

Teaser Memorandum

DaumTV.net IPTV Portal

October 2005

New Business Financing Offering

Key Investment Highlight

■ A Pioneer in Online Services pioneering the TV Portal Service

Daum pioneered the Korean online services market with Hanmail.net, the number one e-mail service in Korea, and Daumcafe.net, a leading online community site. Daum.net offers a whole array of online portal services including: search engine, news, shopping, horoscope, real estate, auction, cell phone services, jobhunting, information reference, education, entertainment, travel, etc. Daum has also spun off DaumDirect, a successful online car insurance service site that revolutionized the industry.

■ The First I-COD Service to Hit the Market

Daum has been developing its TV Portal for over two years, making full use of the accumulated experience and knowledge of interactive services and VOD services from its online portal service. The beta version is already being tested and its commercial launch is scheduled for early 2006, and it is expected to be the first TV Portal service on the market. Korean consumers have traditionally shown a very high rate of acceptance of new technology and services, as is apparent in the world's highest rates of internet and wireless service usage, and TV Portal services is fully expected to be the next big mass-market technological advance in the ubiquitous digital era.

■ Full Range of Services sourced from a wide range of Content Providers

Daum currently has accumulated over 5,000 content providers over the years of its online portal service and has wide and in-depth experience in content management solutions. The Daum TV Portal business has fully benefited from this extensive experience and has successfully sourced a full line-up of contents including Movies, TV shows, News and Information, Games, Education, Kids Content, and T-Commerce services. As the TV Portal business is a completely new business segment as defined by the relevant laws, content providers have no conflicts with any of its existing agreements in providing its contents to the TV Portal service.

■ Proven Technology and Experience

Daum has over ten years of experience in finding the best solutions and systems for its online services including optimized user interface systems; efficient internet commerce and e-business service; and streamlined content management and delivery solutions. DaumTV.net TV Portal has fully benefited from this accumulated experience and the quality of its services is fully expected to be sophisticated and state-of-the-art with the minimum of trail and error.

■ DTVs to become the Standard in Korea

The Korean government has officially announced the complete changeover to the digital standard for broadcast TV by 2010. The government has also announced a policy to decrease the price of Digital TVs to a level affordable by the general consumers even as major appliance manufacturers are seeing a drastic decrease in price due to increased competition and technology. As a result, Digital TV sales are expected to surge in the coming years.

■ Partnership with one of the Largest Appliance Manufacturers for Distribution

DaumTV.net has already entered into a partnership with LG Electronics, the second largest appliance manufacturer in Korea. Under the agreement, LG will manufacture DaumTV.net enabled TV Portal set-top boxes and distribute it through its wide network of sales channels.

■ High Profit Margin

Due to the nature of the business, the main costs for the Company will come from selling expenses such as partnership and licensing expenses and the TV Portal business is expected to show strong cash flow and high profit margins.

■ Key Information

Industry:
IP VOD services

Company Type:
Spin-off Company

History:
Beta-testing in 4Q05
Commercial launch in 1Q06

Investment:
Expected Investment: KRW 20bn+
Investment Method: Equity
Financing

I. Company Introduction

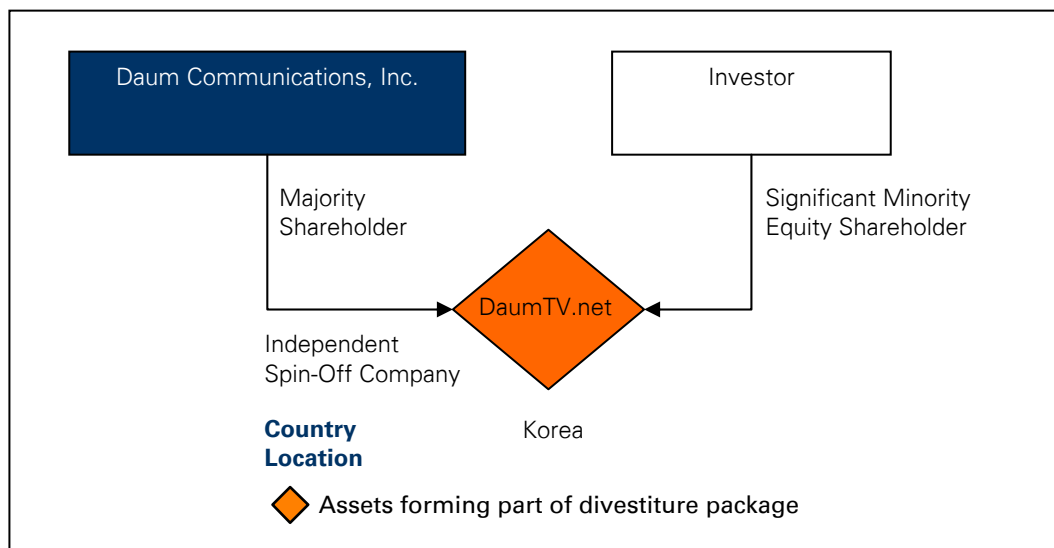
DaumTV.net is a new business project currently under development by the U-Business Division of Daum Communications. DaumTV.net is a TV Portal service that delivers high quality On-Demand content and interactive services to DTVs and Multi-media PCs connected to a broadband network. Beta-testing is already underway at select households under a partnership agreement with LG Electronics. LG will manufacture and market the first generation of DaumTV.net enabled Set-top Boxes. The commercial launch is planned for early-2006.

