

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

Week of 25 April - 1 May 2004



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Weekly Highlights

International

Hardware

- **Cisco Systems Inc. and Ericsson agreed to jointly sell equipment to global telephone companies in a move to speed the shift to Internet-based networks.** The nonexclusive deal, details of which were not disclosed, will allow Cisco, the world's largest maker of equipment that directs Internet traffic, and Ericsson to offer gear and services to phone companies as they roll out such services as Internet voice transmission. Telephone companies see Internet-based networks as a way to win back customers with lower-priced calling services. Suppliers see them boosting sales after three years of declining spending in the industry.
- **LG Electronics Inc. and Philips Electronics NV, settling differences over timing, took the first step toward an initial public offering of shares in their lucrative joint venture that makes liquid-crystal-display panels.** LG filed a document with securities regulators in Seoul stating that the companies intend to list their venture, LG Philips LCD Co., on the Korean and New York stock exchanges during the July-through-September quarter. Last year, the 50-50 venture was the world's leading producer of LCDs, the core component in many flat-screen televisions, computer monitors and other electronic gadgets. In this year's first quarter, LG Philips LCD accounted for nearly half of the net profit reported by each of its parents. Both companies plan to spend heavily on new factories during the next few years. The filing stated LG Philips LCD will try to raise at least US\$1 billion through the IPO and use the proceeds to build factories.
- **Fujitsu Ltd. sued companies in the South Korean Samsung group for allegedly violating its patents on plasma-screen technology** and managed to convince Japanese customs to halt imports of Samsung's plasma panels. A Japan-based member of the Samsung group immediately filed a countersuit to get the import ban lifted, while the South Korean government threatened to take the whole matter to the World Trade Organization. The struggle is throwing the spotlight on a new trend in corporate Japan. Companies that long paid little attention to their intellectual-property and patent holdings are now trying to leverage them to make money or cut business deals. And firms that once stayed on the defensive in disputes increasingly are willing to play the heavy.

Information Technology

- **Radio frequency identification tags officially made their retail debut,** as tagged pallets and cases of merchandise from eight consumer product manufacturers were delivered at midnight to seven Wal-Mart Stores Inc. outlets. After experimenting with the technology for several years, Wal-Mart, the world's largest retailer, told its 100 largest suppliers last June that it expected a certain percentage of cases and pallets to be affixed with RFID tags that could be read with 100% accuracy in a Dallas-based trial starting January 2005. Another 25 manufacturers volunteered to join them, and the remaining suppliers have until the end of 2006. Since Wal-Mart's announcement, numerous large retailers, including Target Corp., Germany's Metro AG and Tesco PLC of the United Kingdom, announced similar trials.

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Japan

Hardware

- **Hitachi Ltd. reported a 43% plunge in net profit for the year ended March 31**, hurt by hefty restructuring costs to reshape its business and increased tax payments. Hitachi posted a group net profit of ¥15.9 billion (US\$144.5 million), down from ¥27.9 billion (US\$252.5 million) for the prior fiscal year. But the Tokyo-based company's core electronics operations enjoyed a recovery on brisk demand for digital electronics products. Sales increased 5.4% to ¥8.6 trillion (US\$78.2 billion) from ¥8.2 trillion (US\$74.2 billion). Operating profit rose 21% to ¥184.9 billion (US\$1.7 billion). For the fiscal year ending in March 2005, Hitachi projects a group net profit of ¥100 billion (US\$906 million), an operating profit of ¥300 billion (US\$2.7 billion) and revenue of ¥8.8 trillion (US\$79.7 billion).
- **Sharp Corp. will begin in-house production of backlights, a vital component of LCDs (liquid crystal displays), in China as early as this month.** The company has set up in Jiangsu Province a subsidiary charged with developing, manufacturing and marketing the product. Sharp will take a 60% stake and a Taiwanese subsidiary the remaining 40% in the new yet to be named firm. Its employees will total 500 by year-end. Backlight production at the Chinese subsidiary will begin with 50,000 units a month and will increase to 100,000 units as early as this fall.
- **Sony reported that restructuring costs, sluggish computer game sales and a stronger yen cut its net profit by 23.4 percent in the year to March.** The Japanese company posted a group net profit of ¥88.5 billion (US\$816 million) in the year to March, down from ¥115.5 billion (US\$1.0 billion) the previous year. The fall was widely expected and the figures were in line with the company's own forecasts. Pre-tax profit fell 41.8 percent to ¥144.1 billion (US\$1.3 billion) while sales rose only 0.3 percent to ¥7.5 trillion (US\$68 billion) and adding that without the impact of currency fluctuations, sales would have gained 3 percent.
- **Toshiba reported its year to March group net profit rose 55.7 percent to ¥28.8 billion (US\$272 million)**, buoyed by demand for audio-visual products. Pre-tax profit almost tripled to ¥145.0 billion (US\$1.3 billion) while sales dropped 7.4 percent to ¥5.6 trillion (US\$50.7 billion). The company stated that lower sales were caused by the transfer of some businesses to joint ventures, which had contributed ¥176 billion (US\$1.6 million) to sales in the previous year.
- **NEC returned to the black with a full-year net profit of US\$377 million thanks to strong sales of cell phones and gains from stock issues by subsidiaries.** NEC's group net profit in the year to March came to ¥41.1 billion (US\$377 million) compared with a net loss of ¥24.6 billion (US\$222.9 million) a year earlier. Pre-tax profit nearly tripled to ¥160.5 billion (US\$1.5 billion) on sales of ¥4.9 trillion (US\$44.5 billion), up 4.5 percent.
- **Matsushita returned to profitability in the year to March, thanks to brisk global sales of digital audio-visual products.** It posted a group net profit of ¥42.1 billion (US\$381.4 million), reversing a net loss of ¥19.5 billion (US\$176.7 million) in the previous year largely blamed on a plunge in the value of its equities investment, mainly in banks. The group's pre-tax profit rose 148 percent to ¥170.8 billion (US\$1.5 billion) on sales of ¥7.5 trillion (US\$68 billion), up 1 percent, Matsushita Electric Industrial. Strong sales of the group's core products, particularly digital audio-visual products, cellular phones and factory automation equipment, were sufficient to offset sales declines in devices.

