

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



Week of 13 July - 19 July 2003

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Equity Market Indicators					
Index	Closing Level (7/18/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/2003	% Change 2002 Low
S&P 500	993.32	-0.5%	-14.0%	12.9%	26.4%
Dow Jones Industrial Avg.	9,188.15	0.8%	-8.8%	10.1%	24.2%
Dow Jones Tech. Index	287.98	-3.6%	-14.6%	25.4%	58.8%
Dow Jones Telecom. Index	158.95	-2.5%	-23.8%	7.5%	36.2%
NASDAQ Composite	1,708.50	-1.5%	-13.7%	27.9%	52.4%
The Street.com Net	121.79	-5.6%	-37.8%	42.2%	95.9%
Japan Nikkei 225	9,527.73	-1.1%	-12.4%	11.1%	14.4%
Japan TOPIX	933.10	-1.3%	-11.5%	10.7%	14.0%
Korea KOSPI Composite	699.35	-0.2%	-3.5%	11.4%	22.7%
Korea Kosdaq	50.60	-4.1%	-32.1%	14.1%	19.6%
Taiwan Stock Exchange	5,287.38	0.9%	-5.6%	18.8%	37.6%
Singapore Straits Times	1,580.96	2.3%	-2.8%	17.9%	19.1%
Hong Kong Hang Seng	10,140.84	2.3%	-10.7%	8.8%	14.0%
Hong Kong GEM	1,163.53	-0.1%	-38.9%	22.4%	27.9%
China Shanghai (A-Share)	1,578.10	-1.4%	-5.9%	11.2%	16.9%
China Shenzhen (A-Share)	429.76	-1.9%	-12.3%	4.8%	12.4%
China Shanghai (B-Share)	113.65	0.3%	-32.8%	0.1%	3.4%
China Shenzhen (B-Share)	229.98	1.1%	-12.1%	23.0%	28.9%

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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 7/18/03	% Change From Offer
7/16/03	Intervideo Inc. [IVII.US] (NASDAQ)	Provider of DVD software and offers digital video and audio multimedia software products that allow the user to record, edit, and author. Distribute and play digital multimedia content on PCs and other devices.	US\$39.2	US\$14	US\$19	35.7%

Asian Equity Markets: TMT and Life Sciences IPO Pricing

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 7/18/03	% Change From Offer
7/17/03	Dwango Co. Ltd. [3715.JP] (TSE)	Provides Internet content through cellular phones. Also plans, develops, and manages network entertainment systems.	US\$19.4	¥1.7M	¥3.8M	124.1%
7/16/03	J-Three International Holding Co. [3099.TT] (GRETAI)	Assembles and tests printed circuit boards. Also manufactures driven control boards for thin film transistor-liquid crystal displays (TFT-LCDs). Additionally, trades materials and components for electronic devices.	US\$2.1	NT\$12	NT\$14.6	21.6%
7/15/03	Comba Telecom Systems Holding [2342.HK] (HKSE)	A wireless coverage solutions provider in China. The firm also researches, develops, produces and sells wireless coverage products including repeaters, antennas, and RF passive accessories. Additionally, Comba provides project survey and design, project management, installation, maintenance, and other after sales services.	US\$48.2	HK\$1.9	HK\$2.1	13%

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Weekly Highlights

International

Hardware

- **The worldwide personal-computer market at last appears to be on the upswing.** For the fourth-consecutive quarter, the PC market posted growth, showing robust shipments for the three months ended June 30. According to preliminary PC numbers for the second quarter, research firm International Data Corp. said worldwide PC shipments rose 7.6% to 33.2 million units from the year-earlier level, while Gartner Inc. said PC shipments increased 10% to 32.8 million units for the same period. The growth in PC shipments was the highest since the end of the technology boom in 2000. The growth also beat earlier forecasts for the quarter. IDC had expected 4.1% growth, while Gartner had anticipated 7% growth.