II. Transaction Summary

Daum is seeking an equity investment partner for the DaumTV.net Spin-off business. Daum will retain a majority stake in the company, and the investor will become an equity shareholder of the Spin-off.

Daum is looking for an investment amount of at least US\$20 million, which will cover the costs of operations for the first year of DaumTV.net's commercialization. Due to the support of its parent company in the initial stages of the business commencement, and built-in consumer projections from its partnership with LG Electronics, the Spin-Off is expected to be profitable within two years after launch.

Figure 1. Legal structure of divestiture package



III. Market Outlook

■ Historical high TV replacement demand in the next few years based on market trends and aggressive government policy to shift broadcasting industry into the digital standard

The Korean broadcasting industry will complete its switchover from analog TV broadcasts to digital HDTV services in 2009 pursuant to a government mandated policy to shift to the digital standard. Concurrently, the price of HDTVs is falling to levels affordable by the general public, aided in part by a government policy to create a supply of HDTVs priced below KRW1.0m. The Korean PC market is also expecting considerable replacement demand for PCs in 2005, and the replacement supply will come from the new generation of PCs with enhanced multi-media capabilities comparable to HDTV media entertainment systems. These market developments will create the ideal environment for the full convergence of the internet and traditional media and the creation of a market for IPTV and VOD services.

■ Recent Announcement by the Ministry of Information Technology limiting first phase of IPTV industry roll-out to iCOD (internet Content On Demand), as opposed to IP Multicasting services.

A recent policy announcement by the Ministry of Information Technology defined the newly emerging IPTV market under the heading of iCOD (internet Content On Demand) and limited the first entrants into the market

to focus on IP VOD services, as opposed to IP Multicasting services upon which several potential competitors of DaumTV.net had been developing their business model. As a result, DaumTV.net has gained a significant competitive market advantage for their roll-out.

■ **High Broadband Penetration**

Korea has one of the highest broadband penetration rates in the world. Currently, fixed broadband internet users in Korea enjoy an average speed of around 4.5Mbps from a combined ADSL/VDSL portfolio that is being quickly improved to deliver up to 50Mbps; fiber optics connections will soon be able to deliver 100+Mbps.

Figure 2. Korea Broadband Penetration Rate

Total Population	No. of Internet Users	%	Connection Speed	% of users
49,131,700	30,670,000	62.40%	Broadband	71%

Source: Nielsen/Netratings, June 2004 figures

IV. Main Products and Services

DaumTV.net plans to provide full On-demand Services such as VOD (Video-on-Demand), AOD (Audio-on-Demand) of high quality content sourced from Daum Communications and other content providers; fully interactive services carried over from existing online services such as shopping, email, multi-player online games, etc.; and intelligent Personal Video Recorder (PVR) functions.

V. Business Plan

■ **Secure TV Portal Industry Advantage**

- Launch DaumTV.net business by late-2005 or early 2006 in order to secure pre-emptive market advantage
- Release dedicated Remote controls, transform obsolete PCs into set-top boxes through offline A/S centers
- Aggressive marketing and licensing of DaumTV.net Ready Devices

■ **Create Synergy with Daum.net resources**

- Amass Killer Services offered by Daum.net's Contents Division, Media Daum, Search Engine Division, Platform Division, etc. and carry over to DaumTV.net Portal
- Create synergy with entertainment contents subsidiaries such as Daum Game, Oi Music, Media 2.0, etc.

■ **Provide Distinctive Services**

- Establish distinctive community-based services such as TV-Album, Online Games, etc.
- Secure a variety of Killer Contents Partners – Kids, 3D Dance, Karaoke, etc.

