

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

Table of Contents

International	2
Japan	2
Korea	4
China	6
Singapore / Malaysia / Philippines / Indonesia	6
Hong Kong	7
United States / Canada	7
Europe	10

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IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

International

Hardware

- **Personal-computer sales in the Asian-Pacific region, excluding Japan, rose 16% in the first quarter from the same period of 2003**, with Hewlett-Packard Co. edging out Lenovo Group Ltd. as the region's top seller, according to data that research consultancy Gartner Inc. The increase Gartner cited in the number of PCs sold in the region matched an estimate announced three weeks ago by market researcher International Data Corp. Both Gartner and IDC said PC sales volume in India was particularly strong in the first three months of this year, because of government purchases and recent tax breaks for consumers, while the increase in the number of PCs sold in China also exceeded the region's average of year-to-year unit growth.

Information Technology

- **The Asia-Pacific market for Internet virtual private networks (VPN) was expected to reach US\$5.2 billion in 2009**, up more than 200 percent from 2003. Frost and Sullivan reported the market should grow 25.7 percent to more than US\$2 billion this year from US\$1.7 billion last year. Last year's growth was primarily driven by Japan, Australia and China. The segment was seen to be the fastest-growing telecommunications services market, with a projected compounded annual growth rate at 20.4 percent between 2003 and 2009.

Mobile / Wireless

- **NTT DoCoMo has reignited concerns the Japanese mobile-phone operator may sell its 20 percent stake in Hutchison Whampoa's British third-generation (3G) venture.** DoCoMo invested £1.2 billion (US\$2.2 billion) in 3UK in December 2000 to expand its i-mode technology. The plan backfired when 3UK chose to use wideband CDMA instead. DoCoMo is reportedly seeking a new partner for its i-mode venture in Britain. The Japanese company is also a strategic partner of Hutchison Telecom in Hong Kong. It paid about US\$440 million for a 24 percent stake in the firm. In March, DoCoMo reported it would liquidate three intermediate holding companies that held the British 3G shares.

Japan

Hardware

- **Sony Corp. may post a group operating loss for the April-June quarter because of higher costs**, a sign that the firm may get off to a slow start as it aims for profit growth this fiscal year. A loss in the April-June quarter would not be that much of a surprise as Sony's annual earnings depend heavily on the company's performance in the October-December quarter, including the important Christmas shopping season. Sony's quarterly results also will depend much on the amount of restructuring costs it plans to book this fiscal year. Nevertheless, the bearish outlook for this quarter may highlight Sony's structural weakness. The company relies on other manufacturers for devices used in some of its digital products, such as display panels for its flat-screen television sets.
- **Omron Corp. reported substantially improved earnings for the year ended March 31 thanks to strong sales of factory-use sensors and control equipment**, a recovery in corporate capital outlays, and restructuring benefits. The Japanese maker of automated control equipment posted a group net

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

profit of ¥26.8 billion (US\$23.9 million), more than 50 times the year-earlier profit of ¥511 million (US\$4.6 million). Group operating profit jumped 59.1% to ¥51.4 billion (US\$4.6 billion) while group revenue rose 9.3% to ¥584.9 billion (US\$5.2 billion) from ¥535.1 billion (US\$4.8 billion). Omron, which also makes automated teller machines, public transportation ticketing systems, thermometers and other health care-related goods, expects higher profits for the year ahead.

- **Oki Electric Industry Co. will invest a little more than ¥5 billion (US\$44.5 million) in fiscal 2004 to increase production of driver ICs for LCDs (liquid crystal displays).** The company is responding to greater demand for the products for use in devices such as personal computers, large televisions and mobile phones. The company will expand facilities at its key production site in Miyazaki Prefecture, and will introduce production equipment at a manufacturing site in Miyagi Prefecture. Both sites are operated by production subsidiaries. Oki Electric expects to ship 120 million LCD IC drivers in the current fiscal year, an increase of 66% from the previous fiscal year.
- **NEC Corp. and Murata Machinery Ltd. plan to co-develop a smart-tag-based distribution management system** and hope to commercialize the operations within the year. The companies have just launched a joint research team. Murata, a material-handling equipment manufacturer located in Kyoto, has expertise in factory automation machinery such as automated warehouses. This skill will be combined with NEC's wireless communications and information processing technology. NEC and Murata aim to introduce within the year a product management system that can immediately access information such as inventory levels at warehouses and stores as well as shipments.