Mobile / Wireless

- **Qualcomm Inc. is now forging a campaign to promote and expand its mobile Internet platform called BREW in Asia** and elsewhere in cooperation with Korean carriers and application developers, a high-ranking official at the firm said. Qualcomm's commitment is based on the fact that KTF is one of the key BREW supporters and a host of Korean mobile application developers are rolling out new products customized for the BREW platform. Other adopters include Verizon of the United States, KDDI of Japan, China Unicom of China and Vivo of Brazil. BREW is an end-to-end solution that enables wireless operators to offer their customers the opportunity to download applications and content over the airwaves. KTF's adoption of BREW is bolstering Qualcomm's bid to expand its platform coverage in Korea, where its CDMA technology is standard.
- **Sony Ericsson Mobile Communications AB said its net loss widened to €88 million (US\$99.2 million)** in the second quarter from €83 million (US\$92.7 million) in the year-earlier period as it absorbed costs from revamping its operations. The joint venture between Sweden's Telefon AB LM Ericsson and Japan's Sony Corp. said net sales in the quarter rose 18% on year to €1.1 billion (US\$1.3 billion). The number of mobile-phone units shipped in the quarter climbed 34% on year to 6.7 million. Sony Ericsson's GSM business grew 84% from the year-earlier period in shipments and Japanese standards shipments increased 45%. The company recently announced plans to increase its focus on GSM/EDGE/UMTS, which are popular in Europe, and Japanese standards. The cost of the shift in focus is estimated to be approximately €70 million (US\$78.1 million).
- **Nortel Networks Corp. and European Aeronautic Defense & Space Co. said they had agreed to disengage from three telecom joint ventures.** Under the agreement, Nortel is to buy out operations in France and Germany, and EADS, which owns most of European aircraft maker Airbus Industrie, is to take full control of EADS Telecom. Nortel said it would acquire EADS's 42% stake in Nortel Networks Germany GmbH & Co. and its 45% interest in Nortel Networks France SAS. The transactions will bring Nortel's stake in both businesses to 100%. Nortel said the move indicates its commitment to growth in European markets.

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Japan

Hardware

- **Fujitsu Ltd. has developed a high-precision color LCD monitor for PDAs that allows them to receive digital high-definition broadcasting**, company sources. The new device has triple the number of pixels, as existing LCDs, improving the resolution of a PDA screen by 60-70%. The display employs a technology that quickly changes the color of backlights among the three primary colors of red, blue and green, while existing LCD screens consist of individual dots in one of the three colors. The pilot model of the 4-inch LCD has a resolution of 800 x 600 pixels, on par with that of personal computers screens. The improved resolution makes it capable of displaying the entire screen of a Web site, compared with existing monitors that can show only 25% of a site at one time. Last year, domestic shipments of PDAs were limited to 680,000 units because PCs and cellular phones were more popular as a mobile information device.

Internet

- **Yahoo! Japan Corp. said it continued to earn a strong profit during the fiscal first quarter and that it plans to list on Japan's biggest stock market.** The nation's largest Internet search-engine operator in terms of users said its group net profit more than doubled to ¥4.5 billion (US\$38.4 million) during the quarter ended June 30 from ¥2.2 billion (US\$18.5 million) a year earlier, boosted by brisk sales from its online-auction and broadband services. The strong performance followed a more than doubling of net profit during the year ended March 31. Yahoo! Japan, which is an affiliate of Yahoo! Inc. of the U.S. and is listed on Japan's Jasdaq market for start-ups, also said it has filed an application to list on the First Section of the Tokyo Stock Exchange to expand its investor base.

Mobile / Wireless

- **KDDI Corp. will seek out growth in Japan's mobile phone network by focusing on digital home appliance network services** and high-speed mobile network services for corporate customers, KDDI President Tadashi Onodera said. Onodera said the mobile phone market for individual users, excluding corporate users, is close to saturation after the number of mobile phone subscribers has grown 100 times over the past 10 years to about 75 million as of the end of March 2003. But Onodera said the mobile phone market will be able to keep growing by expanding services beyond the current communications between mobile phone handsets, specifically mentioning the opportunity to connect home appliances that have digitalized communications functions, such as digital refrigerators, with mobile phone handsets.
- **Demand is rapidly growing for services that offer songs as ring-tones in Japan.** A number of music software companies have entered the market, making the service more readily available to cell phone users. Label Mobile, established by 17 major music companies, has become the biggest distributor of songs as call signals for mobile phones. The company offered as many as 5,500 songs for the ring-tone service as of the end of June and saw the number of downloads top 3 million in the month.
- **Fujitsu Ltd. on started a marketing campaign for integrated circuit chips that would allow businesses to develop mobile phones with which users could converse continually for six hours** without needing to recharge the handsets, Fujitsu said. The large-scale integrated circuit (LSI) chips feature the "nanotechnology" that has allowed Fujitsu to cut the width of electronics circuits to as thin as 90 nanometers, it said. They would also enable corporate users to assemble mobile phones that provide

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a standby time of up to 1,000 hours, about 40 days, as well as enabling them to produce even smaller digital cameras, it said.

