



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

Week of May 11-17 2009

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



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Equity Market Indicators					
Index	Closing Level (5/15/2009)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 12/31/2008	% Change 12/31/2007
S&P 500	882.88	-5.0%	3.6%	-2.3%	-39.9%
Dow Jones Industrial Avg.	8,268.64	-3.6%	3.0%	-5.8%	-37.7%
Dow Jones Tech. Index	291.84	-1.3%	4.4%	16.1%	-36.4%
Dow Jones Telecom. Index	183.80	-0.6%	2.1%	-8.0%	-41.4%
NASDAQ Composite	1,680.14	-3.4%	3.3%	6.5%	-36.7%
Japan Nikkei 225	9,265.02	-1.8%	6.0%	4.6%	-39.5%
JASDAQ	42.17	1.6%	2.4%	-12.5%	-41.6%
Japan Mothers	355.34	0.6%	12.3%	9.9%	-54.6%
Korea KOSPI Composite	1,391.73	-1.4%	4.4%	23.8%	-26.6%
Korea Kosdaq	543.54	5.0%	8.2%	63.7%	-22.8%
Taiwan Stock Exchange	6,489.09	-1.4%	10.4%	41.3%	-23.7%
Singapore Straigt Times	2,139.78	-4.4%	12.3%	21.5%	-38.3%
Hong Kong Hang Seng	16,790.70	-3.4%	7.2%	16.7%	-39.6%
Hong Kong GEM	484.14	6.0%	15.4%	25.6%	-64.1%
China Shanghai (A-Share)	2,776.76	0.7%	4.3%	45.2%	-49.7%
China Shenzhen (A-Share)	932.15	0.6%	2.9%	60.3%	-38.7%
China Shanghai (B-Share)	171.59	1.8%	2.3%	54.7%	-53.1%
China Shenzhen (B-Share)	401.40	3.5%	7.0%	48.0%	-43.4%

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Technology, Media, Telecommunications and Life Sciences Market Activity						
NASDAQ/NYSE TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

NASDAQ/NYSE Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Filings						
Filing Date	Issuer	Industry Sector	Size (US\$MM)	Description	Book-Runner	Co-Manager
N/A						

Asian Equity Markets: TMT and Life Sciences IPO Pricing						
IPO Date	Issuer (Exchange)	Description	Size (US\$MM)	Offer Price	Price on 2/15/08	% Change From Offer
N/A						

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
N/A						

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Weekly Highlights

International

Semiconductors

- **Chip industry expected to begin recovery in Q2.** Industry consultancy iSuppli expects the global semiconductor industry to take its first steps toward recovery in 2Q 2009. Semiconductor use is poised to rise for the first time in a year, the research firm said, with utilization of semiconductor capacity growing to 60% this quarter from 49% in Q1. “The expected rise in utilization rates in the second quarter signals that the semiconductor industry has entered into the recovery phase,” said Len Jelinek, iSuppli's chief semiconductor analyst. Total chip manufacturing capacity fell to 732mm square inches of silicon in the 1Q 2009, down from 756mm square inches in Q4 2008. iSuppli predicts that utilization will rise to 75% in Q3, but decline slightly in Q4 due to seasonality. Utilization is expected to remain flat in Q1 2010, but resume a sequential ascent during the rest of the year, reaching pre-downturn levels by the end of the second quarter.

Japan

Internet

- **eAccess benefitting from improving conditions in DSL and mobile segments.** eAccess announced results that were in line with the Company's April 21 revisions. Progress with cost reductions related to the integration of Acca Networks contributed to operating profit of ¥16.7 bn (US\$174 mm). The Company is planning on launching full WiMAX services in July.
- **Kakaku.com announced Q4 sales totaled ¥2.79 bn (US\$29 mm) up over 36% YoY, and operating profit of ¥1.29 bn (US\$13.4 mm), up over 64% YoY.** For fiscal year March 2010, Kakaku expects sales of ¥12 bn (US\$124.8 mm) and operating profit of ¥4.9 bn (US\$51 mm). CCC acquired 20.31% of kakaku.com stock from Digital Garage to form a capital alliance with Kakaku.com which provides Kakaku.com with access to CCC's 32.3 million point card members.
- **Rakuten reports improving results with first quarter operating profits of ¥9.82 bn (US\$102 mm) over 36% increase YoY on strength in the ecommerce business.** Operating profits of Rakuten Ichiba rose 54% YoY to ¥8.87 bn (US\$92.2 mm). Sales rose 24% YoY and operating margin increased to 51.4% from 41.4% in the prior quarter. Losses at eBank were ¥290 mm (US\$3 mm) versus a loss of ¥970 mm (US\$10.1 mm) in the prior quarter.

Media, Entertainment and Gaming

- **Fuji Media Holdings announces results and provides guidance, expects profit decline.** Fuji Media reported fiscal year March 2009 operating profit decreased 18.6% YoY to ¥19.8 bn (US\$205.9 mm). Broadcasting spot revenues fell 12.9% while time revenues were down 2.2%. The Company expects fiscal year March 2010 operating profit to decrease 35.5% to ¥12.8 bn (US\$133.1 mm). Fuji stated that it does not plan to significantly lower production costs, so broadcasting profits are likely to drop sharply. It also announced that it would lower its dividend to ¥1,600 (US\$16.64) from ¥3,600 (US\$37.44). Fuji projects spot revenues will fall about 9% and time revenues about 8%.

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- **Hakuhodo DY Holdings announced operating profits decreased 40% YoY to ¥15 bn (US\$15.6 mm) which was expected given the Company earlier guidance.** Lower advertising revenues were the main driver of the decrease in profits, while higher office moving expenses were offset by other cost reductions. The Company expects operating profit to fall 43.4% YoY to ¥8.5 bn (US\$88.4 mm) due to an anticipated drop in revenues and higher SGA expenses. It expects a 2.6% increase in SGA expenses on an increase in severance benefits.
- **Nippon Television Network announces fiscal year March 2009 results and guides for challenging 2010.** Nippon TV reported operating profit of ¥12.2 bn (US\$126.9 mm), down 47.1% YoY. Spot revenues decreased 11.5% while time revenues were down 2.7%. For fiscal year March 2010, the Company is expecting operating profit of ¥10.5 bn (US\$109.2 mm), a decrease of 14.0% YoY. Nippon TV expects spot revenues to decrease 10.5% YoY with time revenues decreasing 13.5%.
- **Opt announced results in line with expectation but vague advertising outlook.** The Company announced that sales rose 35.8% YoY to ¥14.2 bn (US\$147.7 mm) while operating profit rose 6.0% to ¥0.3 bn (US\$3.1 mm). More stringent credit control led to a greater-than-expected decline in bad debt reserves. Sales through the collaboration with Dentsu rose 2.6% YoY, but otherwise advertising sales fell 0.8%. Net ad revenue declined due to lower ad submissions from the financial sector while search listing ad sales growth was limited to single digits. Sales at the technology business (which includes advertising impact measurement tools, etc.) grew 3.9%.
- **Konami announced profit guidance of ¥30.0bn (US\$312mm) for fiscal year March 2010, below street consensus of ¥33.7 bn (US\$350.5 mm).** The Company is expecting revenue declines due to soccer game sales declining in unit terms, yen strength, and arcade machines revenue falling short. Soccer games had historically been a stable source of earnings but sales fell 10% in unit terms in fiscal year last 2009.
- **Tokyo Broadcasting System Holdings (TBS) announces 2009 results and 2010 guidance and planned dividend cut.** TBS announced operating profit of ¥18.5 bn (US\$192.4 mm) a YoY decline of 10.5% and in line with the Company's revised guidance. For fiscal year 2010, the Company anticipates operating profit of ¥7 bn (US\$72.8 mm), a decline of 62.1% YoY. The decline was primarily attributable to weakness in the broadcasting segment due to a decline in time ad revenues, and a steep decline in multivisual ventures and cultural events profits. The Company announced plans to cut the dividend to ¥4 from ¥10. For fiscal year 2010, TBS forecasts steep declines in spot ad revenues of 8.8% YoY and time ad revenues declines of 14.1%.
- **Sankyo announced results in line with market expectations and provide guidance for FY3/10.** The Company's fiscal year 2009 operating profit fell 43.8% to ¥40.6 bn (US\$422.2 mm), in line with guidance and market expectations. The drop in profit was a result of weak Sankyo brand pachinko machine sales as well as delays in launching the Bisty brand pachinko title Evangelion. Pachinko sales fell 37.7% YoY to 452,000 units. The company launched two major titles under the Sankyo brand and sales for both fell short of 100,000 units, indicating that the Sankyo brand needs improvement. For FY3/10 Sankyo is targeting operating profit of ¥67.0 bn (US\$696.8 mm) an increase of 64.9%, driven by higher pachinko sales volume due to the launch of Evangelion. Pachinko sales are expected to increase to 705,000 units from 452,000 units, with Sankyo brand sales rising to 395,000 units from 285,000 units and Bisty brand sales to 310,000 units from 167,000 units.