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Information Technology

- **Fujitsu posted a group net profit of ¥49.7 billion (US\$470 million) in the year to March, reversing a net loss of ¥122.1 billion (US\$1.1 billion) the previous year.** The company forecast its net profit would improve further to ¥70 billion (US\$634.2 million) in the current fiscal year to March 2005. Group sales rose 3.2 percent to ¥4.8 trillion (US\$43.2 billion) and were forecast to rise 3.8 percent to ¥5 trillion (US\$44.8 billion) in the current year. The company said its recurring profit surged 301.9 percent to ¥49.8 billion (US\$45.1 million) in the year to March.

Media, Entertainment and Gaming

- **Hitachi Ltd. has developed a cellular phone chip that nearly quintuples image-processing speed, enabling video game characters to move faster and more smoothly.** The chip is for cell phones incorporating Java technology, which is used to move animated images. Cell phones have been able to process just 10 frames per second until now, but Hitachi's new chip will enable a cell phone to display 46 frames per second -- a level comparable to that of Sony Computer Entertainment Inc.'s PlayStation 2 console. The new chip will also reduce power consumption by up to 90%, enabling cell phone users to play much longer without recharging.

Mobile / Wireless

- **Sony Ericsson is looking to regain its seat in the elite group of the top five mobile phone makers, selling 8.8 million handsets during the first quarter,** 50,000 more than its closest Korean rival, LG Electronics Inc. LG Electronics, with 5.3 percent market share, replaced Sony Ericsson in the No. 5 slot, pushing it down to sixth place last year by a difference of just 0.1 percentage point, according to market research firm Strategy Analytics.

Software

- **Using technology from Microsoft Corp. of the U.S., Turbolinux Inc. has developed software to play music and video files on personal computers running on Linux.** The software will be bundled with the Japanese company's version of Linux for household use that will be released May 28. The software will be sold in the U.S. and China as well. One factor inhibiting the widespread adoption of the Linux operating system is the lack of application software. By paying Microsoft for its widely used technology, Turbolinux is eyeing the development of a high-quality player for Linux-based computers. Turbolinux is believed to have spent an estimated ¥10 million (US\$90,600) to develop this software, including license fees to Microsoft. The Japanese software company will also pay royalties to the U.S. software giant based on sales of the software.
- **NTT Data Corp. will team up with six major computer makers in order to upgrade an open system that can use software regardless of manufacturers of computers.** NTT Data and the computer makers will improve upon the central processing units of servers and operating systems with a view to eliminating any technical glitches. The team will aim to make the performances of their systems as stable as those of large computers and promote them to companies and government agencies. The six computer makers are Fujitsu Ltd., Hitachi Ltd., NEC Corp., IBM Japan Ltd., Hewlett-Packard Japan Ltd. and Sun Microsystems KK.

Telecommunications

- **KDDI reported net profit more than doubled to a record US\$1.1 billion in the year to March** on the back of growing mobile phone subscribers. KDDI's consolidated net profit came to ¥117 billion

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(US\$1.1 billion) from ¥57.4 billion (US\$1.7 billion) the previous year. Recurring profit jumped 142 percent to ¥274.5 billion (US\$247.2 million), also a record, on revenue of ¥2.9 trillion (US\$25.8 billion), up 2.2 percent.

