

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



Week of 18 January - 24 January 2004

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Equity Market Indicators					
Index	Closing Level (1/23/04)	% Change 1 Week Ago	% Change 1/1/2004	% Change 1/1/2003	% Change 2003 Low
S&P 500	1,141.55	0.8%	2.7%	25.6%	42.9%
Dow Jones Industrial Avg.	10,568.29	0.1%	1.1%	22.8%	41.2%
Dow Jones Tech. Index	375.89	-1.6%	8.1%	63.7%	73.9%
Dow Jones Telecom. Index	197.57	1.8%	6.4%	33.6%	55.5%
NASDAQ Composite	2,123.87	0.7%	6.0%	53.4%	66.7%
The Street.com Net	166.62	2.3%	8.9%	85.9%	98.1%
Japan Nikkei 225	10,997.11	-0.4%	3.0%	26.2%	45.5%
Japan TOPIX	1,069.34	-0.3%	2.5%	24.3%	39.7%
Korea KOSPI Composite	862.64	1.5%	6.4%	35.8%	67.2%
Korea Kosdaq	448.10	-2.2%	-0.1%	861.6%	1186.7%
Taiwan Stock Exchange	6,269.71	3.8%	6.4%	38.6%	51.3%
Singapore Straits Times	1,889.56	2.6%	7.1%	41.4%	53.7%
Hong Kong Hang Seng	13,750.58	3.0%	9.3%	46.8%	61.4%
Hong Kong GEM	1,301.26	3.5%	9.7%	36.4%	42.6%
China Shanghai (A-Share)	1,677.29	5.5%	6.9%	21.5%	20.8%
China Shenzhen (A-Share)	416.25	5.2%	5.8%	3.8%	13.3%
China Shanghai (B-Share)	113.17	6.6%	7.8%	0.9%	14.9%
China Shenzhen (B-Share)	287.98	7.2%	5.9%	55.8%	54.6%

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## Technology, Media, Telecommunications and Life Sciences Market Activity

### Asian Markets: TMT and Life Sciences Convertibles

Issuance Date	Issuer [Equity Ticker]	Description of Issuer	Maturity Date	Size (US\$MM)	Per US\$10,000 converts to	Convertible Until
1/21/04	Jetway Information [6161.TT]	Designs, manufactures, and markets motherboards, VGA cards, LCD monitors, and other peripherals.	1/21/09	US\$11.9	1,528 Shares	1/11/09

### NASDAQ/NYSE TMT and Life Sciences IPO Filings

File Date	Issuer	Industry Sector	Size (\$MM)	Description	Book-Runner	Co-Manager
1/21/04	Jazz Semiconductor Inc. [JAZZ.US] (NASDAQ)	Semiconductor	US\$150	An independent semiconductor wafer foundry focused on specialty process technologies for the manufacture of analog and mix-signal semiconductor.	CSFB	Lehman Brothers

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

Pricing Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 1/23/04	% 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 1/23/04	% Change From Offer
1/19/04	MegaInfo Holding Ltd. [8279.HK] (HKGEM)	Provides enterprise solution with a focus on self developed digital image processing management applications, VodaImage and Vodamax, for telecommunication service providers and other enterprises in Macau and China.	US\$16.2	HK\$0.25	HK\$0.26	4%
1/19/04	Speedy-Tech Electronics [SPDY.SP] (Singapore)	Provides electronic manufacturing service, namely printed circuit boards assembly and box-build assembly service.	S\$26.8	S\$0.4	S\$0.7	66.7%

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## Weekly Highlights

### International

#### *Mobile / Wireless*

- **Sony Ericsson, the struggling Swedish-Japanese mobile phone maker, has swung into profit in the 2003 final quarter** and trimmed its full-year net loss by 64 percent to €86 million (US\$106.3 million). The group had posted a 2002 net loss of €241 million (US\$530.9 million). Sales in 2003 rose 11.9 percent to €4.7 billion (US\$5.9 billion), compared with €4.2 billion (US\$5.2 billion) in the previous year.

