

Daniel W. Roberts,
President

Roberts & Ryan Investments Inc.

Based in San Francisco, we provide "value added" information to our global asset managing clients.

Serving Investors since 1987

Germany

About Roberts & Ryan

We thank our readers for their support of our research efforts. Via this newsletter to our clients, we publish the smallest voices from Silicone Valley, California. Our contribution is to refute or confirm what is being publicly asserted by the covered companies. Thanks again.

In order to facilitate our receipt of directed order flow, we show our list of agents as follows:

Global markets:

Merrill Lynch
UBS
Societe Generale

(Pan European only)
Cheuvreux

(Asia only)
HSBC

(Australia only)
Deutsche Bank

(US Managers only)
Lehman Brothers

Sony to drop proprietary music store Connect

FRANKFURT, Germany (AP) – Acknowledging its proprietary audio technology was a marketplace flop, Sony is shuttering its Connect digital music store and will open its portable media players to other formats.

The moves were announced Thursday at a Berlin consumer electronics trade fair as the Japanese electronics pioneer unveiled a pair of new digital Walkmans that can play the Windows Media Audio, MP3 and AAC audio formats.

Like rivals' players, including Apple's iPods, Sony's NWZ-A810 and NWZ-S610 can also play video and display photographs. Sony's models include an FM tuner, too.

Sony said it would phase out operations of its struggling Connect online store, which sold songs in the company's proprietary ATRAC format.

"This gives customers greater flexibility in their music software approach," the company said in a statement. "As a result, Sony will be phasing out the Connect Music Services based on Sony's ATRAC audio format in North America and Europe."

In an email sent to Connect users, the service said it would not close before March 2008, but it did not set a more specific date. The company's Connect e-book service for the Sony Reader is not affected.

In June, Sony Connect said it was eliminating some positions as part of a restructuring plan to shift resources to other online services, but had denied reports it was related to planned shutdown.



www.robertsryan.net

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise
57 Post Street, Suite 614 San Francisco, CA 94104
(415)956-2000, Toll Free (800)676-6717, Fax (415)296-8873
Please Visit us @ www.robertsryan.net

South Korea

S. Korean agency files antitrust vs. Intel



“Legal experts said that given the European Commission’s claims, it is no surprise to see the South Koreans make their allegations.”

The South Korean Fair Trade Commission has accused Intel of violating the nation’s anti-trust laws, further expanding the chip maker’s legal struggles beyond cases in Europe, the United States and Japan.

The allegations, which Intel received in a confidential statement last week, remain secret. The commission, however, has acknowledged investigating whether the company abused its dominant market position to discourage computer makers from doing business with rival Advanced Micro Devices.

Intel said it was prohibited by Korean law from discussing the details of the allegations, which follow a more than 1 ½- a year investigation and a raid of Intel’s Korean office in February 2006. But spokesman Chuck Mulloy pointed out the claims were preliminary and the company will have an opportunity to respond to them before final findings are reached and any fine is levied.

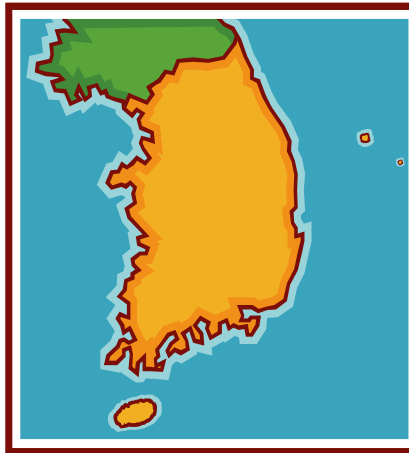
“We hope to show to the commission’s satisfaction the microprocessor market is functioning normally and Intel’s conducts it business lawfully and that our business practices are pro-competitive and beneficial to consumers,” Mulloy said. Intel also will have the opportunity to appeal any commission finding to court.

The Korean statement comes less than two months after the European Commission filed a similar statement of objections against the company. The Euro-

pean Statement charges Intel with using rebates to urge computer makers not to buy chips from AMD and selling server chips below cost.