- **The Japanese government planned to speed up sales of its shareholdings in telecommunications giant NTT** after seeing the recent rebound in the stock market. The Ministry of Finance was considering unloading more of the stock when Nippon Telegraph and Telephone (NTT) buys back its own shares so the company's action would not directly affect the supply-demand balance in the stock market. The ministry, which owns a 45.4 percent stake in the former monopoly, decided to unload about one million of the shares through public offerings at home and abroad around this fall. The government intended to sell a portion of its remaining 920,000 shares to NTT. The ministry expected that planned sales of more shares to NTT would help the government improve its finances.

Korea

Hardware

- **In its largest monthly output ever, Samsung Electronics Co. sold more than US\$850 million worth of liquid-crystal displays last month, capping off an impressive first quarter** that saw the company overtake LG-Philips LCD as the global sales leader. According to market research group DisplaySearch, Samsung had 1.1 trillion won (US\$860 million) in LCD sales during March, an increase from January and February when the company sold US\$770 million and US\$790 million respectively. Samsung cumulative LCD sales reached US\$2.4 billion in the first quarter, a 20 percent increase from the same period last year. Industry rival LG-Philips, a 50-50 joint venture between LG Electronics Inc. and the Netherlands' Royal Philips Electronics NV, marked a 3 percent gain from last year with sales of US\$1.9 billion for the quarter. Taiwan's AU Optronics Corp. finished third with US\$1.2 billion.

Mobile / Wireless

- **More than 900,000 SK Telecom subscribers switched services to the two smaller cellular phone operators under the number portability policy through this month.** According to statistics tracked by the mobile carriers through April 28, KTF attracted 532,900 users from SK Telecom while LG Telecom secured 383,100 subscribers. For this month, KTF and LG Telecom added 113,000 and 96,000 customers through number portability, respectively. With an average of 8,000 people changing mobile operators each day, industry insiders predict the total number of migrating cell phone users will reach 1 million by early next month.
- **SK Telecom, has agreed to work with German business software company SAP to develop wireless enterprise resource planning programs** and other mobile solutions for corporate clients. The companies signed a memorandum of understanding to share technological advancements in building a new service model that expands computerized operating systems of companies to the wireless communication sector. SK Telecom declined to give specific plans of product development. SAP is the world's largest collaborative business software company and the world's third-largest independent software supplier overall.

Semiconductors

- **Hynix Semiconductor Inc. posted a first-quarter net profit on stronger demand and higher chip prices amid a recovery in the semiconductor industry.** The company's net profit was 351.1 billion won (US\$304.1 million), a sharp reversal from a loss of 1 trillion won (US\$852.1 million) a year earlier.

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Revenue nearly doubled to 1.3 trillion won (US\$1.1 billion) from 681.8 billion won (US\$580.9 million) as shipments of its memory chips as well as non-memory products rose. The strong results reflect the company's slow recovery from a bruising fall following a near three-year slump in the semiconductor industry. Hynix, like other global memory-chip makers, benefited from firm prices for dynamic random-access memory, or DRAM, chips because of tight supply in the market in the first quarter. Traditionally, demand for DRAMs is weak in the first and second quarters, following a seasonally strong fourth quarter fuelled by back-to-school and year-end holiday demand.

Telecommunications

- **SK Telecom Co.'s first-quarter net profit rose slightly as increased revenue from wireless Internet services helped offset hefty marketing costs.** South Korea's second-largest company in terms of market capitalization said net profit rose 1% to 453 billion won (US\$387.2 million) for the three months ended March 31, compared with 449 billion won (US\$382.6 million) a year earlier. Revenue rose 7% to 2.4 trillion won (US\$2.0 billion) from 2.2 trillion won (US\$1.9 billion).
- **Recovering from a miserable 2003, long-distance phone operator Dacom reported first-quarter net income of 14.8 billion won (US\$12.8 million),** with its cost-cutting efforts aided by greater fixed-line sales. The country's second largest fixed-line carrier earned 259.5 billion won (US\$221.1 million) in revenue and 39.7 billion won (US\$33.8 million) in operating profit, which rose 8.2 percent and 260 percent, respectively, from the same period last year.

China

Hardware

- **TCL International Holdings Ltd. reported that first-quarter net profit rose 55% from a year earlier,** driven by an increase in overseas sales of television sets and improved margins stemming from a better product mix. The Chinese consumer-electronics unit of Shenzhen-listed TCL Corp. stated net profit rose to HK\$253 million (US\$32.4 million) from HK\$163 million (US\$20.9 million) a year earlier. Revenue rose to HK\$4.0 billion (US\$516.7 million) from HK\$3.5 billion (US\$44.6 million). TCL International said its overseas revenue rose by 95%, thanks to an 82% rise in TV-set sales abroad. The company sold one million television sets outside China, while sales at home rose 7% to 2.2 million sets. This year, TCL intends to sell 9.4 million sets in the domestic market and 4.5 million abroad.

