

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



Week of 25 May - 31 May 2003

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Equity Market Indicators					
Index	Closing Level (5/30/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	963.59	3.4%	-16.5%	9.5%	22.3%
Dow Jones Industrial Avg.	8,850.26	3.0%	-12.1%	6.1%	19.6%
Dow Jones Tech. Index	254.04	3.5%	-24.7%	10.6%	48.1%
Dow Jones Telecom. Index	162.03	4.0%	-22.3%	9.6%	29.9%
NASDAQ Composite	1,595.91	5.9%	-19.4%	19.5%	41.4%
The Street.com Net	120.32	7.5%	-38.5%	40.5%	91.0%
Japan Nikkei 225	8,424.51	2.9%	-22.5%	-1.8%	0.9%
Japan TOPIX	837.70	1.4%	-20.5%	-0.7%	2.3%
Korea KOSPI Composite	633.42	3.6%	-12.6%	0.9%	8.3%
Korea Kosdaq	47.18	3.4%	-36.6%	6.4%	7.8%
Taiwan Stock Exchange	4,555.90	4.7%	-18.6%	2.3%	18.0%
Singapore Straits Times	1,349.00	2.3%	-17.0%	0.6%	1.0%
Hong Kong Hang Seng	9,487.38	2.0%	-16.4%	1.8%	7.3%
Hong Kong GEM	1,121.15	1.0%	-41.1%	18.0%	23.3%
China Shanghai (A-Share)	1,650.30	1.0%	-1.6%	16.3%	19.0%
China Shenzhen (A-Share)	464.40	1.7%	-5.2%	13.3%	18.2%
China Shanghai (B-Share)	119.50	2.9%	-29.3%	5.3%	6.1%
China Shenzhen (B-Share)	225.57	3.2%	-13.8%	20.6%	20.8%

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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
5/27/03	Crystal Decisions Inc. [CRSX.US] (NASDAQ)	Software	US\$172.5	Provides business intelligence software and services that enable the effective use and management of information within and among enterprises.	Goldman Sachs	Citigroup, Morgan Stanley, Tom Weisel Partners LLC

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

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 5/30/03	% 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 5/30/03	% Change From Offer
5/29/03	Tiancheng Co. Ltd. of Taiyuan [600392.CH] (Shanghai)	Manufactures intelligent electronic equipment, develops application software, and provides engineering and system integration services. The company's products include digital liquid level sensors, measurement instruments, and educational software.	US\$27.9	RMB9.73	RMB18.58	91.0%
5/30/03	Kings Information Co. Ltd. [6240.TT] (GRETAI)	Publishes computer related books, offers business packaged software, system integration, and Microsoft office user specialist certification.	US\$2.4	NT\$35.0	NT\$32.6	-6.9%
5/30/03	Information Planning Co. Ltd. [3712.JP] (Tokyo)	Develops and sells business application software including financial analysis and accounting software-- also provides related consulting services.	US\$3.5	¥280,000	¥560,000	100%

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Weekly Highlights

International

Hardware

- **Computer server sales in the Asia-Pacific region increased 7% to US\$1.1 billion in the first quarter from a year ago**, but the SARS outbreak could hit demand in the June quarter, according to an industry monitor. Technology research house Gartner said regional economies severely affected by the SARS epidemic could see weaker demand in the second quarter.

Internet

- **AOL Time Warner Inc., frustrated by its slow progress in reaching China's one billion-plus potential television viewers, is now hooking up with an influential insider to crack the market.** The move underscores how tough it is for foreign media to crack the potentially lucrative Chinese media market and comes as the media giant is retrenching from ventures across the world to raise cash to pay down debt. AOL's China Entertainment Television channel (CETV) station is bleeding red ink and has managed to capture just two percent or less of the market in Guangzhou after a year and a half of operations. AOL Time Warner Inc. is now negotiating to sell a controlling stake to tom.com, which is backed by Li Ka-shing.

Media, Entertainment and Gaming

- **Sega Corp. said it is considering an offer from Electronic Arts Inc. to form a North American sales venture, which would help shore up Sega's poor performance in the world's largest gaming market.** Sega Senior Officer Hisao Oguchi told Reuters that it already had received an offer to join with EA on North American sales of consumer videogames.