#### *Semiconductors*

- **The World Trade Organization set up panels to rule on the legality of U.S. and European Union duties imposed on imports of computer memory chips from South Korea.** The move follows a request by South Korea, which claims the duties breach global trade rules policed by the WTO. In April 2003, the EU imposed a provisional 33% tax on imports of computer memory chips made by Hynix Semiconductor Inc., accusing the South Korean firm of receiving illegal government subsidies. The EU action foreshadowed a similar move by the U.S., which in June last year slapped a 44.7% import tariff on chips made by Hynix, the world's third largest chip maker.
- **Orders for microchip-making equipment from North American manufacturers rose 19 percent in December from the prior month, the largest monthly jump since April 2002.** The three-month average of worldwide orders in December was US\$1.1 billion, 19 percent above the revised November figure of US\$923 million, and 33 percent above December 2003 orders of US\$827 million, according to Semiconductor Equipment and Materials International (SEMI). The three-month average of equipment billings, or the value of chip-making gear accepted by customers and booked as revenue, was US\$918 million. This was 5 percent above the revised November level of US\$876 million, and 5 percent above December 2003 billings of US\$878 million.

### Japan

#### *Hardware*

- **Sony Corp. aims to make picture quality the hallmark of its marketing efforts for flat-panel TVs by installing its proprietary Wega Engine circuitry in more than 90% of the flat TVs it sells globally in fiscal 2004, up from more than 50% in the current fiscal year.** The Wega Engine, which digitizes analog video signals to remove extraneous noise for a clearer picture, has been used in Sony TVs since 2002. More than 90% of the LCD (liquid crystal display) and plasma TVs Sony sold in Japan in fiscal 2003 were equipped with the technology, but the ratio in North America was less than 50%, and in Europe it was zero.
- **Combined capital investment in digital household appliances and other related products by 24 major manufacturers of electric equipment, semiconductors, chemicals and other products, is expected to top ¥1 trillion (US\$9.4 billion) for the first time to hit ¥1.2 trillion (US\$11.3 billion) in fiscal 2003, up 70% from a year ago.** The robust capital spending on digital appliances is expected to

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continue into fiscal 2004, acting as an engine of Japanese economic recovery during the year. Combined capital spending by seven major Japanese chipmakers is likely to hit ¥583 billion (US\$5.5 billion) in fiscal 2003, up 69%.

## *Information Technology*

- **NEC Corp. plans to make a full-scale entry into the fast-growing smart tag market** by building a comprehensive business centering on its new high-performance chip. NEC Electronics Inc. is in the final stages of development of the NetLabel chip, which will be larger than Hitachi Ltd.'s mu-chip but have eight times the data capacity at 1 kilobit. Coupled with data read-write ability, the chip will likely have a wide range of applications in tracking the distribution of food and goods and managing production at factories. The company hopes that group sales from its smart-tag-related business will reach ¥200 billion (US\$1.9 billion) by 2010.

## *Internet*

- **Japanese Internet bank eBank Corp. recorded its first monthly profit in December, a step forward for its plan to go public.** The company booked a parent pretax profit of ¥19 million (US\$179,000) in December. But it remained in the red for the October-to-December quarter with a pretax loss of ¥519 million (US\$4.9 million). In December, eBank had expected a profit of between ¥10 million (US\$94,300) and ¥20 million (US\$188,700) for the last month of 2003. Given its accumulated losses, the bank is likely to remain in the red for the fiscal year through March 31, missing its original goal of booking a profit in its third business year.

## *Media, Entertainment and Gaming*

- **Nintendo Co. Ltd took the wraps off Nintendo DS, a portable video game system with two screens, one above the other.** Nintendo had been expected by industry players to offer some sort of new handheld product this year to compete with Sony Corp.'s PSP, an advanced handheld gaming device set for launch by the end of the year. Sony already dominates the console games market with its PlayStation 2. The new Nintendo unit will feature two three-inch liquid crystal display (LCD) screens, dual processors and up to one gigabit of semiconductor memory.
- **Nippon Telegraph and Telephone Corp. and Sky Perfect Communications Inc. plan to start offering a broadband television broadcasting service** as early as this summer. The firms will establish a joint venture management company, but NTT's stake in the project is unlikely to exceed 3% because regulations prohibit the firm from owning more than that percentage of a broadcaster. The broadband TV service will be offered in areas where Nippon Telegraph & Telephone East Corp.'s and Nippon Telegraph & Telephone West Corp.'s fiber-optic or ADSL (asymmetric digital subscriber line) services are available. Special receivers will be used to connect TV sets with the broadband networks. Trial services are scheduled to begin in February in Osaka and more than 100 programs, including animation and movies, are likely to be offered initially. In the future, all 300 or so channels transmitted by Sky Perfect's satellite TV service will also be available via NTT's broadband services.

