

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



Week of 18 May - 24 May 2003

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Equity Market Indicators					
Index	Closing Level (5/23/2003)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	933.22	-1.1%	-19.2%	6.1%	20.0%
Dow Jones Industrial Avg.	8,601.38	-0.9%	-14.6%	3.1%	17.9%
Dow Jones Tech. Index	254.04	3.5%	-24.7%	10.6%	40.6%
Dow Jones Telecom. Index	158.62	2.0%	-23.9%	7.3%	29.9%
NASDAQ Composite	1,510.09	-1.8%	-23.7%	13.1%	35.3%
The Street.com Net	113.27	-1.5%	-42.1%	32.2%	79.6%
Japan Nikkei 225	8,184.76	0.8%	-24.7%	-4.6%	-3.0%
Japan TOPIX	826.18	0.9%	-21.6%	-2.0%	0.0%
Korea KOSPI Composite	611.51	0.1%	-15.6%	-2.6%	1.9%
Korea Kosdaq	45.63	3.8%	-38.7%	2.9%	1.6%
Taiwan Stock Exchange	4,349.52	1.5%	-22.3%	-2.3%	10.9%
Singapore Straits Times	1,318.14	1.0%	-18.9%	-1.7%	-1.9%
Hong Kong Hang Seng	9,303.73	2.3%	-18.0%	-0.2%	3.1%
Hong Kong GEM	1,110.29	4.3%	-71.4%	16.8%	18.6%
China Shanghai (A-Share)	1,634.75	0.4%	-2.5%	15.2%	17.4%
China Shenzhen (A-Share)	456.43	1.4%	-6.8%	11.3%	15.5%
China Shanghai (B-Share)	116.14	-0.3%	-31.3%	2.3%	3.0%
China Shenzhen (B-Share)	218.48	0.9%	-16.5%	16.8%	16.9%

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Technology, Media, Telecommunications and Life Sciences Market Activity

NASDAQ/NYSE TMT and Life Sciences IPO Filings

File Date	Issuer	Industry Sector	Size (\$MM)	Description	Book-Runner	Co-Manager
N/A						

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 5/23/03	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 5/23/03	% Change From Offer
5/23/03	Webzen Inc. [6908.KS] (KOSDAQ)	Develops and markets online software and distributes it through the Internet. Also has websites to allow users to register, access, and play online games. The company's most noteworthy product to date is "Mu", an online game.	US\$25.7	KRW32,000	KRW71,600	123.8%
5/19/03	Lanner Electronics Inc. [6245.TT] (GRETAI)	Manufactures and markets industrial personal computers. Product line includes full and half-size single board computers, rack mount chassis, industrial backplane, embedded single board computers, and network security platforms.	US\$1.7	NT\$30.0	NT\$30.6	2%