- **Tokyo Electric Power Co. will this year start offering in the greater Tokyo area fiber-optic communications service using high-speed wireless communications** for about the same fee as ADSL services. The firm will link its fiber-optic network laid on utility poles and elsewhere to customers' homes through wireless communications with transmission speeds of up to 25Mbps. Using wireless communications will spare the firm and users from having to run cables into homes. Tepco will use the 5GHz band offered by the government to private sector firms last autumn. It will set up small antennas at users' homes, which will be connected to its fiber-optic network through wireless communications devices installed on utility poles or set up on building roofs. The new fiber-optic service will initially be available to Tokyo residents and then gradually offered in other areas.
- **Five companies, led by Hitachi Ltd. and Showa Electric Wire & Cable Co., will in November begin marketing a next-generation system that uses the steel framing of buildings and the bodies of railroad cars as antennas for high-speed wireless LANs.** Instead of normal radio waves, the system uses so-called evanescent waves whose propagation can be limited to within a closed room. Signals are transmitted at frequencies of 20-40MHz. Evanescent waves are sent by using a device known as an exciter connected to a building's steel framing or a railroad car chassis, enabling high-speed communications at 50Mbps.

Semiconductors

- **The YRP Ubiquitous Networking Laboratory will begin developing a new type of chip for use with smart labels.** The Ministry of Telecommunications has entrusted research and development to the lab, which is to devise a chip that is faster and has greater processing capacities than existing chips. The lab, which is playing a key role in the formulation of standards for smart labels in Japan, is to work on the development over a five-year period through fiscal 2007. The Ubiquitous Networking Laboratory is to develop a chip that is 1 sq. centimeter in size. The chip will be able to communicate from a distance of 5-10 meters, up from the roughly 1-meter distance to date. The communications speed will be raised to about 10Mbps, many times faster than current chips.

Software

- **NEC Corp. has established a division to promote the sale of software to outside firms,** targeting domestic and overseas systems integrators and other businesses. At present, roughly 80% of NEC's commercial software is used internally, with only 20% sold to other companies. Annual sales to outside firms stand at only about 20 billion yen. NEC seeks to raise the ratio of software sold to outside companies to 50% by the end of fiscal 2006, hoping to see overseas customers account for 20% of these sales.

Telecommunications

- **Telecom minister Toranosuke Katayama said he will meet top officials of telecom carriers on who are planning to file a lawsuit** over his ministry's approval of a hike in connection fees they pay to Nippon Telegraph and Telephone Corp. (NTT). The five telecom carriers are expected to sue the Public Management, Home Affairs, Posts and Telecommunications Ministry by Thursday seeking nullification of its approval for raising the fees NTT charges them for accessing its lines.

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Korea

Hardware

- **Samsung Electronics Co. saw second-quarter net income fall 41% amid weak demand for its mainstay semiconductors and cell phones.** But the company predicted a turnaround during the next six months. Samsung's second-quarter net was 1.1 trillion won (US\$958.4 million), down from 1.9 trillion won (US\$1.6 billion) a year earlier. Sales edged down to 9.8 trillion won (US\$8.3 billion) from 9.9 trillion won (US\$8.4 billion). Operating profit from semiconductors fell nearly 47% from a year earlier to 570 billion won (US\$481.4 million), the company said, as a prolonged slump in memory-chip demand continued to squeeze results.
- **Chip designer Doestek Corp. has recently signed a contract with NEC of Japan to provide key components for liquid crystal display panels.** The firm said that it secured an order from the leading Japanese electronics maker for its timing-controller chip. The company did not reveal the value of the deal. It is the first time that a Korean firm has exported the cutting-edge LCD part, a market that is currently dominated by Japanese and U.S. companies. Doestek completed development of the controller chip in April last year after three years of research.
- **Korean PDA makers shipped around 200,000 units in the first half of this year,** marking solid growth despite lingering worries over the slowdown in the high-tech sector. The total shipment of PDAs last year was 185,000 units, suggesting that the performance in the first six months was far from disappointing. But it is too early to say that the PDA industry is enjoying a boom. In the first quarter, the total shipments numbered 120,000, but the second-quarter shipments slid to 80,000, hurt by the accounting fraud at SK Global Co. and the Korean government's hesitance to lift a ban on handset subsidies. The portion of PDAs with mobile connectivity, otherwise known as smart phones, is increasing. Local PDA manufacturers, however, argued that the trend is moving in the right direction, particularly as domestic broadband carriers like KT Corp. are promoting wireless LAN services that encourage customers to purchase high-powered PDAs.