Information Technology

- **Toshiba Corp. and NEC Corp. have built the necessary facilities to mass-produce discs based on their proprietary HD DVD format.** The facilities will allow them to make read-only discs at a cost comparable to that of existing DVDs. The two manufacturers intend to promote their products to major U.S. movie companies, a move that is expected to spark intense competition with Sony Corp., Matsushita Electric Industrial Co. and other firms supporting the Blu-ray format. Two production lines for making HD DVDs have been installed at the Ibaraki Prefecture plant of Memory-Tech Corp., which supplies optical discs to Toshiba.

Internet

- **Hitachi Ltd. has developed inexpensive software to prevent wiretapping of IP (Internet Protocol) telephones,** which have been increasingly used at companies because of lower communications costs. The software, which is expected to hit the market this summer, can be used without expensive electronic circuits. Installed in telephones, the software will both encode and decode audio data transmitted through the Internet. The time gap between the encoding and decoding has been reduced to 1/1,000th second, making it almost unnoticeable for users. Net-based phones are spreading fast, but are flawed in that voice data can be tapped relatively easily with the help of a personal computer and data analysis software. Hitachi will sell IP phones with the anti-wiretapping software, initially targeting corporate customers. Individual IP phone subscribers, now totaling 4 million, are a potential market.

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

Media, Entertainment and Gaming

- **Sony Corp. has launched its Connect music download service in the U.S.**, a market dominated by Apple Computer Inc. and others. The major electronics and entertainment group is planning to expand its lineup of compatible portable music players and is aiming to generate a synergistic effect between its content and hardware. Sony Connect Inc., the new service offers more than 500,000 tracks in Sony's ATRAC3 file format. Downloaded tracks can be played an unlimited number of times on up to three personal computers and can be transferred to any number of compatible portable music players. The tracks can also be burned onto CDs up to 10 times.

Mobile / Wireless

- **NTT DoCoMo Inc. reported higher net income and revenue for the fiscal year ended March 31**, but it forecast lower revenue for the current year due to Japan's increasingly competitive mobile-phone market. DoCoMo's net income tripled to ¥650 billion (US\$5.8 billion) for the last fiscal year from ¥212.5 billion (US\$1.9 billion) a year earlier. In the year-earlier period, the company took steep write-downs on overseas investments. Revenue for the year ended March 31 rose 5% to ¥5.1 trillion (US\$45.4 billion) compared with ¥4.8 trillion (US\$42.7 billion) a year earlier. NTT DoCoMo expects revenue to fall 2.5% to ¥4.9 billion (US\$4.4 billion) the current fiscal year, marking the first decline in annual revenue in its 12-year history.

Korea

Hardware

- **Samsung Electronics overtook rival LG-Philips in the first quarter as the world's top maker of high-resolution computer monitors**, according to industry data, and the South Korean firm is set to keep its lead. Electronic display market research firm DisplaySearch said recent data showed Samsung, the top maker of notebook computer displays, had overtaken LG-Philips in sales of desktop computer monitors, where LG-Philips had long been the leader.

Information Technology

- **Buoyed by higher semiconductor prices, exports of information-technology products reached US\$5.9 billion in April**, a 42.3 percent increase from the same month last year, according to the Korean Ministry of Information and Communication. Imports were tracked at US\$3.4 billion, a 21 percent increase from last year's number, resulting in a trade surplus of US\$2.4 billion. The export total represents a slight drop from March's US\$6.3 billion. Ministry officials point out the rise of semiconductor prices as the driving force behind greater exports, with the major destinations of the United States, Japan and Europe in states of recovery. Overseas sales of semiconductors were US\$2.2 billion, with U.S. exports showing a 63 percent increase from last year at US\$370 million. Asian exports also rose by 53.1 percent at US\$1.5 billion.