Internet

- **China has shut down 8,600 internet cafes in the last two months as part of an ongoing crackdown on the media.** Overseeing the crackdown was a special bureau headed by the Ministry of Culture, which has linked up with 10 other ministries responsible for areas including education, law, finance, civil affairs, youth and telecommunications. Despite government restrictions, China is second only to the United States in the number of people online, with users rising to 79.5 million by December 2003 from 59.1 million a year earlier.

Mobile / Wireless

- **China Mobile Ltd. plans to purchase 10 provincial mobile-phone networks in a US\$3.7 billion deal that will make it the only wireless provider with access to all of China.** The company will pay state-owned China Mobile Communications Corp. US\$2 billion in cash for the networks in 10 provinces. The balance of US\$1.7 billion will be structured as 15-year subordinated debt and paid over

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that period. The company will finance the remainder with internal cash, and is also considering issuing bonds. China Mobile also will assume US\$469 million of debt held by the networks. The networks are located in less developed parts of the country -- Gansu, Guizhou, Heilongjiang, Inner Mongolia, Jilin, Ningxia, Qinghai, Tibet, Xinjiang and Yunnan. The deal will add 24.5 million more subscribers to China Mobile's base raising it to 166 million subscriptions, based on year-end 2003 figures. After the deal, China Mobile will control 31 networks across China, making it the only provider to cover the whole Chinese market. The acquisition is the company's fifth since 1997, and marks the final stage of its subscriber-base expansion through the purchase of its parent's networks.

- **TCL International Holdings' mobile phone making arm and Alcatel of France are forming a €100 million (US\$118.3 million) handset joint venture** that will give the Chinese manufacturer greater scope to seek new markets. The partners signed a memorandum of understanding in Paris to form the venture. TCL Communication Technology Holdings, 40.8 percent owned by TCL International and seeking a listing in Hong Kong, will inject €55 million (US\$65.9 million) cash into the venture for a 55 percent stake. TCL Communication holds the entire stake of TCL Mobile, the mainland's fourth-largest handset maker.

Semiconductors

- **Shanghai-based chipmaker BCD will raise about US\$50 million in a third round of venture-capital financing.** The company, which makes chips under its own brand name for mainland electronics manufacturers, also hopes to sell shares to the public. Any capital raised is likely to be used to expand production capacity. BCD stands in the shadows of larger peers such as Semiconductor Manufacturing International Corp (SMIC), which became the first mainland chipmaker to list last month. The two differ significantly. BCD makes chips for the domestic market using second-hand equipment. SMIC uses new equipment that must be depreciated over several years. It ships 50 percent of its output to mainland customers and competes with powerhouses such as Taiwan Semiconductor Manufacturing for global orders.

Telecommunications

- **China Netcom will scale back the size of its initial public offering and list two months later** than planned amid growing investor scepticism toward mainland plays. China's second-largest fixed-line network had lowered its fund raising target to US\$1.5 billion from US\$2 billion. The IPO, sponsored by Goldman Sachs and Citibank, will launch in September at the earliest. China Netcom was unlikely to float this summer because of the complexity in preparing and auditing such a large listing, the last of the mainland's four telecommunications operators to come to market.

Taiwan

Hardware

- **Acer's net profit in the first quarter to March more than doubled on the back of higher shipments.** The company's group net profit rose 110.3 percent year-on-year to NT\$1.4 billion (US\$41.7 million), representing earnings per share of 71 cents. Sales in January-March grew 63 percent year-on-year to NT\$49.4 billion (US\$1.5 billion). For 2004, the company has forecast a net profit of NT\$7.3 billion (US\$220.6 million) on sales of NT\$202.1 billion (US\$6.1 billion), from last year's net profit of NT\$7.3 billion (US\$219.4 million) and sales of NT\$81.7 billion (US\$2.5 billion).

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- **AU Optronics, reported its first quarter net profit rose about 65 times to NT\$11.6 billion (US\$352.1 million),** on the back of strong demand. The company's sales reached NT\$14.3 billion (US\$430.7 million) in the latest quarter, up 20.2 percent compared with the previous quarter. AU Optronics forecast a 2004 net profit of NT\$41.7 billion (US\$1.3 billion), up from NT\$15.7 billion (US\$470.7 million) registered in 2003. Sales in 2004 were estimated at NT\$187 billion (US\$5.6 billion), nearly doubling from NT\$97.6 billion (US\$2.9 billion) a year earlier.