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- **Sega Sammy Holdings returns to profitability.** Sega Sammy moved into the black with ¥8.4 bn (US\$87.4 mm) operating profit for fiscal year 2009, in line with previously revised up guidance. Operating profit at the former Sega side was hampered by losses of ¥7.5 bn (US\$78 mm) in the arcade facilities business and ¥0.9 bn (US\$9.4 mm) in the consumer business. Pachinko machine shipments rose 3.6x YoY to 391,000 units as the Company was able to establish its pachinko brand on the success of Fist of the North Star with sales of 213,000 units. For fiscal year 2010, Sega Sammy expects operating profit to increase 3.2x YoY to ¥27 bn (US\$280.8 mm) driven by improvement on the former Sega side and gaming machine business. Sega expects shipments of 450,000 pachinko machines, up from 391,000 last year and 180,000 pachislo machines, up from 123,000.
- **SKY Perfect JSAT Corp announced fiscal year 209 operating profit of ¥16.9 bn (US\$175.8 mm), a 50% YoY increase, which topped consensus estimates of ¥14.5 bn (US\$150.8 mm).** The Company also announced fiscal year 2010 operating profit guidance of ¥10.0 bn (US\$104 mm) based conservative assumption of sluggish FY3/10 net growth of 12,000 subscribers, a slight increase of 0.3% from end of last fiscal year.
- **Asatsu-DK results hit by bad debt reserves.** For Q1 operating profit was ¥21 mm (US\$218,400), down 98.8% YoY mainly due to an increase in bad debt reserves of ¥170 mm (US\$1.77 mm) for customers in the real estate industry. Personnel costs remained flat despite announced plans for a reduction. The Company previously announced a plan to buy back 500,000 shares (1.16% of outstanding and as of the end of April it had acquired 397,000 shares
- **Dentsu expects continued difficult operating environment.** Dentsu announced fiscal year March 2009 operating profits of ¥43.2 bn (US\$449.3 mm), a decline of 23% and in line with the Company's May 7 revised guidance. The Company announced fiscal year 2010 operating profit guidance of ¥15.8 bn (US\$164.3 mm) a decline of 63% YoY. The Company expects that it will be negatively affected by: (1) 2010 sales projected down 13% on the continuing ad market slump; (2) cost cuts are expected to stall as personnel expenses remain high; and (3) deterioration not only at parent level/ad subsidiaries but also at Information Services International-Dentsu (ISID).
- **Capcom posted fiscal year March 2009 operating profit of ¥14.6 bn (US\$151.8mm) up 11.4% YoY and in line with the Company's announced estimate.** Among marquee titles, Street Fighter 4 sold 2.5mn units and Resident Evil 5 4.4mn, indicating increasing brand power on a global basis. The Company forecasts operating profit to increase 6.0% YoY to ¥15.5 bn (US\$161.2 mm) year.

Information Technology

- **NTT Data announces disappointing fiscal year March 2009 earnings and 2010 guidance.** The Company announced operating profits of ¥98.5 bn (US\$1.02 bn) which fell short of the Company's previously announced guidance of ¥105.0 bn (US\$1.09 bn) and Bloomberg consensus of ¥101.7 bn (US\$1.06 bn). The Company also announced disappointing FY3/10 operating profit guidance of ¥90.0 bn (US\$936 mm) as a result of negative factors include price demands from current customers and a decline in high-margin public-sector projects. Past acquisitions so far have made little profit contribution they have boosted revenues. Management indicated that fiscal year 2011 profits will be little different from 2010 levels, and the company is lowering its 10% operating margin target and aiming to increase the absolute profit level instead.

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Hardware

- **Panasonic Corporation announced results in line with expectations, predicts continued difficult operating environment.** Panasonic announced that slack demand and hefty restructuring costs led to its second biggest annual loss and that it expects to stay in the red this fiscal year. For 2009, Panasonic reported a ¥378.9 bn (US\$3.9 bn) net loss, a loss second only to the ¥427.8 bn (US\$4.45 bn) loss it reported in fiscal year 2001. Panasonic has suffered from the economic downturn-induced slump in demand for electronics and resultant price competition. The company also booked reform-related expenses totaling ¥367.4 bn (US\$3.82 bn) and securities valuation losses of ¥92 bn (US\$956.8 mm). To adjust to the continued falloff in sales, it lowered its inventory assets, including its finished products and raw materials, by 17%. For fiscal year 2010, Panasonic expects a net loss of ¥195 bn (US\$2.0 bn) but an operating profit of ¥75bn (US\$780 mm), up 2.9%, despite projecting a steep 9.9% fall in revenue to ¥7 trillion (US\$72.8 bn). While it plans to sell 15.5 million TV sets this fiscal year, up from 10.05 million units in the previous year, it expects its TV business to remain in the red. The Company also announced plans to close 40 manufacturing sites in the two-year period to next March and reaffirmed that it would cut 15,000 jobs as previously announced in February.
- **Mitsumi Electric announced sales of ¥247.7bn (US\$2.58 bn) and net profits of ¥11.2 bn (US\$116.5 mm) as a result of continued strong sales of Nintendo's Wii.** The Company also provided fiscal year 2010 operating profit guidance of ¥12.0 bn (US\$124.8 mm).
- **Sony to close manufacturing production facilities.** After closing three plants in the USA, France and Japan, Sony will close an additional five plants in 2009 - 1 in Mexico, 1 in Indonesia and 3 in Japan. Amongst the 8 plants which have been/will be shut down, three LCD TV manufacturing sites are included as the Company increases outsourcing of LCD TVs. Sony targets to ship 15mn LCD TV this year.
- **Sanyo Electric announces fiscal year March 2009 results and expects to return to profit in 2H 2010.** Sanyo reported that operating profit came in at ¥8.2 bn (US\$85.3 mm), down 89.1% YoY, as first half operating profit of ¥23.9 bn (US\$248.6 mm) was offset by a second half operating loss of ¥15.6 bn (US\$162.2 mm). The Company was hit by the downturn in the economy and all segments saw lower sales, with deterioration particularly pronounced in electronic components and AV/IT equipment, as well as rapid deterioration in rechargeable batteries and solar cells. For 2010, the Company expects an operating loss of ¥20 bn (US\$208 mm) and 2H operating profit of ¥45 bn (US\$468 mm). The markets in rechargeable batteries and solar cells are weak and in a period in which capex is coming first.
- **Sony results slightly below expectations.** Sony announced a fiscal year 2009 operating loss of ¥227.8 bn (US\$2.37 bn), about 10% below the ¥260 bn (US\$2.7 bn) in guidance. Above-guidance electronics earnings offset weakness at SEMC and restructuring costs. The Company also announced fiscal year 2010 operating loss guidance of ¥110.0 bn (US\$1.1 bn).
- **Elpida Memory announced results in line with expectations; surprises with change in depreciation policy.** Elpida announced fiscal year March 2009 earnings which were in line with previously announced guidance, but surprised the market by announcing that it was extending its depreciation period to nine years from five in 4Q. It is estimated that without the change in depreciation policy, which boosted 4Q operating profits by ¥5 bn (US\$52 mm), Elpida would have barely met its financial covenants.