Software

- **Companies are increasingly reviving old personal computers and retrofitting them with the Linux free operating system.** Efforts to revive old PCs were uncommon until now because their operating systems were difficult to obtain, but the spread of Linux is turning the tide.

Telecommunications

- **Phone carriers and equipment makers are trying to perk up the fixed-line telephone market by copying some of cellular's hottest selling points.** They are offering home and office handsets modeled after cell phones, with features including big contact lists, lots of options accessible by on-screen menus, and even special ring tones. Among the latest offerings: text messaging on home telephones. Millions of consumers, mostly in Europe and Asia, already send short messages between their wireless handsets. New York research firm Frost & Sullivan estimates such messages brought in US\$36 billion to operators worldwide last year. On average nearly 10% of European wireless carriers' total revenue comes from text messaging fees.
- **XO Communications (XO) has offered to acquire all of bankrupt Global Crossing in a bid valued at US\$700 million**, challenging Singapore Technologies Telemedia's offer for control of the fiber-optic network operator. XO offers includes \$250 million of cash; \$200 million of notes backed by Global Crossing's assets; \$200 million of preferred stock in Global Crossing after it exits Chapter 11,

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and 15 million warrants to buy XO shares at \$10 each. XO emerged from bankruptcy protection in January after shedding \$4.6 billion in debt and selling control to Mr. Icahn, XO's chairman. Carl Grivner, former chief operating officer of Global Crossing, became XO chief executive. Global Crossing filed for bankruptcy last year with more than \$12 billion in debt after building a 160,934km fibre-optic network. ST Telemedia is seeking United States approval of its \$250 million offer for 61.5 per cent of the company, after partner Hutchison Whampoa pulled out of the bid amid an expanded regulatory review

- **NEC Corp. and China Netcom Corp. will this fall start offering corporate clients next-generation IPv6 (Internet Protocol version 6) networks spanning Asia.** To this end, NEC will team up with China Netcom subsidiary Asia Netcom Japan in building the IPv6 network that enables users to transmit at speeds of up to 6Mbps video data comparable in resolution to TV broadcasts. NEC will provide corporate clients with equipment needed to build the IPv6 network, including routers, while Asia Netcom will make available an Asian portion of the undersea cable that China Netcom acquired from Global Crossing Ltd. The network will enable corporate users to hold teleconferences connecting offices and factories across Asia.

Japan

Hardware

- **Sony plans to realign its global manufacturing bases over the next three years to increase the cost-competitiveness of its lackluster electronics operations** according to Nihon Keizai Shimbun, a Japanese newspaper. Sony plans to consolidate the production of core components for its products at some factories, aiming for economies of scale through mass production. The consolidation was prompted by intensifying competition from South Korean and Chinese consumer electronics firms. Sony concluded that it could not be competitive unless it reduced the number of factories the company now runs--30 assembly plants and some 20 factories manufacturing components worldwide. The expected consolidation of factories is the centerpiece of a ¥300 billion (US\$2.6 billion) structural reform announced in April.
- **Major Japanese electronics firms are trying to disperse the risk of heavy capital investment in their flat-panel display operations by teaming up with one another.** Realizing the limiting factor in last year's sales of LCD TVs was access to flat-panel displays but equally wary of over investment into increase production capacity of displays in light of South Korean and other rivals aggressive move to expand capacity, many Japanese electronics firms are trying to partner with one another in flat-panel production in order to spread the investment risk. Toshiba Corp. and Matsushita Electric Industrial Co. set up the first such joint venture in spring last year owned 60% by Toshiba and 40% by Matsushita.
- **Toshiba Corp. and Hitachi Ltd. plan to market new types of digital video recorders in the latter half of the year** according to Nihon Keizai Shimbun. Toshiba will as soon as October release a DVD recorder compatible with both the DVD-RAM and DVD-RW formats, an industry first. Analysts had speculated that the spread of DVD recorders would be hindered due to the rival formats. Toshiba will outsource production to a Chinese manufacturer, which will produce 50,000 units a month. The recorder will be simultaneously marketed in Japan, the U.S., the U.K. and France, among other countries.