Media, Entertainment and Gaming

- **Humax Co., a major set-top box manufacturer, said that it would enter the digital-TV market, taking advantage of its technological edge in digital broadcasting solutions** amid growing expectations of convergence in the next-generation display sector. Humax, widely known for its aggressive export drive of its digital set-top boxes to the European market, said it would roll out liquid crystal display TVs later this year - an item that it indicated would utilize its digital set-top-box technology.

Mobile / Wireless

- **KTF said it would provide access to instant-messenger services from Microsoft Korea through its wireless network,** marking a step forward in the convergence of telecom and Internet technologies. MSN provides the country's most popular real-time messenger software. The number of user on a daily basis exceeds 6.5 million in Korea. KTF said the first deployment of a rich client-based service for MSN Mobile Messenger would be on handsets customized for KTF. KTF is the first wireless mobile operator in Korea to offer the MSN Mobile Messenger service. The service is available to KTF consumers through downloadable MagicN Multipack or Messenger-enabled phones.
- **Samsung Group said that it has come to an agreement with Nokia to boost cooperation in technology development and global marketing.** Samsung Chairman Lee Kun-hee met with Nokia

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President and CEO Jorma Ollila at the Finnish mobile handset maker's headquarters. They agreed to beef up their collaboration in software and other high-tech businesses and concurred that there are wide-ranging business areas with potential for cooperation, Samsung officials reported.

- **Samsung Electronics Co. outstripped Motorola Inc. in terms of mobile phone sales revenue for a second consecutive quarter.** Samsung sold 2.8 trillion won (US\$2.4 billion) worth of cellular phones between April and June. In the first quarter, Samsung's sales revenue reached 3.0 trillion won (US\$2.5 billion) against Motorola's 2.9 trillion won (US\$2.4 billion). However, Samsung still fell behind Motorola in terms of the number of phones sold. Motorola sold 15.8 million units while Samsung sold 11.97 million in the second quarter.

China

Hardware

- **China's personal computer market is expected to see a big recovery in the second half of the year as the impact of the SARS outbreak fades,** according to International Data Corp (IDC). The research firm is forecasting a 17 per cent full-year increase in PC shipments to 12.9 million units. IDC senior research manager Bryan Ma said SARS would affect only second-quarter PC sales. Legend Group, China's largest PC maker, is aiming to achieve double-digit revenue growth this year on the back of a recovery in the PC market and its efforts to diversify product lines.
- **The Legend Group signed a memorandum of understanding with Exel-Sinotrans Freight Forwarding to manage the company's product distribution centers in Shanghai and Beijing.** The partnership may be extended to include exports and national distribution, with Exel-Sinotrans keen to manage Legend's distribution network in Huizhou, Guangdong, Legend's south China manufacturing center. The contract length was not disclosed, but sources said it was likely to be long term given Sinotrans' commitment to complete a logistics center in Beijing by early next year as part of the deal. Exel-Sinotrans is designing the information technology management systems for the Shanghai and Beijing distribution centers.
- **Legend Group is not ready to expand overseas yet, the group's chairman Liu Chuanzhi said.** Earlier, the company said it planned to expand overseas and changed the brand of its PC products to "Lenovo" from "Legend", as the "Legend" name is registered by other companies in many countries. This was seen as the first step towards overseas expansion.