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Weekly Highlights

International

Telecommunications

- **Hutchison Whampoa has requested a huge tax refund from the British government for its third-generation (3G) mobile business.** Hutchison's 65% subsidiary, H3G UK, and the four other British 3G operators claim they are entitled to a refund of the 17.5% value added tax (VAT) they paid in Britain's £22.5 billion (US\$36.8 billion) 3G license auction three years ago; if they can prove VAT was part of the purchase price, they could apply for a collective refund of £3.9 billion (US\$6.4 billion) from the customs and excise bureau. The claim could help Hutchison recoup part of H3G UK's £4.4 billion (US\$7.1 billion) license costs.
- **Alcatel, French telecommunications networking giant, said it had won a multi-million dollar contract to supply digital subscriber line (DSL) equipment to China Telecom Group.** No financial details were made available. Alcatel's subsidiary Shanghai Bell won two contracts to supply 90,000 DSL lines to China Telecom's subsidiaries, Zhejiang Telecom and Shanghai Telecom. The first deal will enable Zhejiang Telecom to expand its service coverage in six eastern cities-- Hangzhou, Ningbo, Wenzhou, Jinhua, Jiaxing and Huzhou-- by the end of May. Under the second contract, Alcatel will provide Shanghai Telecom with DSL solutions to bolster broadband services in Shanghai, increasing its network capacity from 500,000 lines to about 700,000 lines.
- **British Telecoms group Cable & Wireless Plc may look at the possible sale of its Japanese and U.S. businesses as part of a restructuring due to be announced in two weeks.** However, analysts say any sale would be difficult to achieve in a telecom market downtrodden by over-capacity, and therefore closure of the businesses might prove the easier option. One analyst at a European investment bank expected C&W could get 800 million pounds (US\$1.3 billion) for the U.S. business, and said any closure would prove very damaging for the shares.
- **Vodafone Group Plc has reached an agreement on the sale of its unit, Japan Telecom Co., to U.S. investment fund Ripplewood Holdings LLC for an estimated 260 billion yen (US\$2.2 billion),** according to Nihon Keizai Shimbun. Vodafone and Ripplewood Holdings are currently in final negotiations to sign an agreement as early as June. Under the proposed arrangement, Vodafone will sell its entire stake in Japan Telecom Co. to Ripplewood Holdings. Having reached a basic agreement on the deal, Ripplewood Holdings plans to launch full-scale fund-raising efforts by seeking investments or loans from Japanese and overseas financial institutions. Ripplewood Holdings aims to hold the management rights for Japan Telecom and turn Japan's third largest fixed-line telecom carrier into a data communications service provider competing with NTT Corp. and KDDI Corp. The U.S. investment fund needs to raise a maximum of about ¥200 billion (US\$1.7 billion) in funds from outside investors.

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Japan

Information Technology

- **Information technology spending in Japan is expected to drop 1.2% in 2003 to ¥12 trillion (US\$102.6 million)**, the third straight year of decline, according to projections released by market survey firm International Data Corp. Japan (IDC Japan). The latest report indicates that the plunge in unit prices is starting to spread from personal computers and other hardware into service segments such as outsourcing and system consulting. Spending on hardware is expected to slip by 4%, while the service sector, which had continued expanding through 2002, will likely not grow either. The continued decline is attributed to sluggish demand caused by the prolonged economic downturn coupled with significant increases in the performance of hardware and software that have enabled data processing previously requiring large computers and proprietary software to be done on small servers and mass-market software. According to IDC Japan, IT investment peaked at around ¥12.5 trillion (US\$106.9 billion) in 2000 but has declined every year since.

Media, Entertainment and Gaming

- **Sega Corp. returned to profitability for the fiscal year despite faltering sales.** The company reported a ¥3.1 billion (US\$26.2 million) profit for the year ended March 31, compared with a ¥17.8 billion (US\$152.7 million) loss for the prior fiscal year. Sales fell 4% to ¥197.22 billion (US\$1.7 billion) from ¥206.3 billion (US\$1.8 billion). Sega's operating profit declined 35% to ¥9.30 billion (US\$79.7 million) for the latest year from ¥14.2 billion (US\$121.8 million) for the prior fiscal year.
- **Nintendo Co. reported a 37% plunge in profits for the fiscal year as sales of its GameCube console fell short of expectations.** The company said net income was ¥67.3 billion (US\$572 million) for the fiscal year ended March 31st, down from ¥106 billion (US\$904.1 million) in the prior year. Sales totaled ¥504 billion (US\$4.3 billion) down 9%. As of March 31, 9.55 million GameCube machines have been sold around the world, short of Nintendo's goal of 10 million and far below the 51.2 million PlayStation2 consoles shipped world-wide so far.
- **Square Enix Co. reported mixed earnings for the last fiscal year.** The former Square posted a record group net profit of ¥14.1 billion (US\$120.3 million) for the year to March 31st, a turnaround from a year earlier loss of ¥16.6 billion (US\$141.6 million). Brisk sales of game software led by its "Final Fantasy" series, as well as restructuring after suffering massive losses in its movie business, helped improve its bottom line. Square's group revenue grew 9.9% to ¥40.3 billion (US\$343.7 million) from ¥36.7 billion (US\$312.2 million). The former Enix had a group net profit of ¥2.4 billion (US\$20.6 million), down 43% from ¥4.3 billion (US\$36.5 million) a year ago. Enix's group revenue dropped 12% to ¥21.9 billion (US\$186.8 million) from ¥24.8 billion (US\$211.5 million). Enix attributes the weak results on sluggish sales of the "Star Ocean Till the End of Time" software for use on Sony's PlayStation2 game console. For the current fiscal year, Square Enix targets a group net profit of ¥10.5 billion (US\$89.5 million) and revenue of ¥62.6 billion (US\$534 million).