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- **Olympus results above expectations.** Olympus announced 4Q operating profits of ¥4.6 bn (US\$47.8 mm), down 78% YoY, but topping consensus of a loss of ¥5.2 bn (US\$54.1 mm) as a result of aggressive cost cutting. The shareholders' equity ratio fell to 15.3% and debt/equity ratio rose to 3.1x. The Company also announced fiscal year 2010 operating profit guidance of ¥59 bn (US\$613.6 mm) exceeding consensus for losses of ¥6.2 bn (US\$64.5 mm). The guidance mainly reflects reductions in goodwill charges following lump-sum amortization in fiscal year March 2009 and forecast reductions in personnel, R&D, and sales promotion costs.
- **NEC Electronics announced** issued fiscal year March 2010 sales guidance of ¥480bn (US\$4.9bn), a decrease of 12% YoY, and breakeven operating profit based on a ¥90 bn (US\$936 mm) cut in fixed costs, which will likely also result in a contribution for fiscal year March 2011. The Company is anticipating a rebound in semiconductor sales in the latter half of 2009.
- **Sony to raise US\$1 billion in bonds.** Sony issued a statement that it is looking to raise US\$1 billion from capital markets next month by issuing corporate bonds. It is expected that some of the money raised would be injected into Sony Ericsson, the Company's handset joint venture with Ericsson. Sony said it is issuing the corporate bonds to raise money for investments and to repay part of an existing bond issue that will mature in March 2010. The Company declined to provide specifics, or comment on where else it might spend the money. In a Financial Times article, Sony declined to speculate on investing more money at Sony Ericsson, but indicated it would provide such funds if necessary.

Telecommunications

- **Nippon Telegraph & Telephone announces results and dividend increase increase to ¥120 for fiscal year 2010 from ¥110 for fiscal year 2009 and may consider undertaking share buybacks, including retiring treasury stock.** The Company announced fiscal year March 2009 operating profits of ¥1,109.8 bn (US\$11.5 bn), below market consensus of ¥1,188.8 bn (US\$12.4 bn). NTT's fiscal year 2010 also issued operating profit guidance of ¥1,110 bn (US\$11.5 bn) but refrained from commenting on medium-term business targets, including detailed plans for a turn to profit in fiber-optic services. The Company expects that its ability to achieve operating profit targets would depend on economic recovery, cost cuts, and growth on a global basis, including M&A.

Korea

Media, Entertainment and Gaming

- **April billing data reconfirms Cheil Worldwide's resilient operations.** Based on monthly ad billing data released by KOBACO, Cheil Worldwide's TV and radio billing fell by 13% and 30% in April 2009 whereas the overall market size declined by 28% and 35% for TV and radio in April versus 31% and 39% decreases in 1Q09. Cheil was able to outperform the market as a result of captive demand from its strong client profile and increased preference for reliable ad agencies in a difficult operating environment. Analyst project that Korea's ad industry may have bottomed in 1Q09 and forecast the ad industry to turn around toward year-end 2009 with an estimated annual market decline of 9.5%, which would benefit Cheil as the leading player.
- **AION Momentum bolsters NCsoft results.** NCsoft reported strong operating results attributable to robust AION sales and continued strength of the Lineage series. Operating margins came in at 32%, significantly exceeding the Company's guidance of 20%. AION generated W43 bn (US\$34.4

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mm) in revenues, well past Street expectations. AION will launch in China starting in 2Q09, with additional commercial launch in other overseas markets in 2H09.

Mobile/Wireless

- **Recently released April subscriber data signaled a heated market with the number of gross new subs increasing 10% MoM and monthly MNP jumping 26% MoM.** Churn rate was 3.2% vs. 2.9% in March. Market competition in April was due to LGT and SKT's efforts to secure subs before the T-KTF merger with KTF reacting aggressively to defend market share.

China

Media, Entertainment and Gaming

- **Chinese wireless value-added services firm KongZhong announced revenues for the first quarter of 2009 increased 38% YoY and increased 11%QoQ to US\$29.6 mm.** Mobile games accounted for 17% of total revenue in the quarter, compared to 10% in the fourth quarter of 2008, while WVAS revenues in the first quarter increased 19%YoY and increased 2% sequentially to US\$23.7 mm. The Company's net income was US\$2.5 mm, compared with net income of US\$520,000 in the last quarter of 2008. As of March 31, 2009, the company had US\$141.7 mm in cash and cash equivalents.
- **Shanda rumored Hurray's white knight to fend off Best Prospect's hostile offer.** Best Prospect is trying to buy a 51% stake in the beleaguered WVAS firm and has expressed frustration at Hurray's unresponsiveness to its offers to buy the Company. According to various media reports Chinese online game company Shanda Interactive has been in discussions to acquire Hurray since April and has entered into a one month exclusivity period. Shanda is rumored to have considered acquiring Hurray two years ago. For 4Q 2008, Hurray's revenues increased to US\$14.4 mm, an increase of 6.7% QoQ and a decrease of 9.2% YoY. Of that total, WVAS revenues were US\$11.5 mm, representing an increase of 3.8% QoQ and an increase of 4.2% YoY. Music revenues were US\$3.0 mm, an increase of 19.2% QoQ and a decline of 39.3% YoY with a total net loss of US\$9.2 mm. For the entire 2008 total revenues were US\$54.0 mm versus US\$60.5 mm, while net loss was US\$12.0 mm compared to net loss of US\$42.0 mm for 2007.

Internet

- **Tencent increases revenue as internet advertising slips.** Tencent announced first quarter revenues of RMB 2.5 bn (US\$366 mm), an increase of 19.4% MoM and an increase of 74.8% YoY. Internet value-added services revenues increased 28.8% QoQ to RMB 1.9 bn (US\$278 mm) and represented 76% of the total revenues in 1Q 2009. Mobile VAS revenues increased 9.9% QoQ to RMB 439.5mm (US\$64.3 mm) representing 17.6% of total revenues. Online advertising revenues however decreased 30.1% QoQ to RMB 146.6 mm (US\$21.5 mm) and represented 5.9% of total revenues as customers imposed more cautious cost control measures, including delaying the budget approval process and signing of framework contracts given the uncertain economic environment. Tencent's gross profit was RMB 1.7 bn (US\$251.7 mm), an increase of 21.5% QoQ and an increase of 64.5% YoY, as gross margin increased to 68.6% from 67.4% last quarter. Net profit was RMB 1.1 bn (US\$154.2 mm), an increase of 20.3% QoQ or an increase of 94.4% YoY, with net margin increasing to 42.1% from 41.8% last quarter. The Company indicated that the second quarter of 2009 will present a weaker seasonality for the company's IVAS business. At the end of March 31, 2009, Tencent's cash position stood at RMB 6.6 bn (US\$966.2 mm).

