



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

***Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010***

*For more information on IRG, please email [communications@irg.biz](mailto:communications@irg.biz) or visit [www.irg.biz](http://www.irg.biz).*

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## Table of Contents

<b>Equity Market Indicators</b>	<b>3</b>
<b>Weekly Highlights</b>	<b>4</b>
International	4
Japan	4
Korea	6
China	6
Taiwan	8
Hong Kong	9
Southeast Asia/India/Australia	10
<i>Information Technology</i>	12
United States/Canada	12
Europe	18
Africa/Middle East/Latin America	20
<b>Other Economic Data</b>	<b>22</b>
Currency Exchange Rates	22
Fixed Income Prices and Yields	22

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, f/k/a iReality Group Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document. For more information on IRG call (852) 2237 6000.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

Equity Market Indicators					
Index	Closing Level (04/16/2010)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2009	% Change 12/31/2008
S&P 500	1,192.13	-0.19%	2.78%	6.93%	32%
Dow Jones Industrial Avg.	11,018.66	0.19%	2.58%	5.64%	26%
Dow Jones Tech. Index	427.65	1.30%	4.42%	6.17%	70%
Dow Jones Telecom. Index	214.3	-0.31%	0.78%	-2.33%	7%
NASDAQ Composite	2,481.26	1.11%	4.50%	9.33%	57%
Japan Nikkei 225	11,102.18	-0.91%	2.56%	5.28%	25%
JASDAQ	54.66	-0.44%	3.37%	13.08%	13%
Japan Mothers	494.94	4.24%	12.78%	18.87%	53%
Korea KOSPI Composite	1,734.49	0.58%	2.87%	3.03%	54%
Korea Kosdaq	508.42	-0.73%	-3.63%	-1.04%	53%
Taiwan Stock Exchange	8011.57	-0.99%	1.44%	-2.19%	75%
Singapore Straight Times	3007.19	1.19%	-6.07%	0.54%	71%
Hong Kong Hang Seng	21,865.26	-1.55%	2.31%	-0.07%	52%
Hong Kong GEM	875.82	2.29%	12.07%	29.43%	127%
China Shanghai (A-Share)	3,282.01	-0.48%	2.03%	-4.53%	72%
China Shenzhen (A-Share)	1,291.00	-1.62%	4.11%	2.38%	122%
China Shanghai (B-Share)	263.8	-1.08%	3.65%	4.48%	138%
China Shenzhen (B-Share)	642.38	-0.78%	1.98%	2.63%	137%

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## Weekly Highlights

### International

#### *Internet*

- **Morgan Stanley's tech research group anticipates web usage through mobile phones to surpass that by PC's by 2015.** Growth in mobile web usage will be primarily driven by the availability of 3G networks and the popularity of smartphones like the iPhone. The group also expects a 4000% increase in bandwidth consumption by 2014.

#### *Telecommunications*

- **Gartner Research predicted a 5% growth over 2009 in global technology and telecom spending in the current year.** The telecom market is expected to grow by 5.1% to US\$1.99 trillion while the IT services sector will grow by 5.7% to US\$820 billion. However, a large portion of the growth is driven by the expected fall in the value of the U.S. Dollar. If currency fluctuations are factored in, total spending would grow only by about 1.6%.

#### *Media, Entertainment and Gaming*

- **Strategy Analytics anticipates digital television subscribers to almost double to 887 million in 2014 from the current levels of 484 million.** Subscribers from the Asia Pacific region are expected to drive this growth and will constitute more than 50% of the total subscribers in 2014. Currently, almost 67% of total subscribers use analog cable television although this balance is about to change as most countries roll out their Digital television terrestrial networks. The number of digital subscribers is expected to overtake that of analog subscribers around the latter half of 2012. Strategy Analytics is a research and market intelligence firm focusing on Broadband connected home, mobile, wireless products and systems, Virtual Worlds and Electronics and Entertainment.

### Japan

#### *Mobile/ Wireless*

- **KDDI Corp. said net income for the year ended March 31 was 212.5 billion yen (US\$2.3 billion), 5.6 percent below forecast.** Mobile phone sales costs increased, the Tokyo-based company said in a statement to the Tokyo Stock
- **Boingo Wireless, a global Wi-Fi services provider, announced a tie-up with NTT Communications, one of the largest telecommunications services provider in Japan.** Boingo customers can now access 1,600 additional Boingo hotspots in Japan through the company's collaboration with NTT. Boingo now provides Wi-Fi services at more than 6,500 centers in Japan and more than 125,000 globally. Boingo enables customers owning smartphones or laptops to conveniently connect to the internet at any Boingo hotspot across the world. Demand for Wi-Fi services is set to explode with the launch of Apple's iPad and other similar devices in addition to rapid growth in smartphone penetration in almost all countries.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## *Media, Entertainment and Gaming*

- **SoftBank Corp. announced the acquisition of two music business subsidiaries currently owned by electronic products manufacturer JVC Kenwood Holdings Inc.** Victor Entertainment and Teichiku Entertainment, the two companies being acquired are focused on managing copyrights for Japanese musicians. SoftBank might first acquire a majority stake in the two companies before turning them into fully owned subsidiaries in the future. SoftBank aims to strengthen its internet business by leveraging on the music content resources of the acquired companies.
- **Nintendo Co., the world's biggest maker of video-game consoles, won reversal of a US\$21 million verdict that game controllers for the Wii and GameCube systems violated patents owned by Texas based company Anascape.** Anascape's patent related to controllers that moves images in six general directions. Nintendo successfully argued that the patent was based on an invention that dated to 2000, later than the DualShock controller sold by Sony Corp. The U.S. Court of Appeals for the Federal Circuit in Washington rejected Anascape's argument that the invention dates to 1996, before Tokyo-based Sony introduced the DualShock device. Jurors in Lufkin, Texas, previously agreed with Nintendo that the rectangular Wii remote, when not used with the Wii Classic, and the "Nunchuk" controller attached to the remote don't violate the patent. The rectangular Wii remote is the one that comes with the console. Anascape, based in Tyler, Texas, also had sued Microsoft Corp., maker of the Xbox 360. Microsoft settled the case before trial.
- **Nintendo Co., projecting the first drop in annual sales of its DS handheld player, said the forthcoming 3-D model will be the company's biggest portable product introduction since 2004.** Nintendo, the world's biggest maker of video-game machines, joins Sony Corp. in embracing the 3-D technology that helped the film "Avatar" break box-office records. The 3DS, going on sale this fiscal year, will compete against Sony's PlayStation Portable and Apple's iPad in the market for portable game players. Nintendo last month said the new handheld device will allow users to see 3-D images without the need for special glasses. Fils-Aime declined to give further details about the product, saying the company's announcements at the E3 trade show in Los Angeles in June will focus on the player. Competitor Sony, which has said it will update its software to allow PlayStation 3 machines to run games in 3-D, plans to start selling game titles as well as Bravia televisions capable of showing the format in June. But according to Sony, PS3 users will have to wear special glasses to play 3-D games.
- **Konami Corp. revised its operating profit guidance for fiscal year ending March 2010.** The company cut down its operating profit forecast from 30 billion yen (US\$320 million) to 18.5 billion yen (US\$198 million), a 62% reduction. According to the company's news release, the global economic slowdown, the appreciation of the yen and deflation continued to affect the business environment surrounding Konami led primarily to the revised forecast. Meanwhile, sales from its Gaming & System segment were favorable in North America and the segment is becoming a key driving force in its business. As for the Digital Entertainment segment, a major home video game title Metal Gear Solid Peace Walker, the release of which was originally scheduled during the fiscal year ended March 31, 2010, will be offered in April 2010. The membership also increased over the previous fiscal year. Konami is a leading global developer, publisher and manufacturer of electronic entertainment properties targeting the home video game market.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## *Hardware*

- **Toshiba Corp. announced plans to roll-out a tablet PC late this year.** The new device is expected to compete with Apple's iPad and will run on both Microsoft's Windows 7 and Google's Android operating systems. The company will also price the Android device lower than the Windows-based model. Competition in the tablet PC market is heating up with HP and Dell also expected to release new devices in 2010.