Internet

- **Online shopping malls are forecast to record explosive sales growth this year, with estimates of more than 50 percent.** Internet Auction, Korea's largest online auctioneer and a unit of the United States-based auctioneer eBay said it posted 6.2 billion won (US\$5.3 million) in its first-quarter profit, up 2 percent from a year ago, as more people frequented to its site. Analysts forecast transaction volume of

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

Interpark, the country's No.2 online retailer would reach 813.7 billion won (US\$694.3 million) this year, taking up 9.1 percent of the total transaction via online shopping malls.

Media, Entertainment and Gaming

- **The conflict between the recording industry and mobile carriers over online music is widening, with lobby groups threatening to seek an injunction on the sale of LG Telecom Co.'s MP3 player-equipped handsets.** The statement comes a day after mobile operator LG Telecom offered to pay a percentage of sales from its MP3 phones to set up a digital music development fund, in a belated attempt to mend fences. However, officials of the producer's association balked at the offer and insisted LG Telecom halt the sale of its MP3 phones immediately.
- **Lotte forms joint marketing ventures with online game companies.** The local food and beverage industry has joined hands with local Internet firms to strengthen their marketing efforts, a move that is expected to be a growing trend. Food and beverage giant Lotte Confectionery Co. last month set foot on a joint marketing venture with NHN Corp.'s game portal www.hangame.com, the nation's largest online game company. The company is promoting its newly improved Atlas chocolate bar, which ranks within the company's top five chocolates, inside NHN's newest online basketball game. Players will see Atlas ads glowing from the floors of the basketball court as well as around the court.

Semiconductors

- **Chipmakers expect to march in black, but gloomy forecasts create doubts for future.** The Korean information-technology sector was a major contributor to record monthly highs in exports and trade surplus in March, and the surging sales are expected to continue through this year. According to figures released by the Institute of Information Technology Assessment, local IT companies exported US\$6.3 billion worth of products this March, up nearly 50 percent from the same period last year. Mobile phones, computer chips and liquid-crystal-display screens and digital televisions pumped up the exports, accounting for about 30 percent of Korea's US\$21 billion in goods sent abroad. Imports reached US\$3.7 billion, bringing the IT sector's trade surplus to US\$2.6 billion since last August.
- **Hynix Semiconductor Inc. saw the greatest revenue growth among the five major players in the random-access memory market during the first quarter according to Gartner.** The DRAM market recovered in the first quarter from two years of recession with revenue reaching US\$5.6 billion. Among the top five vendors, Gartner said Hynix stood out with its revenue increasing 11.4 percent from the last quarter, compared to Samsung Electronics Co. which saw a 4.3 percent rise. Hynix ranks third in DRAM market share after overtaking Germany's Infineon in the fourth quarter of last year.

Telecommunications

- **LG Telecom Co. of South Korea swung to a net loss in the first quarter,** as hefty marketing costs amid the introduction of mobile number portability in the country ate into its bottom line. The wireless operator said net loss for the three-months ended March 31 amounted to 25.2 billion won (US\$21.6 million), reversing from a net profit of 17.8 billion won (US\$15.2 million) a year earlier. However, revenue rose 48% to 768.2 billion won (US\$655.4 million) from 518.3 billion won (US\$442.2 million) as the company added more subscribers from market leader SK Telecom Co.

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

China

Mobile / Wireless

- **Siemens has agreed to form a venture with Chinese manufacturer Ningbo Bird to develop and market mobile phones.** The German handset-maker, the world's fourth-largest, will sell its phones through Ningbo Bird's 30,000-shop dealer network in China, giving it extensive coverage in the world's most populous country. Its partner will market, promote and sell Siemens phones. Ningbo Bird will also buy the basic engineering components for making mobile phones, the so-called "platforms", from Siemens. Together, the two will develop phones to be sold under the Bird brand.