Taiwan

Hardware

- **ProMOS Technologies Inc. reported a first-half loss of NT\$1.47 billion (US\$42.8 million).** The company, Taiwan's second-largest maker of DRAM memory chips, also said that its operations broke even in June and that it expects to turn a profit in the second half of the year. ProMOS provided no comparative figures, but it had reported a loss of NT\$824.9 million (US\$24 million) for the first six months of 2002. During the second quarter, ProMOS said it has a loss of about NT\$500 million (US\$14.5 million). This loss compares with a NT\$977.5 million (US\$28.4 million) first-quarter loss.

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Software

- **Taiwan's software/gaming sector appears to be gaining momentum with share prices in a number of the island's companies posting strong gains.** Shares in CyberLink, Ulead Systems, Softstar Entertainment and Soft World International have soared in recent weeks. This can be attributed to strengthening of the overall market, but sector-specific factors also appear to be in play. A relatively small and unknown sector of the island's technology industry, software in Taiwan has gained a start in two key arenas. CyberLink and Ulead, both imaging software specialists, got their break on the back of Taiwan's growing hardware sector, bundling their offerings with peripherals and systems being manufactured on the island. Softstar and Soft World have tapped into Taiwan's affinity for personal computer games, finding their niche by offering Chinese-language games.

Singapore / Malaysia / Philippines / Indonesia

Hardware

- **Chartered Semiconductor Manufacturing Ltd., the world's third-biggest dedicated chip foundry, posted its 10th quarterly loss in a row,** but still expects a better performance in the next quarter. Chartered reported a second-quarter net loss of US\$90 million, compared with a net loss of US\$90.7 million a year earlier. The company's revenue was flat at US\$127.6 million compared with last year.

Telecommunications

- **Philippine Long Distance Telephone Co. (PLDT) posted a sharply lower net profit for the first half,** as costs from trimming excess manpower and provisioning for troubled investments offset steady gains in its cellular business. PLDT said net profit in the six months to June dropped by a third to 1.8 billion pesos (US\$33.2 million) from 2.7 billion pesos (US\$49.8 million) in the year-earlier period, due to one-off charges. The company's bottom-line from the preprovisioning profit was 6.6 billion pesos (US\$122.7 million), up 91% on year.

Hong Kong

Information Technology

- **Hong Kong companies have increased their spending on information technology.** Industry experts said efforts now being made to control, resolve or overcome IT problems or inadequacies would help companies steer clear of disaster should another emergency arise or SARS reappear. Most new technology spending is centered on systems to help organizations run business applications remotely and securely. Gartner research director Dion Wiggins said the September 11 terrorist attacks in the United States had prompted many enterprises to draw up continuity plans that focused on their ability to continue doing business by relocating or using backup facilities.

Internet

- **More than one million Hong Kong homes are now hooked up to the Internet by broadband connections** - and by 2005, virtually every home computer will be using high-speed links, experts predict. About 1,001,400 households had broadband Internet connections in May this year, almost

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double the figure at the beginning of last year, according to the latest figures from the Office of Telecommunications Authority (OFTA). The number of homes switching to faster broadband connections has boomed since January last year, when only about 596,270 were using it while nearly two million households used narrowband Internet links, according to an OFTA spokeswoman.

Telecommunications

- **PCCW Ltd. launched a new generation fixed-line service, a move Hong Kong's dominant fixed-line telecommunications provider hopes will restore its dominance in the fixed-line market,** and priced a share offering. The new fixed-line service, which took 18 months to develop, will offer text-messaging and news and stock information, and eventually e-mail, on special handsets. The handsets will be given free to those who sign up for a 12-month contract. PCCW also placed 715 million shares at 4.4 Hong Kong dollars (US\$0.56) each, people in the banking industry said. Last week, PCCW issued a US\$500 million global bond. HSBC was the lead manager for that deal.