## **Korea**

### *Telecommunications*

- **After the withdrawal of Korean partner SK Telecom Saigon Postel will operate Vietnamese mobile operator S-Fone from the middle of this year.** The business cooperation contract has been changed into joint venture operation by SK Telecom and Saigon Postel. According to managing director Ho Hong Son, SK Telecom will be a shareholder in the new JV after the proposed change and Saigon Postel will manage the network. Before 2011, SK Telecom will only hold a minority stake in the JV and capital invested by SK Telecom will be returned by Saigon Postel.

### *Media, Entertainment and Gaming*

- **South Korea might broadcast the upcoming South African World Cup and the other major sporting events in 3D format in the country.** The move is expected to favor Korea's large television manufacturers like Samsung and LG who have outlined aggressive plans to manufacture and distribute 3D television sets in the next 2 years. The government will also drastically loosen regulations on the telecom industry and specifically on the smartphone market to boost the telecom growth in the country.

### *Software*

- **The Korean government announced a new action plan to de-regulate the software and information industries by June 2010.** South Korea's IT and software development industry has not taken off in spite of an extensive ICT infrastructure primarily because of an unfavorable policy environment. However, the Korean government's move to de-regulate and liberalize the industry might put industry growth on the fast-track.

### *Semiconductor*

- **South Korean Ministry of Knowledge Economy will invest 60 billion KWR (US\$54 million) in the next 5 years to build a robust infrastructure for its analog chip industry.** The move is aimed at encouraging Korean companies to expand their presence in the global semiconductor market. Currently, the US\$3.5 billion domestic market for analog chips is mainly dominated by imports from U.S, Europe and Japan. The ministry will also support training and development of human capital in this field and hopes to transform the current 'net imports' situation.

## **China**

### *Mobile/ Wireless*

- **Strategy Analytics forecasts a 7-fold growth in sales of mobile handsets that use TD-SCDMA, China's 3G network standard in the current year.** While the analytics firm did not provide total sales estimates, analysts say that the number could grow from the current 3.4 million handsets to

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

around 21 million by the end of 2010, more than the number of iPhones sold globally in 2009. 3G services have been slow on the uptake in China because of the network's teething problems immediately after roll-out and the lack of a wide range of product offerings. China Mobile, the world's largest telecom company by subscriber base is marketing its 3G services aggressively in an attempt to boost flagging growth rates in the Chinese telecom market.

- **A survey conducted by China Reality Research, an affiliate of financial firm CLSA, revealed a lackluster response to 3G telecom services in spite of heavy marketing by the three mobile companies in China.** The survey found almost 71% of 2G mobile users unwilling to upgrade to 3G while only about 10% of the survey respondents expressed keenness to subscribe to 3G. A majority of the respondents also felt that 3G pricing is also expensive.
- **Thursday's earthquake in Western China caused extensive damage to three mobile networks and also crashed the local fixed line network.** China Telecom's fixed line network in the region is expected to remain offline for sometime because of severed cables in numerous places. In addition, a number of CDMA based stations belonging to China Telecom, China Unicom and China Mobile also went down. The mobile companies have rushed emergency teams to restore connectivity in the region.

## *Media, Entertainment and Gaming*

- **Chinese gaming company NetDragon announced financial results for the fourth quarter of 2009.** The company recorded revenues of 134.19 million yuan (US\$19.64 million) and net income of 1.43 million yuan (US\$210,000). The figures reflect a 1.7% and 92.6% drop over the same period in last year. The company attributed the slump in performance to growing competition in the Chinese market. For the full year 2009, revenues stood at 621.84 million yuan (US\$91 million) an increase of 4.3% over 2008 and net income of 87.11 million yuan (US\$12.75 million), a fall of 63.6% over the previous year.
- **The9 announced a major restructuring of its business operations.** The company has now restructured itself into three business units. One of the units will focus on online games and will combine the company's previous game operations, development and marketing teams. The second unit will focus on conducting investments in North America and the third unit will develop new internet applications. The North American business unit will also absorb the company's recently acquired game developer, Red 5 Studios.
- **58.com, an advertising portal based in China, announced that it has secured US\$15 million of equity financing.** The current round of investment was led by Softbank Asia Infrastructure Fund (SAIF) and DCM. The company, which became profitable in 2009, received first round investment also from SAIF in 2006.
- **Kingsoft is reported to be facing HR problems amidst speculation that the company's entire public relations team correctively resigned this week.** It is speculated that the PR team had problems with the marketing department's middle management. The exit of these employees might not be connected to the rumored dismissal of the company's Liehuo Studio.
- **Shanda Games announced that it has licensed 'Luvinia Online' to Japanese game operator Gameon Company for about US\$1 million.** Shanda is also reported to have entered into license agreements with game operators in the U.S, Korea, Taiwan, Hong Kong and Russia. Luvinia is a 3D MMORPG developed by Shanda's subsidiary, Simo Technology.



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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## *Internet*

- **Tencent Holdings, a leading provider of Internet Services and mobile value-added services in China, announced the acquisition of a 10.26% stake in Russia's Digital Sky Technologies for US\$300 million.** Digital Sky Technologies is a Russian holding company with interests in the Internet business across the world. Digital had picked up a 3.5% stake in Facebook for US\$300 million and also led an investment of US\$ 180 million in gaming company Zynga last year. Tencent is the largest internet services firm by market capitalization in China. Incidentally, Tencent and Digital are reported to be competing to acquire AOL's messaging service ICQ.
- **Alibaba Group, which controls Alibaba.com and Taobao, announced that it has won a license to provide small loans to businesses in China.** The company also announced investment of 5 billion yuan (US\$730 million) over the next five years to expand the operations of Alipay, the country's largest online payment service. The company has already facilitated loans of more than 6 billion yuan (US\$878 million) through its ecommerce portal Alibaba.com.