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- **Joint venture of NetSun and China Telecom established in Hangzhou.** Toocle.cn, the Chinese B2B e-commerce subsidiary of NetSun, formally announced a joint venture with China Telecom. Located in Hangzhou, the joint venture aims to promote technology development in China's rural areas. With an initial investment of CNY10mm (US\$1.46mm), the joint venture will hire about 100 employees and Toocle.cn will cooperate with China Telecom to develop the joint venture's Internet platform. The platform is currently in a research and development stage, and the platform is expected to be launched in the next few months. Sun Deliang, chairman of NetSun and the main promoter of this joint venture, said that the establishment of this joint venture is a specific implementation of its "small portal + alliance" development strategy and it will promote the development of NetSun's B2B professional website industry cluster and its comprehensive B2B e-commerce website Toocle.cn.
- **Ctrip announced decreased hotel bookings but increased profit.** Ctrip.com said profits were up 23% YoY for the quarter ended March 31, 2009. Total revenues came in at RMB 429 mm (US\$62.8 mm) million, representing a 17% YoY increase and a 1% QoQ increase. Net revenues were RMB 401 mm (US\$58.7 mm) for the first quarter of 2009, up 18% YoY, and net income was RMB 121 mm (US\$17.7 mm), up 23% YoY. Hotel reservation revenues were RMB 187 mm (US\$27.4 mm) for the first quarter of 2009, representing a 9% YoY increase, driven by a 17% increase in hotel room reservation volume, which was partially offset by a decrease in commission per room. However hotel reservation revenues decreased 11% from the previous quarter due to decreased hotel booking volume during the Chinese New Year holidays. Air-ticketing revenues for 1Q 2009 were RMB 18mm (US\$2.6 mm), a 16% YoY increase driven by a 40% increase in air-ticketing sales volume, which was partially offset by a decrease in commission per ticket. Air-ticketing revenue increased 11% QoQ due to increased air-ticketing volume. As of March 31, 2009, the balance of cash and short-term investment for Ctrip was RMB 1.4 bn (US\$204.9 mm). Ctrip stated that it expects to continue the year-on-year net revenue growth of approximately 10-15% in China for 2Q2009.
- **51 Job.com, the internet classifieds and online job recruitment company reported unaudited 1Q financial results with total revenues decreasing 24.6% YoY to RMB 178.3 mm (US\$26.1 mm) as print and Internet advertising showed significant declines.** Print advertising for 1Q decreased 42.4% YoY to RMB 70.6 mm (US\$10.3 mm) compared with RMB 122.4 mm (US\$17.9 mm) for the same quarter in 2008. Online recruitment services revenues were RMB 68.2 mm (US\$10 mm), representing a 13.0% YoY decrease from RMB 78.4 mm (US\$11.5 mm) from the prior year. Net income for the first quarter of 2009 decreased to RMB 9.4mm (US\$1.4 mm) from RMB 22.2 mm (US\$3.25 mm) for the same quarter in 2008. The Company stated that the decrease in print advertising was due to fewer print advertising pages in its 51job Weekly, which was impacted by a decline in market demand resulting from the global economic crisis and slowdown of the economy during 1Q. The number of print advertising pages generated in the first quarter of 2009 decreased 36.5% to 2,916 compared with 4,593 pages in the same quarter in 2008. Print advertising prices charged in each city were relatively unchanged YoY, but average revenue per page decreased 9.2% due to a greater contribution of advertising volume from lower priced cities. The decrease in Internet advertising was primarily due to lower average revenue per unique employer, which was partially offset by an increase in the number of unique employers using the company's online recruitment services. Average revenue per unique employer decreased 17.4% QoQ in the first quarter of 2009 as employers reduced expenditures for online recruitment products or chose lower priced products. Gross profit for the first quarter of 2009 decreased 24.1% YoY to RMB 94.7 mm (US\$13.9 mm). As of March 31, 2009, the Company had cash and short-term investments totaling RMB 1.1 bn (US\$159 mm) compared with RMB 1.1 bn (US\$157.2 mm) at December 31, 2008.

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- **Chinese video companies punished for providing vulgar content.** China's General Administration of Press and Publication has published a list of four video companies that provided vulgar Internet content. The four companies are listed as: Guangdong Shantou Haiyang Audio-Visual Publishing House ("GSHAVPH"), Jiangxi Culture Audio-Visual Publishing House ("JXCAVPH"), Beijing Wenlu Laser Technology Company ("BWLTC") and Guangdong Jintu Audio and Video Company ("GJAVC"). GSHAVPH is accused of having sold nine kinds of "vulgar videos" and earning RMB 13,650 (US\$1,998) in illegal income and also sold disks on sex education for an illegal income of RMB 7,500 (US\$1,098). JXCAVPH is accused of having sold 52 kinds of vulgar videos between 2005 and 2007 and earning RMB 98,500 (US\$14,420) of illegal income. It was reported that BWLTC illegally produced many vulgar videos, while GJAVC and JXCAVPH jointly published a total of 24 kinds of vulgar disks since December 2006. Jiang Jianguo, deputy team leader of the Working Committee of Office of the National Campaign on Anti-prostitution and Anti-delinquency and deputy director of GAPP, told local Chinese media this is the first list ever published since the special campaign against vulgar audio and video products was launched and these serious violators have been handed over to the police departments for undisclosed punishments.

Telecommunications

- **Significant cuts in certain fixed-line interconnection fees.** China's MIIT announced on May 12 that the interconnection ("IC") rate of local network inter-district traffic between fixed-line operators will be cut to RMB 0.06/min from the current RMB 0.15/min effective June 1, 2009. No other IC regime changes were mentioned. This rate cut effectively reduces the gap between the tariff and the IC rate, the result of which likely are likely to be insignificant as local network inter-district' traffic is a tiny portion of total traffic for China Telecom and China Unicom, given their respective incumbent/dominant market position in Southern and Northern China. Also as both IC revenue and cost will be reduced the net impact on EBITDA and net profit will be negligible. The notice did not come as a surprise as the MIIT had already mentioned in its Jan 23 policy paper that it is studying IC adjustments to facilitate a new full-service market structure, and to give some preference to TD-SCDMA.

Information Technology

- **VanceInfo Technologies (VIT) announced solid quarterly results.** VIT delivered another solid set of results, with top line coming in higher than estimates and above company guidance. The Company stated that it continues to face uncertain demand in the current challenging economic environment. However, with expanded relationships from existing accounts, an encouraging pipeline as well as efficient cost control, VIT stated that it is confident that it will emerge stronger when the economy recovers. The Company announced total net revs of US\$30.1 mm (+47% YoY) which exceeded market expectation of US\$27.8 mm. Non-GAAP EPADS (ex-SBC) was US\$0.10, above the Street's US\$0.10. The Company increased 2Q2009 revenue guidance to US\$31-\$32 mm (+27%-31% YoY), and Non-GAAP EPS was guided to US\$0.11-\$0.12. Guidance for full-year 2009 revenues was raised to US\$128 mm (+25% YoY) from US\$123 mm and the Company now expects non-GAAP EPS to between US\$0.49 and US\$0.51. In 1Q2009, R&D Outsourcing services grew 48% YoY to revenues of US\$19.2 mm and accounted for 64% of total revenues, while IT Services revenues grew 44% YoY to US\$10.9 mm and accounted for 36% of total revenues.