Mobile / Wireless

- **KDDI Corp. has developed a prototype mobile phone handset that shows both terrestrial digital broadcasting and Internet-based information on the screen.** The handset will be available for trial service at the end of this year when terrestrial digital broadcasting services begin in selected areas. Developed jointly with NHK Science & Technical Research Laboratories and KDDI, the handset shows TV programs on the upper half of its screen and information via the Internet on the lower half.

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- **NTT DoCoMo Inc. said it will launch an e-commerce service on May 26th for users of its second and third-generation cell phones**, featuring virtual shops and online payment. Japan's mobile phone giant declined to comment on its revenue target for the new service, but said it expects to attract 900,000 users to the service in one year.

Telecommunications

- **Furukawa Electric, the world's second-largest fiber optic maker, posted a record annual loss and warned of more to come as its business continued to struggle after the telecommunications fallout.** Furukawa's United States fiber-optic unit has been hit hard as telecommunications carriers curb investments after overspending during the Internet bubble. Furukawa's consolidated net loss hit ¥114 billion (US\$977.9 million) in the year, dwarfing the previous year's ¥3.4 billion (US\$29.2 million) loss. Revenues slid 7.9% to ¥710.6 billion (US\$6.1 billion).
- **The Japanese government might relax the obligations it has put on NTT Corp.'s regional operators to open up their fiber-optic lines to other companies.** The General Affairs Committee of the Diet's upper house decided to study the possibility of changing the NTT operators' obligation to lease their fiber-optic lines to other telecommunications companies. Young telecommunications firms oppose the move, saying that it will lead to an NTT monopoly in the fiber-optic line business. The elimination of the requirement would lead to higher rates, and new telecommunications companies, like Softbank Corp., protest that this would throw their business plans into disarray. As a result, the committee toned down its original resolution calling for changes to instead suggest that changes be considered.
- **NEC Corp. will launch an IP telephony service for corporations July 1st.** The new business will be an all-encompassing service that offers to build the system, secure the communications lines, and operate the IP telephony network. NEC will adopt the IP Centrix method for this service, using a single dedicated server for central management of all IP phone calls, extension lines and call transfers inside the corporation. This is said to be 30-50% less expensive than a conventional corporate phone network based on a PBX (private branch exchange). NEC aims to generate total sales of ¥220 billion (US\$184.2 million) with this service over the next three years.
- **Sumitomo Mitsui Banking Corp. will become the first major Japanese bank to use the Internet Protocol-based phone system for its internal telephone network.** The bank plans to introduce the IP phone system for its three main branches in Tokyo and Osaka on a trial basis by July, and shift all of its approximately 50,000 telephones at 500 operational bases nationwide to the IP-format system in four to five years.

Korea

Media, Entertainment and Gaming

- **Electronic Arts is gearing up to make inroads into the rapidly growing Korean gaming market, with its recent appointment of its first Korean country manager.** EA Korea, set up four years ago, announced its selection of 34-year old Korean Hahn Su-jung as chief executive officer. She revealed her ambitious goal of expanding EA Korea's annual sales by over 50 percent this year.

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Mobile / Wireless

- **Korea's mobile data-service market is forecast to grow from 2 trillion won (US\$1.7 billion) this year to 7 trillion won (US\$5.8 billion) in 2007 according to IDC Korea.** The domestic mobile data-service market now includes diverse business models since new multimedia services were introduced last year following the explosive growth of SMS among mobile phone users. The diversification of mobile data services was also boosted by the upgrade of the cellular network technologies, particularly the launching of cdma2000 1x- and EV-DO-based networks. The handset market is fast shifting toward the EV-DO technology standard, allowing mobile phone users to enjoy faster transmission of data over the network.
- **SK Telecom Co. finalized its selection of Samsung Electronics Co. and LG Electronics Inc. as equipment suppliers for its 3G wireless services.** SK Telecom aims to launch the new wireless mobile services based on W-CDMA technologies around the end of this year. SK Telecom declined to reveal the value of contracts, saying negotiations are still underway to decide the exact terms. Samsung will provide equipment for the wireless business in the Seoul area, while LG Electronics hasn't decided its target region yet.