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- **Sanyo Electric will more than triple production capacity of digital cameras in China this year to meet growing demand.** Sanyo would raise production capacity at its plant in Guangdong Province in southern China from one million units a year to 3.6 million units according to Nihon Keizai. The company believed China's importance as a production base would remain unchanged in the long term although the nation had been hit by the SARS epidemic. Sanyo would also establish a parts-procuring center in Shenzhen this summer, aiming to boost the local procurement ratio in value from the current 10% to 70% in four to five years.
- **Japanese LCD parts/components makers are set to sharply expand their production capacity** in response to stepped-up efforts by South Korean and Taiwanese LCD manufacturers to make larger LCDs and further raise output. Asahi Glass Co. is spending ¥12 billion (US\$101.3 million) to boost production of LCD glass substrates by 70%. Nippon Electric Glass Co. is set to install a ¥10 billion (US\$84.4 million) kiln for large LCD substrates at a plant in Shiga Prefecture to raise output capacity by 50%. The company also plans to build a ¥3 billion (US\$25.3 million) glass substrate processing plant in Taiwan that is expected to go on line in about a year. Mitsubishi Rayon Co. is constructing a plant to produce acrylic resins used in LCDs slated to become operational in November; the facility will produce 40,000 tons of resins, increasing the firm's overall capacity by 70%. NEC Electronics Inc. is poised to increase the monthly output of LCD drivers, a device to transmit images to LCDs, to 13,000 units this autumn from the current 11,000.

Mobile / Wireless

- **J-Phone Group is scheduled to give up its brand name and become Vodafone in October.** Prior to that, the company has turned some of its shops into Vodafone outlets on a trial basis. Both J-Phone and Japan Telecom Co. are subsidiaries of Japan Telecom Holdings Co., in which Vodafone holds a majority stake. After Japan Telecom is sold off to Ripplewood, that will leave the holding company and J-Phone in the group. If the holding company becomes the surviving entity, the merged firm's stock will remain listed on the stock exchange, paving the way for more fund raising through public share offerings and other means. The fund needs at J-Phone, which plans to invest about ¥300 billion in its third-generation (3G) phone service in the current business year, remain as great as ever.

Telecommunications

- **Japan Telecom Holdings Co. said it swung to profitability on the back of new subscribers for its J-Phone mobile unit and cost-cutting efforts.** The company posted a group net profit of ¥79.5 billion (US\$680.4 million) for the year ended March 31st, a recovery from a loss of ¥66 billion (US\$555.8 million) for the prior fiscal year. Japan Telecom had previously given a profit outlook for ¥65 billion (US\$547.5 million). Group revenue rose 5.5% to ¥1.8 trillion (US\$15.2 billion) from ¥1.7 trillion (US\$14.3 billion) in the prior fiscal year. The company was able to attract new subscribers for its J-Phone mobile unit and cut sales-promotion costs, offsetting negative impact from its falling monthly average revenue per user.
- **NTT DoCoMo Inc. began field trials of signal transmissions for fourth-generation (4G) wireless communications,** which promises cell phones capable of transmitting data at speeds as fast as an optic fiber network. The testing will help verify the essential technologies for 4G wireless cellular phones, standards for which the International Telecommunications Union (ITU) aims to have ready by 2010. Last year NTT DoCoMo conducted successful indoor tests on a system that could send signals downstream at 100 megabits per second and upstream at 20Mbps. The outdoor trials will test the VSF-

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OFCDM communications protocol for downstream transmissions and the VSF-CDMA protocol for upstream communications.