Semiconductors

- **Taiwan Semiconductor Manufacturing Co.'s first-quarter net income climbed more than fourfold** and it forecast a double-digit sequential increase in wafer shipments in the current quarter. TSMC reported net income of NT\$18.8 billion (US\$565.1 million) for the latest quarter, up sharply from NT\$4.4 billion (US\$131.0 million) in the year-earlier quarter. Revenue increased 46% to NT\$57.5 billion (US\$1.7 billion) from NT\$39.3 billion (US\$1.2 billion). TSMC's gross margin for the quarter improved slightly to 39.5% from 39.3% in the previous quarter due to higher utilization levels. Its net margin improved substantially to 32.7% compared to 27.7% in the first quarter.
- **Taiwan's United Microelectronics Corp's first-quarter net profit jumped more than 16-fold from a year earlier on the back of strong demand.** The company's net profit of NT\$6.9 billion (US\$208 million) was up 2.4 percent from the fourth quarter of 2003. Sales in the three months to March rose 41.5 percent year-on-year to NT\$25.3 billion (US\$761.3 million) dollars and were up 6.8 percent from the previous quarter. UMC expected an overall improvement in its performance in the second quarter to June from the first.
- **Advanced Semiconductor Engineering Inc., one of the world's largest chip-packaging and testing companies, swung to a profit in the first quarter from a year-earlier loss** amid robust demand for digital cameras and other gadgets. ASE, which counts computer seller Acer Inc. and IBM among its clients, swung to a net profit of NT\$1.6 billion (US\$49.3 million) for the three months ended March 31, from a net loss of NT\$348 million (US\$10.5 million) a year earlier. Revenue totalled NT\$17.2 billion (US\$517.6 million), compared with NT\$11.6 billion (US\$348.1 million). The stronger net profit showed the chip-industry recovery has reached even one of its lowest-margin, most labor-intensive sectors -- testing chips for defects and packaging them in protective materials before shipping to customers.
- **Taiwan Semiconductor Manufacturing Company (TSMC) is facing another court case in the United States,** after suffering a setback last week in its litigation against mainland chipmaker Semiconductor Manufacturing International Corp (SMIC). TSMC is on the defensive after US chipmaker UniRAM Technology named the company in a separate patent infringement suit. SMIC in court filings said it would argue that patents identified in the suit were invalid, and seek to have TSMC's claims dismissed. TSMC yesterday also denied allegations it had supplied trade secrets belonging to UniRAM Technology to Monolithic System Technology (MoSys). UniRAM has named MoSys and TSMC in a suit alleging patent infringement.

Telecommunications

- **Chunghwa Telecom reported its March quarter net profit rose 19.5 percent year-on-year to NT\$12.9 billion (US\$390.5 million)** thanks to its broadband and mobile phone businesses. Its sales during the three month period came in at NT\$45 billion (US\$1.3 billion), up from NT\$43.2 billion

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(US\$1.3 billion) registered a year ago. The company reported a net profit of NT\$48.5 billion (US\$1.4 billion) on sales of NT\$179.1 billion (US\$5.4 billion) in 2003.

Hong Kong

Internet

- **iPass, a provider of internet connectivity in more than 150 countries has chosen Hong Kong as the preferred centre of its Asia-Pacific operations.** iPass' decision to move from the company's old regional base in Singapore had been easy. Cost was even less of an issue as the company employs only six people to manage its regional business. Businesses use iPass technology to enable employees to access their networks securely. Other roaming customers use the service exclusively for internet access. The company now connects users at 67 airports, 3,357 hotels and 6,000 internet cafes, and has regular roaming agreements with internet service providers. It has 10,318 global hot spots, up from 1,288 a year ago. Of these, 9,000 are wireless.

Mobile / Wireless

- **Hutchison Whampoa threatened to sue the Office of the Telecommunications Authority (OFTA), which wants to confiscate the company's underused CDMA spectrum and re-auction it.** Now Hutchison is taking a different tack, as it appears the company may want to use the spectrum after all. Equipment vendors are reportedly being asked by the company to submit informal bids for the construction of a pristine new third-generation (3G) CDMA 2000 network.

United States / Canada

Hardware

- **IBM and Cisco Systems Inc. announced an agreement in which IBM will ship certain computer servers with an embedded Cisco switch module.** The deal further strengthens ties between the two large technology companies, who agreed to make their technology work more closely together. Pacts in the past year have focused on security and data storage, and the alliance between them dates to 1999. Financial terms were not disclosed. IBM and Cisco said the move would make it easier to manage the servers, which are known for their ability to be easily expanded or repaired because they are made up of individual computing modules. A switch directs data traffic on a network. The accord is meant to boost sales of IBM's software and systems, and Cisco's networking gear in their customers' data centers, the companies said. The integrated gear, some of which will be available from May, will let companies run their data centers at lower cost and more efficiently.
- **Flextronics International Ltd. reported quarterly net income fell 18 percent,** after charges, while revenue rose as the world's largest contract electronics manufacturer benefited from improving demand for technology spending. Flextronics reported earnings for the fiscal fourth quarter ended March 31 of US\$16 million down from US\$19.5 million in the year-ago quarter. Revenue rose to US\$3.8 billion from US\$3.1 billion.

