

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



Week of 15 June - 21 June 2003

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Equity Market Indicators					
Index	Closing Level (6/20/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	995.69	0.7%	-13.8%	13.2%	28.1%
Dow Jones Industrial Avg.	9,200.75	0.9%	-8.7%	10.3%	26.0%
Dow Jones Tech. Index	280.88	2.0%	-16.7%	22.3%	54.9%
Dow Jones Telecom. Index	167.48	2.3%	-19.7%	13.3%	-100.0%
NASDAQ Composite	1,644.72	1.1%	-16.9%	23.2%	48.0%
The Street.com Net	122.57	3.0%	-37.4%	43.1%	97.9%
Japan Nikkei 225	9,120.39	1.6%	-16.1%	6.3%	9.7%
Japan TOPIX	898.73	2.0%	-14.7%	6.6%	9.8%
Korea KOSPI Composite	686.22	3.2%	-5.3%	9.3%	18.2%
Korea Kosdaq	50.80	2.1%	-31.8%	14.5%	16.5%
Taiwan Stock Exchange	5,002.58	2.5%	-10.7%	12.4%	31.1%
Singapore Straits Times	1,519.16	2.7%	-6.6%	13.3%	14.2%
Hong Kong Hang Seng	9,930.31	0.8%	-12.5%	6.5%	12.7%
Hong Kong GEM	1,132.50	-1.2%	-40.5%	19.1%	25.3%
China Shanghai (A-Share)	1,601.50	-2.4%	-4.5%	12.9%	16.8%
China Shenzhen (A-Share)	443.90	-2.4%	-9.4%	8.3%	14.1%
China Shanghai (B-Share)	115.09	-1.5%	-31.9%	1.4%	2.8%
China Shenzhen (B-Share)	220.65	-1.0%	-15.7%	18.0%	19.0%

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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 6/20/03	% 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 6/20/03	% Change From Offer
6/20/03	Chinasoft International Ltd. [8216.HK] (HKGEM)	Develops and provides solutions in China to government authorities and its IT service providers.	US\$6.6	HKD 0.32	HKD 0.42	31.3%
6/18/03	Taiwan Thick-Film Ind. Corp. [6246.TT] (GRETAI)	Manufactures and markets color deflection yokes. Also produces parts for flyback transformers, including focus packs, high voltage capacitors, and anode caps with wires.	US\$9.3	NT\$40	NT\$45.8	2.5%
6/17/03	Sun Korea Electronics Co. Ltd. [6067.KS] (KOSDAQ)	Manufactures power supply devices. Products include switching mode and high voltage power supplies used for printers and monitors	US\$1.8	KRW 1,200	KRW 3,760	213.3%
6/16/03	Zhangzhou PientZehuang PHA-A [600436.CH] (Shanghai)	Manufactures and markets Chinese traditional medicines, including Pientzehuang and its capsules, lozenge, cough syrup, and other related products.	US\$41.3	RMB 8.55	RMB 15.42	80.3%

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Weekly Highlights

International

Mobile / Wireless

- **The chief of NTT DoCoMo Inc.'s U.S. wireless unit said U.S. carriers should launch next-generation, high-speed services to differentiate themselves from competitors and increase market share**, despite the Japanese company's difficulties with its own rollout. Nobuharu Ono, the chief executive of NTT DoCoMo USA Inc., said that in the brutally competitive U.S. wireless market, new services are the best way for the six nationwide carriers to get new customers. DoCoMo has particular interest in seeing its partner AT&T Wireless Services Inc. get a headstart in offering third-generation services, which let users surf the Web and send photos and video at speeds similar to cable modems -- up to 40 times faster than older networks.
- **France Telecom SA said that it has sold its entire 5.4% stake in U.S. mobile operator Sprint PCS for US\$330 million.** The 56 million Sprint PCS shares were sold on the U.S. market through UBS Investment Bank. France Telecom had previously earmarked its Sprint PCS stake as one of the non-core assets it was seeking to sell.

Semiconductors

- **The Commerce Department upheld a preliminary ruling that South Korea unfairly subsidized semiconductor exports to the U.S.** but reduced the penalties proposed in its earlier decision. The decision, which would impose tariffs of as much as 44.7% on Korean chip imports, had been widely expected. Talks between the two governments since the preliminary ruling in April had failed to produce any notable compromise. The Commerce Department ruled in favor of a complaint by U.S. chipmaker Micron Technology Inc. and said that it would begin imposing penalty tariffs once the U.S. International Trade Commission upholds its preliminary ruling that the government subsidies are harming U.S. companies. In response, the Korean government said that it would file a formal complaint with the WTO against the U.S.' recent decision to impose import tariffs on Korea's Hynix Semiconductor-- both the Korean government and Hynix believe the action violates international trade laws.