- **NTT DoCoMo Inc. plans to launch a service through which cellular phone users will receive on their Internet-compatible handsets the latest information on stores that they often visit.** Cell phone companies are increasingly offering data services because communications fee revenues are hitting a ceiling. DoCoMo aims to boost revenue from its data services, which now account for roughly 20% of total sales. The company will begin a trial service next month and kick it into full gear by the end of the year. When supermarkets, department stores and other retailers issue membership cards, they will ask customers to provide their cell phone e-mail addresses. These registered customers will be able to view via the i-mode Internet-compatible cell phone service information on the store's latest sales and other related topics.
- **Japan's three major telecommunications firms saw their combined fiscal 2002 consolidated sales fall below those of the previous year as cellular phone subscriptions leveled off.** Cell phone subscriptions had been making up for a decline in fixed-line phone operations and the firms' IP access services. The combined group sales of NTT Corp., KDDI Corp. and Japan Telecom Holdings Co. slipped to ¥15.5 trillion (US\$130.9 million). NTT and KDDI saw their group sales fall 1% and 2%, respectively, while Japan Telecom Holdings' group sales rose 6% on the year.

Korea

Hardware

- **LG Electronics is likely to strengthen its grip on the plasma display panel market by purchasing a stake in LG Micron,** according to Goodmorning Shinhan Securities. LG Electronics purchased 1.17 million shares of LG Micron from LG International Corp. and LG Innotek, increasing its share from 17.2% to 37.4%.
- **Hynix Semiconductor Inc. said it has launched volume production of its Handy SDRAM,** an ultra-low power mobile SDRAM used in next-generation mobile handsets, PDAs, digital still cameras and various other consumer products. Hynix has applied various leading-edge low-power technologies to maximize the efficiency of the product performance. By applying its new power-saving technology geared to control self-refresh and speed within the DRAM cell, Hynix said it has reduced power consumption further while increasing speed.

Internet

- **Daum Communications Corp., celebrated the fourth anniversary of its popular online community service known as "Cafe."** The leading dot-com venture introduced the online community service, in which like-minded people can chat real-time, post messages in bulletin boards and pursue both online and offline club activities, in 1999. The service, the biggest in Korea, boasts 2.5 million cyber clubs and some 24 million users. Daum said about 10,000 groups are being created and 1.27 million people sign up for the Cafe service on a daily basis.
- **Korea's major portal service providers are making their instant messenger programs a key gateway to core services.** Instant messaging functions are expanding as portals linking their community, content and commerce services to these programs. Multimedia features have been added to messenger programs so that people can listen to music and play games while chatting. Korea with more

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than 10 million broadband users, instant messengers are widely used thanks to the "always-on" connectivity bolstered by the high-speed Internet access. MSN Messenger, one of the largest messenger services in Korea, is adding new services like resources for studying English, horoscopes and news channels to its program. MSN said it plans to add games to its next version of its messenger software as part of efforts to channel more Web traffic to its portal service.

Media, Entertainment and Gaming

- **Korea's fast-growing game industry has promising potential but is now facing greater risks in rolling out new titles because of the steep increase in development costs**, according to Korea Ratings. The research firm said Korea's game industry, which is valued at about 4 trillion won (US\$3.3 billion) annually, is entering a phase in which developers spend more time and money to produce a single title. As cash-strapped Korean game makers are reluctant to opt for high-stakes title development, the top-five players are virtually dominating the PC market, and Japanese software controls about 90% of the arcade game market. Korea Ratings said hundreds of mobile software developers for compact gaming devices are facing stiff competition on price.
- **Plenus Entertainment Inc. planned to acquire the remaining 49% stake, which it did not already own, in Netmarble, a sports betting services provider.** Plenus provides software-consulting services and had sales of US\$12.1 million last year. While the take over was friendly, the value of the transaction is not yet released.

Mobile / Wireless

- **Samsung Electronics is shifting its business strategy for its flagship Anycall brand in a bid to further strengthen its grip on the fast-evolving handset market in Korea.** Samsung has long dominated the domestic handset market with its Anycall brand name, developing a chic and fashionable image among tech-savvy Korean consumers. It continues to bombard TV and print media with Anycall ads, beating out other handset makers, notably LG Electronics, in terms of brand recognition. The move is widely seen as an attempt to cement its market dominance as deepening saturation poses a threat to handset makers.
- **Korea's fixed-line carriers are staging a series of field tests of 2.3 GHz mobile Internet technologies**, intensifying the competition over the new service that analysts and industry observers said could drastically reshape the broadband industry. A host of foreign firms including Flarion, Arraycomm and Broadstorm are promoting their 2.3 GHz technologies, offering tests to Korean carriers in the hopes that their solution for the new mobile service would be implemented. The leading core technology developers are spearheading standardization for the new technology through the IEEE 802.16 (broadband wireless access) and 802.20 MBWA (mobile broadband wireless access) standards working groups. KT Corp. and Hanaro Telecom Inc. are rushing to grab the lead in implementing 2.3 GHz mobile Internet services.