■ **Grow into the largest home digital network hub**

- Pursue new large-scale supplementary services such as VoIP-based telephony
- Develop new business model through a variety of interactive services and convergence with related industries
- Aspire to become an integrated service provider of high potential products and services such as cultural content, telecommunications, internet services, broadcasting, etc.

■ **Service Globalization**

- Export and implement the DaumTV.net Portal business model to North America, Japan, China, etc. through the Global Portal business expansion currently being implemented by Daum.

VI. Financial Information

Sales Projections

Conservative estimates based on market studies of HDTV penetration and estimated ARPU for set-top box subscription have yielded the following sales projections.

Figure 3. DaumTV.net Sales Projections

(unit: KRW'000)	2005F	2006F	2007F	2008F	2009F	2010F
Total Revenue	-	25,115,798	90,586,206	191,497,820	315,125,178	439,600,006
% Growth	-	-	261%	111%	65%	40%
COGS	-	-	-	-	-	-
Gross Profit	-	25,115,798	90,586,206	191,497,820	315,125,178	439,600,006
% margin	-	100%	100%	100%	100%	100%
SG&A	298,587	23,567,363	75,801,625	149,403,419	232,411,520	318,361,348
% to sales	-	94%	84%	78%	74%	72%
EBITDA	- 298,587	1,548,435	14,784,581	42,094,400	82,713,657	121,238,658
	0%	6%	16%	22%	26%	28%
Depr. & Amort.	10,345	125,185	290,345	396,925	498,525	591,890
Operating Profit	- 308,932	1,423,251	14,494,236	41,697,476	82,215,133	120,646,768
% margin	-	6%	16%	22%	26%	27%
Taxes¹	-	378,194	3,972,715	11,453,606	22,595,961	33,164,661
Net Income	- 308,932	1,045,057	10,521,521	30,243,870	59,619,171	87,482,107
% margin	-	4%	12%	16%	19%	20%

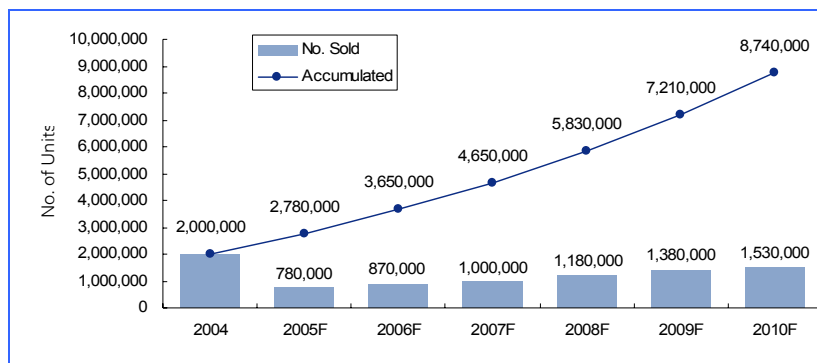
¹ Tax rate: 14.3% up to KRW100MM, 27.5% for any portion of profit in excess of KRW100MM

Source: Company

■ Key Projection Assumptions

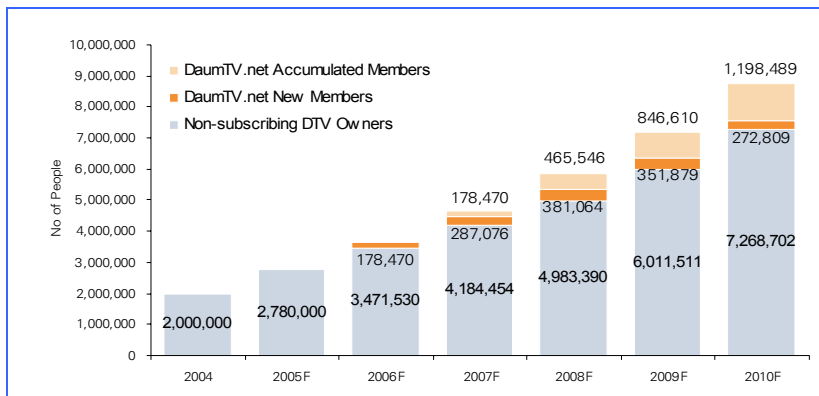
The following are the key projection assumptions for the key drivers of DaumTV.net's revenue. The figures are based on industry forecasts and conservative estimates based on consumer subscription and usage trends of similar services.

Figure 4. Digital TV Sales Forecast



Source: Company

Figure 5. DaumTV.net Membership Projection



Source: Company

Contact Points

Samjong KPMG FAS Inc. is currently accepting investment proposals for this offering. If you are an interested potential investor, please contact any of the KPMG professionals below:

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