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Software

- **Software piracy rate down to 80% in China but up globally.** Business Software Alliance (a US-based non-profit industry organization) published that the software piracy rate in China has decreased from 90% in 2004 to 80% in 2008. According to BSA, during 2008, the world's piracy rate continued to increase, including the piracy rate of PC software at 41%, resulting in losses of US\$53 bn to the industry. Statistics show that the world's PC software piracy rate was 38% in 2007 and the number increased to 41% in 2008, although countries such as China and Russia gained some success in their anti-piracy campaigns. According to the BSA anti-piracy campaigns in some countries have gained successes and the piracy rate in nearly half of all countries showed decreases; while the piracy rate in one-third of these countries maintained the former level, the total pirated value was still rising. The piracy rate in the United States is currently about 20%, which is the lowest in the world. The software piracy rate in China however decreased from 90% in 2004 to 80% in 2008 and that in Russia also decreased by 5% to 68%. The result in the Chinese market is mainly attributed to the government's promotion of authentic software and the joint efforts of Internet service providers. At present, there are seven countries where the software piracy rate is still over 90%, including Georgia, Bangladesh, Armenia, Zimbabwe, Sri Lanka, Azerbaijan, and Moldova

Taiwan

Mobile/Wireless

- **Government blocks China Mobile investment in FarEasTone.** The Taiwan government ruled out any direct investments by mainland companies in the country's telecom infrastructure. Taiwan's Minister of Economic Affairs, Yiin Chii-ming, said they would allow investment in 99 manufacturing and service sectors, including auto manufacture and electronic components, but he ruled out "anything related to national defense or that could jeopardize the nation's defense", which included the state-run enterprises oil company China Petroleum, Taiwan Power and primary telecommunications operators, according to the Taipei Times. Under Taiwan's existing law, mainland investment in type 1, or basic infrastructure, is not permitted. Hong Kong-listed China Mobile had announced it would invest US\$533mm to take a 12% stake in FarEasTone.

Hardware

- **Hon Hai reported first quarter 2009 consolidated operating margin of 3.7% and gross margin of 9.5% which was an increase in YoY terms despite a deteriorating product mix and low utilization.** Because of relocation expenses, Hon Hai's operating expenses in 1Q went up 13% YoY even as revenue declined only 9%. CEO, Terry Guo, guided that the effects of cost savings from relocation will be felt from late 2009 or 2010.
- **Richtek announced revised guidance, seeing industry recovery.** The Company guided 2Q 2009 sales up 53%-70% QoQ to NT\$1.8 - \$2 bn (US\$54.5 - 60.6 mm) from NT\$1.17 bn (US\$35.4 mm) in 1Q. Richtek also provided 2Q gross margin guidance of 36-39% and operating profit margin of 20-23%. The Company sees continued recovery on better demand from computing, WiFi and consumer segment.

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Semiconductor

- **MediaTek invested US\$2.5 mm in mainland mobile phone software company.** MediaTek, the Taiwan semiconductor company, announced plans to invest USD2.5 million in Vogins Technology, the Chinese mainland mobile phone software platform company. MediaTek has stated that it plans to enhance its technological advantages by merger and acquisition; in the past the company's targets were primarily hardware companies, recently it has increasingly targeted software providers. Since the beginning of 2009, MediaTek has made investments in C-Media's subsidiary iPeer and has cooperated with the Chinese mainland search engine Baidu.com. Founded in December 2005, Vogins Technology is a mobile terminal application middleware provider and service provider. Its Virtual Runtime Environment is the company's main middleware solution for mobile devices. VRE, which includes an embedded middleware platform and a server service system, provides a high efficient development platform to help mobile device makers develop mobile devices across chipset platforms. MediaTek's cooperation with Vogins Technology will not only make up its technology gap in software program operating system, but also targets to eliminate the irregular promoting measures in the online music sector. Vogins Technology plans to work with the mainland music service provider A8 Music Group to provide application interfaces using the VRE platform on MediaTek's mobile phone products.

Hong Kong

Telecommunications

- **CITIC 1616 Holdings announced revenues for 2008 surged by 67.3% to HK\$2,5 bn (US\$320.7 mm) and net profit increased by 26.4% to HK\$332.1 mm (US\$42.8 mm).** Excluding the IPO-related interest income booked in 2007, net profit for the year would have increased by 49.5%. Earnings per share rose by 17.5% to 16.8 HK cents. The Company also announced a final dividend of 6.4 HK cents per share for 2008. Revenues from voice services rose by 38.8% while SMS services revenues increased by 32.3% and Mobile VAS increased by 59.1%. Revenues from the Internet virtual private network and Internet access services of CPCNet rose by 35.7% to HK\$460.2 mm (US\$59.4 mm) while net profit jumped by 128% to reach HK\$61.1 mm (US\$7.8 mm). The Company also completed the acquisition of China Motion NetCom Limited in September 2008, which expanded the scale of its business and enhanced its competitiveness.
- **Li plans to appeal PCCW ruling.** Richard Li plans to take his battle to privatize PCCW to Hong Kong's Court of Final Appeal. The decision was made after the release by the Hong Kong Court of Appeal of the details of its ruling last month to block the HK\$17 bn (US\$2.1 bn) privatization plan. Spokespersons for Pacific Century Regional Developments (PCRD) and for PCCW said the PCRD would apply to take the case to the Court of Final Appeal. The court said in its 74-page written judgment that there had been clear manipulation of the shareholder vote, citing evidence of phone calls between PCRD vice-chairman Francis Yuen, and Lam Hau-wah, a regional director of insurance firm Fortis. Lam had bought 500,000 PCCW shares and distributed them among Fortis agents and friends, the court found. Lam had also obtained the voter proxy forms from Yuen's secretary. The court found that there appeared to be no rationale for the privatization scheme and no explanation for why the company had suffered an "almost total loss of value" since Li acquired the old Hongkong Telecom. "Vote manipulation is nothing less than a form of dishonesty. The court cannot sanction dishonesty," Justice Rogers wrote. The Hong Kong Securities and Futures Commission (SFC) hailed the decision as a "landmark" ruling for corporate regulation in the city.