## *Alternative Energy*

- **China solar technology company Daqo Group will locate its new silicon wafer manufacturing facility in Wanzhou district of China.** The plant is expected to cost 3 billion yuan (US\$440 million) and will generate revenues of 10 billion yuan (US\$1.46 billion) annually. The company also plans to price its subsidiary Daqo New Energy's U.S. IPO at about US\$10 per share.
- **Photovoltaic products manufacturer Yingli Green Energy expects to start trial production in its new 100 MW solar cell project in Hainan by the end of the current month.** The company expects to ramp up production by the end of June. Yingli might also invest 1.8 billion yuan (US\$263 million) to complete the second phase of the project with capacity of 200 MW. The company had previously announced revenues of US\$371 million and net loss of US\$6.6 million for fiscal year 2009.
- **Solargiga Energy Holdings announced revenues of 658.7 million yuan (US\$96 million), a drop of 56% over 2008, and net loss of 98.1 million yuan (US\$14.35 million) for fiscal year 2009.** Net profit in 2008 was 83.4 million yuan (US\$12.2 million). The company attributes the slump in performance to inventory write-downs driven by falling selling prices during the year. Sales of the company's mono-crystalline silicon products went down by 52%. The company plans to double its current capacity by completing the construction of a new production plant that can manufacture 100 MW solar modules, 4,000 metric tons of mono-crystalline solar ingots and 500 metric tons of multi-crystalline silicon ingots.
- **LDK Solar, a multi-crystalline wafer maker, announced that it has inked a new agreement with German-based Phoenix Solar AG.** The company will supply 20 MWs of solar modules to the German alternative energy firm for an undisclosed contract amount. The company had previously reported net loss of US\$7.3 million for the fourth quarter of 2009 on revenues of US\$304.6 million.

## **Taiwan**

### *Mobile/ Wireless*

### *Telecommunications*

- **Chunghwa Telecom, announced the trial roll-out of its live 4G network based on the LTE technology.** The company has partnered with Nokia Siemens Networks for the purpose. Nokia Siemens will provide LTE network and base stations to support Chunghwa's network. The company



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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

also announced a 12% increase in profit for the first quarter to NT\$12.1 billion (US\$383 million). In related news, the Taiwanese telecom regulator said that it does not expect LTE networks to become a commercial reality in the country for at least another 7 years and said that WiMax will continue to be the 4G technology of choice.

## *Media, Entertainment and Gaming*

- **The country's media and broadcasting regulator, the National Communications Commission, said that Carlyle and Taiwan Mobile are responsible for proposing a solution to break the current stalemate in their share exchange plans.** Carlyle's plans to sell its stake in Kbro, a Taiwanese cable company, to state owned telco Taiwan Mobile hasn't got regulatory approval because the proposed deal violates an existing Taiwanese law that prohibits state owned companies from investing in television and media firms. The problem has arisen because the city government of Taipei has an indirect interest in Taiwan Mobile via a stake in banking group Fubon Financial Holdings. Fubon's controlling shareholder, the Tsai family, is Taiwan Mobile's largest shareholder. Under the deal, agreed last September, Carlyle will exchange its stake in Taiwan cable TV company Kbro for a 15.5 percent stake in Taiwan Mobile, while Taiwan Mobile will pay NT\$32.8 billion (US\$1 billion) via a share swap and cash. It will also assume NT\$24 billion of debt. Carlyle bought control of Eastern Multimedia, which includes the cable TV unit that was renamed Kbro, for US\$1.5 billion in 2006.

## *Semiconductor*

- **Taiwan's leading PC memory chip maker, Powerchip Semiconductor Corp., raised its capital expenditure forecast for 2010 by 18% to US\$412 million.** Demand for DRAM chips has rebounded strongly in the first two quarters of 2010 on the back of buoyant consumer demand for end products that use memory chips.
- **The Chairman of Taiwan Semiconductor Manufacturing Company's (TSMC), Morris Chang, forecast a 22% increase in global sales of semiconductor chips in 2010 over last year.** He also estimated that sales in 2011 would increase by 7% over the current year. TSMC is a top Taiwanese chip maker with sales of US\$975 million in March 2010.

## **Hong Kong**

### *Telecommunications*

- **City Telecom (HK) Ltd. said it has started an American depositary receipt offering of as many as 4.03 million American depositary shares, each representing 20 underlying common shares, to fund a possible new free television service in Hong Kong.** City Telecom will issue as many as 80.5 million new shares to back the ADSs, according to its Hong Kong stock change filing today.

### *Hardware*

- **Foxconn, the world's largest contract cell phone manufacturer, announced half yearly results for 2009.** The company reported net profit of US\$57.3 million compared to a net loss of US\$21 million for the same period in the previous year. Revenues stood at US\$7.2 billion, a 22% fall over the same period in 2008. The company remains optimistic about performance in the current year after consumer demand for mobile handsets has rebounded. Top handset companies like Nokia, Samsung and others design their phones in-house and outsource to companies like Foxconn to manufacture.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## Southeast Asia/India/Australia

### *Mobile/ Wireless*

- **Singapore telecom operator M1 said that its first quarter net profit declined 6 per cent on year to S\$39.3 million (US\$29.6 million) due to an adjustment for corporate tax rate reduction which had boosted its net profit in the first quarter of 2009.** Excluding this adjustment, M1's net profit would have increased 8 per cent year-on-year. Meanwhile, revenue for the first quarter rose 33.6 per cent to S\$249 million (US\$180.9 million) mainly due to higher service revenue and handset sales. The operator added 38,000 customers in the quarter and that lifted its total customer base to about 1.8 million as of March 31. Non-voice services contributed about 30 per cent of service revenue, up from 25.1 per cent a year ago driven mainly by the enlarged customer base and increase in data usage. M1 changed its name from MobileOne to M1 and signaled that it plans to challenge the space carved out by its competitors in the fixed and broadband space.
- **Bharti Airtel, India's largest mobile company, added 3 million subscribers in the month of March, while Vodafone Essar added 3.63 million users.** The total subscriber base of the two companies is now 127.6 million and 100.9 million respectively.
- **Bharti's acquisition of Zain ran into troubled waters after the Congo Republic objected to the transaction by announcing that the government had not been informed about the deal and that approval had not been sought.** Congo's Telecoms Minister, Thierry MOUNGALLA gave the transacting companies 30 days to comply with all required legal procedures or face action. Government action could be in the form of monetary penalties or a downgrading of Zain's license provisions. Zain provides mobile services to about 1.5 million users in the country and is easily Congo's largest mobile company. The Congo Republic is the second government to object to the deal after Gabon also raised similar concerns last week.