Telecommunications

- **China's three publicly listed telephone companies are growing up by assuming all of the major assets of their state-run parents.** The three companies -- China Mobile (Hong Kong) Ltd., China Telecom Corp. and China Unicom Ltd. -- will include the lesser-performing operations that have been hidden with the parents. And investors, many of whom bought the stocks just to ride the growth from the predictable asset injections by their parent companies, must now consider fundamentals and industry conditions. All three companies have shares listed on the Hong Kong Stock Exchange and depositary receipts on the New York Stock Exchange. Each of the three generates cash, possesses adequate capital and has solid revenue and profit growth prospects, given the relatively low penetration of telephones in China. At present, roughly two in 10 households have fixed-line service and about two out of 10 people carry a cell phone.

Singapore / Malaysia / Philippines / Indonesia

Telecommunications

- **Singapore Telecommunications Ltd. said its earnings rose more than threefold in the latest fiscal year** on one-time gains and a robust performance by regional operations, including Australia. The company also announced a S\$4.1 billion (US\$2.4 billion) payout to shareholders, including a capital reduction that returns 90% of the cash SingTel raised from divesting itself of non-core assets during the year. Southeast Asia's largest telecommunications group reported net profit for the year ended March 31, rose to S\$4.5 billion (US\$2.6 billion) from S\$1.4 billion (US\$822.4 million) a year earlier. Fourth quarter net profit rose to S\$2 billion (US\$1.2 billion) from S\$313 million (US\$183.9 million).
- **Singapore Telecommunications plans to buy back 7.1 percent of its stock after the sale of a stake in Belgacom helped boost profit six-fold in the fourth quarter to March.** SingTel will spend S\$3 billion (US\$1.8 billion), or 90 percent of the investment proceeds it earned last year. The plan will reduce SingTel's 17.9 billion outstanding shares by 7.1 percent and has the effect of enhancing future earnings per share. The company said its earnings per share would have increased 7.7 percent in the past financial year to March had the buy-back been taken into account. SingTel invested S\$837 million (US\$491.7 million) in Belgacom in 1996.
- **Singapore Telecommunications said its mobile user base in the Asia-Pacific region grew 37 percent on year to 47.3 million in the March quarter,** with the surge coming from its regional associates. The subscriber base of the four regional associates - Thailand's Advanced Info Service, Bharti

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

of India, Indonesia's Telkomsel and Globe from the Philippines - rose an annual 42 percent to 40.3 million users in the first three months of the year.

Hong Kong

Mobile / Wireless

- **Li Ka-shing may sell his stake in online travel agency Priceline.com in a transaction that could raise US\$250 million to fund his third-generation (3G) mobile phone businesses.** Nasdaq-listed Priceline filed a shelf registration statement with the Securities and Exchange Commission that would allow Hutchison Whampoa and its sister firm, Cheung Kong (Holdings), to sell 10 million shares on the open market within two years. The two companies own a combined 12.7 million shares, or about 34 percent of Priceline, which they bought three years ago.
- **Hutchison Whampoa is close to announcing a handset partnership with South Korea's LG Electronics that may involve a US\$1 billion order for third-generation (3G) mobile phones.** Both firms could sign a deal as soon as the second quarter. Under the pact, LG phones would be sold in Hutchison's leading 3G markets, including Hong Kong. A tie-up with Korea's second-largest handset manufacturer would make LG Hutchison's third 3G handset vendor after NEC Corp of Japan and Motorola of the United States.

Telecommunications

- **PCCW Ltd. reported its United Kingdom wireless broadband unit is planning a national rollout in August following a US\$35 million soft launch.** The firm had chosen six areas in the Thames Valley for trial services, which targets about 300,000 households. Initially, two services at a speed of 515 kilobits per second and one megabit per second will be available to users at a rate of £18 (US\$32.3).