United States / Canada

Hardware

- **Cisco Systems Inc. said that a serious vulnerability in its software could be exploited by hackers to shut down routers** and switches that carry much of the world's Internet traffic. Cisco has released a free patch to fix the flaw in its widely used Internetworking Operating System. Internet providers, meanwhile, quickly scheduled maintenance downtime to install the patch.
- **Advanced Micro Devices Inc. said weaker than expected sales of computers and mobile phones in Asia due to the SARS outbreak dragged second-quarter revenue down as expected.** The company posted a net loss of US\$140 million compared to a net loss of US\$184.9 million a year earlier. Sales for the quarter were US\$645 million, up 7 percent from US\$600.3 million a year ago.
- **Unisys Corp. reported improved sales and earnings for the second quarter, with growth in computer-services revenue** making up for a steeper-than-expected decline in hardware sales. Unisys derived 47% of second-quarter revenue from the U.S., with 31% coming from Europe and Africa. Unisys said net income rose 24% to US\$52.5 million from US\$42.2 million a year earlier. Second-quarter revenue rose 5% to US\$1.43 billion from US\$1.36 billion a year earlier. The gain was bolstered by favorable-currency exchange rates due to the weakened dollar, which accounted for four percentage points of the increase.
- **IBM reported that second-quarter earnings increased 11 percent, excluding charges, on sales that came in a shade above forecasts on the street.** IBM said it earned US\$1.7 billion in the quarter compared with income of US\$1.5 billion in the second quarter of 2002. This year's figure did not include costs related to discontinued operations and last year's earnings excluded a US\$1.1 billion restructuring charge. Sales of US\$21.6 billion, up 10 percent from US\$19.7 billion a year ago.
- **Apple Computer Inc. reported quarterly earnings fell from a year ago on higher revenue as costs also rose.** Still, the results came in above Wall Street forecasts for both earnings and revenues. For its fiscal third quarter ended June 28th, Apple said it had net income of US\$19 million down from US\$32 million a year earlier. Sales rose to US\$1.6 billion from US\$1.4 billion.

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Internet

- **Pinpoint Inc. in a lawsuit filed in federal court in Chicago, said Amazon allegedly violated several of its patents covering "personalization" technology**, which can be used to recommend merchandise to shoppers. Amazon is one of many Web sites that suggests products to users based on their past purchases or those of other shoppers. The lawsuit also names as defendants Borders Group Inc., Toys "R" Us Inc., Target Corp. and other retailers for whom Amazon provides Web site services and technologies. The lawsuit is bound to stir further controversy among opponents of so-called business-method patents which cover what critics say are overly broad processes for conducting business. Those critics, however, may not sympathize much with Amazon since the Internet retailer itself holds a number of business-method patents.
- **Facing the threat of lawsuits from a music industry trade group, fewer people are using online filesharing applications to swap songs.** Internet audience measurement service Nielsen Net Ratings said traffic on Kazaa, the leading filesharing platform, fell 15 percent in the week ended July 6 from the previous week. It was during that prior week, on June 25, that the Recording Industry Association of America said it would track down the heaviest users of "peer-to-peer" services like Kazaa and sue them for damages of up to US\$150,000 per copyright violation. Traffic on the Morpheus service also fell 15 percent, Net Ratings said, while usage on iMesh dropped 16 percent.
- **Buy.com is planning to announce the launch of a new music download service next week, sources familiar with the matter said.** A spokeswoman for the company declined to comment, but a record industry source said that a planned advertising campaign would position the new service as an alternative to the successful Apple's iTunes Music Store. The new service will be available on Windows-based PC and is expected to be aimed at users who are die-hard music fans and would promise to offer more features than just single tracks, the source said. Buy.com's service would be one of several new competing Internet music services that analysts expect to launch in the next few months to capitalize on the success that Apple has had with iTunes, currently only available to Mac users.
- **Google is shaking up the strategies of companies all over the Web business, from Microsoft Corp. to Yahoo! Inc.** To its rivals, Google is gaining a strategic position that could give it too much influence over Internet commerce. Its dominance of online searches means it can reach Web users from the moment they start browsing, and steer them to anyone with a product to sell or advertise. Of roughly four billion Internet searches conducted in May, 32% were conducted directly through Google, compared with 25% for Yahoo and 19% from AOL Time Warner Inc., according to comScore Networks, an Internet market-research firm.
- **Netflix Inc. swung to a profit as revenue surged thanks to a surge in new subscribers for its online DVD-rental service.** The company reported second-quarter net income of US\$3.3 million compared to a loss of US\$13.4 million in the same quarter last year. Excluding stock-based compensation expenses, the company said it earned US\$5 million. Revenue soared 74% to US\$63.2 million from US\$36.4 million in the year-earlier period, slightly below expectations.
- **The web site of Orbitz, the online travel agency, was taken offline due to a technical problem,** a spokeswoman said. Carol Jouzaitis said the site was experiencing database complication and the company was working with its vendors to correct the problem. She declined to provide additional information about the outage or to speculate when the site would be back online. Orbitz's site allows customers to make reservations for flights, hotels, car rentals and cruises. Orbitz is owned by five of the

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largest air carriers: AMR Corp.'s American Airlines, UAL Corp.'s United Airlines, Continental Airlines Corp., Delta Air Lines Inc. and Northwest Airlines Corp.