### *Telecommunications*

- **Axiata Group Bhd. announced the divestment of about 1.8% of its stake in Indonesian mobile telecommunications services operator PT XL Axiata TBK (XL), formerly PT Excelcomindo Pratama Tbk, to Goldman Sachs.** XL was the first private mobile services operator in the country, starting commercial operations on 8 October 1996. Sources claim that the operator serves more than 22 million subscribers. In related news, Axiata's wholly owned subsidiary Axiata SPV1 will issue US\$300 million in 10 year senior notes guaranteed by the parent company. The proceeds of the loan will be used to repay the debt of a related company called SunShare Investments.
- **The Indian Department of Telecommunications announced the cancellation of the telecom license to Switzerland telecom company ByCell on grounds of national security.** The department had previously issued a letter of intent to ByCell to offer mobile services to five states in eastern India, but revoked its decision after the home ministry objected to the transaction.
- **Nokia Siemens Networks, a leading telecom equipment manufacturer announced a new manufacturing facility in India to build 3G infrastructure products.** The company expects a surging demand for 3G infrastructure after the ongoing 3G auction in India.
- **The 3G auction process in India received US\$4 billion in bids by the end of the week, an estimated 38% premium over the base price.** The government expects to rake in proceeds of about US\$8 billion from the auction. The highest bidding was for licenses to operate in the western state of Gujarat followed by Delhi and then Tamil Nadu.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

- **Globe Telecom, the second largest mobile services provider in the Philippines, announced plans to raise about US\$100 million-US\$150 million in debt financing, either through a bond issue or a bank loan.** The company expects interest rates to rise in the future and is keen to 'lock-in' a lower interest rate soon. The company will use the proceeds to finance its capital expenditure for 2010 and had previously announced plans to spend almost 50% of its budgeted capital expenditure on expansion of its broadband services.
- **PLDT's employee retirement fund, called the 'Beneficial Trust Fund' announced the partial divestment of its stake in Philippine infrastructure company Metro Pacific Investments Corp. (MPIC) for about US\$94 million.** The company's stake in MPIC is down to 9% from 16% prior to the sale. Both PLDT and MPIC are controlled by Hong Kong's First Pacific Co. Ltd.
- **Telstra Corp., Australia's leading telecommunications company, refuted speculation that the company had arrived at an agreement with the Australian government to sell its network assets for US\$8.4 billion.** Late last year, the Australian government had proposed that Telstra separate its retail business into a new entity, so that the company's network could be used by the government to roll-out its new national broadband plan. Telstra, while initially reluctant to comply, agreed for negotiations after the government threatened to force the company to split. Telstra was previously a state-owned monopoly that was privatized a few years ago. It owns the country's copper telecommunications network, which could become redundant after the government's roll-out of its national broadband plan. The government believes that it could expedite the roll-out process if the existing network folded into the plan and also clarified that its National Broadband Network will not offer retail services, but will focus only on providing wholesale network services to telecom companies.
- **New Zealand's Telecom Corp. received bid proposals from 4 buyers for its troubled Australian subsidiary AAPT, which is up for auction.** AAPT's revenues fell by around 25% to A\$760 million (US\$700 million) in 2009 with EBITDA also fell by a similar margin to A\$73 million (US\$70 million). It is rumored that the four bidders who submitted proposals by the deadline were TPG Telecom, privately held Pacnet, private equity firm Quadrangle Group and Optus, the fully-owned Australian unit of Singapore Telecommunications. Pacnet made an unsolicited offer for AAPT in late 2008, but that offer was ultimately rejected by Telecom Corp.
- **Telkom, Indonesia's largest telecommunications company, has mandated Macquarie Group Ltd. as an advisor for its potential purchase of SingTel's telecom tower assets.** The towers are owned by Indonesia's largest mobile operator, TelkomSel, 65% of which is owned by Telkom and 35% by SingTel. TelkomSel owns and operates about 9,000 mobile towers in the country, which could be valued between US\$800 million and US\$1.2 billion. If successful, Telkom will absorb the telecom towers assets into its subsidiary MitraTel and file for a public listing. Telecom service penetration in most parts of Indonesia is very poor, with some analysts estimating mobile penetration in the country at only 40-50%. The government plans to invite foreign investment to develop the sector and plans to spend an estimated US\$8 billion to build the required infrastructure in the next few years.
- **Thailand's telecom regulator the National Telecommunication Commission (NTC) has made mobile number portability a pre-condition to conduct the 3G license auction due in November.** The regulator said that it would postpone the license auction if the telcos in the country did not implement full mobile number portability before august of 2010. The authority has been urging the companies to implement number portability for about five years now.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## *Information Technology*

- **Information technology and outsourcing services provider IGate Corp's first-quarter profit more than doubled, helped by an increase in corporate spending.** IGate plans to make acquisitions in 2010 either to consolidate its position in the financial services industry or enter new areas such as healthcare, in the range of US\$30 million to US\$60 million, Chief Executive Phaneesh Murthy told Reuters. The company has cash, cash equivalents and short-term investments of US\$100.3 million as of March 31.
- **Infosys Technologies, the second largest Indian IT services company, announced fourth quarter profit for fiscal year 2010 ending March 31.** The company recorded net profit of 16 billion rupees (US\$ 362 million) for the quarter, a 0.9% drop in rupee terms over the same period last year. In dollar terms however, the company's net profit grew by 8.7% implying that the company's profits were hit by the weakening dollar. Net revenues stood at 57.41 billion rupees (US\$1.3 billion), corresponding to a 3.5% growth rate over the previous quarter and a 5.5% increase over the same period in the previous year.

## **United States/Canada**

### *Mobile/ Wireless*

- **Microsoft Corp. announced the launch of two new smartphones called Kin1 and Kin2.** The phones, designed by Microsoft, will be manufactured by Sharp Corp. and will be distributed by Verizon Wireless. Kin1 and Kin2 are targeted at buyers at the lower end of the smartphone market; mainly young people between the ages 15 & 25 who would take advantage of the social networking features built into the phones. The phones are designed to display newsfeeds from Facebook, Twitter and MySpace on the home screen and also allow users to create friends networks. Analysts suggest that the success of these handsets will depend upon the pricing of the data plans by Verizon. Microsoft is also due to launch its new mobile operating system for HTC and Samsung smartphones in a few months.
- **Palm Inc., the beleaguered manufacturer of smartphone brands Pre and Pixi , is reported to be considering strategic sale options and is believed to have mandated two leading investment banks to facilitate the process.** Palm's share price has been extremely volatile in recent weeks after speculation and uncertainty about the company's future. Palm's phones are fast losing market share to larger competitors like BlackBerry, iPhone and a host of other new entrants. Palm's current market capitalization is around US\$870 million, which, many analysts say, is already on the higher side even though it is much lesser than Palm's market capitalization of over US\$2 billion last year. In related news, hedge fund Harbinger Capital Partners announced that it had acquired a 9.48% "passive stake" stake in the company. The purchase of 16 million shares, completed on April 12, equates to an investment of approximately US\$83 million at Monday's stock price. The passive stake is one with no voting powers.
- **ABI Research, an analytics and quantitative forecasting firm in global connectivity trends, announced the results of its new study on the U.S Wireless service providers.** According to the report, Verizon Wireless carried the most data traffic on its networks in the U.S market, followed by Sprint Telecommunications and AT&T in third place. Subscribers of Verizon and Sprint together accounted for 63% of the data traffic in the U.S in 2009. Data traffic is most significantly affected by laptop mobile data connections and although AT&T had the highest number of activated data devices, Verizon and Sprint carried more data because a larger number of their subscribers used laptop mobile

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

connections than customers of AT&T. The total mobile data traffic in the U.S. is expected to explode and increase almost eight-fold in the next four years.