United States / Canada

Information Technology

- **Sun Microsystems is opening a Dallas-area facility to test radio tags for tracking consumer products and improving inventory control in stores.** Sun is trying to help manufacturers who must meet a deadline set by Wal-Mart Stores, the world's largest retailer, to use the tracking technology in pallet shipments by January. Wal-Mart and other retailers believe that radio frequency information, or RFID, technology could replace bar codes and help them improve control of their inventory, cut costs and reduce theft. At the 17,000-square-foot warehouse that Sun is leasing in suburban Carrollton, manufacturers such as Gillette will load pallets of actual products in their packaging and run them through mock-ups of loading docks.

Internet

- **Microsoft Corp. and Fox Sports are joining forces in a deal to use exclusive sports footage, editorial content and other programming to increase advertising revenue on Microsoft's MSN online service.** Under an agreement, the software maker and the unit of Fox Entertainment Group Inc. plan to jointly develop services that will be available to MSN subscribers in July. The services will feature exclusive content for MSN, including behind-the-scenes footage. The deal includes coverage of the 2004 National Football League season, the Major League Baseball All Star Game and the 2005 Daytona 500

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

Nascar auto race, among other national sporting events. The joint work will include developing ways to use the sports content to attract online advertisers.

- **Google Inc. excluded Goldman Sachs Group Inc., one of the world's largest underwriters, as a lead manager for its planned US\$2.7 billion initial public offering because it was angry with the investment bank.** Google asked investment banks pitching for the business -- worth it said an estimated US\$100 million in fees -- to come up with new ideas to conduct the underwriting rather than rely on old relationship banking habits. But when Google learned Goldman Sachs' chairman and chief executive Henry Paulson had contacted one of the search engine's big investors, Kleiner Perkins, it deemed this as breaking the rules and bumped them from contention.
- **Time Warner Inc. reported in its quarterly filing that its America Online unit exercised a warrant in May to purchase preferred stock of Google Inc.,** which filed for its initial public offering on April 29. America Online paid about US\$22 million to receive about 7.4 million Series D Preferred Stock of Google. Each preferred share is convertible into one Google Class B common stock at any time at the election of America Online, and converts automatically if Google completes an IPO with at least specified minimum offering price and proceeds.
- **Demand for workers and related online job recruitment activity jumped last month, continuing the upward trend for the first four months of 2004.** The Monster Employment index -- which measures the number of new online help-wanted ads -- rose to 125 in April from 109 in March. The study has shown a steady growth since January, when the index stood at 102. Social services, construction, arts and media, transportation, buildings and grounds maintenance were the areas with the greatest demand for workers. Most industries experienced growth in job availability in April. The largest increases occurred in healthcare, finance and insurance, real estate and retail trade sectors.

Media, Entertainment and Gaming

- **Viacom Inc.'s MTV Networks is expected to launch an online-music service this year, making it the latest big brand to enter an increasingly crowded market for online music.** The service will use songs from online-music provider MusicNet, which sells a catalog of licensed music and the technology businesses need to develop digital music services. Last week, Sony Corp. unveiled its own online-music service, Sony Connect. Other players, including Microsoft Corp., Virgin Group Ltd. and Yahoo! Inc., plan to enter the market later this year as well, joining a marketplace that already includes big names like Apple Computer Inc. and Wal-Mart Stores Inc.
- **Pixar Animation Studios Inc. reported that quarterly profit more than tripled as movie "Finding Nemo" continued to be a hit with foreign audiences in theaters and on DVD and home video.** First-quarter net income rose to US\$26.7 million from US\$8.2 million a year earlier. Revenue rose to US\$53.8 million from US\$18.7 million as "Finding Nemo," the biggest animated box-office hit ever, with more than US\$850 million in global ticket sales, rolled into foreign theaters, and DVD and video sales began in some regions.
- **EchoStar Communications Corp. reported a loss for the first quarter,** reflecting escalating competitive pressure that damped the impact of stronger-than-expected subscriber growth and a focus on wringing more revenue from higher-paying customers. But there were a number of areas, from the rate of customers dropping their subscriptions to rising costs for acquiring new viewers, where EchoStar's Dish network unit is feeling the impact of escalating competition from DirecTV. The satellite broadcaster reported a loss of US\$42.9 million compared with net income of US\$57.9 million in

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

the year-earlier quarter. The latest results included a US\$78 million charge associated with the early redemption of some senior notes, as well as a one-time credit to certain customers that reduced subscriber revenue. Revenue rose 16% to US\$1.6 billion, and the company added 360,000 net subscribers.