Intel said in response to the European case that it believes that its business practices are lawful and pro-competitive. The company two years ago settled an antitrust case with the Japanese Fair Trade Commission and now faces civil suits both in the United States and Japan filed by AMD.

Legal experts said that given



the European Commission’s claims, it is no surprise to see the South Koreans make their allegations. “The (company) has a very large market share,” said Renata Hesse, an antitrust attorney with Wilson Sonsini Goodrich & Rosati and a former antitrust attorney with the Department of Justice. “So the likelihood of them getting looked at hard goes up.”

The Koreans also have been getting more active in the anti-

trust enforcement and have taken a cue from Europeans, who have become more aggressive than the Americans. Korea’s Fair Trade Commission brought antitrust allegations against Microsoft and in 2005 fined the company.

“The message now is antitrust is international,” said Charles Biggio, also an attorney at Wilson Sonsini.

The Korean case could have more impact than might be expected from a small Asian country. If evidence supporting the claims becomes public, it “could have outside influence” by spreading to the cases elsewhere, said Mark Ostrau, a Silicon Valley attorney with Fenwick & West. “The case could be the mouse that roared.” Intel’s Mulloy said the common threat among cases is that “there is one set of allegations repeated over and over again (to regulators) from our primary competitor.”

AMD spokesman Michael Silverman said Korean investigators had come to the company, not the other way around. However, Silverman said late Monday the company now plans to file a complaint with the commission. He said it would focus on Intel’s business practices in the Korean market.

www.robertsryan.net

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however as with all research, the accuracy cannot be guaranteed.

China

China content sites key for Google

Google, trailing Baidu.com in China's online search industry, plans to increase investments in content providers to win share in the world's second largest Internet market.

The company acquired a minority stake in Shenzhen Xunlei Network Technology, whose software lets users download music and videos, in partnership with Fidelity Asia Ventures and Ceyuan Ventures. Google also bought shares in Tianya Internet Technology, a developer of social-networking sites.

"We are open to work with other venture capital firms in making investments," said James Mi, head of corporate development for China, Taiwan, and Hong Kong at Mountain View-based Google. Venture capital firms "can bring value" to the invested company, he said in an interview in Hong Kong on Aug. 31, without elaborating. Google, whose advertising sales in China are less than 50 percent of Baidu's, also intends to hire 100 engineers each year in China and Taiwan to develop Web services. China had 162 million internet users at the end of June, second only to the United States, according to the China

Network Information Center, a government-backed agency.

Google didn't disclose the size of its stakes in Tianya and Shenzhen Xunlei. The company made "a couple" of other investments in China, Mi said, declining to elaborate. "The minority investments are helping the company create more opportunities for strategic partnerships," Mi said.

Online advertising sales in China may surge more than sevenfold to \$3.1 billion in 2011, from \$420 million in 2005, Credit Suisse Group estimated.

Google has almost 200 engineers in Shanghai, Beijing, and Taipei, Lee Kai-fu, the company's China president, said last month. Google's development team in the region is the company's biggest outside the United States, Lee said. In the second quarter, Baidu accounted for 58 percent of China's Internet search market, more than double the 23 percent share of its closest rival, Google, according to Beijing-based researcher Analysys International.

HP plans to step up its expansion in China

Hewlett-Packard, the world's biggest personal-computer maker, plans to accelerate expansion outside of major Chinese cities including Beijing and Shanghai, as surging economic growth fuels demand.

The company expects to be in 600 cities in China in 2008, Adrian Koch, head of the PC business in Asia, said in an interview Thursday at the World Economic Forum in Dalian, northeast China. Palo Alto based HP already sells in 430 cities, exceeding the target of 420 for 2007, Koch said.

HP and its closest rival, Dell, are increasing their Asian presence to catch up with Lenovo group, the region's biggest computer seller, as growth slows in the United States and Western Europe. HP sells computers in China through retailers including Suning Appliance and Gome Electrical Appliance Holdings, the nation's largest electronics sellers.

"The new growth areas are outside the big cities," Koch said. The company sold computers in 347 Chinese cities in 2006, surging from 20 in 2003, he said. To help meet the expansion target, HP plans to hire "a couple hundred more" people in China, adding to the 8,000 it employed at the end of August, Koch said.