Semiconductors

- **South Korea has failed to persuade the United States to suspend its 57% tariffs on exports by Hynix Semiconductor.** The US Commerce Department, in an earlier decision, ruled in favor of Micron Technology alleging that Hynix received loans and guarantees from Korean government-backed lenders, unfairly allowing it to undercut rivals.

China

Internet

- **With people staying indoors to avoid SARS, China's portals and mobile phone text messages saw a marked increase in traffic** as China's 59.1 million Internet users searched for news relating to SARS and the efforts being taken to control it. Baidu, a Chinese-language search engine, saw an overall 9% increase in daily traffic. Sohu.com, a search engine and web portal, reported this month that SARS was its most popular search string, generating 30,000 queries a day. SinoLinx, the news side of the Xianzai.com web information service for foreigners in China, also puts SARS at number one.

Mobile / Wireless

- **UTStarcom, the biggest supplier of wireless phone systems to China, said it was two months behind on installing a citywide cordless system in Beijing** because SARS quarantine rules had kept engineers from their work. Beijing has quarantined more than 24,000 people in a bid to control SARS, which has infected more than 2,300 people in the city.
- **China Mobile and China Unicom subscriber growth slowed due to SARS. China Mobile Ltd. said it had 125.5 million subscribers at the end of April, up 1.7 million from a month earlier.** Net subscriber growth for April was lower than the two million users added during March, mainly due to SARS the company said. China Unicom Ltd. said its subscriber growth rate fell to 2.7% for April, the second lowest level for 2002 and 2003. April subscriber growth for Unicom's year-old CDMA service was 6.9%, one of the lowest rates in the system's short history.

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- **Haier-CCT Holdings will invest 250 million yuan (US\$30.2 million) to set up a wholly owned mobile phone manufacturing company.** The investment will replace Haier-CCT's original plan to provide a 161.3 million yuan (US\$19.5 million) interest-free loan to its existing handset joint venture with Haier Group, the mainland home appliance giant. Haier-CCT said it had changed its plan because it wanted to better align its capital expenditure plans and working capital needs. The new entity would enjoy import tax exemption and an income tax holiday as a new wholly foreign-owned enterprise.
- **Nokia unveiled a mobile phone specially developed by a team in Beijing for the vast Chinese-language market, featuring handwriting recognition and a design inspired by historical icons.** The Finnish mobile communications giant said the Nokia 6108, which can recognize Chinese and Latin character strokes on a touch pad, would be available in Asia-Pacific markets in the third quarter this year.

Telecommunications

- **The mainland's telecommunications sector will likely be one of the few industries to gain from SARS.** According to a study conducted by the policy research unit of the Ministry of Information Industry, the telecommunications industry will see revenue rise by between 4 billion yuan (US\$483.2 million) and 9.5 billion yuan (US\$1.1 billion), depending on how quickly SARS can be contained. Although investment in telecommunications equipment and infrastructure would slow down, traffic would increase as people cut down on travel and meetings, according to the director of the Institute of Communications Policy.

Venture Capital / Investments

- **The Zhangjiang Hi-Tech Park in the Pudong District of Shanghai has attracted US\$8 billion of investment in the past three years.** Of the total, US\$6.6 billion came from abroad, said the administration of the industrial park. The output value of the park has totaled 15.4 billion yuan (US\$1.9 billion) in the past three years. More than 1,000 software companies have been located in the software park in Zhangjiang, including Microsoft, India-based Satyam Computer Services, Japan-based Sony and domestic computer giant Legend. The industrial park expected its software sector to produce 13 billion yuan (US\$1.6 billion) of output value and US\$400 million of export volume by 2005.

