

GADU-GADU S.A.

“MORE THAN AN INTERNET COMMUNICATOR”

IPO PROMOTION

INTERNATIONAL PUBLIC RELATIONS ASSOCIATION

GOLDEN WORLD AWARDS FOR EXCELLENCE IN PUBLIC

RELATIONS 2007 COMPETITION

CATEGORY 16. INVESTOR RELATIONS



WARSAW, APRIL 2007

Gadu-Gadu S.A. "More than an Internet Communicator" - IPO promotion

Although Gadu-Gadu is a well known brand in Poland, its corporate image was rather non-existent before its public offer for sale.

The company planned to earn no less than 75 million PLN (app. 20 million EUR) from the sale of 25% shares. At first, investors found this amount exorbitant comparing it to the company's financial results (3,8 million PLN [app. 1 million EUR] net income in 2006). Partner of Promotion's activities resulted in record investor interest. Gadu-Gadu had to engage additional shares and **finally made 100 million PLN (app. 26,5 million EUR) from Warsaw Stock Exchange (WSE).**

Statement of Problem

Gadu-Gadu S.A. Company is among other things the owner of the biggest Internet Communicator in Poland and in Europe. The Gadu-Gadu communicator embraces a community of nearly 6 million users in Poland (over 46 times more that the world famous MSN Messenger).

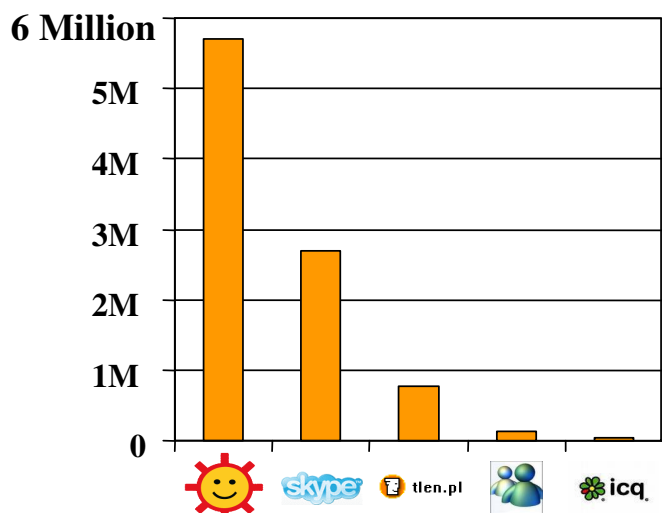


Fig. 1. Number of users, most popular Internet Communicators in Poland (Megapanel PBI/Gemius, July 2006)

Gadu-Gadu is one of the most renown brands in Poland, yet as a Company it was perceived as a small enterprise with few employees and low revenues. The main goal for Partner of Promotion was to build Gadu-Gadu's image as a strong, reliable enterprise with a strong market position.

After the “DotCom mania” bust in 2000 Polish investors remained distrustful of internet based companies. This was an additional obstacle in communicating with investors.

Before the Company’s first public offer, optimistic **analysts and journalists at best estimated Gadu-Gadu’s worth at 100 million PLN (app. 26 million EUR)**. As a result of the Agency’s professional communication programme, **the Company’s final valuation on the Warsaw Stock Exchange rose to 350 million PLN (app. 92 million EUR)**.

Research

While preparing the communication activities’ schedule, the Agency had to gather information about Polish companies making their debut on the Warsaw Stock Exchange in 2007. On the capital market Gadu-Gadu faced strong competition, with numerous debuts and competition over capital, attention, and investors’ trust.

The Agency also conducted media research concerning the image of Gadu-Gadu Company. Research showed that Gadu-Gadu was perceived as a small enterprise offering a simple internet communicator and making low profits. News of its planned debut on the Warsaw Stock Exchange was treated with scepticism. Capitalization of the Company was very low (lack of valuable capital assets) as pointed out by journalists. They also noted that the company was making low revenues and profits, as compared to other enterprises making their debuts at more or less the same price level.

With its 13 years’ experience in IPO promotion, the Agency could reach particular investors, financial analysts and the most prominent journalists directly and interest them in Gadu-Gadu’s debut.