China

Hardware

- **Legend Group Ltd. net profit for the year came in at the lower end of market expectations.** Nevertheless, analysts said that a special dividend of 5.2 H.K. cents, continued share buybacks initiatives

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and the Chinese company's strong position in the PC market should help maintain investor confidence in the stock. Net profit for the year ended March 31st slid 1.9% to HK\$1 billion (US\$130.8 million).

Software

- **Shanda Networking has acquired almost 20% in Tokyo software developer Bothtec Inc.** Shanda, which offers popular online games to paying customers, will provide in China a multiplayer online game being developed by Bothtec. Shanda is to provide the game, part of Bothtec's "Galactic Hero Saga" series, as early as the start of 2004. China's game market is growing rapidly, with companies offering versions of titles developed abroad. Shanda hopes to form other partnerships with Japanese game developers.

Telecommunications

- **China Netcom Group is confronting a difficult second year as an unresolved merger plan is still looming and the firm is making limited progress in integrating the three-telecom firms it was created from.** One of China Netcom's biggest challenge is how to sort out the equity relationship among its three constituent companies -- whose collective assets include China Telecom's fixed-line assets in ten northern provinces and the IP backbones of Little Netcom and Jitong.

Taiwan

Semiconductors

- **Taiwan Semiconductor Manufacturing Co will report record sales in May** because of increased demand, according to the Economic Daily News. Taiwan Semiconductor has received orders that will use more than 85% of its capacity between May and August. The company said it used 67% of capacity in the first quarter. Increasing sales have prompted overseas investors to buy a net 382 million Taiwan Semiconductor shares in the past month. Taiwan Semiconductor's sales last year rose 29% to NT\$162.3 billion (US\$4.7 billion), in line with its forecast. Global semiconductor sales last year rose 1.6% to US\$155 billion.
- **Sales of semiconductors grew at their slowest pace in eight months in April, rising 9.7% from the same period a year earlier.** Worldwide sales last month rose to US\$12.1 billion from US\$11.3 billion in 2002, according to the Semiconductor Industry Association. Sales were unchanged from March, when revenue grew 13%. Continued stagnation in the world's economy and the outbreak in China of SARS caused businesses and consumers to defer purchases of electronics, said George Scalise, the group's president. In the U.S. the industry association pushed back its expected time for companies to upgrade their aging personal computers.

Singapore / Malaysia

Telecommunications

- **Telekom Malaysia announced that its first-quarter net profit rose 5.3% from a year ago, largely due to lower tax charges.** The country's dominant telecommunications carrier said its net profit for the three months to March was 279.6 million ringgit (US\$73.6 million). At an operating level, profit fell 11% from last year to 417.7 million ringgit (US\$109.9 million) due to higher operating costs. Sales rose 1% to

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2.4 billion ringgit (US\$615.8 million) mainly due to higher revenue from interconnects, data, Internet and multimedia as well as other telecommunications services.

- **Singapore Telecommunications announced the sale of its directories business for S\$220 million (US\$127 million) in cash to two regional private equity firms.** SingTel Yellow Pages (SYP) was to be acquired by CVC Asia Pacific and JP Morgan Partners Asia following a competitive bid as part of SingTel's strategic review of non-core subsidiaries. The divestment from SYP, which employs 346 people and reported a net profit of US\$21.1 million dollars on US\$83.5 million dollars in revenues in the year to March, follows the listing of another SingTel subsidiary, Singapore Post. The purchase price of SYP is subject to adjustments for changes in working capital. The sale of certain SYP assets is subject to regulatory approval.
- **Malaysia's DiGi Telecommunications said it would spend up to 200 million ringgit (US\$52.6 million) to boost its technological capabilities amid stiffer competition.** DiGi partnered with Siemens Malaysia to implement new technology enabling it to introduce third-generation (3G) mobile communications services over its 2.5G network. The move is part of efforts by DiGi, the country's third-largest mobile phone operator, to keep up with its rivals after withdrawing last year from a race to bid for 3G licenses.