- **In an indication of the rapidly growing demand for sports entertainment live and on-demand content on mobile phones in the U.S., Verizon Wireless, one of the largest mobile services providers in the country, announced that it would provide live streaming of NBC's Sunday Night football matches and NFL's Thursday night matches.** Subscribers will also receive access to information about their favorite teams and players along with live radio broadcasts throughout the football season in 2010. This is the second major tournament to be available live on mobile phones after the Augusta Masters Golf tournament held last week, which was streamed live by most mobile service providers in North America in both 2-D and 3-D formats. In related news, Canada's Bell Communications announced that the Stanley Cup would be available live for customers of Bell Mobility on their smartphones and other mobile devices.

## *Telecommunications*

- **New Communications Holdings, a spin-off company that is currently a subsidiary of Verizon Communications Inc., successfully completed a debt offering of US\$3.2 billion in senior notes.** The offering consists of a US\$ 500 million tranche bearing coupon of 7.875% due in 2015, a US\$1.1 billion tranche with coupon of 8.25% due in 2017 and another US\$1.1 billion tranche due in 2020, offering coupon rate of 8.5%. A final tranche of US\$500 million, bearing coupon rate of 8.75% maturing in 2022 completes the offering. New Communication was created for the purpose of holding the assets and liabilities of Verizon's fixed-line and exchange business in 14 states of the U.S. New Communications will use the proceeds of the debt offering to pay Verizon for these assets, following which it will be merged with Frontier Communications, a telecommunications services provider in the U.S.
- **Datalink, a leading provider of data center services and infrastructure announced financial results for the first quarter of fiscal year 2010 ending in March.** The company reported revenues of US\$62.5 million for the quarter, a 57% increase over the same period last year and a 21% increase over the previous quarter. The company also recorded net loss of US\$890,000, compared to a loss of US\$600,000 over the same period last year. The revenues of the company were composed of product revenues of US\$38.2 million, which was up 98% over Q1 of 2009 and service revenues of US\$24.4 million, which increased by 18%.
- **Neophotonics Corp., a manufacturer of photonic integrated circuit-based modules and subsystems for bandwidth intensive, high-speed communications networks, filed for an IPO with the Securities and Exchange Commission.** The company plans a public listing on the New York Stock Exchange to raise about US\$115 million, which it will use for working capital and acquisitions.
- **Shenandoah Telecommunications, a holding company that offers a range of telecom services through its operating subsidiaries, announced the acquisition of the cable assets of Jet Broadband Holdings for US\$148 million.** The acquired cable asset passes by approximately 144,000 households in the U.S. and boasts of more than 66,000 revenue generating units. The company will finance the deal through an existing credit facility.
- **Canadian telecom regulator Radio-television and telecommunications commission proposed partial liberalization of the country's telecom sector while still ensuring that ownership remains Canadian.** Law makers in the country are considering opening up the sector for foreign



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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

investment in order to promote competition and ensure quality for Canadian consumers. The regulator said that foreign investment in Canadian telecom companies must be capped at 49%. Even this would be a significant change from the current cap of 20%. Law makers and bureaucrats in Canada are concerned that U.S. companies would quickly acquire most Canadian firms should the investment regulations be overly relaxed. The issue is being debated since December of 2009 after the government controversially overturned the regulator's decision to block the entry of Egypt's Orascom Telecom into the country. Countries like the U.S and India have blocked entry of foreign telecom players in the past on grounds of national security.

- **Q9 Networks Inc., a Canadian provider of outsourced data center services and solutions, announced the closure of C\$210 million (US\$207 million) in debt funding.** The senior secured credit facility obtained from a syndicate of banks will be used to finance the company's expansion plans.
- **Equinix Inc., a global provider of data center services, announced the launch of a new service that provides a multi-carrier environment for the exchange of data traffic between Ethernet Service providers globally.** The new service, called the Equinix Carrier Ethernet Exchange, will distribute and support multi-regional Ethernet carriers on one central platform. While global demand for Ethernet services is rapidly growing, service providers have failed to match the pace and remain restricted to one geographical area where their networks are deployed. The new services will eliminate the geographical barrier by enabling Ethernet service providers to connect to each other. The Ethernet services market is expected to grow to US\$40 billion in the next four years.

## *Media, Entertainment and Gaming*

- **Greycroft Partners, a venture capital firm focused on digital media investments, announced that it has closed its second fund, Greycroft II, at US\$130.7 million.** The firm was founded in 2006 with a \$75 million fund that made 34 investments, typically in sums between \$500,000 and \$5 million, in early-stage companies.
- **Apple Inc. announced a delay of one month in the international launch of the iPad.** The device will now debut outside the U.S. only around the end of May, although the company will start taking online orders from the 10<sup>th</sup> of May. The company is struggling to match demand for the device in the U.S and has decided to focus on catering to its customers in the home market before launching the device abroad. Meanwhile, Vodafone announced that it would offer price plans for the iPad in select European countries starting end of May.
- **Leading bookstore chain, Barnes & Noble has partnered with electronics retailer Best Buy to distribute its e-reader, Nook.** The device will now be available in 1,070 Best Buy stores from next week in addition to being sold in Barnes & Noble's bookstores. The book house is trying to ramp up its marketing and distribution strength to face competition from Apple's iPad. The deal will also require Best Buy to include Nook's eReader software on some of the personal computers and smartphones that it sells. Best Buy also distributes Apple's iPad and Sony's Reader, while the other major player in the market, the Kindle, is sold on Amazon's website.
- **Ascent Media, a fully-integrated digital media services company, announced a global strategic alliance with BT Media and Broadcasts, a media division within BT also engaged in the media services business.** The two companies launched a global broadcast switching platform, which will enable full connectivity between Ascent's Waterfront Switch in New York and BT's Tower Switch in London, the two largest video switch communities globally. The joint platform allows news agencies, sports networks, cable networks and other broadcasters to instantly exchange Standard

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

Definition (SD) media content between London and New York. It will ensure inexpensive and high quality transport of SD video content and enables customers of these companies located in these two locations to switch and share content. The platform will shortly offer switching services of High Definition (HD) content also.