## *Mobile / Wireless*

- **NTT DoCoMo Inc. is developing anti-virus software with Network Associates Inc. and intending to install it on handsets used for the firm's FOMA 3G service** by the end of this year. In contrast to the newly revealed KDDI technology, the NTT DoCoMo system will require subscribers play an active role in ridding their phones of viruses.

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- **KDDI Corp. and content creator Edia Co. will start offering Jan. 29 a new mobile phone map search service that will recognize addresses spoken into a mobile phone.** The user will connect to a service site and then be able to download map data on the address area. This service, which will be available to users of the KDDI au mobile phone Internet connection service, is based on a map search service offered by Edia. To this, voice input functions were added, drawing on voice recognition technology developed by KDDI Research and Development Laboratories Incorporated. The service will cost ¥210 (US\$2) a month.
- **KDDI Corp. has developed basic technology to monitor and remove viruses that attack mobile phones** and plans to offer an anti-virus service to users of its third-generation cellular phones starting in 2005. KDDI will install equipment on its phone network to detect viruses or unauthorized access. When the device discovers a virus, it will issue a warning to users and remove it. The company is considering providing the service for a fee to subscribers of its CDMA2000 3G mobile phone service.

## *Telecommunications*

- **NTT Communications Corp. and Plala Networks Inc. will start a service to allow subscribers to their respective Internet Protocol networks to talk with each other over IP phones.** Subscribers will be charged ¥8 (US\$0.08) per three-minute talk through IP phone services. For the time being, NTT Communications and Plala Networks have decided to suspend direct connections of their IP phone networks but alternatively chose to lay ordinary phone circuits, run by regional phone operators NTT East Corp. and NTT West Corp., between their networks, an approach that requires converting voice data into analogue signals. The partnership plans to gradually increase the number of providers linked to their IP networks, particularly to include Fusion Communications Corp. by the end of March.
- **Nippon Telegraph and Telephone Corp. plans to develop a smart card that supports two international standards:** FeliCa, developed by Sony Corp., and Type B, the standard used for Japan's national resident registry network, popularly known as Juki Net. NTT plans to begin developing the smart card this spring and have a practical version ready before the end of the year. The new smart card will incorporate a chip installed with programming that supports the protocols used by both FeliCa and Type B. The multifunctional smart card could be used for a variety of authentication and transaction purposes, including a wide range of commuter and government services and electronic money.

## **Korea**

### *Hardware*

- **The combined annual sales of Korea's thin-film-transistor liquid-crystal display makers exceeded US\$10 billion for the first time in 2003.** LG-Philips LCD reported US\$5.1 billion last year in sales of TFT-LCD panels larger than 10 inches, while Samsung Electronics Co. ranked second globally with sales of US\$4.9 billion. BOE Hydis Technology Co. recorded US\$720 million in annual turnover. Altogether, the nation's three LCD-panel manufacturers put up US\$10.7 billion in annual sales, up 65 percent from US\$6 billion in 2002.

### *Information Technology*

- **Korea's Information and Communication Minister indicated it would stress creating new jobs in the information technology sector this year,** while helping increase exports of mobile phones, memory chips and flat-panel displays. At a regular news conference, the Information Ministry will

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channel 47 billion won (US\$39.7 million) into knowledge database projects that will create 2,000 jobs as a part of efforts to ease the job shortage for young adults. The government is currently grappling with a troubled job market and policymakers are placing hopes on the high-tech sector to help the economy stage a quicker recovery. The Information Ministry set the IT export volume target at US\$70 billion this year, up 22 percent from US\$57.3 billion in 2003.