Mobile / Wireless

- **Major League Baseball games are coming to Sprint PCS cell phones.** MLB Advanced Media, the league's interactive arm, is working with start-up Idetic Inc. to offer Sprint users a video-like highlights channel and 30 game-audio channels -- one for each team. The move comes as cell phones companies are starting to push multimedia content as a way to get their customers to buy fancier handsets and data plans. Slow wireless networks and handsets limit the possibilities today: MLB's video channel and other offerings are more like slideshows, showing about one frame per second on two-inch-square screens, and can only be watched on high-end phones. Quality is expected to get better as networks get faster and handset prices come down.
- **AT&T Corp. plans to launch its own wireless business -- using the AT&T name -- just as Cingular Wireless closes its US\$41 billion acquisition of AT&T Wireless Services Inc.** this year. When Cingular Wireless clinched its blockbuster deal to buy AT&T Wireless in February, many industry and market observers breathed a sigh of relief that one competitor in the crowded cell phone market, where prices have been plunging, would be eliminated. But AT&T officials are making aggressive plans to ensure it will not play out that way. A provision of AT&T Wireless's spin off from AT&T will let the long- distance company take over the AT&T Wireless brand name.

Semiconductors

- **Intel Corp. confirmed that it is canceling plans for its next major microprocessor line,** but said the move stemmed from progress with a different chip technology rather than technical problems. The company is accelerating plans to introduce the equivalent of two microprocessors on a single piece of silicon. Intel hadn't been expected to introduce such a "dual-core" chip until 2006, but now believes it can deliver such a product in 2005.
- **Rambus sued several major computer memory makers, claiming they illegally conspired to limit production and raise prices in an effort to block widespread adoption of Rambus' technology.** The civil antitrust lawsuit, filed in California Superior Court in San Francisco, seeks an injunction and damages that could total more than US\$1 billion. It names Hynix Semiconductor, Infineon Technologies, Micron Technology and Siemens, which spun off Infineon. The suit is the latest in a long history of disputes among Rambus, chip makers and the federal government over patents, standards and alleged anticompetitive behaviour. Rambus licenses its technology to manufacturers who produce the physical chips and pay royalties. The latest suit is largely based on evidence acquired as part of the Federal Trade Commission's 2002 complaint that Rambus behaved illegally when it got chipmakers to include its patented technology into standards so that it could collect royalties.

Software

- **This year's rash of computer-security threats has sent home-computer users scurrying to pay more for anti-virus protection.** The bad news about dangerous e-mail attachments and other malicious programs has been good news for the two leading providers of anti-virus software, Symantec Corp. and Network Associates Inc., soon to be renamed McAfee Inc. Last week, both reported sharp jumps in

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

consumer revenue for the first three months of 2004, with businesses that are rapidly evolving into subscription services.

- **Microsoft Corp. will make its software more reliable and easier to use, even as a new worm continued to wreak havoc on personal computers.** Microsoft's stated that Windows still fell short of the world's largest software maker's goal of making computing more user-friendly. Microsoft is working hard to improve the security and reliability of Windows, the latest version of which is installed on more than 210 million PCs.
- **Adobe Systems Inc. raised its forecast range for second-quarter profit and revenue, citing stronger-than-expected sales of its graphics and Acrobat document-sharing software.** The software maker raised its earnings per share target and its revenue target range to US\$390 million to US\$410 million from US\$365 million to US\$385 million.
- **Microsoft Chairman Bill Gates has been fined \$800,000 by the federal government for violating an antitrust rule.** The technical incident has nothing to do with the government's massive antitrust battles with Microsoft. Gates ran afoul of the Federal Trade Commission and the Justice Department's Antitrust Division for his purchases of stock in a drug company and a waste-hauling firm. The Justice Department said Gates has agreed to pay the civil penalty to settle a charge that he violated "premerger reporting requirements."