- **NPD, an analytics firm that tracks the U.S. gaming industry, reported that the sales of video game equipment and applications grew by 6% in March over the previous month.** Software sales grew by 10% even as revenues from hardware and equipment sales slipped by 4%. Nintendo, Microsoft and Sony sold 557,500, 338,400 and 313,900 units of their video game consoles respectively. The best-selling game title for the month was Sony's 'God of War III'. Total industry sales amounted to US\$1.52 billion.
- **EdgeCast, a company setup in 2006 to offer content delivery services to traditional media companies, television, movie studios and advertisers, announced the successful closure of US\$10 million in Series C equity financing.** The latest round of funding was led by Menlo Ventures, an experienced and successful venture capital firm in Silicon Valley. The managing director of Menlo, Pravin Vazirani will join the board of directors of EdgeCast. The latest financing brings the total capital raised by Edgecast to US\$20 million. Steamboat Ventures, the venture capital division of Walt Disney, also participated in the process. Steamboat had led the Series B round of funding. Edgecast, which became profitable in Q4 of 2009, claims to offer the world's most reliable and fastest content delivery network, with over 1,400 customers.
- **SES Broad Skies, a division of SES and a pioneer in delivering High Definition channels on leading broadcast networks, announced that its Home Shopping Network (HSN) in High Definition format has found rapid acceptance and is already in 13 million households in the U.S.** The company is actively involved with content creators and television manufacturers for development and advancement of 3-D television technology. 3-D television is poised to be the 'next big thing' in television as major manufacturers like Samsung and LG have set ambitious revenue targets from sales of 3-D television sets. In related company news, SES World Skies, a sister company of SES Broad Skies, announced that it signed a long term deal with Puerto Rico Telephone, to deliver its Direct-to-Home (DTH) television to Puerto Rico's customers.
- **Demand Media, a company engaged in the business of providing social media solutions, announced that it is actively considering issuing an IPO and is reported to have engaged Goldman Sachs to facilitate the transaction.** The company has already raised US\$355 million in equity financing over the last 4 years from companies such as Goldman Sachs, Oak Investment partners, Spectrum Equity investors and others. The current valuation of the company is around US\$1.5 billion.
- **Cablevision Systems Corp., a company offering digital cable television, digital voice service and high speed internet, announced plans to raise US\$1 billion in debt financing.** The proceeds of the debt issue will be used to fulfill debt obligations expected to be due soon. The debt offering was rated B1 by Moody's Investor Service.
- **Charter Communications Inc., a provider of cable television services, high speed internet and other related services, announced preliminary results for the first quarter of 2010.** The company expects revenue to increase by 4.5% to US\$1.735 billion. The company also plans to raise debt financing of US\$1.6 billion to fund the purchase of certain debt obligations maturing shortly.



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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

- **Gannett Co., the owner of USA Today and multiple television stations, announced financial results for three months ending March 2010.** The company's revenues fell by 4.1% to US\$1.32 billion, while net income rose 52% to US\$117.2 million. Broadcasting revenues for the quarter rose 17% driven by advertising spend related to the Olympics. While advertising revenues fell by 8%.
- **Dreamworks Animation, a leading American animation studio, announced plans to convert its Shrek movie series into 3D format.** The studio is preparing for next month's release of the next movie in the Shrek series, while simultaneously converting the first three movies in the hit franchise into stereo format for a 3D blue ray disc release. 3D movies generated enormous interest last year and twenty new movies in the format are expected to release in 2010, up from thirteen in 2009.
- **Spredfast, a company focused on developing social media management tools, announced the closure of US\$1.6 million in Series A equity financing from Austin Ventures.** The company will use the funds to accelerate its business development and brand awareness initiatives in the social media market.
- **PubMatic, a company focused on developing advertisement monetization and management solutions, announced the successful closure of US\$7.5 million in Series C equity financing.** The latest round of funding was led by Helion Venture Partners, with other existing investors also participating.

## *Internet*

- **Twitter, the American microblogging platform, announced its first effort to generate revenues through the launch a new advertising service.** The advertising program called 'Promoted Tweets' will test Twitter's ability to translate its popularity into revenue. The platform is testing the program with advertisers like Starbucks, Sony Corp, Sony Pictures and Virgin America. In related company news, Twitter announced the acquisition of Atebits, a mobile application developer.
- **Google announced first quarter results ending March for fiscal year 2010 with revenues for the of US\$6.77 billion at 23% increase over the same period last year.** Net profit increased by 38% to US\$1.96 billion. Google sites accounted for 66% revenues, while partner sites, through the AdSense agreement generated about 30%. The company drew 53% of its revenues from outside the U.S. The company spent US\$239 million on capital expenditure and generated cash flows from operations of US\$2.58 billion. The company also said that it will continue to invest heavily on Innovation.

## *Information Technology*

- **CSC, a global provider of technology enabled solutions and services, announced the launch of global video conferencing services through its portfolio of Unified Communications and Collaboration solutions.** The new solution will allow CSC's global customers access to global video conferencing services through multiple delivery modes. Videoconferencing solutions are becoming very popular as enterprises across the world respond to downward pressure on margins by cutting travel costs and investing in videoconferencing facilities. Last week, ABI Research estimated that Tandberg's Telepresence video conferencing solution would generate revenues of US\$2.17 billion by 2015.

## *Software*

- **3Crowd Technologies, a software company engaged in the business of developing solutions for cloud-based services, announced that it has secured US\$6.62 million in Series A equity financing.** Canaan Partners and Storm Ventures, two leading venture capital firms focused on the

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

technology sector, participated in the current round of financing. Canaan's Maha Ibrahim will join the board of 3Crowd after the investment. The investment reflects the confidence in the potential of cloud computing business and service models.

- **Oracle Corp. said it agreed to acquire Phase Forward Inc, the top maker of programs that help drugmakers run clinical trials, for about US\$685 million.** The proposed acquisition will enhance the company's portfolio of products and solutions and allows it to tap into the pharmaceutical industry at a time when Pharma companies are looking to slash costs.

## *Hardware*

- **Hewlett Packard (HP) announced the completion of the acquisition of 3Com in an all-cash transaction that values the latter at US\$2.7 billion.** 3Com is a leading network infrastructure solutions provider with a significant presence in China and Europe. The acquisition is expected to boost HP's strength in the Chinese market and also expands HP's portfolio of routing solutions and Ethernet switch offerings. 3Com will derive the benefit of HP's scale and global marketing and distribution reach.
- **Aeroflex Inc., a global provider of microelectronic components and test equipment for the telecom industry announced the acquisition of all operating assets of WillTek Communications, a subsidiary of Wireless Telecom Group.** Aeroflex will pay US\$2.75 million in cash and also assume some debt of the acquired company. The acquisition is expected to strengthen the Test Solutions division of Aeroflex.
- **Leading bookstore chain, Barnes & Noble has partnered with electronics retailer Best Buy to distribute its e-reader, Nook.** The device will now be available in 1,070 Best Buy stores from next week in addition to being sold in Barnes & Noble's bookstores. The book house is trying to ramp up its marketing and distribution strength to face competition from Apple's iPad. The deal will also require Best Buy to include Nook's eReader software on some of the personal computers and smartphones that it sells. Best Buy also distributes Apple's iPad and Sony's Reader, while the other major player in the market, the Kindle, is sold on Amazon's website.