Information Technology

- **Electronic Data Systems Corp., the second-largest technology services provider, reported its first-quarter loss narrowed from a year earlier** when it had a large one-time accounting adjustment. It

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said revenue rose 4 percent to US\$5.4 billion from US\$5.2 billion, helped by a weak dollar. The company said its loss for the quarter was US\$12 million compared with a year-ago loss of US\$1.4 billion.

Internet

- **Google filed for an initial public offering proposing to sell an estimated US\$2.7 billion of shares through an auction method** never used for such a large IPO and also named Morgan Stanley and Credit Suisse First Boston as the lead investment bankers. The system is designed to put more shares into the hands of individual investors and eliminate the near-certain first-day gains for "hot" IPOs that became a central feature of recent investment scandals. The auction approach threatens to minimize the key role that investment bankers have played in deciding who gets highly coveted IPO shares. The filing lifted a veil on a secretive company that has, in just six years, become a front door to the web, a profitable advertising powerhouse, and an infectious force in popular culture whose name is now commonly used as a verb.
- **Barnes & Noble.com Inc. has reached an agreement with New York state authorities concerning an Internet security breach** that exposed the personal information of some of the online book seller's customers. Under the terms of the agreement, Barnes & Noble.com will establish an information security program to protect personal information; establish management oversight and employee training programs; hire an external auditor to monitor compliance with the security program; and pay US\$60,000 in costs and penalties.
- **MarkMonitor Inc. and Cyota Inc. are now offering to companies tailored services that are designed to quickly identify "phishing" scams** as they emerge on the Internet and minimize the damage to client customers and reputations. These 24/7 virtual fire fighters provide vigorous front-line defences in the face of a thorny problem that is escalating dramatically. Phishing scams, which have been growing at a staggering rate during the last six months, use e-mail and websites designed to look like those of legitimate companies to trick consumers into divulging personal information like financial account numbers, which are then used to commit fraud. They are difficult to fight because there's little to stop a fraudster from launching a fake website somewhere in the world and then spamming millions of people with messages designed to lure them to the trap.

Media, Entertainment and Gaming

- **Electronic Arts Inc. reported that a lower income-tax rate helped boost its fiscal-fourth-quarter net income nearly tenfold as revenue rose 29%** on strong sales of its core videogame titles. The results helped alleviate concerns that slower shipments of videogame consoles could stifle sales of videogame software. For the three months ended March 31, the videogame publisher reported net income of US\$90 million. The results include a one-time six-cent increase in earnings per share from a change in the company's tax rate. The results compare with a year-earlier net income of US\$9.2 million including a US\$72 million charge for asset impairment and restructuring charges. Sales for the quarter reached US\$598.4 million, up from US\$463.1 million.
- **Comcast Corp., which badly misjudged the reaction of its own shareholders and the board of Walt Disney Co. to its US\$48.7 billion unsolicited bid, dropped its offer for the entertainment company**, putting an end to a takeover battle that got into trouble right from the start. Comcast had hoped that years of poor performance at Disney and turmoil over the leadership of Chief Executive Michael Eisner would make the company an easy target. Comcast tried to put the best face possible on

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the collapse of its dream to own Disney. The company timed the announcement with its release of solid first-quarter earnings and a resumption of its US\$1 billion stock-repurchase program.

- **Cox Communications Inc. is not interested in buying all of Adelphia Communications Corp.**, but left open the possibility that Cox would bid on parts of Adelphia if the company were broken up. Cox reported strong first-quarter earnings, marked by revenue of US\$1.5 billion, a 13% increase over the first quarter of 2003. The company reported net income of US\$57.7 million compared with a loss of US\$29.2 million in the same period last year.
- **Comcast Corp. plans to test an advanced TV set-top box designed by Digeo Inc.** Comcast will announce a commercial trial using about 40,000 of the devices, which are manufactured by Motorola Inc. using a Digeo design called Moxi. Charter Communications Inc. is announcing plans to launch a Moxi-based service in Rochester, Minn., after a trial there. The devices make use of Digeo's software for navigating through TV channels and managing other entertainment options, including digital video recording, games, stored photos and music. The Moxi design, named after a Silicon Valley company Digeo bought in 2002, is styled as a "media center" along the lines of a flood of new gadgets being designed by computer and consumer-electronics companies. The device uses the Linux operating system and the Intel Corp. chip design used in personal computers.
- **Dish Network owner EchoStar Communications Corp. has tentatively resolved a contract dispute with Turner Broadcasting System** that could have led to the loss of the Cartoon Network, CNN and Turner Classic Movies channels for its 8 million subscribers. EchoStar reported the parties agreed in principle to a new contract, but details were still being worked out. EchoStar's broadcast agreement with Turner, a unit of Time Warner Inc., expired at the end of 2003 and was renewed on a multi-month basis while the parties continued talks.
- **In its first year, Apple Computer Inc.'s online music store has sold more than 70 million songs**, short of its original 100-million-song target but more than anyone else. Apple, maker of the Macintosh computer and the wildly popular iPod digital music players, also upgraded its iTunes digital jukebox software with new features such as "iMix," which lets customers publish their playlists on the iTunes online music store, which other customers can then purchase.