Japan

Hardware

- **Sharp Corp. and other Japanese electronics manufacturers are increasing LCD panel production in order to meet the growing demand for LCD televisions.** Japanese firms have seen their share slip below those of their South Korean and Taiwanese rivals in the market for LCD panels for personal computers. But they want to maintain their dominant position in the market for panels for TVs requiring more sophisticated technology. Sharp in May boosted monthly production by 10% at a TV panel plant raising output from 100,000 units to 110,000. The increased production enables the company to turn out the equivalent of 40,000 more 20-inch TVs.
- **The long-dormant Japanese IPO market may be heating up aided by a rising Japanese stock market.** The two biggest planned IPOs this year are Seiko Epson Corp.'s offering that would raise ¥15

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billion (US\$126.7 million) and NEC Electronics Corp. plans to raise ¥88 billion (US\$749.1 million) in an IPO of its own.

Life Sciences

- **Toshiba Corp. plans to enter the market for genetic analysis equipment** for medical institutions. The firm will focus on making small, easy-to-use products that can be used virtually anywhere. Toshiba is a relative latecomer to this business segment, but hopes to make up ground by focusing on medical institutions rather than university research facilities. Toshiba has already developed a DNA chip that can be used to analyze genetic material found in blood or elsewhere. The firm's small equipment will be priced at about ¥5 million (US\$42,200), roughly one-quarter as much as the large analytic machines designed for laboratory use. The new equipment will make it easier to determine interactions between genes and drugs.

Media, Entertainment and Gaming

- **Nintendo Co. has won compensation from a Hong Kong company in its first successful anti-piracy case against a distributor of software-copying devices.** The High Court ordered Hong Kong-based Lik Sang International Ltd. to pay Nintendo interim damages of HK\$5 million (US\$641,000) and to foot its legal bills, said Yasuhiro Minagawa, a Nintendo spokesman. Nintendo has previously won lawsuits against vendors of pirated games, but this is the first time the game maker has successfully sued a distributor of copying devices, Mr. Minagawa said.
- **Capcom blames rampant software piracy for hindering its Asian expansion** and says it keeps its Hong Kong office operating only to show its commitment to the market. The company said it did not bring games pirates to court because it was too costly and time consuming. On a hopeful note, last month Nintendo won a court judgment against Hong Kong-based Lik Sang International for selling devices which allowed users to copy its games and upload them onto the Internet. Lik Sang was ordered to pay interim damages of US\$641,000.

Mobile / Wireless

- **NTT DoCoMo Inc. will furnish Italy's third-largest mobile phone service company, Wind Telecomunicazioni SpA, with technology and know-how** relating to DoCoMo's i-mode mobile Internet access service under a technological collaboration agreement. DoCoMo is already supplying i-mode technology to various mobile phone service providers in Europe, including ones in the U.K., Germany, France, Spain and the Netherlands. Thanks to the collaboration with Wind, DoCoMo will have a system in place to develop i-mode operations in six major countries in Europe. i-mode users number around 38 million in Japan and total 600,000 abroad. Of foreign i-mode users, 500,000 are in Europe and 100,000 are in Taiwan.
- **KDDI Corp. said it will launch a wireless payment service on a trial basis starting July 3rd and set up a new shopping website on its "EZweb" mobile Internet service.** Through the moves, KDDI is looking to gain a foothold in Japan's rapidly growing mobile electronic commerce market. By using the new service, subscribers to KDDI's mobile phone handsets will be able to buy a wide range of products via the EZweb service in a secure and convenient manner, KDDI said. The firm said 33 companies, including contents providers and application service providers, are scheduled to participate in its shopping portal site.

Semiconductors

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- **Toshiba Corp. has developed the basic technology to mount DRAM chips on SOI (silicon on insulator) wafers**, the company said. The technology is expected to enable Toshiba, which has developed a memory cell structure that does not require capacitors, to embed DRAMs with a line width of 45 nanometers on SOI wafers. Toshiba aims to commercialize the chip-mounting technology in or after 2006, with an eye toward marketing it for use in mounting DRAMs on system chips for high-speed computer networks.
- **NEC Electronics, a semiconductor business that was spun off from NEC Corp., plans to sell 23.5 million new shares to the public at an estimated price of ¥3,750 (US\$31.7) each.** The deal includes 9.9 million shares to be offered to domestic investors and 13.6 million for overseas investors. The parent NEC will offer part of its holdings, or 10.5 million shares. An additional three million shares held by NEC could be sold in an expected over-allotment option, in the event of exceptional public demand. The company had been widely expected to make its debut on the Tokyo exchange this year, as it needs funds, partly to build production lines for next-generation 300-millimeter chips. The spinoff was designed to help the NEC unit generate funds for chip-related investment, as well as create a certain level of independence in management decision-making. The step also underscored parent NEC's need to improve its financial standing, which earlier was severely damaged by huge losses at its chip operations. NEC Electronics focuses on research, development, manufacturing, sales and support of chip businesses, except for commodity dynamic random access memory chips. Those operations have been integrated into Elpida Memory Inc., a joint venture between Hitachi Ltd. and NEC.