## *Internet*

- **Pink Communication Co. launched an online matchmaking website.** Matchmaking on the web is well established but what has sparked rumors around the Korean dot-com circle is that Pink Communications' founder gave up a much-coveted post at NHN Corp., a high-flying Internet portal operator, to enter this arena.
- **Auction Co., Korea's largest online auctioneer, reported its fourth-quarter net profit rose 9.8 percent on the year to 4.9 billion won (US\$4.1 million) on sales of 19.5 billion won (US\$16.5 million),** setting a positive note for the domestic online sector in the near term. Auction's sales were up 69 percent from the year-earlier period and up 25 percent from the third quarter. Its operating profit in the three months ended December reached 6.8 billion won (US\$5.7 million), up 82 percent from a year earlier.

## *Mobile / Wireless*

- **KT Corp. announced an alliance with ReignCom Ltd., the world's largest MP3 player maker, to jointly develop a portable music player that allows users to download music files wirelessly.** The wireless MP3 player will enable subscribers to KT's high-speed wireless Internet service Nespot to download music files when they are at "hotspots" near base stations. The alliance should help KT promote its wireless Internet service. KT so far has more than 12,000 hotspots nationwide and will add another 8,000 wireless-fidelity zones by the end of this year. The number of Nespot subscribers stood at 350,000 at the end of November.

## *Telecommunications*

- **KT Corp. is taking steps to find a new growth engine and stabilize its overall system in a bid to bolster its profitability** as a global information technology frontrunner amid intensifying competition. KT's new focus on nurturing new business items comes at a time when the fixed-line and broadband telecommunications markets are beset by harsh price competition and tepid growth. KT is keen on develop new business items, particularly targeting convergence technologies. Increasingly, voice and data are bundled together to form a new line of services, while the boundary between fixed-line and mobile technologies is being blurred. Integration, though fraught with regulatory problems, is forcing telecom services to merge with broadcasting.

## **China**

### *Semiconductors*

- **The mainland's biggest chipmaker, Semiconductor Manufacturing International Corp (SMIC), has secured US\$285 million in bank loans** in its second financing exercise in four months. This has boosted its war chest to US\$915 million ahead of an initial public offering in April. The firm had secured a five-year loan with four banks - Shanghai Industrial and Commercial Bank of China, China Construction Bank, Bank of Communications and Shanghai Pudong Development Bank - to expand its



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eight-inch fabrication plant. The four lenders also provided a loan of US\$480 million to SMIC in December 2001.

## Taiwan

### *Hardware*

- **A shortage of liquid crystal display (LCD) panels from Taiwanese suppliers is keeping pressure on mainland manufacturers of computer monitors**, which are unable to fulfill orders. The shortage is also putting pressure on margins. According to Shenzhen Irico-Royal Information Electronics, a Taiwan-invested manufacturer of monitors, prices for 15-inch panels would not fall below US\$200 this year from US\$250 at present. The shortfall has existed since March last year. Shenzhen Irico-Royal estimates have the global shortage of LCD panels at about 18 percent this year but indicated that it gap may decrease in the second half.

## Singapore / Malaysia / Philippines / Indonesia

### *Mobile / Wireless*

- **MobileOne Ltd., a Singapore mobile-phone company, posted a 10% jump in net profit for 2003** as cost-cutting measures helped improve its bottom line amid a saturated market. MobileOne earned S\$141.6 million (US\$82.9 million) last year, compared with S\$128.4 million (US\$75.1 million) a year earlier. Revenue for the year rose 1.6% to S\$717.3 million (US\$419.5 million) from S\$706 million (US\$584.8 million), partly because of the company's move to rein in costs. Operating expenses were S\$525.1 million (US\$307.1 million), down 1.7% from S\$534.1 million (US\$312.3 million) a year earlier. For the quarter ended Dec. 31, MobileOne's net income rose 1.4% to S\$36.9 million (US\$21.6 million) from S\$36.4 million (US\$21.3 million) a year earlier, as revenue fell to S\$178.9 million (US\$104.6 million) from S\$184.3 million (US\$107.8 million).