- **Yahoo! said it plans to buy paid Internet search provider Overture Services Inc. for US\$1.6 billion in cash and stock.** The acquisition is expected to close in the fourth quarter, according to company executives. Overture allows advertisers to bid for preferential listing placement in a search engine request and to sponsor keyword searches, having an ad pop up when a certain search term is entered. The company generates revenue based on how many people click on the ads.

Media, Entertainment and Gaming

- **AOL Time Warner Inc. is close to selling its CD- and DVD-manufacturing operations to Cinram International Inc. for about US\$1 billion** and is nearing a sale of two of its sports teams as well, according to people familiar with the situation. Warner Music makes digital videodiscs for AOL's film businesses in the same factories that manufacture the music division's compact discs. The explosion in DVD sales in the past few years has made DVD manufacturing a big business. The sale is the latest stage in AOL's effort to slash its net debt to US\$20 billion by the end of next year, from US\$26 billion at the end of the first quarter. The sale also clears the way for AOL to focus on negotiations for the merger of Warner Music's recorded-music operations with Bertelsmann AG's BMG unit.

Mobile / Wireless

- **Fenway Park has become the latest baseball stadium to offer cellphone-based food orders,** offering the service to fans in 396 box seats at Boston Red Sox home games. Such options -- in which fans enter their orders through an automated voice system, text message, or wireless Internet and stadium employees bring food to their seats -- are becoming increasingly common at baseball games.

Software

- **Microsoft Corp.'s fiscal fourth-quarter net income rose 26% on an 11% increase in sales,** as the software titan continued to escape from the slump in corporate technology spending. For the fiscal quarter ended June 30, Microsoft reported net of US\$1.9 billion including a US\$533 million after-tax charge from the settlement. In last year's comparable period, net income was US\$1.5 billion including a charge of US\$806 million. Revenue for the quarter rose to US\$8.1 billion from US\$7.3 billion.
- **PeopleSoft Inc. reported that software sales in the second quarter were at the high end of earlier estimates.** PeopleSoft reported net income of US\$36.5 million essentially flat with earnings of US\$36 million in the same period last year. Revenue was US\$497.4 million, up 3% from US\$482.2 million a year earlier. New software-licensing revenue, the most closely watched indicator, was US\$111.7 million, down 15% from last year's US\$131.9 million, but far higher than expected before PeopleSoft reported preliminary results early this month. At that time, PeopleSoft estimated license revenue for the quarter would total between US\$105 million and US\$115 million.
- **Microsoft Corp. warned customers of a critical flaw in its Windows operating system** that could allow an attacker to gain complete control of a victim's computer. The company issued a security bulletin advising customers to immediately download and install a patch that fixes the flaw on its Web site. Microsoft has issued 28 such notices this year.

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Europe

Hardware

- **Philips Electronics NV said proceeds from the sale of investments helped it post its first profit in five quarters** in the second period. But sales fell in important markets, and the company said prospects are bleak for a near-term recovery. Net profit was €42 million (US\$47 million), compared with a €1.4 billion (US\$1.5 billion) net loss a year earlier when Philips was hit by a €1.6 billion (US\$1.8 billion) charge to write down the value of shares it was holding in telecommunications and media company Vivendi Universal SA. Sales fell 18% to €6.5 billion (US\$7.3 billion) from €8.0 billion (US\$8.9 billion).

Media, Entertainment and Gaming

- **Bertelsmann AG said it filed a motion to dismiss three lawsuits that allege it perpetuated online piracy by funding the Napster music-swapping service.** Bertelsmann said the motion it filed in Manhattan federal court argues that recent court opinions counter allegations by Vivendi Universal's Music Group, EMI Group PLC and music publishers that its entities were "vicarious" and "contributory" copyright infringers. Bertelsmann said in a statement that U.S. copyright law does not permit recovery from a third-party lender for damages the plaintiffs failed to recover from Napster.