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Singapore/Malaysia/Philippines/Indonesia/India/Thailand/Australia

Telecommunications

- **Telecom New Zealand (“TNZ”) posts flat results for the first quarter.** EBITDA at TNZ rose 1.9% in the quarter as revenues grew only 0.9% to NZ\$1.4 bn (US\$846 mm) although net income rose 13.6% because of lower tax rates. EBITDA contracted 10% in the first nine months, and the Company maintained its guidance of a full-year EBITDA decline of 5% - 8%. Wholesale & international sales rose 13.2% and EBITDAT was 7% higher, due to dividend from the trans-Pacific cable Southern Cross. Cost control was a strong focus, with operating expenses down 15.3% and labor costs 2.6% lower, the Company said.
- **Fourth operator in New Zealand to launch in August.** NZ Communications, which purchased the assets of Econet Wireless, will launch in August under the brand 2degrees. NZ Communications has changed its name to 2degrees to match the new brand. The Company invested more than NZ\$250 mm (US\$147 mm) in its GSM, W-CDMA, and HSPA network, which was supplied by Huawei and which will cover 97% of the population. 2degrees will join Vodafone NZ, Telecom NZ, and Telstra MVNO subsidiary TelstraClear as New Zealand's fourth mobile operator. The new operator plans to compete aggressively on price and drive usage. Major shareholders in 2degrees include U.S. based mobile communications specialist Trilogy International and VC fund Communication Venture Partners and Hautaki Trust, a former 20% owner of Econet.
- **Australian government makes initial investment in NBN.** The Australian government has invested A\$4.7 bn (US\$3.6 bn) into its National Broadband Network (NBN) project. It was also reported that the government offered Telstra a 49% stake in the NBN if it unloads its wholesale business. Communications Minister Stephen Conroy said the new NBN company would operate as an open-access wholesale carrier. The Australian government will hold a 51% stake, leaving the remainder open to the private sector. The government is making an initial investment in the network of A\$4.7 billion," Senator Conroy said. The government rejected all bids submitted to its national network tender (initially budgeted at A\$8 billion (US\$6.1 billion) and instead said would spend up to A\$43 billion (US\$32.9 billion) on the NBN. In doing so, it has opened the way up for incumbent Telstra, whose bid was disqualified on technical grounds, to re-enter the project. Telstra has been offered up to 49% of the NBN company if it agrees to structural separation, The Australian newspaper reported. The government is working on a two-pronged proposal, which it will likely to present to Telstra within the next few weeks. The first stage of the proposal will likely be an offer of 20% of the company in exchange for Telstra's existing fiber assets. News of the offer comes after the announcement last week of a new chairman and CEO, in what is widely seen as an attempt to remake its relations with the government after the combative approach adopted by Sol Trujillo over the past four years.
- **8.9 mm new subscribers in India mobile market in April.** April saw GSM adds fall MoM to 8.9 mm primarily a result of BSNL's adds coming off at 1mm versus 2.5 mm in March, although these had been distorted by the year-end effect (BSNL's net adds typically spike up in March before falling off in the following months). Net adds for Bharti remained flat at 2.8 mm while Aircel too remained flat at 1.1 mm. Idea was hit by churn as net adds fell to 1.1mm, as a result of churn in Bihar, Delhi and Punjab and slippage in Maharashtra, UP and Kerala. Vodafone remains strong after having surpassed Bharti in March, Vodafone's all India net adds fell marginally to 2.77 mm vs. 2.85 mm in March although net adds however picked up in Bihar at 277,000 subs after being impacted by churn in

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the previous month. Reliance has not announced subscriber numbers but it reportedly has now started discontinuing the "trial offer" across various circles and April will be the first month free of any distortions of free minutes on GSM network and should therefore offer better clarity on its strength of net adds.

- **StarHub reported flat result for first quarter.** Singapore full service operator StarHub increased net income 3% to S\$82.5 mm (US\$57 mm) as revenues decreased 0.8%. Revenue from mobile, the Company's largest segment, declined 3% while fixed-network revenue increased 9%. As a result of its "hubbing" strategy, 54% of the Company's customers subscribed to at least two services.
- **PT Telkom announced weak results to begin the year.** While the Company's 1Q 2009 EBITDA margin was down 55.5%, which is still above 3Q2008/4Q2008 lows of 50-51%. YoY fall largely a result of its network build-out in early 2008 which manifested in higher O&M expense from 2Q 2008. It is expected that frequency fees will rise sharply in 2009. Strong cellular voice revenues (up 9% YoY) were offset by SMS decline (down 15% YoY) likely on aggressive SMS pricing. Fixed line: revenues were hurt by lower interconnection and weak Flexi and segment disclosure suggests a sharp rise to fixed line EBITDA margins.
- **SingTel results hurt by local currencies.** SingTel's net profit fell 17% to S\$903 mm (US\$617 mm) in the first quarter due to the declining value of the Australian dollar and other regional currencies. Group revenue fell 5.1% to S\$3.56 bn (US\$2.4 bn) as sales in the Singapore operation increased 12.7% to S\$1.45 bn (US\$990.8 mm). Australian subsidiary Optus boosted sales 8.7%, but in Singapore dollar terms fell 14.4% as the Australian dollar declined 21% YoY, SingTel said. The Company increased its home market share to 46.4%, adding 32,000 wireless broadband customers and 34,000 mobile customers. While SingTel added 405,000 new customers over the year although ARPU declined. Optus added 652,000 mobile customers over the year to bring its subscriber base to 7.79 million. It signed up 156,000 mobile and wireless broadband customers during the quarter, and its 3G subscriber-base grew to 2.58 million.
- **Telkom results hit by heavy competition.** Price-cutting in the Indonesian market has severely impacted PT Telkom's full-year and first quarter earnings. The Company said its Q1 net profit fell 23% YoY to 2.5 trillion rupiah (US\$2.4bn) on 2% higher revenues. The Company announced earnings for the full-year also fell 17% to 12.85 trillion rupiah (US\$1.24bn). The company saw solid subscriber growth in the first quarter as it ADSL subscriber base grew 144% to 716,000, fixed wireless subscribers rose 99% to 13.4 million and mobile subscribers increased 40% to 72.1 million. Although mobile voice revenue increased 8.4%, fixed-line revenue fell 16% while data revenue declined 6%.

Media, Entertainment and Gaming

- **Zee Entertainment gaining on market leaders.** Zee TV gained market share within Hindi GEC genre over the last quarter, gaining 60-70 bps channel share while other major players have lost market share. According to the latest TAM data, the gap between the leaders Colors and Star Plus (both tied with 248 GRPs) and Zee TV's 234 GRPs has been narrowed considerably as Zee Cinema remained No. 1 in its genre. Zee TV's original programming ratings of 208 GRPs surpassed the top 2, Star Plus (201 GRPs) and Colors (196 GRPs), for the last week and the Company is trying to improve its prime time ratings by replacing soaps, Maayka and Saat Phere.

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Mobile/ Wireless

- **Advanced Info Services (AIS) reverses weak revenues but reversal of decline.** AIS announced net profit of Bt4.6 bn (US\$133.4 mm), an increase of 5%QoQ and decrease of 11%YoY, and reversing three quarters of revenue decline. Combined with lower expenses EBITDA margin expanded to 44.3%. Economy taking toll on usage though data revenues are a bright spot. The downturn in the economy took a toll as minutes of use declined 6.6% YoY and revenue per minute decreased 7.9% YoY. Mobile data now accounts for 15.4% of revenues from 12.5% in 1Q 2008.

United States/Canada

Information Technology

- **Rackspace Hosting reports strong first quarter revenues and increasing EBITDA margins.** Rackspace reported 1Q 2009 revenue of US\$145.1 mm and EBITDA of US\$45.1 mm. 1Q 2009 revenues grew 21% YoY as new customer growth offset foreign exchange impact and a slowdown in existing customer upgrades. Management also indicated that RAX has seen stabilization in trends over the course of 1Q2009. EBITDA margins were 31.1% even as cloud computing investments continued to weigh down margins. RAX also reported FCF generation for the first time, a positive milestone for the company.