## Hong Kong

### *Mobile / Wireless*

- **Hong Kong was given its first glimpses of the 3G phone technology**, which proponents say will revolutionize mobile entertainment and communication. Marketers from Hutchison began visiting potential corporate subscribers to their "3" service, offering demonstrations of how a range of services, from breaking news to adult entertainment, can be delivered as moving pictures to mobile phones. However, the breaking news, from broadcasters including TVB and CNN, comes with a delay of 30 minutes to an hour.



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## United States / Canada

### *Hardware*

- **Logitech International SA's third-quarter net income rose 65%, boosted by strong sales of personal-computer peripherals and a one-time gain on deferred-tax assets.** The firm reported earnings of US\$66.8 million compared with US\$40.4 million a year ago. Excluding US\$13.4 million from a previously announced release of a valuation allowance on specific-deferred tax assets, Logitech earned US\$53.5 million. Looking ahead, the company reiterated its operating-income guidance for the fiscal year ending March 31, projecting a 15% increase from prior-year levels. Logitech expects fiscal 2004 sales to top US\$1.2 billion. The company recorded US\$1.1 billion in sales in fiscal 2003.
- **AlphaSmart Inc, maker of computer products for schools, planned to offer 4.4 million shares in its upcoming initial public offering.** In a filing with the Securities and Exchange Commission, the company expected the IPO price to be between US\$8 and US\$10 per share. AlphaSmart would sell 3.6 million common shares and some of its stockholders would sell another 800,000 common shares, for a total offering of 4.4 million. The company will not receive any proceeds from the sale by stockholders.

### *Information Technology*

- **EMC reported a fourth-quarter profit compared with a year-earlier loss, helped by better demand from its large corporate customers for its computers, software and services used to store and manage data.** The company's revenues were boosted by the purchase of two software companies during the fourth quarter, Legato Systems and Documentum. The weak dollar also accounted for 5 percentage points of revenue growth. EMC raised its estimate last month for revenue to US\$1.8 billion from its previous estimate of US\$1.7 billion, citing additional revenue from software company Documentum. The firm expects 2004 revenues to grow 25 percent and slightly exceed US\$7.8 billion.

### *Internet*

- **Ariba Inc. plans to buy FreeMarkets Inc. for cash and stock initially valued at about US\$493 million.** The companies, which once boasted multibillion-dollar valuations, fell out of favor as they struggled with a sharp drop in demand and multiple restructurings. While Ariba has stabilized its business and recently turned a quarterly profit, FreeMarkets has continued to struggle with net losses and fired workers as recently as October. Ariba currently sports a market capitalization of about US\$1 billion. Both firms help large corporations save money on their purchases of goods and services by using the Internet.
- **Online movie rental service Netflix Inc. reported a profit in the latest quarter versus a year-earlier loss, saying revenues surged 80 percent thanks to strong growth in new customers.** The company posted a fourth-quarter net profit of US\$2.3 million compared with a net loss of US\$2.3 million in the year-ago period. Revenues surged 80 percent to US\$81.2 million, from US\$45.2 million last year.
- **E-Trade Financial Corp., the online bank and brokerage that had been exploring a possible merger with rival TD Waterhouse, reported that fourth-quarter profit more than tripled, helped by a surge in customer stock trading.** E-Trade reported earnings of US\$107 million according to generally accepted accounting principles for the quarter. That compared with US\$30 million in the same

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period a year earlier. Income from ongoing operations, which excludes certain items, came in at US\$68 million. Revenue rose 9.5 percent to US\$382.7 million.