Software

- **The number of Japanese software & information technology companies fell by 219 firms from the end of September 2002 to 35,887 in total**, according to a study by the Ministry of Land, Infrastructure and Transport. The decline was the first ever since the ministry began compiling such data. The ministry believes that the market's explosive growth is diminishing at the same time that existing companies are preventing new firms to enter the field by bolstering business barriers to entry.

Telecommunications

- **NTT Data Corp. slashed its group net profit outlook for the first half through September to ¥5 billion (US\$42.2 million) due to costs related to the reorganization of group companies.** The firm previously expected an ¥11 billion (US\$92.9 million) profit. NTT Data plans to book an extraordinary loss of ¥11 billion (US\$92.9 million) in the first half due to the reorganization.

Korea

Information Technology

- **Samsung Electronics and KT Corp.'s upcoming alliance is forecast to bring vast changes to related businesses in the near future.** The nation's top companies in the information-technology sector announced their decision to jointly develop new business fields that combine digital appliances with cable and wireless telecommunication services. After signing a memorandum of understanding, the two will be cooperating to discover next-generation business fields, develop new applications for digital convergence and pioneer new markets worldwide.

Internet

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- **Yahoo! Korea, a major portal service provider, said it will launch a peer-to-peer knowledge search service**, joining the race to set up a database of intelligence with the help of active Web surfers. A host of Korean Web portals are currently offering what is called "knowledge search," a service of database filled with practical and detailed information about many topics. Yahoo! Korea said its service would be based on the popular question-and-answer format in which online users share information about specific topics through a vast database on the Web. Experts will contribute to the company's new database for select areas like laws, health and science, Yahoo! Korea said. The company's move came after Naver.com and Empas staged fierce competition to stay ahead in the fast-evolving knowledge search market.

Mobile / Wireless

- **KTF, Korea's second-largest mobile carrier, said it would allow its subscribers to log on to Microsoft's instant messenger programs**, underscoring the convergence of the Internet and wireless technologies. The MSN messenger service pieces together the wireless Internet and real-time instant messenger services. The company's subscribers with latest handsets such as SPH-X9000 will be able to exchange real-time messages with their friends and colleagues who are hooked up to the Internet network through conventional PCs.

China

Hardware

- **Legend Group is to overhaul its procurement system for its computer-related products and services through an alliance with supply management specialist FreeMarkets.** Legend signed an agreement with FreeMarkets to use its FullSource software and services platform. The deal will enable Legend to cut costs and increase efficiency in buying raw materials and key services for its growing operations. Financial details were not disclosed. FreeMarkets offers enterprises a way to increase savings and reduce supply risk through a Web-based business-to-business auction system that enables suppliers to bid for tenders.

Mobile / Wireless

- **China Unicom has revealed it spent 1.46 billion yuan (US\$175.6 million) on handset subsidies to sign up subscribers for its CDMA network** in the first quarter of this year. It also revealed that the company's total mobile subscriber growth -- covering both CDMA and GSM -- fell 15.7 per cent month-on-month in May. China Unicom reported it signed up 1.5 million new mobile subscribers last month to bring its user base to 68.1 million, representing a 15.7 per cent month-on-month decline in growth from April.
- **China Unicom said it had 9.2 CDMA subscribers at the end of May, against 8.6 million a month earlier.** The firm said the number of its global system of mobile (GSM) services subscribers also rose to 58.9 million as of May from 58.1 million at end-April. CDMA subscribers in its original 12 provincial mobile networks increased to 6.8 million as of the end of May, from 6.3 million at the end of April, while GSM subscribers in these 12 provincial networks increased to 42.1 million as of the end of May, from 41.6 million at the end of April. CDMA subscribers in its nine newly acquired provincial mobile networks increased to 2.5 million as of the end of May, from 2.3 million at the end of April, while GSM subscribers in these provinces increased to 16.8 million as of the end of May, from 16.4 million at the end of April.

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Taiwan

Semiconductors

- **Taiwan Semiconductor Manufacturing Co. has applied to Taiwan's stock market regulator to issue US\$957.6 million worth of American Depositary Receipts**, according to officials at Taiwan's Securities and Futures Commission. The company submitted its application but the amount of the conversion was misstated on the SFC Web site as US\$95.6 million. The issue will be a conversion of 450 million Taiwan common shares into ADRs, not a new share issue. Merrill Lynch is listed on the application as the investment banking firm handling the conversion. The SFC will decide whether or not to approve the issuance within three months. With the present application, the conversion ratio sought will be five Taiwan shares for each ADR. The conversion will likely have an impact on the price of TSMC's ADRs since it will increase the total amount of ADRs by around 25% once the transaction is finalized.