Hong Kong

Telecommunications

- **The Commerce, Industry and Technology Bureau (CITB) has launched a three-month consultation on whether Hong Kong should continue its interconnection policy for local telecommunications operators.** CITB is asking the industry about different options governing interconnections, and is also seeking views on associated charges following the opening up of the telecom market seven years ago. The review will examine whether Type 2 interconnections -- customer links that must be provided by established carriers to non-network operators -- remain relevant and necessary to enable effective competition and promote investment in the local market. At present PCCW provides the most Type 2 interconnections to rivals such as Wharf T&T and New World Telecommunications; other competitors such as Hutchison Global Communications and City Telecom have opted to build their own networks.

United States / Canada

e-Commerce

- **eBay Inc.'s online marketplace infringed on two patents held by MercExchange LLC declared a jury in federal district court in Virginia and ordered eBay to pay \$35 million in damages.** eBay said it would ask U.S. District Court Judge Jerome Friedman to set aside the jury's verdict and, if that fails, will consider an appeal. The patents cover only fixed-price sales of merchandise and do not affect the much larger number of items sold through eBay's auctions. About one-third of items on eBay have a fixed-price option and eBay has said it is seeking to increase its revenue from such sales.

Information Technology

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- **Brocade Communications and Cisco Systems and their partners have cranked up efforts to persuade enterprises in the region to deploy storage area networks (SANs).** While the initiatives by Brocade and Cisco have focused on how SANs can cut the cost of managing growing volumes of corporate data, each has sought to convince the market that its own SAN switching technology is better in the long run. Analysts forecasted lackluster demand for SANs and research firm Gartner said in a recent report that either the vendors had failed to convey the message about the efficiency that SAN could bring and the associated returns on storage investment that could be realized, or organizations in the region saw SANs as too expensive and could not justify the expenditure.

Internet

- **Ask Jeeves Inc. has agreed to sell its enterprise software division,** allowing the company to focus solely on its growing Internet search business. Ask Jeeves said Kanisa Inc. --a leading provider of knowledge-empowered customer service applications -- will pay US\$4.3 million for the Jeeves Solutions unit. The deal, which includes the transfer of about 40 corporate customer accounts, will help Kanisa expand its offerings to its corporate clients worldwide.
- **Amazon.com on the surprise success of the free-shipping program announced revenue that exceeded Wall Street expectations.** While the program has cost the company money to set up, Amazon will continue to reap the benefits for years to come, says CEO Jeff Bezos. He says third-party sales on Amazon.com's site are now a very large part of our business. In the first quarter, third-party sales made up 19% of total revenue and customers have told the company they like to have the choice of both new and used products.

Media, Entertainment and Gaming

- **RealNetworks Inc., shifting its strategy for online-music distribution, is rolling out a service called Rhapsody** that lets subscribers buy and download songs for 79 cents a track. The offering is part of a new generation of online-music services spurred by the early response to Apple Computer Inc.'s iTunes Music Store. RealNetworks and others are racing to gain market share among users of the Windows operating system before Apple rolls out a Windows version of iTunes, expected later this year.

Mobile / Wireless

- **Cingular Wireless is close to a roughly US\$1.5 billion spectrum license deal with NextWave Telecom Inc.** The spectrum licenses from NextWave, which is operating under bankruptcy-court protection, could help turn around fortunes at Cingular, a joint venture of SBC Communications Inc. and BellSouth Corp. They could let the carrier offer broader service without additional roaming charges. Cingular, which has 22.1 million subscribers, has struggled of late. Last year it became the first major wireless provider to lose net customers for two straight quarters and it reported weak customer growth in the first quarter of this year.