- **Online retail sales are expected to grow 17 percent a year through 2008** as the Internet takes on a bigger role in consumer decision-making, according to Jupiter Research. Jupiter said its forecasts call for US online retail sales to hit US\$65 billion in 2004 and grow to more than US\$117 billion by 2008.
- **Google's new push into e-mail marketing is not well received by consumers.** There is growing consumer disenchantment with e-mail newsletters which may limit the size of the e-mail market. Google's foray is in ad-supported e-mail, not direct-marketing messages. The company plans to serve up advertisements that would ride along with e-mail dispatches sent by others. Google hopes the e-mail product will expand the scope of its cash cow: brief, targeted text ads. These types of ads have been a huge success in search-engine results, generating roughly US\$2 billion in revenue industry-wide last year.
- **Yahoo! Inc. and Fandango Inc. signed a long-term agreement to offer Fandango's online ticket purchasing and other services to visitors of Yahoo!'s movie website.** The two companies will share revenue from the partnership but declined to disclose more detailed terms of their agreement. Fandango provides services for buying tickets, concessions and other items through the Internet and the telephone.
- **eBay Inc.'s profit for the fourth quarter jumped 64% on a 57% increase in revenue that was powered by the strength of holiday trading.** The results reflect growing mainstream acceptance of online shopping, as more consumers get comfortable purchasing over the web. Total holiday web sales were strong last year, jumping 30% to US\$12.5 billion from US\$9.7 billion for the previous year, according to estimates from comScore Networks Inc.-- excluding include travel and auction sites. Revenue jumped to US\$648.4 million from US\$413.9 million in the fourth quarter and, for the full year, rose 78% to US\$2.2 billion from US\$1.2 billion. eBay earned US\$441.8 million in 2003, up 77% from US\$249.9 million in 2002.

## *Mobile / Wireless*

- **Qualcomm Inc. posted a 46 percent rise in quarterly profit, boosted by strong demand for cellular products, and raised its outlook for the full fiscal year.** Qualcomm based its outlook on increased worldwide demand for CDMA phones and devices with increased functionality, such as color screens, cameras and multimedia capabilities. Qualcomm owns most of the patents and is responsible for most of the chips based on the CDMA, or Code Division Multiple Access, standard for wireless networking. It is most popular in the United States but is spreading rapidly throughout Asia and elsewhere. For the current quarter Qualcomm forecast a revenue decline of 9 percent to 15 percent from the prior quarter, but a rise of 1 percent to 8 percent from the year-ago period.
- **AT&T Wireless Services Inc. confirmed it would look at buyout offers, and posted an unexpected fourth-quarter loss amid a host of technical and operational problems.** AT&T Wireless was examining strategic alternatives due to takeover interest from several companies. The firms reported loss was US\$84 million compared with a loss of US\$131 million a year earlier.

## *Semiconductors*

- **Intel Corp. would double its quarterly cash dividend to four cents a share from two cents a share beginning in the first quarter.** The dividend payment will be March 1 for holders of record as of Feb. 7. Intel began paying dividends in 1992, and has paid a dividend for 45 consecutive quarters.

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- **Advanced Micro Devices Inc. posted its first quarterly net profit in more than a year, on a 76 percent jump in revenue, driven by strong shipments of microprocessors used in personal computers.** AMD's results surpassed analysts estimates, but like larger rival Intel Corp., the company said it sees a seasonal decline in revenue for the current quarter. AMD reported fourth-quarter net income of US\$43.1 million compared with a loss of US\$854.7 million. AMD sales rose to US\$1.2 billion from US\$686.4 million a year ago. The final quarter of the year is typically a strong selling season for AMD, boosted by demand electronic devices including cellular phones, for which AMD makes key components.

## *Software*

- **Oracle Corp.'s US\$7.3 billion hostile bid for PeopleSoft Inc. may be facing stronger headwinds, with the Justice Department moving closer to a decision to block the deal.** Government lawyers are continuing to gather evidence to be used in a possible suit in federal court to challenge the deal on antitrust grounds. A final decision will not be made before the end of February, but Justice Department staff members are leaning against recommending approval of the deal.
- **Computer Associates International Inc. posted a quarterly profit versus a year-ago loss, driven by subscription revenue increases and a weak dollar.** For the third fiscal quarter ended Dec. 31, the company said net income was US\$22 million compared with a net loss of US\$44 million a year earlier.