Singapore / Malaysia / Philippines / Indonesia

Mobile / Wireless

- **One in three people in the Philippines had mobile telephones, including many of its poorest citizens**, according to a nationwide survey by Pulse Asia. The survey concluded that at least 34 per cent of the 80 million Filipinos have cellular phones, with 63 per cent of the upper to upper-middle classes now owning the devices. The survey of 1,200 people found at least 17 per cent of the poorest sector also had mobile phones. The cheapest handsets here now cost about 2,000 pesos (US\$37).
- **Telekom Malaysia said there might be room for more mergers in Malaysia's cellular sector** but an analyst ruled out any immediate merger activities. Mohamad Khir Abdul Rahman, Telekom's chief executive said competition in the mobile industry had narrowed to three players but the near future is still uncertain. Telekom Malaysia, Malaysia's fixed line leader, merged its mobile unit with former rival Celcom, Malaysia's second-largest cellular operator. Telekom Malaysia now holds 93.3 per cent of Celcom Malaysia after a general offer for shares and expects the unit to be delisted from the Kuala Lumpur Stock Exchange. Malaysia's top mobile operator, Maxis Communications, had also secured its shareholders' approval to buy cellular assets of rival Time dot.Com.

Telecommunications

- **PT Telekomunikasi Indonesia said it could appoint a new auditor as early as this week in a bid to comply with U.S. SEC regulations.** The SEC last week rejected Telkom's 2002 financial report on the grounds that it was not audited by a company accredited with the SEC. Telkom has to resubmit the reports by June 30, with an option to extend the deadline to July 15. Telkom has said it is unlikely to meet the deadline even if it is extended, citing difficulties in finding a suitable auditor. There is a limited number of SEC-recognized auditing firms in Indonesia, and several of them may not be able to audit Telkom due to a conflict of interest, Telkom said in a statement. Failure to comply with the SEC's deadline may result in the delisting of Telkom's American depository receipts traded on the New York Stock Exchange. Telkom officials have said it didn't expect the new audit to produce different financial results.

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Hong Kong

Internet

- **E*trade is pulling the plug on its Hong Kong stock trading service next month**, saying it wants to shift focus back to United States trading. Asia-Pacific vice-president John Lord denied the company's exit was due to a poor performance in an overcrowded market. The brokerage posted a notice on its Hong Kong website yesterday saying it would terminate its local trading service on July 16.
- **Sunday Communications has introduced a monthly flat rate for unlimited broadband access using a general packet radio service (GPRS) network.** The HK\$38 (US\$4.9) package is a promotional rate for Sunday customers on offer until May 30th next year, effective immediately. It is seen as a bid to boost Hong Kong's weak market for mobile data services. However, other mobile carriers will probably not be following Sunday's example.

Mobile / Wireless

- **Transmeta has bought a stake in Linux specialist Chinese 2000 Holdings, a company run by Hong Kong firms eForce and Culturecom**, to drive its Asia expansion and diversify its business. Their agreement will allow Chinese 2000 to push research and sales involving Midori, Transmeta's version of the Linux operating system, for mobile and chip-embedded devices in China and other markets in the Asia-Pacific region. The initial focus of their development and marketing efforts will be Greater China. The two firms have struck a multi-year profit-sharing deal for the sale of Midori Linux-based services and support. Financial details and the size of the share sold to Transmeta were not disclosed.
- **CSL, Hong Kong's No 2 mobile carrier, will delay the launch of its third-generation (3G) services until next year**, citing a price war among mobile phone operators. Chief executive Hubert Ng Ching-wah said CSL will now probably launch its high-speed data service in the first quarter of next year-- at least six months behind its original schedule. Rival Hutchison Telecommunications however has indicated it will announce its 3G launch this month.

Telecommunications

- **PCCW Ltd. named the head of Hong Kong's subway-system company as its chief**, passing over a former Lucent executive who joined the company only a year ago. Jack So, 58 years old, will move to PCCW from MTR Corp. by the end of September, when his contract with the company that operates Hong Kong's underground railway will expire, PCCW said. He will assume the position of group managing director, the retitled post of the company's chief executive.
- **Cheung Kong Holdings Ltd. and its flagship associate Hutchison Whampoa Ltd. said Standard & Poor's ratings downgrade on the group is unwarranted** because of the companies' solid financial position. S&P lowered its ratings on Hutchison and Cheung Kong to single-A-minus from single-A to reflect the ports-to-telecom conglomerate's exposure to its third-generation wireless operation in Europe and the accompanying increase in debt levels. Although Cheung Kong owns 49.9% of Hutchison, the conglomerate accounts for 61% of Cheung Kong's 2002 total assets.
- **The former Asia Global Crossing denies aggressively cutting prices to snatch clients in a business suffering from serious oversupply. However, its rivals and customers indicate otherwise.** Phoenix TV is among many new customers Asia Netcom, the former Asia Global Crossing,

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has won over in the past couple of months since being rescued in March by a consortium led by China Netcom. Starting this month, Phoenix Satellite Television Holdings is using Asia Netcom's networks to broadcast its programs to the United States market.