Software

- **Microsoft Corp. took a steep loss on an investment it made in selling its stake in Telewest Communications PLC** for US\$5 million that had been valued at US\$2.6 billion just three years ago. The Telewest relationship is one of many that Microsoft had forged with cable companies during the 1990s as part of a US\$10 billion effort to develop a global market for set-top boxes that would use Microsoft software. Most of those endeavors proved as unsuccessful for Microsoft as was the case for Telewest.

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- **Microsoft withdrew a security improvement for its flagship Windows XP software after it crippled Internet connections for some of the 600,000 users who installed it.** The firm said Internet connections failed immediately for computers using Windows XP who downloaded and installed a patch incompatible with security software. Consumers could reconnect only by removing the patch that ironically promised to improve reliability for types of secure Internet connections commonly used by corporations.

Telecommunications

- **Adelphia Communications Corp., which is operating under bankruptcy protection, announced that it has reached agreement with a group of lenders that will enable it to have full access to a US\$1.5 billion credit facility for upgrading its cable systems.** The bank group, led by J.P. Morgan Chase and Citigroup, is making the money available after approving a budget that was drafted by Adelphia's new management team, led by cable industry veterans William Schleyer, chief executive, and Ronald Cooper, chief operating officer.
- **Juniper Networks Inc. Chief Executive Scott Kriens said his company should be able to increase profit even if customer spending stays the same.** Mr. Kriens said customers are still spending enough to allow Juniper and companies like it to increase earnings. Capital spending is a hot issue in the telecommunications industry, as spending has steadily declined in recent quarters while customers grapple with their own financial constraints. Mr. Kriens said he expects industry capital expenditures to fall to about US\$150 billion this year, down from US\$250 million last year. Mr. Kriens said the spending figure should remain relatively flat over the next few years.
- **Sprint Corp. announced that it has begun carrying out its promise to convert its local phone network** from conventional technology to a new system that could eventually let it offer such services as giving customers a single phone number for both their wireless and home phones. The change in Sprint's eight-million-line system will take place over the next 12 to 13 years. The company provides local phone service in smaller cities and rural areas in 18 states. Sprint first announced plans to swap its local phone switches with next-generation gear from Nortel Networks Corp. in late 2001. The announcement represents a scaled-down and more gradual version of that plan. Sprint's original contract with Nortel was valued at US\$1.1 billion.

Europe

Internet

- **Lufthansa said it signed a deal with Boeing Co. that will see broadband Internet service installed on its entire long-haul fleet.** Starting at the beginning of next year, all 80 of Lufthansa's long-haul jets, including the Boeing 747-400 and the Airbus A340 and A330, will fitted with Boeing's Connexion wireless Internet system.

Mobile / Wireless

- **Persuading consumers to use their phones for anything other than voice calls and text messages has been anything but easy for Vodafone Group PLC.** Vodafone is finally beginning to deliver on the promises it made to justify a US\$270 billion (€228.3 billion) acquisition spree that saw the company expand into 28 countries. Chief among those pledges was to use buying power and global reach to get better deals than rivals and generate revenue from new mobile phone services, such as Internet surfing,

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picture messaging, downloadable games and video clips. When Vodafone unveils its full-year results it is expected to at last report evidence of demand from customers for such services. Analysts believe Vodafone will also report strong growth in customers and margins driving the company's EBITDA to £11.5 billion (US\$18.8 billion), compared with £8 billion (US\$13.1 billion) the previous year and revenue to rise to £32 billion (US\$52.3 billion) from £22.9 billion (US\$37.4 billion), according to a survey of 10 brokerage firms by Dow Jones Newswires.

- **Nokia has run up against hard times in a key segment of the US market of late, but it is now gearing up for a major battle on archrival Motorola's home turf.** Newly released statistics show that Nokia's share in the CDMA market fell in the first quarter to 7.6%, down from 11.3% in the same period a year ago. The global system for mobile communications (GSM) mobile phone standard is widely used in Europe and the Asia-Pacific region, while North America, and a few Asian markets, favor the competing CDMA standard. In an aggressive bid to turn the gloomy figures around, the Finnish company has just launched five new CDMA phones. The CDMA market is dominated by US group Motorola and the Korean groups Samsung, LG and Kyocera.