## *Semiconductor*

- **Maxim Integrated Products Inc., a microprocessor manufacturer, announced the acquisition of Teridian Semiconductor Corp.** The all-cash transaction is worth US\$315 million and will help Maxim strengthen its presence in the smart meter market.
- **Intel Corp., the world's leading manufacturer of microprocessors, announced financial results for the first quarter of 2010.** The company reported revenues of US\$10.3 billion and net income of US\$2.4 billion. The results represent Intel's best Q1 results in its history. Growth for the quarter was driven mainly by mobile microprocessors, while PC microprocessor sales remained flat over the previous quarter. Revenues from its data center operations, Intel Architecture portfolio, Atom Microprocessor and Chipsets portfolio went down. The company forecast a revenue figure of US\$10.2 billion for the second quarter.
- **AMD, Intel's main competitor, announced financial results for three months ending March 2010.** Revenues beat Wall Street forecast at US\$1.57 billion, a 33% increase over the same period last year, while net income rose to US\$257 million. Net loss in Q1 of 2009 was US\$298 million

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

- **NXP Semiconductors, the Dutch chipmaker, announced plans to raise US\$1.15 billion through an IPO in the U.S. in 2010.** The company will use the proceeds to repay debt. NXP is owned by KKR and Co. and Bain Capital LLC and reported revenues of US\$3.8 billion in 2010.
- **Fairchild Semiconductor, a global provider of energy-efficient semiconductor technology, announced first quarter results for three months ending March 2010.** Revenues for the period stood at US\$378 million, a 69% increase over the same period last year and net income stood at US\$22.6 million. Net loss in the same period of the previous year was US\$51.1 million while net profit in the previous quarter was at around US\$13.1 million. Free cash flows of US\$37.5 million increased cash levels to US\$481 million, which exceeds the company's debt. The company also unveiled a healthy forecast for the next quarter and projected revenues of around US\$400 million.

## Europe

### *Mobile/ Wireless*

- **Alcatel-Lucent, a leading telecom equipment manufacturer, announced the launch of a new mobile advertising platform, which will be positioned to compete with Google, Apple and Orange.** The mobile advertising industry is expected to grow exponentially in the next few years. European telecom equipment manufacturers like Alcatel-Lucent are considering alternate avenues of growth through services as the recession and Chinese competition have led to downward pressure on revenues and profitability even as the industry itself is becoming commoditized.
- **Farimex Products, an investor in Russian mobile company Vimpelcom, announced that it has dropped its law suit against Telenor, the Norwegian telecom provider.** This announcement could pave the way for the success of Vimpelcom's merger deal in Ukraine with Kyivstar. Telenor owns 33% stake in Vimpelcom, while Altimio owns about 37%. Late last year, Altimio and telenor agreed to merge their Vimpelcom and Kyivstar assets in a new company called Vimpelcom Ltd., a move opposed by Farimex.

### *Telecommunications*

- **Norway's Telenor (TEL.OL) said it was very close to closing a deal with Russia's Alfa Group to merge their Russian and Ukrainian mobile operators following a successful share exchange and the withdrawal of a court suit.**
- **Orange Network will outsource its fixed line broadband business to BT, the British telecom operator.** Orange, controlled by France Telecom and catering to about 840,000 internet customers in the U.K will also transfer 60 employees to BT as part of the deal. Orange can now focus on marketing and customer management and leave the responsibility of network management to BT. The deal also extends Orange's coverage of the U.K market from the present 65% to 100%. Vodafone is another large company that uses BT's network to sell internet services in the country. Meanwhile, Orange's mobile business is on the verge of merging with Deutsche Telekom's mobile business in the U.K, T-Mobile. The merger is expected to create the largest mobile company in the country with 34% market share.
- **The German government kick-started the auction process for the sale of mobile spectrum in the country.** The auction is expected to raise between 4 billion Euros (US\$5.4 billion) and 7 billion Euros (US\$9.5 billion) for the government, nowhere close to the 50 billion Euros (US\$68 billion) proceeds from the previous auction in 2000. Vodafone, T-Mobile and Telefonica's O2 are the companies participating in the bidding process for 360MHz of spectrum, three times as much as the

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

spectrum sold in 2000. The new spectrum is ideal for expansion in rural areas as it is capable of carrying mobile broadband over long distances. KPN's E-Plus withdrew from the auction on Tuesday, but might still be required to pay up if no higher bids are made by any of the other players. The company had bid 8.6 million Euros (US\$11.8 million) for each of the two blocks on sale.

- **Finnish telecommunications services provider TeliaSonera announced that the company's spending on its LTE network would not raise its overall capital expenditure in 2010.** The company has budgeted about US\$70 million for capital expenditure on LTE networks this year, while overall spending on the network in 2009 was US\$1.95 billion. TeliaSonera was the first mobile operator in the world to launch an LTE 4G network in December 2009. The news will be disappointing for European telecom network equipment manufacturers, who have come under pressure in the last two years as the recessionary environment has led to companies slashing their spending on network expansion. In addition Chinese companies like Huawei and ZTE have lowered prices to capture market share, which has put further pressure on revenues and profitability for the European companies. Analysts expect massive consolidation activity in the telecom network equipment industry in the near future as market players will try to combine and take advantage of scale and global reach.
- **Turkish telecom operator, Turk Telecom, announced the successful closure of a 100 million Euro (US\$136.4 million) loan from the European Investment bank.** The debt proceeds will be used to finance the company's investments and will carry a coupon rate of 2.5% over Euribor.

## *Media, Entertainment and Gaming*

- **Online gambling groups PartyGaming and Bwin, long the subject of merger speculation, will complete a deal this summer, an Austrian magazine reported on Friday without citing sources.**
- **Multimedia Polska, a leading cable television operator in Poland, announced a share buy-back plan to bolster the company's flagging share price.** The company will spend US\$116 million for the purpose and plans to finance it by issuing about US\$140 million in debt.

## *Internet*

- **EU Regulators will soon be required to rule on the 'net neutrality' debate, which pits French telecom companies against internet giants like Google and Amazon.** Telecom companies claim the right to prioritize data traffic on their networks to be able to charge websites and users for faster, higher priority transmission. Internet companies, on the other hand, insist that data should move freely and equally across all networks. The debate, which initially originated in the U.S, has quickly been adopted in the European Union and the E.U regulators' ruling could limit revenue potential for telecom companies in the event of the decision going against them. Exponential growth in data traffic in recent times has clogged networks and forced telecom companies to consider prioritization of certain users in return for higher value.

## *Software*

- **Econocom, a leading information technology and telecom services provider in Europe, reported preliminary first quarter results for 2010.** Consolidated revenues increased by 9% to 172 million Euros (US\$232 million). The company also reported an increase in profitability.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## *Hardware*

- **Sony Ericsson announced results for the first quarter ending March 31 for the current fiscal year.** Total revenues fell by 19% to 1.405 billion Euros (US\$1.9 billion) while net profit increased to 21 million Euros (US\$28.3 million) compared to a net loss of 293 million Euros (US\$395.5 million) over the same period last year. The company attributed the positive bottom line to the launch of new products like Experia and Vivaz and the impact of its cost reduction program, although the full impact of the cost cutting can only be seen in the second half of the year. The company shipped 10.5 million phones in the quarter, a fall of 28% compared to the same period last year. However, higher end phones and positive currency impact helped the company become profitable. The company also estimated that its global market share fell by 1 percentage point to 4% from 5% in the quarter.