- **Analysts are questioning an apparent licensing glut at PCCW**, with the firm having won 13 wireless broadband licenses through auction in Britain. While the £6.3 million (US\$10.6 million) spent for the licenses gives PCCW a slice of the region's high-frequency 3.4-gigahertz spectrum -- which enables it to deliver voice, video and other broadband services -- further investment will be needed to build a successful business. Still required is investment in base stations, switching equipment and advertising to build brand recognition and turn an untested technology into a viable business.

United States / Canada

e-Commerce

- **YesAsia.com Inc. sells the same mix of books, CDs and DVDs as other online retailers. But YesAsia has a marketing strategy that sets it apart.** Since 1998, San Francisco- and Hong Kong-based YesAsia has sold a selection of 80,000 of the latest Canto-pop CDs, Korean drama videos and Japanese comic books to customers outside Asia, particularly the market of 10 million Asian-Americans. Now it plans to expand its expatriate strategy by selling to shoppers in Asia. It has begun selling 600,000 English-language book titles in Hong Kong and South Korea. Founder and CEO Joshua Lau says YesAsia is one of the few surviving regional Asian online retailers because it focused on a niche, in this case targeting expatriates.

Information Technology

- **The National Association of Securities Dealers said its member firms must save instant messages for at least three years.** This echoes a recent directive from the New York Stock Exchange. Instant messaging is a popular tool used by traders and analysts to swap rapid-fire information such as price quotes and fast-breaking company news. Instant messaging moves faster than e-mail, and often requires less effort to use. But regulators haven't been clear on the rules governing this mode of communication recently.
- **FindWhat.com agreed to acquire closely held Espotting Media Inc. for US\$163 million in stock and cash, in a deal that combines two smaller providers of paid-search advertising.** The acquisition will help FindWhat add distribution partners, particularly in Europe, where Espotting is based. FindWhat's Craig Pizaris-Henderson will remain president and chief executive and Espotting founder and Chief Executive Daniel Ishag will become vice chairman, while co-founder Sebastian Bishop will be named chief commercial officer. FindWhat is a smaller competitor in the red-hot paid search sector, trailing giants Google Inc. and Overture Services Inc. Spending on paid listings and paid inclusion -- two of the three forms of search-related marketing -- more than doubled in the U.S. to US\$1.2 billion last year from US\$419 million in 2001, and is expected to grow 48% this year to US\$1.8 billion, according to U.S. Bancorp Piper Jaffray.
- **EDS Corp. said it will restructure operations, taking a charge of US\$425 million to US\$475 million and cutting 2 percent of its work force, or about 2,700 employees.** The company also said that it expects revenue of US\$5.4 billion to US\$5.6 billion in the current quarter. The outlook also excludes the impact of a new accounting method which EDS plans to adopt on a cumulative basis as of

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Jan. 1, 2003. EDS said it is performing an analysis of the amount of the cumulative non-cash adjustment, which it expects to be material.

Internet

- **Microsoft Corp. is beefing up its efforts to develop new search-engine technology, including testing a prototype program with improved features**, the company said. Lisa Gurry, a group product manager for Microsoft said the firm is dedicated to enhancing its MSN search technology and making search results more relevant to users. Right now, between 50% and 70% of search queries do not bring the results users are seeking, she said. Ms. Gurry also reiterated that Microsoft doesn't anticipate changes anytime soon to its partnership with Overture Services Inc., a provider of paid search content.
- **DoubleClick Inc. reaffirmed its second-quarter and full-year earnings outlooks and said it plans a US\$135 million senior subordinated notes offering.** DoubleClick said in a statement it expects second-quarter revenue of US\$61 million to US\$63 million. The company said it continues to expect full-year revenue of US\$250 million to US\$300 million.
- **U.S. lawmakers took aim at spam, as two separate bills worked their way through the U.S. Senate, including one that would make sending some unsolicited e-mails a crime.** Utah Senator Orrin Hatch co-sponsored one bill, the Criminal Spam Act of 2003, which targets people who hijack computer systems or use other fraudulent means to send unsolicited commercial e-mail.