Taiwan

Semiconductors

- **Macronix International, Taiwan's largest maker of memory chips for electronic games, will sell one billion new shares to help fund expansion and pay debt.** The sale, which will increase Macronix's shares outstanding by more than a quarter, would raise NT\$5.5 billion (US\$158.5 million). Macronix, which has posted six consecutive quarterly losses, has NT\$3 billion (US\$86.5 million) in debt maturing in 2006, NT\$6.3 billion (US\$181.6 million) in 2007 and NT\$3.1 billion (US\$89.3 million) the following year, according to Bloomberg data.

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Singapore / Malaysia

Mobile / Wireless

- **Three state agencies are set to acquire a 10.6% interest in Maxis Communication Bhd.,** Malaysia's largest cellular phone operator, for about 1.3 billion ringgit (US\$263.1 million) in one of the country's biggest ever secondary market equity placements. Harapan Nusantara Sdn. Bhd. -- which owns a 24.3% interest in Maxis -- will sell 260 million shares of the phone company at 5.10 ringgit to the Employees Provident Fund (EPF), Kumpulan Wang Amanah Pencen (KWAP), and Tabung Haji. Harapan Nusantara will sell 100 million shares each to the EPF, Malaysia's national pension fund, and KWAP, a civil service retirement fund. Tabung Haji will acquire the remaining 60 million Maxis shares.

Telecommunications

- **A dispute over foreign access to fiber-optic cables is boiling over in Asia.** In Singapore, SingTel owns most of the cables that connect buildings in the city center to cables that send data around the world. SingTel charges other carriers rates that are five or six times higher than in cities such as New York, say international carriers and U.S. trade officials. They contend that the dominant local carrier in other Asian countries charge high rates as well. Singapore Telecommunications Ltd. says its rates are fairly priced. The dispute highlights the intense competition for revenue as international carriers fight to stay afloat at a time when their Asian counterparts, such as SingTel have continued to prosper.

Hong Kong

Mobile / Wireless

- **Hutchison Whampoa has hinted to the market that it might miss its target of signing up two million third-generation (3G) mobile subscribers in Britain and Italy this year.** The conglomerate previously indicated it aimed to sign up one million subscribers in both markets. The company has already started 3G operations in Austria and Sweden, and plans to launch in Denmark and Ireland later this year. Analysts said Hutchison was trying to tone down market expectations for its 3G operations - particularly in Britain. Hutchison was recently reported to have 20,000 subscribers in Britain following its launch in March, trailing its Italian operation, which had more than 50,000 subscribers.
- **Hutchison Telecom is set for a summer launch of its 3G mobile phone service in Hong Kong after starting an online pre-registration campaign.** Hutchison Telecom's promotion was well received as more than 3,000 users snapped up new mobile numbers during an early-bird sign-up on Yahoo! .

Telecommunications

- **City Telecom may enter the local mobile market in 2006 should the government stick to a plan to open the sector further.** City Telecom would consider a market entry should the government proceed with plans to sell more mobile-phone radio spectrum in three years time, according to its chairman, Ricky Wong Wai-kay. While City Telecom is small relative to the leading players, it is one of the most profitable with interim profit of HK\$112.9 million (US\$14.5 million).
- **PCCW has applied for a judicial review of an Office of the Telecommunications Authority (OFTA) ruling on broadband interconnection.** This marks the first time a telecom operator has challenged an OFTA decision through legal channels, and could change the landscape of Hong Kong's

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broadband market. PCCW is seeking relief from an OFTA determination on terms and conditions of type two broadband interconnection, through which it links its local loop with rival operators.

- **A price war is looming in the long-distance telecommunications market, with Wharf T&T announcing a 75% reduction for calls to China for its corporate clients.** The Wharf unit is lowering its mainland calling charge to 17 cents per minute from 67 cents-- its second reduction in four months-- in a bid to grab market share from rivals. The three-month promotional offer is believed to be aimed mainly at the IDD business of City Telecom, whose pay-television services to be launched in summer will be a threat to market-leader i-Cable Communications, a subsidiary of Wharf.