Mobile / Wireless

- **Nokia Corp. reported a 28% decline in second-quarter net income** and said third-quarter earnings will be lower than a year ago. The warning came the same day as the Finnish company said a restructuring charge in its flagging networks division pushed second-quarter net income down 28% to €624 million (US\$696.6 million) from a year earlier. Second-quarter sales rose 1% to €7.0 billion (US\$7.8 billion) as the weak U.S. dollar made European products relatively more expensive on international markets.

Software

- **SAP AG said second-quarter sales dropped even as it claimed to increase market share**, a sign that corporate spending on new software programs has yet to pull out of its nosedive. SAP said cost cutting increased profitability even as price competition, a stronger euro, and smaller contracts put pressure on its revenue. For the quarter, SAP swung to a net profit of €219 million (US\$245.6 million) from a loss of €232 million (US\$259 million) a year earlier, when, among other things, the company was hit by a €297 million (US\$331.6 million) write-down of its investment in software company Commerce One Inc. Revenue fell 8% to €1.6 billion (US\$1.8 billion). Results were hurt by a roughly 10% rise in the euro during the past year.

Telecommunications

- **Telefon AB L.M. Ericsson posted a flat second-quarter net loss** and showed signs that its efforts to cope with the continued slump in customer demand are beginning to pay off. The firm posted a net loss of 2.7 billion Swedish kronor (US\$330.7 million) for the latest quarter, compared with a net loss of 2.7 billion kronor (US\$330.7 million) in the same period a year earlier. Revenue fell 28% to 27.6 billion kronor (US\$3.3 billion), from 38.5 billion kronor (US\$4.7 billion) in the year-earlier period. Ericsson attributed about one-third of the decline to the weakening of the dollar.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 7/18/03)	% Change 1 Week Ago	% Change 1/1/2002	% Change 1/1/ 2003	% Change Last 12 Mth.
Japanese yen	¥/US\$	118.5200	-0.5%	-10.0%	0.2%	-2.2%
Hong Kong dollar	HK\$/ US\$	7.7994	0.0%	0.0%	0.0%	0.0%
Chinese renmenbi	RMB/ US\$	8.2770	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.7599	-0.2%	-4.7%	-1.4%	-1.5%
South Korean won	KRW/ US\$	1182.5500	-0.3%	-10.0%	0.3%	-1.0%
New Taiwan dollar	NT\$/ US\$	34.4700	-0.3%	-1.5%	0.5%	-4.2%
Australian dollar	US\$/A\$	0.6479	-1.7%	27.1%	15.4%	16.4%
New Zealand dollar	US\$/NZ\$	0.5731	-3.1%	37.7%	9.3%	17.3%
Philippine peso	PHP/ US\$	53.7250	-0.5%	4.0%	-0.2%	-6.2%
Euro	US\$/€	1.1269	-0.2%	26.7%	7.4%	11.4%
British pound	US\$/£	1.5906	-2.5%	9.4%	-1.2%	0.9%

Fixed Income Prices and Yields

Note	Currency	Current (on 7/18/03)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	106.6250	4.93%	110.6563	4.68%	115.3750	4.41%
Japan 30-year	¥	114.5495	1.46%	113.6370	1.50%	122.7515	1.13%
Hong Kong 10-year	HK\$	123.0967	3.44%	124.7917	3.19%	126.3194	2.99%
China (10/2027)	US\$	140.0222	4.71%	147.2333	4.34%	154.3959	3.99%
Singapore 10-year	S\$	113.4330	2.50%	117.0761	1.99%	118.8259	1.77%
South Korea 10-year	US\$	122.4560	3.66%	124.1139	3.34%	125.6311	3.10%
Australia 15-year	A\$	109.0960	5.30%	111.1770	5.04%	113.3820	4.79%
New Zealand (07/2009)	NZ\$	108.1796	5.38%	109.0474	5.22%	110.2270	5.02%
Philippines 20-year	PHP	149.0335	11.92%	148.6801	11.96%	147.7460	12.05%
India 20-year	INR	149.4263	5.99%	149.6051	5.98%	149.5267	5.99%
UK 30-year	£	93.1140	4.68%	95.0250	4.56%	97.0332	4.43%
Germany 30-year	€	109.1640	4.88%	110.9163	4.78%	113.8423	4.60%

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