Mobile / Wireless

- **PalmOne Inc. introduced two new hand-held computers, in its first product offerings since spinning off its software division PalmSource Inc.** last year. The two new hand-helds, dubbed the Zire 72 and Zire 31, are indicative of a new direction for palmOne. The company has often brought out three or more new hand-helds every spring, with high-end models as well as cheaper entry-level ones. But this time, the company is whittling down the number of new hand-helds it is offering to two and isn't offering any high-end devices. Indeed, palmOne is now devoting more resources to smartphones instead. The new Zire 72 will cost US\$299 and the Zire 31 is priced at US\$149 and will be on store shelves starting this week. Both devices have color screens and some multimedia capabilities. The Zire 31 has 16 megabytes of memory, while the Zire 72 has 32 megabytes. Both devices have been tweaked to appeal to mainstream consumers -- the new Zire 31 is the cheapest hand-held with a color screen.

Software

- **Symantec Corp.'s fiscal fourth-quarter net income soared 72% on a leap in revenue**, prompting the Internet-security software producer to raise its fiscal 2005 revenue outlook. For the three-month period ended April 2, maker of antivirus and Internet-security software posted net income of US\$116.9

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million compared with US\$68.1 million a year earlier. Revenue soared 43% to US\$556.4 million from US\$390 million. Symantec's business security, administrative and services units together posted world-wide growth of 29%. The company's consumer business unit -- which brings in about 48% of Symantec's total revenue -- grew 62%. For the first quarter, Symantec expects revenue of about US\$540 million. For all of fiscal 2005, the company estimates revenue of US\$2.3 billion.

- **Macromedia Inc reported a higher quarterly profit**, helped by increased sales of its web design software and new products. The company's net income for the fourth quarter was US\$14.7 million compared with net income of US\$6.9 million a year earlier.
- **Oracle Corp.'s US\$9.4-billion hostile takeover bid for rival PeopleSoft Inc. was blocked by the U.S. Justice Department on antitrust grounds.** U.S. antitrust regulators, backed by 10 states, argue the enterprise software market has too few players to accommodate the Oracle merger. The Justice Department is expected to draw on testimony from companies that say they fear being left with fewer choices and higher prices if Oracle's bid succeeds. The market, including enterprise resource planning, customer relationship management and supply chain management software, is valued at around US\$30 billion.

Telecommunications

- **MCI Inc. predicted a net loss for this year and reported a massive US\$22.2 billion profit for 2003** as a result of accounting adjustments related to the bankruptcy. The filing of its audited 2003 financial results with the Securities and Exchange Commission was one of the last hurdles the company needed to clear in order to re-list its shares on the Nasdaq Stock Market, which it expects to do in the coming weeks. The company filed for bankruptcy protection in 2002, crushed by about US\$41 billion in debt and a record-setting accounting fraud that ultimately totalled US\$11 billion. MCI's enormous 2003 net-income figure echoes the US\$24.9 billion in profit reported for the fourth quarter of 2003 by Global Crossing Ltd., another long-distance company that reaped huge non-cash accounting gains related to its emergence from Chapter 11. MCI's gain is related to the roughly US\$35 billion in debt it wiped out under bankruptcy protection. MCI reported revenue for 2003 dropped 15% to US\$27.3 billion, including revenue from Embratel Participacoes SA, a Brazilian telecommunications company in which MCI is selling its stake. MCI said it expects revenue for this year to be at the low end of its earlier forecast of US\$21 billion to US\$22 billion, excluding Embratel. It expects revenue from its key unit,
- **The four Bells, convinced that TV is critical to their competition with cable, all have signed marketing agreements with satellite-TV companies.** They now offer satellite programming as part of packages that include everything their cable competitors can offer -- plus cell phone service, which cable companies don't provide. The Bells also are juicing up their high-speed Internet service, called Digital Subscriber Line, to offer rudimentary video services, such as news and sports clips. Two Bells -- BellSouth Corp. and SBC Communications Inc. -- have marketing alliances with services that allow customers to download movies over DSL lines. Other TV content likely will follow soon: BellSouth is in talks with Time Warner Inc.'s CNN to set up an online video-news archive. The Bells say they have more in store. Three of the them -- BellSouth, SBC and Verizon Communications Inc. -- are running high-capacity fiber-optic lines close to consumers' homes, which eventually could allow them to offer hundreds of video channels as well as phone and Internet service over the same line, effectively turning them into state-of-the-art cable companies. which provides phone and data services to businesses, to drop by as much as 14% from the US\$14.1 billion recorded in 2003.