## **Africa/Middle East/Latin America**

### *Mobile/ Wireless*

- **The Kenyan Communications Commission, the country's telecom regulator, announced plans to mandate mobile phone number portability in the country by July in a bid to encourage competition.** The move is likely to favor newer, smaller operators in the country like Zain, Telkom Kenya and Yu and enable them to compete against market leader Safaricom, which controls 80% of the market. Many countries like Japan and India are either considering implementing or already have mobile number portability to promote market competition. In related news, France Telecom, the majority shareholder in Telkom Kenya reiterated that it remains interested and committed to doing business in the country after speculation that it might consider making an exit following disagreements with the Kenyan government.
- **The Chairman of Egyptian mobile services provider Mobinil, Alex Shaleby, announced that the two warring shareholders of the company, Orascom Telecom and France Telecom, have agreed upon a resolution and will finalize an agreement in the near future.** According to the resolution, the two companies will stay invested in Mobinil and implement a revised shareholder agreement without changing the ownership structure. The agreement also paves the way for Mobinil's purchase of LINKdotNET, an internet services provider currently owned by Orascom. A Swiss arbitration court had instructed Orascom to sell its indirect stake in Mobinil and relinquish control to France Telecom in April last year. However, an Egyptian court ruling blocked France Telecom from gaining full control of the company. This impasse has forced both companies to negotiate and arrive at a speedy resolution.

### *Telecommunications*

- **IntelSat SA, the world's largest provider of fixed-satellite services to media and telecom providers, announced expansion of its African Satellite Infrastructure.** This initiative will help the company address growing customer demand for new capacity in Africa. The company repositioned its recently acquired satellite IntelSat 25, to provide capacity for high growth applications in Africa like cellular backhaul for services to remote locations, IP Trunking for internet connectivity and video services. The company will also deploy its New Dawn satellite, expected to be launched this year, to cater to the African market. This brings the total number of satellites IntelSat has deployed for Africa to 25. The company also announced the launch of its new satellite IntelsatONE, to cater to its global media customers.



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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

- **South Africa's largest fixed line service provider, Telkom SA has entered into a five year nationwide roaming agreement with MTN, the country's largest mobile service provider.** The company also plans to build almost 2000 base stations in the next two years. Telkom has been struggling to maintain growth rates after divesting its stake in Vodacom and plans to re-enter the mobile services business soon and this new agreement with MTN, coupled with a 6 billion Rand (US\$800 million) investment schedule over the next 5 years is expected to aid the company's plans.
- **The South African telecom regulator, The Independent Communications Authority of South Africa (ICASA), indicated that it was planning to slash termination rates in for both fixed and mobile telephone lines in the country over the next three years.** The move, motivated by an intention to boost global competitiveness of the telecom sector, will impact revenues of all telecom operators in the country and will lower prices for consumers. Termination rates refer to the charges fixed and mobile operators levy to connect calls from other operators to their own customers and are a significant source of revenue for the companies.
- **Orascom Telecom's Vice-Chairman Naguib Sawaris, who controls a 51% stake in Orascom through his investment firm Weather Investments, is reported to be considering the acquisition of the remaining 49% of the company in a transaction that could value the company at almost US\$9 billion.** The US\$9 billion price represents a 2010 forecast earnings multiple of 20, which is lesser than the 2010 forecast earnings multiple of 27 that Bharti is paying for Zain. Orascom's Algerian unit was embroiled in a tax irregularities controversy with the Algerian government recently and paid a hefty fine.
- **Egypt's telecom regulator, the National Telecom Regulatory Authority (NTRA) announced that it received two bids from undisclosed business consortiums for the proposed sale of two licenses to supply voice, cable and internet services to residential compounds in the country.** The authority is expected to announce its decision in a month. Interest in bidding for the licenses waned after the restricted scope of the license and the extent of reliance on state-owned Telecom Egypt became apparent to potential investors. Eighteen companies had purchased the bid documents from the regulator.
- **The Lebanese government announced plans to invite international companies to build a fiber-optic network in the country.** The project will commission the laying of 4000 kilometers of cable across the country and is expected to be worth US\$100 million to the company that wins the bidding process. Lebanon aims to showcase this project to attract international investment in the country's telecom sector and use the proceeds to pay the government's burgeoning US\$51 billion debt bill.
- **America Movil, controlled by Mexican billionaire Carlos Slim, announced plans to invest US\$880 million on telecom expansion in Peru over the next three years.** About 56% of the money will be spent on mobile technology and the rest will be on fixed-lines. America Movil is present in Peru through its subsidiary Claro Peru, and also controls 71% of the mobile market in Mexico along with significant presence in Brazil, Chile and other countries.

## *Internet*

- **Enablence Technologies, an optical component supplier from Canada, announced the acquisition of Israel's TeleData Networks Ltd., for US\$50 million in a cash and stock deal.** Enablence's acquisition of the broadband internet services provider will help the company advance its aspirations of becoming a global internet player.

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



Week of 12<sup>th</sup> April 2010 - 18<sup>th</sup> April 2010

## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 04/16/10)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2010	% Change 1/1/2009
Japanese yen	¥/US\$	92.173	-1.07%	1.81%	2.41%	3.26%
Hong Kong dollar	HK\$/ US\$	7.761	0.07%	0.02%	0.01%	0.05%
Chinese renminbi	RMB/ US\$	6.8254	0.03%	-0.02%	0.08%	0.17%
Singapore dollar	S\$/ US\$	1.3756	-1.02%	-1.62%	0.50%	2.06%
South Korean won	KRW/ US\$	1,110.23	-0.71%	-2.06%	0.94%	3.68%
New Taiwan dollar	NT\$/ US\$	31.37	-0.58%	-1.13%	-0.39%	0.54%
Australian dollar	US\$/A\$	0.9242	-0.96%	0.97%	-2.50%	-5.05%
New Zealand dollar	US\$/NZ\$	0.7085	-1.08%	0.07%	-8.34%	-12.80%
Philippine peso	PHP/ US\$	44.38	-0.65%	-2.50%	-2.41%	-1.56%
Euro	US\$/€	1.3502	0.01%	-0.21%	-11.15%	-15.91%
British pound	US\$/£	1.5362	-0.05%	2.32%	-11.01%	-15.75%

## Fixed Income Prices and Yields

Note	Currency	Current (on 04/16/10)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	99.075	4.67%	98.06	4.74%	100.72	4.63%
Japan 30-year	¥	101.056	2.24%	101.402	2.22%	100.07	2.31%
Hong Kong 10-year	HK\$	92.703	3.06%	92.942	3.03%	94.17	2.87%
China (06/16)	CNY	109.38	3.03%	109.38	3.03%	109.38	3.05%
Singapore 10-year	S\$	98.35	2.71%	97.29	2.84%	98.6	2.69%
South Korea 20-year	KRW	10,586.53	5.18%	10,728.39	5.06%	10945.28	4.93%
Australia 15-year	A\$	99.2	5.85%	99.23	5.84%	100.4	5.70%
New Zealand (12/17)	NZ\$	101.92	5.69%	101.65	5.73%	100.68	6.01%
Philippines 20-year	PHP	103.643	9.09%	103.161	9.14%	103.5	9.31%
India 30-year	INR	82.5	8.46%	82.5	8.46%	82.5	8.64%
UK 30-year	£	94.773	4.58%	94.084	4.62%	95.05	4.61%
Germany 30-year	€	115.877	3.85%	115.315	3.88%	115.08	3.90%

This document is provided for information purposes only, and constitutes neither investment advice nor the recommendation to purchase or sell securities of the companies named in this document. IRG Limited, and its affiliated companies, make no representation as to the accuracy or completeness of the information contained in this document.