Media, Entertainment and Gaming

- **Slowing Wii growth in North American market.** According to market research firm NPD Group, Wii shipments were down 52.4% YoY and down 43.4% MoM, as the console's slowdown in the U.S. market got worse. Average weekly shipments fell to 850,000 units in April from 1.88 mm in February and 1.2 mm in March. - On the software side, the April 2008 release of Grand Theft Auto 4 meant a large YoY decline on a value basis. Without any major new launches, Wii Fit and older Nintendo titles were at the top of rankings.
- **Apple mandates iPhone 3.0 compatibility for new apps.** Apple informed developers that it will no longer accept iPhone and iPod touch applications that are incompatible with the operating system update. "Beginning today, all submissions to the App Store will be reviewed on the latest beta of iPhone OS 3.0. If your app submission is not compatible with iPhone OS 3.0, it will not be approved." Apple wrote in an email to developers. Apple first unveiled the iPhone OS 3.0 beta in mid-March with more than 100 new features to bolster the functionality of iPhone and iPod touch applications. The SDK for iPhone OS 3.0 boasts more than 1,000 new APIs, including support for apps to communicate with hardware accessories attached to iPhone or iPod touch devices. The update will also include the Apple Push Notification service which offers developers a channel to alert users of new information, even when the application isn't running. Other new features include in-app purchase, peer-to-peer connectivity, map kit and iPod library access.
- **Cox Radio Inc. announced disappointing first quarter results.** Cox Radio reported worse-than-expected 1Q 2009 results, with revenue of US\$75.5 mm and EPS of US\$0.05, missing street consensus. A 23% YoY decline in revenue, along with a 3.5% increase in operating costs related primarily to higher programming costs, drove a 62% decline in EBITDA. Local and national revenue dropped 21% YoY and 32% YoY, respectively, accelerating from 4Q's 14% and 10% declines. The company benefited from a 68% YoY reduction in interest expense, due to lower interest rates on its credit facilities. Prior to suspending repurchases in 1Q2009, Cox repurchased about 0.9mm shares for US\$4.9 mm and has \$43.5 mm of authorization remaining.

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Telecommunications

- **Frontier to buy assets from Verizon for US\$5.25 billion.** Frontier Communications plans to acquire 4.8 million access lines in rural markets from Verizon Communications for about US\$5.25 billion in stock. The deal is the biggest move toward rural telco consolidation since last fall's announcement that CenturyTel would acquire Embarq and it likely will move Frontier to the head of the class among rural telcos. The acquisition, covering 14 states, triples Frontier's current size and makes it the largest rural operator in the US, although CenturyTel may end up with more total lines after buying Embarq, though some of those lines are in larger, non-rural markets. The Wall Street Journal reported that about 11,000 Verizon workers will move to Frontier and said the structure of the deal will call for Verizon shareholders to receive the Frontier stock directly, which will result in those shareholders owning at least 66% of Frontier after the deal closes.

Internet

- **Priceline.com reports robust results with international outperforming.** The Company announced that gross bookings, revenue, and operating income grew 11%, 15%, and 21% YoY and EPS of US\$1.09. Results reflected stable unit growth of 31% YoY which were partially offset by a 10%-11% YoY decline in ADRs and reductions in airfares, which Expedia and Orbitz also cited. International bookings outperformed and grew 24% YoY while domestic bookings modestly underperformed but still grew 18% YoY vs. 31% in 4Q. Priceline also announced guidance for 2Q gross bookings and EPS of US\$2,125 mm, over 1% increase YoY and \$1.70, over 9% increase YoY. Priceline ended the quarter with US\$126 mm in cash, net of convertible securities.

Mobile/ Wireless

- **AT&T announced that it will pay US\$2.35 bn to purchase certain wireless assets from Verizon.** Verizon was required to divest these assets as a condition of its acquisition of Alltel last year. AT&T will acquire wireless licenses and network assets in 79 service areas across 18 states. The acquisition includes 1.5 million current subscribers in primarily rural areas. The assets come primarily from Alltel, but also include assets owned by Verizon and the former Rural Cellular Corporation. Regulators made the sale of these assets a condition for approving Verizon's US\$28 bn acquisition of Alltel last year. The merger saw Verizon overtake AT&T in terms of subscribers to become the US's largest wireless provider. Alltel was the fifth largest wireless operator with 14.7 million customers. Verizon had 84.6 million subscribers as of the end of Q1, while AT&T Mobility had 78.2 million. Under the agreement, AT&T will sell some assets from subsidiary Centennial Communications to Verizon for US\$240 mm and is expected to close in 4Q if approved by regulators.
- **Revenues drop 37% at Nortel Networks, loss widens to over US\$500 mm.** Nortel posted a wider loss for the first quarter 2009 and a 37% drop in revenue, the Company announced. The Company entered bankruptcy protection in January and is evaluating which of its business units it might sell. The Company's net loss of US\$507 mm was greater than the net loss of US\$138 mm it posted in the year-ago quarter as revenues were down across all of Nortel's businesses, coming in at a total of US\$1.73 bn versus US\$2.76 bn in the first quarter of 2008. Nortel also said it will "decentralize" its Carrier Sales and Global Operations functions over the coming weeks. It is rumored that the Company may sell off business units rather than emerge from bankruptcy protection as a single viable entity. According to various reports, Nortel wants to sell its 50% stake in the networking joint venture it has with LG Electronics, and Nokia Siemens Networks has offered to buy large chunks of Nortel's businesses, including most of its carrier networks unit and a research unit focused on LTE. Nortel was recently granted an extension on its bankruptcy protection until July 30.

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Software

- **Oracle to acquire Virtual Iron to expand virtualization presence.** Oracle announced plans to acquire Virtual Iron, a privately held developer of server virtualization solutions. Terms of the deal were not disclosed. Virtual Iron was founded in 2003 and has raised US\$65mm in venture funding. The company is well regarded in the virtualization industry, in particular related to the open source Xen community. Virtual Iron offers a thorough server virtualization portfolio, building on the open source Xen hypervisor, including advanced management tools and desktop virtualization solution. The company focuses on the SME market and reported around 2000 customers. For Oracle, this latest acquisition is consistent with its strategy of becoming more of a datacenter provider. Virtual Iron adds significant server virtualization management capabilities, in support of the Xen hypervisor, which is leveraged by Oracle. Virtual Iron's solutions also complement virtualization technologies Oracle stands to gain in the pending acquisition of Sun.
- **Computer Associates (CA) delivers solid quarterly results.** CA reported solid first quarter revenues of US\$1.0 bn, down 5% YoY but slightly ahead of the Street. Proforma EPS was \$US0.31, up 43% YoY, while non-GAAP operating margin came in at 30%. CA also provided initial guidance for FY 2010 with cash flow expected to grow 12% to 18%, which translates to US\$1.25 bn to US\$1.32 bn. The FY 2010 outlook includes approximately \$50mm in restructuring payments accrued during FY2009. The company also forecasts revenue growth in the range of 2% to 4%, which translates to revenues of US\$4.16 bn to US\$4.24 bn.

Europe

Mobile/Wireless

- **U.K. government to consider caps on spectrum ownership.** The caps are seen as a means of settling long-running disputes between mobile operators and to provide for nationwide mobile broadband. In a victory for O2 and Vodafone, the Independent Spectrum Broker (ISB) has recommended the caps, which would mean that owners of existing frequencies would have to sell some spectrum in order to obtain more. Regulator Ofcom plans to auction the 900MHz spectrum for mobile broadband services and had planned to take the frequencies from O2 and Vodafone, but was met fierce resistance. The ISB said the existing spectrum owners could be offered indefinite ownership of the spectrum if they extended 3G coverage and allowed infrastructure sharing. Under the proposal, operators seeking to obtain 800MHz spectrum would be forced to give up an equivalent quantity of 900MHz spectrum. Ofcom also plans to auction spectrum on the 2.66GHz band in another component of its plan to bring wireless broadband to the entire country by 2012. Spectrum ownership on the 2.66Ghz band would also be capped at 2 x 60Mhz. These restrictions would last around one year from the date of the auction. Britain's communications minister Stephen Carter said the government would respond to the ISB proposals in the final Digital Britain report next month.