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- **Verizon Communications Inc. reported lower first-quarter income but still edged past Wall Street forecasts.** The firm earned US\$1.6 billion excluding special items, down from US\$1.9 billion on that basis a year earlier. Including special items, the company posted net income of US\$1.2 billion down from US\$2.4 billion a year earlier. Revenue increased 3.9 percent to US\$17.1 billion, its best growth rate in three years. The main driver of the increase was Verizon Wireless, the joint venture with Vodafone of which Verizon owns 55 percent. Verizon Wireless saw revenue climb 21.2 percent, to US\$6.2 billion.

Europe

Internet

- **Terra Lycos SA has retained Lehman Brothers Holdings Inc. to explore the possibility of selling Lycos,** its U.S. business. Telefonica has asked Lehman to value the U.S. Internet portal unit before seeking a buyer. News of Telefonica's interest in selling Lycos was reported in the online publication CNET.com. Terra, on its books, values the Lycos business at €80 million (US\$95.5 million). A sale would unwind one of the biggest mergers of the Internet era. Telefonica's unit, Terra Networks SA, made an aggressive US\$12.5 billion, all-share bid for the U.S. portal Lycos Inc. at the height of the Internet boom in 2000.

Media, Entertainment and Gaming

- **In a major departure from its 2003 strategy, videogame publisher Infogrames Entertainment SA, owner of the Atari brand, says it would not release any movie-based titles this year.** The practice of licensing movie brands to create videogames has become increasingly popular over the past few years in an industry that is expected to grow from US\$23.2 billion in 2003 to US\$33.4 billion in 2008, according to DFC Intelligence, a California-based market research firm specializing in the games industry. However, brand acquisition requires either heavy up-front investments or the payment of revenue-based royalties -- a challenge for the smaller players in the sector. Extensive licenses for box office hits such as "Harry Potter," "Lord of the Rings" and "James Bond," held by industry leader Electronic Arts Inc., are estimated to cost US\$40 million to US\$50 million.
- **EU regulators are asking Olympic Games broadcasters and organizers for assurances that mobile phone and Internet operators are treated fairly during the bidding process** for rights to show live images from this summer's Athens sports events. The regulators are concerned that so far too few new-media operators bid for broadcast rights to the games. Regulators want to know if the organizers and broadcasters offered the new-media operators fair terms and also are looking for assurances for summer and winter games until 2012. The EU's tactics are part of a campaign to broaden access to popular programming -- from Hollywood films to championship soccer -- and to provide relatively newer media with premium content to compete against television broadcasts.

Mobile / Wireless

- **Nokia Corp.'s share of the global cell phone market fell more than five percentage points to less than 30% in the first quarter,** according to market-research figures -- a sign that the industry giant's massive lead over the competition may be shrinking more than expected. Nokia accounted for 29.2% of the cell phones shipped in the first quarter, compared with 34.9% a year earlier, according to Strategy Analytics.

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- **Alcatel SA swung to a net profit for the first quarter -- its first quarterly net profit in three years -** and gave a bullish outlook for its full-year revenue and earnings. The telecommunications-equipment maker reported a net profit of €134 million (US\$159.5 million) for the quarter ended March 31, compared to a net loss of €461 million (US\$552 million) in the same period last year. Analysts had expected a net profit of €106 million (US\$126.9 million). Revenue declined 7.4% to €2.7 billion (US\$3.3 billion) from €3.0 billion (US\$3.5 billion). But Alcatel said revenue was up 2% at constant currency rates. Operating profit totalled €80 million (US\$95.8 million), compared to a year-earlier operating loss of €161 million (US\$192.8 million).

Software

- **European Union regulators and Microsoft Corp. both claimed a victory, after Europe's top court said that forcing companies to share intellectual property is fair -- but only in limited circumstances.** Although the case at the European Court of Justice in Luxembourg is separate from Microsoft's antitrust battle with European regulators, it raises the basic question at the heart of the EU's landmark Microsoft ruling: When should a dominant company be forced to license its intellectual property to rivals? Microsoft wants judges to set a high bar before regulators can force a company to license its property. Otherwise, they warn, innovators in cutting-edge technology sectors are too exposed to a duty to share. Last month, EU regulators told Microsoft to license its proprietary code to help rival makers of server software. The EU said Microsoft had to share because its dominant operating system already gives it an unfair advantage. Microsoft plans to appeal that ruling which could take several years.

Telecommunications

- **France Telecom SA reported a slight increase in first-quarter revenue, reversing its recent decline** but underlining how Europe's old-line telephone companies are still struggling to maintain growth in the region's increasingly competitive market. France Telecom's first-quarter revenue rose to €11.5 billion (US\$13.6 billion) from €11.4 billion (US\$13.6 billion) a year earlier, a rise of just 0.6% driven by growth in the Internet and mobile-phone divisions. The figure includes revenue from the company's subsidiaries. In 2003, fourth-quarter revenue fell more than 4% from a year earlier, and full-year revenue declined 1.1% from 2002.

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