United States / Canada

e-Commerce

- **eBay Inc., looking to expand its online marketplace and attract mainstream shoppers, will let customers pay for their purchases with frequent-flier miles and other loyalty-program points.** Under the program, eBay customers will be able to exchange loyalty-program points earned from Hilton Hotels Corp., Sprint Corp. and others for eBay "Anything Points." The Anything Points, worth one U.S. penny each, can then be used to buy most of the roughly 16 million items offered on eBay. Additional merchants are expected to offer Anything Points directly. eBay doesn't yet have a points-exchange agreement with a major airline, but users can exchange frequent-flier miles earned from American Airlines and other airlines, through the Web site of Points.com Inc.
- **Priceline.com Inc. expects to post a second-quarter profit and improved full-year results, helped by rising hotel revenue.** The firm confirmed its May 1st forecast for improved year-to-year bottom-line results and said it is targeting 25 percent-plus annual growth in hotel revenue for the second half of 2003, as well as growth in gross bookings by year end. Priceline revenue has fallen in recent quarters as a weak economy, the Iraq war and terrorism fears curb travel. In last year's second quarter, the company reported net profit of US\$6.3 million. For all of 2002, Priceline reported a net loss of US\$21.5 million including a US\$24.2 million charge for investments that lost value. On a pro forma basis, the company earned US\$9.5 million for the year. Revenue fell 14% from a year earlier to just over \$1 billion.

Hardware

- **Cisco Systems Inc. said it will take a charge of up to US\$500 million related to its pending acquisition of storage switch maker Andiamo Systems Inc.** In its quarterly 10-Q filing with the Securities and Exchange Commission, Cisco said that a new SEC requirement related to variable interest entities means it must consolidate Andiamo on its financial statement on July 27th, the first day of fiscal year 2004, resulting in a non-cash cumulative charge of \$200 million to \$500 million.

Internet

- **Bluefly Inc., an Internet clothing retailer, said a group led by billionaire investor George Soros had invested another US\$1 million in the company, giving it additional cash for operations.** Fulfilling a previous commitment to provide up to US\$1 million in cash if needed, Soros Private Equity Partners acquired series E convertible preferred stock, convertible into common stock at rate of 76 cents per share, and earning a 12 percent annual dividend. The Soros group, which has invested more than US\$50 million in Bluefly, now holds a fully diluted stake of 76.5 percent.

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Media, Entertainment and Gaming

- **TiVo Inc. narrowed its loss for its fiscal first quarter and reported strong revenue and subscriber growth.** TiVo said its loss for the period ended April 30th was US\$7.9 million as compared with a loss of US\$35.2 million a year earlier. Revenue rose to US\$28.5 million from US\$13 million. The company said it added 79,000 subscriptions during the quarter, bringing the total subscription base to 703,000 versus a year earlier when it added 42,000 subscriptions. For the current fiscal year, TiVo expects to add 450,000 to 600,000 subscriptions, more than double the number added in the previous year. This would raise the subscriber level to more than one million by Jan. 31, 2004. The firm still expects operating losses of US\$6.9 million to US\$8.3 million in the current quarter, and US\$27 million to US\$38 million for the full fiscal year.
- **Infogrames Entertainment SA sold more than one million copies of its big-budget "Enter the Matrix" videogame one week after its launch in the U.S. and Europe,** underscoring the game industry's attempt to ride the success of movie hits through tie-ins with Hollywood. The game, which shares characters and plot elements with the "The Matrix Reloaded" film released last week, is Infogrames's big-money gamble on a blockbuster title. The company is betting that a megahit will help preserve its position among the ranks of top videogame publishers, at a time when it is struggling financially and profitability increasingly depends on having size and scale.

Semiconductors

- **Agilent Technologies Inc. posted a narrower loss amid flat revenue, with orders for semiconductor-testing equipment being one bright spot.** The company reported a net loss of US\$146 million compared with a loss of US\$253 million a year earlier. The recent quarter included US\$74 million of restructuring charges and intangibles amortization. Revenue edged up less than 1% to US\$1.5 billion.
- **National Semiconductor will take a fourth-quarter charge as it plans to cut about 340 jobs and to close a business unit as part of its efforts to reduce costs.** The maker of electronic chips used in everything from cell phones to cars, said it expects to take a charge of US\$25 million to US\$30 million in the fourth quarter due to the cost cutting.