Media, Entertainment and Gaming

- **Roxio Inc., a software company making a bid to become a player in online music, said it has raised US\$22 million in a private placement with institutional shareholders.** The financing will help Roxio resurrect the defunct Napster music service. The company sold four million shares of its common stock for US\$5.5 a share to a group of institutional shareholders it declined to name. The company said the financing will leave it with US\$68 million in cash reserves, some of which it will use to fund its investment in the new Napster service.
- **AOL Time Warner Inc. may raise its full-year earnings forecast on the success of the box office hit of "The Matrix: Reloaded" and strong advertising sales by its cable networks, according to Wall Street analysts.** J.P. Morgan raised its 2003 and 2004 forecasts for earnings before interest based on its Internet division, America Online, and better-than-expected performance in cable networks and film.
- **Gemstar-TV Guide International Inc., the TV programming guide company that once aspired to be the top electronic book supplier, said it will quit that business in July and has stopped selling devices to read e-books.** Gemstar which has said for months it would consider options such as an outright sale of its e-book business, said it would refund unused parts of prepaid subscriptions. In the service, customers pay to download and read e-books with a portable, tablet-like device called a reader. Existing customers can continue to download books that they already have bought for another 3 years.
- **EchoStar wants to block media baron Rupert Murdoch from acquiring control of its bigger rival, DirecTV, telling regulators that the acquisition would undermine competition and drive rates higher.** Murdoch's Australia-based News Corp. could charge EchoStar and cable companies much more for carrying its Fox television and sports programs, once it has its own national distribution arm in DirecTV, EchoStar Communications Corp. said in a brief filed with the Federal Communications Commission. That would lead to higher rates for U.S. consumers who subscribe to cable or satellite television, said EchoStar, which owns the DISH network with about 8.5 million subscribers.

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Mobile / Wireless

- **AT&T Wireless Services Inc. and Verizon Communications said they have finalized an agreement to sell their 49% joint interest in Czech wireless provider Eurotel Praha to Cesky Telecom AS** for US\$1.1 billion. Cesky Telecom, of the Czech Republic, which already has a 51% stake in Eurotel Praha, announced the agreement earlier this month following approval of its board. Under terms of the deal, the two New York-based companies, which each own 24.5% of Eurotel Praha, will receive a total of US\$625 million each from the sale, including US\$100 million from shares of a dividend payment. AT&T Wireless said the sale, which is subject to regulatory approval and Cesky Telecom's ability to finance the purchase, should close later this year. Cesky Telecom has said it plans to seek debt financing to fund the deal.

Semiconductors

- **Micron Technology Inc. reported a wider fiscal third-quarter loss as revenue fell.** Micron said that for the quarter ended May 29th, it had a net loss of US\$214.9 million compared with a year-ago net loss of US\$24.2 million. Revenue declined to US\$732.7 million from US\$771.2 million in the year-ago quarter.
- **Orders for semiconductor manufacturing and testing equipment from North American chip-equipment makers fell 1 percent in May from April as demand for some equipment remained sluggish, a trade group said.** The three-month average of worldwide orders in May was US\$751 million, down from the revised April figure of US\$757 million and 32 percent lower than the US\$1.1 billion in orders in May 2002, Semiconductor Equipment and Materials International (SEMI) said. Equipment billings, or the value of chip-making gear accepted by customers and booked as revenue, was US\$840 million, or even with the revised April level, and 3.5 percent below May 2002 billings of US\$870 million.

Software

- **PeopleSoft Inc.'s board rejected Oracle Corp.'s sweetened takeover proposal, saying the \$6.3 billion cash offer is still too low and raises antitrust problems.** Meanwhile, Oracle moved to allay concerns of current PeopleSoft customers that their software systems wouldn't be supported in the event of a successful Oracle bid. The Peoplesoft board reiterated its argument that an Oracle-PeopleSoft combination would face a lengthy review from antitrust regulators. Meanwhile, PeopleSoft Inc. ignored the demands of its suitor and launched an offer worth US\$1.75 billion for J.D. Edwards & Co.
- **SCO Group Inc. said that it will revoke IBM Corp.'s right to use or distribute its AIX software, which is based on the SCO-owned Unix system.** IBM responded that SCO has no right to revoke its license to its version of the Unix operating system. SCO said that it decided to take this action against IBM after the world's largest computer company failed to respond to a lawsuit, which claimed that IBM had illegally used parts of its Unix software. SCO said that IBM violated its original agreement to license Unix technology by adapting some parts of AIX to Linux, the free version of Unix that can be copied and modified freely.
- **Red Hat Inc. reported a first-quarter profit, reversing a year earlier loss, on a healthy jump in sales, the distributor of Linux software said.** Red Hat, which provides software and support services for the Linux operating system, reported a net profit of US\$1.5 million for the quarter ended May 31st, compared with a loss of US\$4.6 million a year earlier.

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- **Linus Torvalds, the creator of the Linux operating system, is joining a global development group to focus on further improving the open-source software.** He will become the first fellow at the Beaverton, Oregon-based Open Source Development Lab, which is funded by hi-tech companies to, among other things, enhance Linux for corporate data centers. At the lab, he will focus on the next major revision of the Linux core, or kernel.