Planning

According to Polish regulations, a company entering the WSE is obliged to conduct compulsory communication activities. For this reason, the Agency prepared a bipolar communication schedule, Partner of Promotion taking on the complex communication coordination and handling both the obligatory communication for Gadu-Gadu and the additional activities planned for the promotion of the company’s WSE debut.

The Agency’s main objective was to convince investors that the Company was worth its price. Partner of Promotion had to emphasize the stability, reliability and growth potential of Gadu-Gadu as a company.

To convince investors that Gadu-Gadu was an attractive company to invest in, the Agency planned **activities aimed directly at target group representatives, i.e. investors (mainly institutional) and business press journalists**. In order to directly reach those most interested in Gadu-Gadu's public offer, the Agency planned a road show – the Board of Directors meeting with investors and journalists. Direct meetings were supported by communication tools such as:

- press conferences,
- one-to-one meetings,
- press releases and press statements,
- meetings with investors (groups and one-to-one),
- website development,
- company profile folder,
- execution of informational duties,
- stand-by in case of a crisis situation,
- strategic consulting for the Board,
- public speaking training,
- media training,
- communication with capital market.

The main goal of Investor Relations activities conducted by Partner of Promotion was to build a **complex, coherent image of Gadu-Gadu as a reliable, stable and fast-growing company** before its Warsaw Stock Exchange debut.

Key messages included in the communication were: **“Gadu-Gadu is more than an Internet communicator”**, **“Gadu-Gadu is making its debut on the Warsaw Stock Exchange”**.

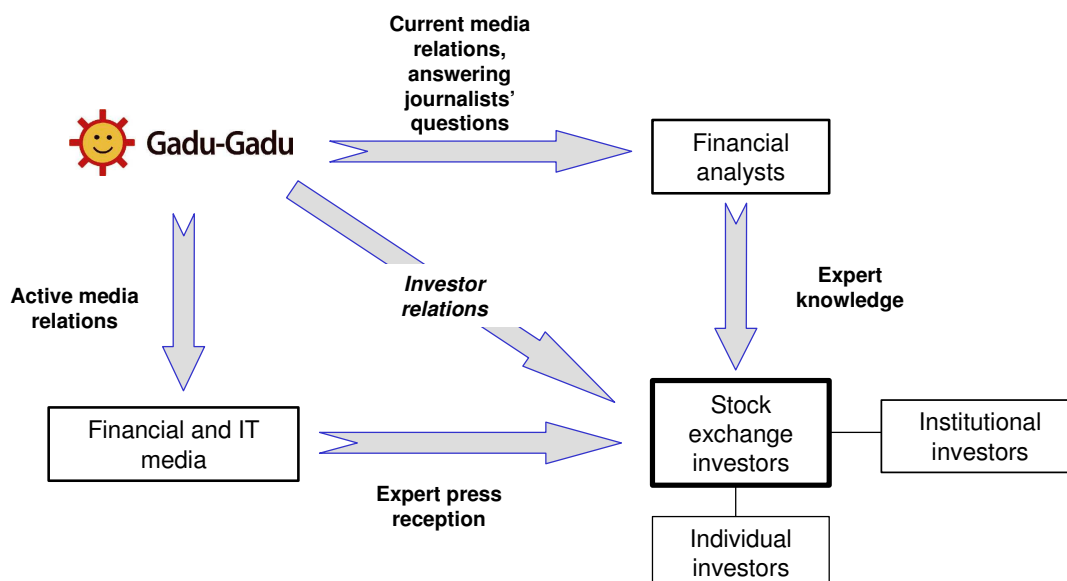


Fig. 2. Communication strategy – general outline

In a number of activities complementary to Investor Relations, Partner of Promotion also focused on designing, supervising, executing and conducting the advertising campaign in economic media as well as on the Internet.