Telecommunications

- **Qwest Communications International Inc., after determining that its pay-phone operations are no longer part of its long-term business plan, agreed to sell the business to FSH Communications LLC. Terms were not disclosed.** Qwest, Denver, said FSH, Chicago, will purchase the assets of Qwest's Public Access Solutions, which operates the company's retail pay-phone and inmate-communications-systems operations in Qwest's 14-state local-access area. A Qwest spokesman said the company's pay-phone business is small, but declined to break out what percentage of the company's revenue it represents.
- **MCI agreed to pay the federal government US\$27 million to settle claims it defrauded the General Services Administration since 1999, according to the Justice Department.** The agreement, approved by the bankruptcy court, resolves allegations that the telecom provider then known as WorldCom passed to the government costs and fees in excess of what was allowed under a 2001 contract. WorldCom emerged from bankruptcy court protections in April.
- **Qwest Communications International Inc. sued AT&T Corp., claiming the biggest long-distance phone company avoided tens of millions of dollars in fees for phone calls carried partly over the Internet.** The suit mirrors one filed last month by SBC Communications Inc. against AT&T. Both stem from a ruling by federal regulators that AT&T had improperly deemed some long-distance calls it carried over the Internet as local calls, thereby paying local phone companies lower fees than normal.

Europe

Information Technology

- **BT Group and Hewlett Packard will pool their strengths to target global corporate spending on telecoms and technology.** The companies have signed a US\$1.5 billion deal under which BT will

IRG Technology, Media and Telecommunications and Life Sciences Weekly Market Review



Week of 2 May - 8 May 2004

manage the U.S. firm's voice and data networks and call centers across Europe, the Middle East and Africa, while Hewlett-Packard (HP) will manage BT's information technology infrastructure in the U.K. BT's technology head and chief executive of its BT Global Services unit told Reuters that revenue from the seven-year, non-exclusive deal would be split almost equally between the two companies.

Internet

- **Terra Lycos SA's first-quarter net loss narrowed, thanks to improving advertising revenue and strict cost control.** The loss narrowed to €40.4 million (US\$48 million) from a loss of €55.7 million (US\$66.2 million) a year earlier. The company said first-quarter revenue rose 17% to €134.2 million (US\$159.3 million) as costs fell 5% to €92 million (US\$109.3 million). Terra Lycos expects to post a profit for the first time in 2005. Last month, Terra Lycos said it was studying "alternatives" for Lycos, which the market interpreted to mean that the company is looking to sell its U.S. unit. Terra Lycos was created in 2000 when Terra, a unit of Spanish telecommunications company Telefonica SA, acquired U.S. Internet portal Lycos Inc.

Media, Entertainment and Gaming

- **European antitrust regulators took aim at 16 national monopolies enforcing music copyrights that have been blamed for preventing online-music services from sprouting across Europe** the way they have in the United States. The European Commission has been investigating the state of competition among so-called collecting societies that grant online-music licenses for several years. The EC had sent a formal statement of objections to the 16 organizations that collect royalties on behalf of composers and writers. The move could eventually benefit companies such as Apple Computer Inc. which so far has found barriers too high to launch its iTunes Music Store in Europe.
- **Vivendi Universal reported that first-quarter sales had fallen because of divestments**, but did not give any earnings outlooks. Vivendi posted sales of €6 billion (US\$7.2 billion) for the first three months of the year, compared with €6.2 billion (US\$7.5 billion) in the corresponding period a year earlier. The company stated the performance nonetheless represented an increase of 7 percent on a constant currency basis and excluding the divested groups Telepiu and Comareg.

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