Hardware

- **Intel hit with record fine.** Europe's antitrust regulators have imposed a €1.06 bn (US\$1.44 bn) fine on Intel, finding the company abused its dominant market position. The antitrust watchdog concluded an eight-year investigation into Intel's business practices as Intel had been accused of offering rebates and incentives to computer manufacturers which agreed not to use competitor AMD's processors. The fine, which is more than a third higher than the EC's previous maximum

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US\$655 million penalty levied on Microsoft in March, represents 4.15% of Intel's turnover for 2008. The EC is empowered to fine companies up to 10% of their annual revenue. Intel said it would appeal the verdict. The commission ruled that Intel gave hidden rebates to computer manufacturers on the condition that they bought all or the vast majority of their CPUs from Intel. PC makers which took these payments include Acer, Dell, Lenovo and HP. Competing x86 chipmakers would have had to offer prices for their CPUs at below their manufacturing costs in order to compete with these rebates, the Commission found. Intel also made direct payments to major retailer Media Saturn Holding on the condition that it stock only Intel-powered computers, the commission said. Additionally, Intel paid computer manufacturers to halt or delay the launch of products containing competing CPUs, and to limit the sales channels available to these products, the commission said. Europe currently accounts for around 30% of the \$29 billion x86 CPU industry.

Telecommunications

- **Carphone Warehouse announced the acquisition of Tiscali's UK broadband assets on for £236 mm (US\$361.8 mm).** The deal enables potential cost savings as Tiscali UK incurred £324 mm (US\$496.7 mm) of network costs in 2008 and substantial synergies are available as Tiscali UK's 900 ULL exchanges overlap significantly with CPW's 1,700 exchanges. The transaction not only increases operational leverage as the higher the customer density per exchange the higher the profitability of the business, but the transaction strengthens CPW's position as a stakeholder in the discussion on UK next generation access networks (NGAN). As such, the deal decreases the likelihood of CPW's assets being stranded in the exchange.
- **Telefonica earnings up 9.8%.** Telefonica announced Q1 2009 net profit of €1.69 bn (US\$2.3 bn), a 9.8% increase and confirmed guidance for the year. Revenues grew 2.8% YoY to €13.70 bn (US\$18.56 bn), with growth in Latin America and the U.K. offsetting declines at home. Sales in the Latin-American operations increased 8.7% and U.K. revenue rose 7% versus a 4.2% decline in its home market. Total subscribers increased 11.9% YoY to 261.4 million, with wireless subs growing 15.4% to 198 million while broadband subs rose 17.5% to 12.8 million. In Spain, subscribers reached 47.2 million, with broadband internet subscribers growing 9.4% to 5.3 million, while in the UK, net mobile additions reached over 141,000, leading to a total of 20.42 million mobile subscribers.
- **BT announced disappointing results and further job cuts.** BT said it expects to cut around 15,000 more jobs this year as the carrier fell to a pre-tax loss of £134 mm (US\$204.1 mm) for the year ending in March. Revenue grew 1% for the full year and 3% in the fourth quarter. "Three out of four of BT's lines of business have performed well in spite of fierce competition and the global economic downturn," BT CEO Ian Livingston said. "However this achievement has been overshadowed by the unacceptable performance of BT Global Services and the resulting charges we have taken." The Company would cut operating expenditures and capex by more than £1 bn (US\$1.53 bn) in 2009/10. After a review of BT Global's contracts, the Company recorded a further charge of £1.3bn (US\$1.99 bn), of which £1.2 bn (US\$1.84 bn) relates to two major contracts, reflecting a "more cautious view of the recognition of future cost efficiencies". Global services posted an operating loss of £198 mm (US\$303.5 mm). Revenue grew 6% to £2.36 bn (US\$3.62 bn) and EBITDA fell 86% to £43 mm (US\$65.9 mm). The company took a £280 mm (US\$429.2 mm) restructuring charge for the division, with further charges of £420mm (US\$643.9 mm) over the next two years. BT retail's operating profit was £324 mm (US\$496.7 mm), with EBITDA up 11%. BT wholesale EBITDA fell 3%. Underlying operating costs fell 2% excluding one-time charges due to job cuts of around 15,000 over the year, BT said, and the company is planning similar reductions this year.

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Other Economic Data

Currency Exchange Rates						
Currency	Units	Current Rate (on 5/15/09)	% Change 1 Week Ago	% Change 1 Month Ago	% Change 1/1/2009	% Change 1/1/2008
Japanese yen	¥/US\$	94.9900	-4.43%	-4.17%	5.30%	-15.20%
Hong Kong dollar	HK\$/ US\$	7.7510	0.01%	0.01%	0.01%	-0.59%
Chinese renminbi	RMB/ US\$	6.8258	0.06%	-0.09%	0.04%	-6.55%
Singapore dollar	S\$/ US\$	1.4668	0.06%	-2.34%	1.54%	2.05%
South Korean won	KRW/ US\$	1,262.4500	1.04%	-5.66%	0.23%	35.41%
New Taiwan dollar	NT\$/ US\$	32.9230	-0.30%	-2.55%	0.31%	1.53%
Australian dollar	US\$/A\$	0.7549	-0.40%	4.38%	9.03%	-14.03%
New Zealand dollar	US\$/NZ\$	0.5895	-1.01%	1.48%	2.04%	-23.76%
Philippine peso	PHP/ US\$	47.5940	0.94%	-0.49%	0.46%	15.30%
Euro	US\$/€	1.3551	1.12%	2.12%	-3.63%	-7.92%
British pound	US\$/£	1.5171	0.84%	1.04%	4.40%	-24.39%

Fixed Income Prices and Yields

Note	Currency	Current (on 5/15/09)		1 Week Ago		4 Weeks Ago	
		Price	Yield	Price	Yield	Price	Yield
US 30-year	US\$	102.84	4.09%	99.66	4.27%	94.58	3.84%
Japan 30-year	¥	102.02	2.19%	102.36	2.17%	101.17	2.26%
Hong Kong 10-year	HK\$	94.95	2.21%	94.87	2.22%	94.24	2.29%
China (06/16)	US\$	110.21	3.07%	109.12	3.24%	111.46	2.92%
Singapore 10-year	S\$	116.00	2.10%	115.88	2.11%	116.30	2.09%
South Korea 20-year	KRW	103.26	5.31%	102.61	5.36%	106.13	5.04%
Australia 15-year	A\$	106.38	5.04%	105.38	5.14%	109.42	4.72%
New Zealand (12/17)	NZ\$	104.08	5.40%	102.12	5.68%	105.01	5.34%
Philippines 20-year	PHP	110.81	12.18%	110.82	12.18%	98.94	9.85%
India 30-year	INR	108.53	7.58%	110.86	7.40%	91.80	7.66%
UK 30-year	£	105.34	4.42%	104.73	4.46%	104.07	4.55%
Germany 30-year	€	100.91	4.20%	100.41	4.23%	103.02	4.08%

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