## *Telecommunications*

- **Goldman Sachs Group Inc. will refund the former WorldCom Inc. US\$9.5 million for advice it gave the telecommunications company** in the months before its bankruptcy filing in July 2002. Worldcom Inc. hired Goldman in May 2002 to provide financial advice, two months before it sought bankruptcy-court protection, overwhelmed by a massive accounting scandal. The settlement was approved during a hearing in New York.
- **Lucent Technologies Inc. posted its second consecutive quarterly profit as customer spending showed further signs of stability.** The company reported a net profit applicable to common shareholders in its fiscal first quarter of US\$349 million compared with a net loss in the year-ago quarter of US\$389 million. Sales in the quarter ended Dec. 31 rose 8.6 percent to US\$2.3 billion from the year-earlier period and 11 percent from the July to September 2003 quarter.
- **Lawyers for AT&T Corp. and SBC Communications Inc. squared off in a closed-door mock debate before Federal Communications Commission staff members, arguing over rules of the road for Internet phone traffic.** Billions of dollars are at stake as SBC, AT&T and others strain to figure out the implications of the Internet for the US\$300 billion telecommunications industry. Some would argue that because of the Internet's regulation-free status, phone calls sent as tiny electronic packets over this network avoid all of the regulations, taxes and fees of the traditional public phone system.
- **Nortel Networks Corp. to divest all of its manufacturing facilities so it could focus more on introducing new products and network technologies in a cutthroat market where demand has been lackluster.** Nortel is in talks with Flextronics International to divest nearly all of its remaining manufacturing facilities in Canada, Brazil, Northern Ireland and France. If a deal materializes, it could result in Flextronics undertaking and managing in excess of US\$2 billion of Nortel's annual cost of sales and involve the transfer to Flextronics from Nortel of more than US\$500 million of manufacturing and

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inventory assets. In return, Nortel would get more than US\$500 million in cash, over nine months, for inventory and some manufacturing assets from Flextronics.

- **BCE Inc.'s Bell Canada signed an Internet network services deal with Cisco Systems Canada.** The value of the three-year deal was not disclosed. Bell Canada indicated the deal was part of its strategy to become Canada's leading provider of voice over Internet services, new technology that lets voice, video and data travel together on a single network. Under the deal, Cisco and Bell will create new phone technology aimed at Bell's business customers.
- **BellSouth Corp.'s profit jumped 37% in the fourth quarter on flat revenue, as the company controlled expenses better and reported fewer costly charges.** The company, which provides local and long-distance service in the Southeast, reported net income of US\$787 million compared with US\$574 million a year earlier. The latest quarter included a charge of nine cents a share for the sale of BCP, a wireless company in Brazil, and a charge of a penny a share for severance costs. Revenue was US\$5.7 billion, up 0.9% from a year earlier.
- **America's two top long-distance carriers, AT&T Corp. and MCI, reported their revenue would fall yet again this year.** AT&T reported that its fourth-quarter profit fell by a third as revenue slipped, and the company warned that fierce price competition could further erode revenue 7% to 10% this year. MCI expects revenue of US\$21 billion to US\$22 billion in 2004, a drop of 10% to 12% from 2003's revenue. The company had projected in July that its 2004 revenue would be US\$24.6 billion.

## Europe

### *Information Technology*

- **Iliad SA said it plans to float 12% to 15% of its capital on the Euronext Paris stock exchange Jan. 30,** marking a tentative restart to a French technology initial-public-offering market that has been dormant for three years. Iliad owns Free, the second-largest ISP in France in terms of subscribers after Wanadoo SA. Iliad will issue five million shares priced from €14 to €16.3 (US\$17.6 to US\$20.5) each. Based on the midprice, it would raise €75.8 million (US\$95 million), valuing the company at about €720 million (US\$902.8 million).

### *Mobile / Wireless*

- **Nokia Corp. reported an 11% rise in fourth-quarter net profit and forecast a boost in cell phone sales in the first three months of 2004 on increased demand.** The firm also predicted it will grab a bigger share of the market. Nokia expects the total cell phone market to grow more than 10% this year. Last year, the world's biggest handset maker sold an estimated 471 million units worldwide, with some 145 million units sold in the fourth quarter alone.