Telecommunications

- **Cogent Communications Group Inc. announced Cisco has agreed to swap US\$263 million in debt owed by Cogent for an 18% stake in the company, a cash payment of US\$20 million and a US\$17 million note,** according to Dave Schaeffer, Cogent's chief executive officer. Under the equipment deal, Cisco agreed to extend a US\$409 million credit line to Cogent, which drew down US\$263 million, Mr. Schaeffer said. Cogent fell below revenue and cash-reserve covenants of the credit facility, prompting negotiations to restructure the debt, according to Cogent's 10Q filing with the Securities and Exchange Commission.
- **Sprint Corp. agreed to pay roughly US\$5.6 million to the U.S. government to settle allegations of contracting fraud** from 2000 through 2002, the U.S. Department of Justice announced. The US\$5.6 million civil settlement resolves allegations that Sprint knowingly passed through to the government charges in excess of what it was allowed to assess under a 2001 contract, the Justice Department said. The charges involved are paid by long-distance companies such as Sprint to local telephone companies to recover the costs associated with linking customers to the network.
- **The three largest local Bell companies, SBC Communications Inc., BellSouth Corp. and Verizon Communications Inc. have together lost nearly 9% of their retail phone lines in the past five quarters alone,** according to Morgan Stanley. High-speed Internet users continue to flock to cable modems at twice the rate they sign up for the Bells' own DSL services. Staring down these competitive pressures, the three companies are launching a plan that eventually will string high-performance fiber-optics directly from central telecom hubs to homes and businesses, replacing a century's worth of slowpoke copper wires. As early as this week, the three are expected to issue a combined request for proposals to start buying and testing equipment for large-scale fiber-optic deployments. The final contracts derived from these proposals could be valued at US\$500 million to US\$1 billion, according to a person familiar with the matter.
- **Cable & Wireless PLC is suing IBM for a total of around £128 million (US\$214.9 million) for allegedly overcharging,** according to Cable & Wireless's annual report. The telecommunications provider said IBM agreed to provide certain information-technology services, but a study conducted over 14 months showed "significant levels of overcharging by IBM." The annual report states that Cable & Wireless is seeking £115 million (US\$191.4 million) in relation to the U.K. and US\$22 million relating to the U.S. It states a preliminary trial has been set for September 2003.

Europe

Internet

- **A European Parliament committee moved closer to setting the first pan-European standard for software patents,** but in doing so opened up what could become yet another rift between Europe and the U.S. Under the proposed European law, software companies would obtain patents only for programs that demonstrate novelty in their "technical contribution." This is a stricter standard than is

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required in the U.S. -- for instance, it would outlaw the U.S. Patent Office's controversial practice of granting patents for so-called business methods such as Amazon.com Inc.'s one-click Internet shopping that allows repeat Amazon customers to make purchases with only one mouse click on their computers.

- **BT Group said it will end one of the UK's first Internet access services, replacing its BT OpenWorld brand with a new joint venture with Web veteran Yahoo! Inc.** In September, the two firms will launch a broadband service called "BT Yahoo! Broadband" teaming two brands well known to Britain's growing Internet market. BT hopes that Yahoo's younger more hip brand and its base of 15 million monthly Web visitors will kick start subscriptions at its consumer broadband offering, currently known as BT OpenWorld. OpenWorld will be renamed this autumn with customers being shifted to the revamped service at that time. Financial terms were not disclosed.

Media, Entertainment and Gaming

- **Vivendi Universal SA said it was considering an initial public offering of 25% to 30% of its U.S. entertainment businesses because of the rebound in stock prices,** putting bidders looking at the assets on notice that it has other options should their offers be too low. Vivendi raised the possibility of an IPO as it reported first-quarter earnings that showed declines at both its Universal Music Group unit and the U.S. television and film businesses it is auctioning. Despite the weaker entertainment-business results, Vivendi's overall first-quarter figures were better than expected due to the strength of its telecom units. The company's net loss shrank to €319 million (US\$377.6 million) from €815 million (US\$946.7 million) a year earlier. Revenue dropped to €6.2 billion (US\$7.2 billion) from €14.6 billion (US\$17.0 billion), although most of the decline was due to Vivendi's sale of its controlling interest in its utility arm last year.
- **Microsoft Corp. said it had signed up 50,000 European customers to its Xbox Live Internet service in the first three months, a sign that online gaming is slower out of the gates in Europe.** Online gaming is seen as an important emerging market for video game publishers and console makers looking to charge players subscriptions for multi-player action. Microsoft and Sony Corp. have led the charge, signing up over one million subscribers between them in the U.S. since launching services in the second half of 2002. However, Microsoft provided a more modest account of the European market. Since launching in mid-March, the software giant has signed up 50,000 European gamers across much of Western Europe to Xbox Live and as compared to over 500,000 American gamers.