Telecommunications

- **Vodafone Group PLC reported a sharp increase in revenue and cash flow for the year ended March 31st.** While the company's results, which echoed strong figures from other European operators and highlight the mini boom in earnings and revenue being enjoyed by the European mobile-phone industry, they did little to dispel investors' belief that this performance can't be sustained as regulators force down the cost of calls to and from mobile phones. The company's report that revenue jumped 33% to £30.4 billion (US\$49.8 billion) from the previous year, thanks in large part to the acquisition of a controlling stake in Japan Telecom Holdings Co. in October 2001, as well as an 11% increase in the number of customers for its existing operations. Boosted by sales growth and savings, Vodafone's EBITDA climbed 40% to £11.2 billion (US\$18.3 billion).
- **Telefonica SA, Spain's dominant telecommunications group, made an all-cash €1.73 billion (US\$2.05 billion) offer for the 62% of U.S. portal Lycos' owner Terra Networks SA** that it doesn't already own. The offer ends months of speculation over the future of the Internet-service provider and portal operator. If the bid succeeds, as expected, it will cap an era in which Spain's biggest banking and telecom companies spent billions of euros building up Internet businesses at home and in Latin America. Access to a Spanish-speaking market of more than 350 million people was expected to give these companies a competitive edge over other European competitors operating in much smaller local markets. But the aggressive foray into the Internet world hasn't paid off as expected. The takeover -- through cost cutting and the elimination of overlap -- would contribute €269 million (US\$315.9 million) to EBITDA said Telefonica. It also would give Telefonica access to Terra's cash pile, as well as some €700 million (US\$821.9 million) in tax credits. Telefonica said it would manage the U.S. Lycos unit as an independent company, a move analysts said could facilitate the sale of the portal operator to a larger competitor.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 5/30/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	119.3000	-2.0%	-9.4%	-0.4%	4.1%
Hong Kong dollar	HK\$/ US\$	7.7988	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\$	1.7331	-0.4%	-6.2%	0.2%	3.3%
South Korean won	KRW/ US\$	1206.0000	-1.0%	-8.2%	-1.7%	1.3%
New Taiwan dollar	NT\$/ US\$	34.7085	0.0%	-0.8%	-0.2%	-2.1%
Australian dollar	US\$/A\$	0.6528	-1.1%	28.1%	16.2%	15.1%
New Zealand dollar	US\$/NZ\$	0.5769	-1.3%	38.6%	10.0%	20.0%
Philippine peso	PHP/ US\$	53.2250	-0.7%	3.1%	0.7%	-5.6%
Euro	US\$/€	1.1784	-0.4%	32.5%	12.3%	26.1%
British pound	US\$/£	1.6364	0.1%	12.6%	1.6%	12.4%

Fixed Income Prices and Yields

Note	Currency	Current (on 5/30/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	115.9375	4.36%	117.9375	4.27%	109.3281	4.77%
Japan 30-year	¥	127.3305	0.96%	127.2355	0.96%	128.2725	0.93%
Hong Kong 10-year	HK\$	126.5217	2.99%	126.6187	2.99%	122.2763	3.68%
China (10/2027)	US\$	150.9611	4.16%	150.2145	4.19%	142.1230	4.61%
Singapore 10-year	S\$	119.5200	1.68%	119.8250	1.65%	118.3681	1.87%
South Korea 10-year	US\$	125.8853	3.10%	125.2994	3.23%	122.3852	3.86%
Australia 15-year	A\$	112.7680	4.86%	112.7370	4.87%	109.3950	5.28%
New Zealand (07/2009)	NZ\$	109.1575	5.23%	108.8022	5.30%	106.8154	5.68%
Philippines 20-year	PHP	148.1411	12.01%	137.8960	13.01%	136.0309	13.21%
India 20-year	INR	148.8853	6.04%	148.0343	6.11%	146.0825	6.26%
UK 30-year	£	98.1160	4.36%	99.1360	4.30%	94.4916	4.60%
Germany 30-year	€	114.0670	4.59%	115.0386	4.53%	109.6541	4.86%

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