### *Semiconductors*

- **Infineon Technologies AG eked out a profit for its fiscal first quarter,** though sales were pressured by the weak dollar. The firm reported a net profit of €34 million (US\$42.1 million) for the three months ended Dec. 31, reversing a year-earlier net loss of €40 million (US\$50.2 million). Sales rose 13% from a year earlier to €1.6 billion (US\$2 billion), but were down 8% from the previous quarter.

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



Week of 18 January - 24 January 2004

## *Software*

- **SAP AG reported an 11% drop in fourth-quarter net profit**, but pointed to a general recovery in information-technology spending with a bullish outlook for business-software sales this year. The firm reported net income of €423 million (US\$534.3 million) for the latest quarter compared with €474 million (US\$598.5 million) in the year-earlier period. Revenue fell 3% to €2.2 billion (US\$2.8 billion) from €2.3 billion (US\$2.9 billion), while software revenue dropped to €931 million (US\$1.2 billion) from €958 million (US\$1.2 billion). Excluding the effects of the weaker dollar, SAP's overall revenue was up 4%.

## *Telecommunications*

- **Siemens AG's fiscal first-quarter earnings jumped 39%**, as the company's fixed-line communications unit swung to a profit and mobile-phone sales surged. Net profit at the company jumped to €726 million (US\$910.3 million) for the three months ended Dec. 31 from €521 million (US\$653.3 million) in the year-earlier period. Sales slipped 2.7% to €18.3 billion (US\$22.9 billion) from €18.8 billion (US\$23.6 billion); orders were up 2% at €20.5 billion (US\$25.7 billion).

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## Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 1/23/04)	% Change 1 Week Ago	% Change 1/1/2003	% Change 1/1/ 2004	% Change Last 12 Mth.
Japanese yen	¥/US\$	106.5250	0.7%	-11.3%	0.6%	11.3%
Hong Kong dollar	HK\$/ US\$	7.7672	0.0%	-0.4%	0.0%	0.4%
Chinese renmenbi	RMB/ US\$	8.2770	0.0%	0.0%	0.0%	0.0%
Singapore dollar	S\$/ US\$	1.6988	0.6%	-2.0%	0.1%	1.9%
South Korean won	KRW/ US\$	1183.1000	0.2%	-0.2%	0.8%	-1.0%
New Taiwan dollar	NT\$/ US\$	33.6845	-0.1%	-3.1%	0.8%	2.5%
Australian dollar	US\$/A\$	0.7713	2.1%	37.2%	2.6%	30.9%
New Zealand dollar	US\$/NZ\$	0.6713	2.3%	28.0%	2.4%	22.5%
Philippine peso	PHP/ US\$	55.7250	-0.2%	4.6%	-0.4%	-3.8%
Euro	US\$/€	1.2566	1.7%	21.3%	-0.2%	15.8%
British pound	US\$/£	1.8225	2.2%	14.3%	2.1%	11.3%

## Fixed Income Prices and Yields

Note	Currency	Current (on 1/23/04)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	106.4375	4.94%	107.1875	4.89%	105.9844	4.97%
Japan 30-year	¥	102.7150	2.04%	103.9925	1.98%	103.7580	1.99%
Hong Kong 10-year	HK\$	123.6085	3.07%	123.5229	3.10%	121.3658	3.49%
China (10/2027)	US\$	138.5321	4.77%	139.8858	4.70%	137.3174	4.84%
Singapore 10-year	S\$	90.6300	3.41%	90.1593	3.48%	88.4136	3.71%
South Korea 10-year	US\$	120.7937	3.52%	120.9795	3.50%	120.8049	3.60%
Australia 15-year	A\$	105.8620	5.68%	106.1170	5.65%	105.9330	5.67%
New Zealand (07/2009)	NZ\$	105.6200	5.78%	106.2018	5.67%	105.3260	5.86%
Philippines 20-year	PHP	151.6602	11.66%	151.1336	11.71%	153.5146	11.51%
India 20-year	INR	152.5268	5.70%	152.6336	5.69%	154.1095	5.60%
UK 30-year	£	93.9060	4.63%	93.3149	4.68%	93.5050	4.67%
Germany 30-year	€	109.9830	4.83%	109.1577	4.88%	109.0971	4.89%

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