Software

- **Microsoft Corp. has agreed to buy rights to Unix technology from SCO Group Inc., a boost to SCO's controversial campaign to exact royalties for a predecessor to the Linux operating system.** No financial terms are being disclosed in the deal, under which Microsoft will license SCO's Unix patents and underlying source code. In recent years, Unix has been supplanted on Intel-based server machines by Linux, a free offshoot of Unix that was refined by a cadre of volunteer programmers. SCO contends that those programmers copied major chunks of Unix code. To protect what it regards as its intellectual property, SCO hired the law firm Boies, Schiller & Flexner, whose lead attorney, David Boies, played a major role in the government's antitrust case against Microsoft. Linux backers have reacted angrily, stating that SCO hasn't identified any offending parts of the software.
- **Novell Inc. posted flat revenue as its losses narrowed in the fiscal second quarter ending April 30th.** The maker of networking software posted a loss of US\$28.6 million compared with a loss of US\$173.5 million a year earlier. Revenue edged up to US\$276 million from US\$273.9 million a year earlier. The recent quarter included US\$21.8 million for restructuring and merger reserves, as well as US\$14.5 million for investment write-down; excluding items, the loss was US\$6.8 million.

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Telecommunications

- **MCI, accused of inflating profits by at least US\$9 billion in the biggest accounting scandal in U.S. history, agreed to pay investors US\$500 million to settle fraud charges.** MCI, formerly known as WorldCom Inc., actually agreed to pay a US\$1.5 billion fine to settle the charges -- the largest the Securities and Exchange Commission has ever imposed. But that amount would be reduced to US\$500 million in proportion to the approximately 35 cents on the dollar that most creditors are receiving as part of MCI's proposed plan to emerge from bankruptcy.
- **Ciena Corp. trimmed its fiscal second-quarter loss, but revenue declined 16% amid continued weakness in spending for telecommunications equipment.** The maker of optical-networking systems posted a net loss of US\$75.5 million for the period ended April 30th, compared with a loss of US\$612.2 million a year earlier. The latest quarter included charges of US\$4.4 million for deferred stock compensation, US\$3.4 million for amortization of intangible assets as well as restructuring costs of US\$2.7 million. The company also said it recorded a US\$1.4 million gain for excess and obsolete inventory. Revenue in the latest quarter dropped to US\$73.5 million from US\$87.1 million a year earlier.
- **AT&T Corp. plans to announce as early as next week that it is taking steps toward offering cell phone service again.** Only two years after spinning off its wireless business, AT&T plans to package the service of AT&T Wireless Services Inc. with its phone service. AT&T has said repeatedly that it needs to offer more service packages and has made no secret of its desire to strike marketing partnerships with wireless carriers. AT&T's plan is part of a broad trend toward package deals in the phone industry that has left companies that can't offer a full range of services at a disadvantage.
- **Blackstone Group is taking a significant position in the bonds of Adelphia Communications Corp.,** now operating under Chapter 11 bankruptcy-court protection. By taking a stake and joining the creditors' committee of Adelphia, Blackstone is trying to gain control of the cable-TV company. If financial investors can succeed in cleaning up the mess at Adelphia, they could eventually sell it to strategic investors who are on the sidelines today. Adelphia's bonds already have rallied from their lows in the mid-20-cents-on-the-dollar range in July and August of last year, and now trade at about 47 cents on the dollar.