The company will also expand production of computers at its Shanghai factory, he said, declining to provide figures.

HP had a 13.4 percent share of China's PC market in the second quarter, behind leader Lenovo's 22.4 percent, Koch said, citing figures from researcher IDC.

In Asia excluding Japan, Lenovo retained its top spot in the second quarter with a market share of 20.8 percent, up from 19.7 percent a year earlier, IDC said. HP's share rose to 16.2 percent from 11.9 percent, while Dell's fell to 8.5 percent from 9.4 percent.



"Google's development team in the region is the company's biggest outside the United States. "

www.robertsryan.net

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however as with all research, the accuracy cannot be guaranteed.

Taiwan

Acer to acquire Gateway

Los Angeles – Gateway agreed to be acquired for \$710 million by Taiwan-based Acer in a deal designed to give the long-struggling U.S. computer maker the size it needs to compete against larger players, the companies announced Monday.

The deal would push the combined company past China's Lenovo Group to become the world's third-largest vendor of personal computers, behind Hewlett-Packard and Dell.

With the acquisition, Acer will absorb a company that made a splash when it was founded in 1985 in an Iowa farmhouse.

Its made-to-order philosophy for selling computers made it a formidable player early on, and the brand became known for the cow-spotted boxes used to ship its products.

Now based in Irvine, Gateway struggled in recent years amid fierce competition. It branched out into consumer electronics, selling televisions, music players and other items, but the strategy didn't work. Neither did its retail stores, which shuttered in 2004.

"Having tried for several years to grow their way back up through various strategies, it seems reasonable step to consider joining forces with another company," said Tom Smith, a computer hardware analyst with Stanford & Poor's Equity Research. Acer said it was offering to buy Gateway for \$1.90 a share – representing a premium of

57 percent to Gateway's Friday closing price of \$ 1.21 but only 2 percent of Gateway's all time high of \$82.50 in late 1999.

Gateway shares are increased 61 cents, or about 50 percent, to \$1.82 in trading Monday. "Joining with Acer will enable us to bring even more value to the consumer segments we serve and capitalize on Acer's highly regarded supply chain operations and global reach," Ed Coleman, chief executive of Gateway, said in a joint statement with Acer.

Acer and Gateway have discussed merging in the past but intensified those talks during past six weeks, Acer Chairman J.T. Wang said during a conference call with analysts. Acer estimated that acquiring Gateway would create operating savings of more than \$150 million a year and immediately add to its earnings.

Gateway also said in its talks to sell its professional business, which markets computers to business customers, and is exercising its right to purchase the remaining shares of the parent company of Packard Bell, a European PC vendor based in France. Smith said selling the professional unit makes sense for Gateway whether the company succeeds in selling its professional division or not, Wang said.

Gateway gained the right to buy Packard Bell when it acquired eMachines for \$235 million in cash and stock in 2004 from Lap Shun Hui, who

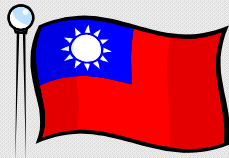
now owns all the shares of PB Holding, the parent company of Packard Bell.

In 2006, Gateway rejected Hui's offer to buy Gateway's consumer business for \$450 million. Previously, Packard Bell said it was in exclusive talks with Lenovo. Gateway's move to buy Packard Bell was seen by analysts as a move to keep the company out of Lenovo's hands.

The Acer-Gateway deal would create a multi-branded computer company with more than \$15 billion in revenue and shipments in excess of 20 million units per year, Acer said in a statement.

"This will be an excellent addition to Acer's already strong positions in Europe and Asia," Wang said in the statement.

In the second quarter, Acer was the world's fourth-largest PC maker behind top-ranked Palo Alto giant Hewlett-Packard, No. 2 Dell and third-ranked Lenovo, according to research company Gartner. Gateway is the third-largest PC vendor in the United States by the market share after HP and Dell.



"This will be an excellent addition to Acer's already strong positions in Europe and Asia."



www.robertsryan.net

Roberts & Ryan Investments Inc., a Service Disabled Veterans Enterprise

This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however as with all research, the accuracy cannot be guaranteed.