Execution

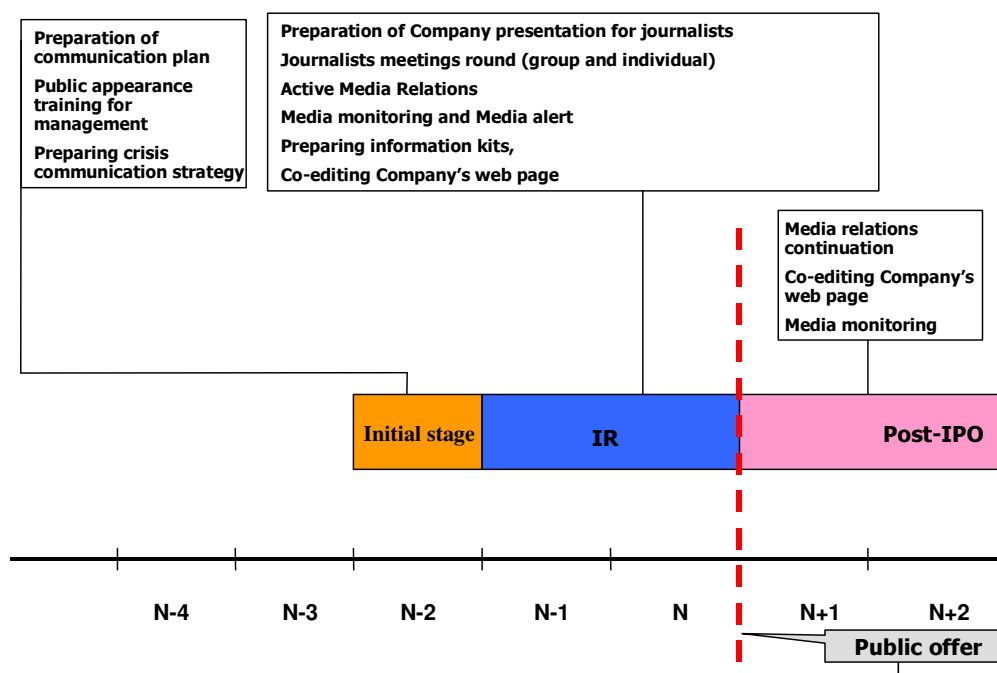
All communication activities were carried out in Poland.

A professional press office run by Partner of Promotion launched media activities three months before the stocks' sale started. By that time, there had been a series of meetings organized (in groups or one-to-one) with business journalists as well as stock investors. All the meetings were carried out according to a carefully prepared schedule and were held until the end of the stocks' sale.

A database of carefully selected financial investors, analysts and business journalists provided the basis for the ideal targeting of those who were really interested in companies entering the Warsaw Stock Exchange as well as those particular investors who would be able to invest in Gadu-Gadu.

A few weeks before the public offer, journalists' and investors' interest was so great that Partner of Promotion decided to suspend communication activities for a while, to allow the agitation over Gadu-Gadu public offer to abate. It was the first situation of this kind in Poland's IPO promotion history.

Eventually **reduction of orders for the shares reached 99,43%** (the highest in WSE history), meaning that there were **almost 200 times more investors than shares**.



3. Communication strategy – stages of activity (N – IPO day)

The whole process required a great deal of flexibility owing to the current market situation, the professional expertise and experience in IPO promotion.

Evaluation

The previously set goals were successfully achieved. This success could be measured thanks to the following:

- **share issue price** at the highest possible level , i.e. **21 PLN (app. 5,5 EUR)**
- **sale of all the stocks offered**, altogether with additional stocks to had been offered by current stock-holders if the appropriate share issue price is obtained,
- **record reduction of orders for the stocks, i.e. 99,43%**,
- **Company share value growth reached 34,8%** during the debut,
- market capitalization of the Company at **270 million PLN** (the income for the year 2005 was 8,3 million PLN), and at the moment of debut even app. 350 millions PLN.

It was the first time in Polish IPO history that communication activities were withheld due to “overheating”. Journalists’ and investor’s interest was so great that the Agency decided to suspend communication activities.

Such positive results were no mean achievement bearing in mind the tough competition on the capital market (11 debuts in 1Q 2007) and the lack of substantial elements of the Company’s fixed capital. All the planned activities were carefully executed and the desired effect was produced, a record reduction of the orders for the stocks on the Polish marked having been established.