Europe

Mobile / Wireless

- **Paris could soon be among the first cities to offer ubiquitous wireless Internet access.** Two technology firms and the agency that runs Paris' Metro have launched a test run that, if successful, could lead to Paris becoming one massive "hot spot." In the trial, a dozen antennas were erected last month outside Metro stations lining a bus route, allowing anyone nearby to go online with a computer equipped to receive the signals.
- **Nokia Corp. has lost further ground in the market for handsets** according to research firm Strategy Analytics who estimates that Nokia supplied only 7.6% of the CDMA phones shipped in the first quarter compared with 11.3% in the same period a year ago. By contrast, Samsung Electronics Co. of South Korea increased its share of the fast-growing CDMA market to 29% from 26.6%.
- **U.K. mobile-telecommunications network provider mmO2 PLC booked a £8.3 billion (US\$13.6 billion) write-down,** mostly on the value of its third-generation network licenses, and hinted that

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it could be in talks regarding the future of its German business. The company's net loss widened to £10.1 billion (US\$16.6 billion) for the year ended March 31st, compared with a loss of £850 million (US\$1.4 billion) a year earlier. Revenue gained 14% to £4.9 billion (US\$8.0 billion) from £4.3 billion (US\$7.1 billion). The full-year results are mmO2's first as an independent company following its spin off from BT Group PLC.

Telecommunications

- **BT Group PLC is the only top-tier telephone company in Western Europe without a mobile-phone network.** While Deutsche Telekom AG, France Telecom SA and TeliaSonera AB of Sweden all reported revenue growth of at least 3% in the first quarter, analysts expect BT's revenue to be virtually flat. That is in part because BT took the drastic step of spinning off its mobile business in late 2001, now called mmO2 PLC, to reduce its burgeoning debt. By contrast, BT's similarly debt-ridden peers in other European countries clung to their mobile divisions during the tough times and are now using the double-digit growth in those units to compensate for their lackluster fixed-line businesses.
- **The European Commission fined Deutsche Telekom AG €12.6 million (US\$14.8 million) for unfair pricing practices within Germany's local telephone network.** This is the first time that the commission has found a former state-run operator guilty of abusing its dominant position in more than 20 years. The commission said Deutsche Telekom used its dominant position to prevent rivals from entering the market for voice and data connections, including high-speed Internet or broadband services. Deutsche Telekom charged competitors higher fees for access to its local network than it charged its own subscribers.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 5/23/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	116.9100	-0.7%	-11.2%	1.6%	6.7%
Hong Kong dollar	HK\$/ US\$	7.7994	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2768	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7226	0.2%	-6.8%	0.7%	4.4%
South Korean won	KRW/ US\$	1194.2000	0.5%	-9.1%	-0.7%	4.1%
New Taiwan dollar	NT\$/ US\$	34.7130	0.0%	-0.8%	-0.2%	-1.2%
Australian dollar	US\$/A\$	0.6603	1.2%	29.6%	17.6%	18.6%
New Zealand dollar	US\$/NZ\$	0.5845	0.6%	40.4%	11.4%	24.2%
Philippine peso	PHP/ US\$	52.8200	-0.4%	2.3%	1.5%	-4.7%
Euro	US\$/€	1.1838	2.1%	33.1%	12.8%	28.5%
British pound	US\$/£	1.6354	0.9%	12.5%	1.6%	12.2%

Fixed Income Prices and Yields							
Note	Currency	Current (on 5/23/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	118.0469	4.26%	115.2656	4.42%	108.1563	4.84%
Japan 30-year	¥	127.2315	0.96%	128.9270	0.91%	127.5760	0.95%
Hong Kong 10-year	HK\$	126.6187	2.99%	124.9396	3.25%	121.8324	3.76%
China (10/2027)	US\$	127.0362	5.48%	123.9075	5.68%	107.8333	6.84%
Singapore 10-year	S\$	119.7750	1.65%	119.6164	1.69%	118.0725	1.92%
South Korea 10-year	US\$	125.2994	3.23%	124.6137	3.38%	121.7455	4.00%
Australia 15-year	A\$	112.7370	4.87%	110.8300	5.10%	109.1340	5.31%
New Zealand (07/2009)	NZ\$	108.8022	5.30%	107.9652	5.46%	106.7260	5.70%
Philippines 20-year	PHP	137.8960	13.01%	138.7446	12.92%	131.8213	13.66%
India 20-year	INR	148.0307	6.11%	146.4587	6.22%	145.7160	6.28%
UK 30-year	£	99.5770	4.27%	97.3165	4.42%	94.2601	4.61%
Germany 30-year	€	116.1420	4.47%	113.1165	4.65%	109.6325	4.86%

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