Mobile / Wireless

- **Nokia Corp. expects sales of third-generation cellphones will accelerate in the second half of 2004,** the head of the company's handset unit said. Matti Alahuhta, the president of Nokia Mobile Phones, said phone makers should be delivering large volumes of 3G models to wireless operators by late next year. Speaking during a news briefing in Helsinki, Mr. Alahuhta said Nokia expected its share of the 3G market to mirror its leading share of the overall cellphone market, which is about 35%. Nokia said last week that it is starting shipments of its 6650 phone, its first for the 3G networks that use the Wideband Code Division Multiple Access, or WCDMA, technology. The new networks will provide more capacity and let operators offer services like downloading pictures at faster speeds. Nokia has said it expects about 20 WCDMA networks to be in commercial operation worldwide by the end of this year.

Software

- **Global economic uncertainty is here to stay and SAP AG will stick to its strategy of winning market share instead of buying it, SAP CEO Henning Kagermann said.** Speaking at a news

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conference at Sapphire, SAP's annual customer conference, Kagermann derided the merger push by rivals PeopleSoft, J.D. Edwards and Oracle as defensive moves to "consolidate from the bottom." Kagermann also dismissed speculation that SAP, as the dominant supplier of business planning software, could step in to play the role of "white knight" and make a competing bid for one or another of its rivals.

Telecommunications

- **Orange SA has been squeezed by an ambitious restructuring drive at parent France Telecom SA.** Now some people worry that Europe's second-largest wireless operator risks losing its zest. Solomon Trujillo, CEO of Orange, will try to ease some of those doubts when he presents his strategy for Orange. What's at stake is whether the carrier will remain a credible rival to Vodafone Group PLC and whether France Telecom can pull off its ambitious plan to generate an extra €15 billion (US\$17.7 billion) in cash without starving the group's operations. Mr. Trujillo plans to strike back at Vodafone as early as next week as Orange will join a recent alliance of Vodafone's big European rivals once a regulatory hurdle is cleared. Separately, Orange plans to launch new wireless data services to rival Vodafone's popular Vodafone Live offering.
- **All three of the European major satellite makers -- Alcatel SA, the Astrium unit of EADS Space and Finmeccanica SpA -- have publicly embraced the need for some type of major industry restructuring.** But in spite of stepped-up political pressure to join forces and a deep slump in orders that could stretch into 2005, top officials from these companies attending the Paris Air Show this week made clear that they are still far apart on top issues. Their concerns include the thousands of jobs that may be lost in France and perhaps elsewhere, broad questions about trans-Atlantic cooperation and Europe's vision of itself as a space superpower. With revenues of about €1.2 billion (US\$1.4 billion) each, Alcatel and Astrium dominate European satellite-making market and recognize that cost pressures and a lack of new orders make some form of consolidation sensible. But neither company is willing to take a secondary role, and there is considerable internal opposition within both camps to any combination.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 6/20/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	118.3500	-0.8%	-10.1%	0.4%	2.3%
Hong Kong dollar	HK\$/ US\$	7.7988	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2771	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7380	-0.4%	-5.9%	-0.2%	2.0%
South Korean won	KRW/ US\$	1190.5500	0.1%	-9.4%	-0.4%	2.4%
New Taiwan dollar	NT\$/ US\$	34.5930	0.1%	-1.1%	0.1%	-2.1%
Australian dollar	US\$/A\$	0.6683	0.0%	31.1%	19.0%	16.3%
New Zealand dollar	US\$/NZ\$	0.5836	0.6%	40.2%	11.3%	17.1%
Philippine peso	PHP/ US\$	53.3000	0.6%	3.2%	0.6%	-5.7%
Euro	US\$/€	1.1607	-2.2%	30.5%	10.6%	19.5%
British pound	US\$/£	1.6642	-0.5%	14.5%	3.4%	11.1%

Fixed Income Prices and Yields

Note	Currency	Current (on 6/20/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	114.9375	4.46%	119.5938	4.17%	116.4219	4.35%
Japan 30-year	¥	124.6800	1.05%	130.1990	0.86%	128.3715	0.92%
Hong Kong 10-year	HK\$	126.6860	2.93%	127.2422	2.86%	126.3557	3.03%
China (10/2027)	US\$	152.5430	4.08%	157.4845	3.84%	147.5614	4.33%
Singapore 10-year	S\$	118.9310	1.74%	119.0957	1.73%	120.1888	1.61%
South Korea 10-year	US\$	125.4077	3.14%	127.1890	2.81%	124.9741	3.30%
Australia 15-year	A\$	113.1275	4.81%	114.8830	4.61%	112.5160	4.90%
New Zealand (07/2009)	NZ\$	110.4373	4.98%	110.9785	4.89%	108.8972	5.28%
Philippines 20-year	PHP	147.6299	12.06%	146.5978	12.15%	138.6184	12.94%
India 20-year	INR	149.9608	5.96%	149.2559	6.01%	147.5877	6.14%
UK 30-year	£	96.8230	4.44%	100.1060	4.24%	99.0950	4.31%
Germany 30-year	€	113.4590	4.62%	117.3079	4.40%	115.0732	4.53%

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