptation to copy local competition;
 - Internet as distribution vehicle.
- » How to create ways-of-working and processes which can be copied into multiple markets;
 - Recruiting and organization – centralization vs. decentralization;
 - Internal communication and knowledge management;
 - Partner management and business logic.
- » How to find geographic sweet spots in terms of market potential;
 - Understanding the customers’ thinking;
 - Competitive landscape;
 - Optimal mix of the underlying key performance factors and enablers.
- » How to cope with the multiple time zones and physical distances;
- » How to establish efficient information gathering, reporting and analysis tools to understand core business metrics and their implications.



Thank You!

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