

## CORPORATE NEWS

# Sun to Buy StorageTek In a \$4.1 Billion Deal

*Pact Highlights Growing Importance of Data Field, Computer Maker's Struggles*

By DON CLARK  
And CHARLES FORELLE

Sun Microsystems Inc. agreed to buy Storage Technology Corp. for \$4.1 billion (€3.35 billion), a deal that underscores the increasing importance of data-storage technology as well as Sun's recent struggles in that field.

The deal, Sun's biggest-ever acquisition, will make the computer maker a major player in tape-based hardware for data storage, StorageTek's best-known business. Sun said the purchase will also add about 1,000 StorageTek sales representatives to sell Sun's disk-based storage systems against tough rivals such as EMC Corp., Hewlett-Packard Co. and International Business Machines Corp.

Under terms of the deal, StorageTek shareholders will receive \$37 for each of their shares, a premium of 19% over the closing price of StorageTek's shares on Wednesday. Thursday afternoon on the New York Stock Exchange, StorageTek was up 16% at \$36.37 in composite trading. Sun fell 3.1% to \$3.78 on the Nasdaq Stock Market.

Sun, of Santa Clara, California, has been searching for consistent profitability and a new growth formula since the collapse of the dot-com bubble. The company has amassed more than \$7 billion in cash and has stated its determination to use acquisitions to strengthen its market position.

StorageTek is a logical target. Companies continue to add hardware to contain a growing volume of business records. That need has become even more pressing with new U.S. government regulations on the retention of transaction data and electronic mail. The global market for disk-based storage hardware totaled nearly \$13.5 billion in 2004, according to research firm Gartner Inc., which expects the business to grow 10% this year.

But Sun's storage systems haven't been making much headway lately. Its revenue from those devices declined 5.5% last year, Gartner estimates.

Scott McNealy, Sun's chief executive

officer, said the company's hardware is first-rate, as is its software to help manage storage systems. But the company didn't have enough specialists in the field to provide the level of support and expertise customers require, he said, a problem StorageTek's sales force will address.

"We change that piece, and the dynamics get very much in our favor," Mr. McNealy said in an interview.

Still, the deal received mixed reviews on Wall Street. StorageTek, of Louisville, Colorado, is solidly profitable, with 2004 net income of \$191 million on sales of \$2.22 billion. But the company gets much of its sales from tape-based storage gear, a market growing about 1% a year.

Some analysts suggested that Sun might have found acquisitions in software or services that could boost sales more quickly. "Sun's challenge is revenue growth," Keith Bachman, an analyst at Banc of America Securities, said in a research note. "They are buying into a business that also faces growth challenges."

Frank Gillett, an analyst at Forrester Research, said he was struggling to better understand Sun's rationale. "We are not picking up a big 'wow' here," he said.

If nothing else, the deal underscores the continuing importance of magnetic tape, despite longtime predictions that the venerable medium would be replaced by other technologies. Data-storage tape, which comes in cartridges similar to videocassettes, is still substantially cheaper than hard disks, and companies value the ability to remove tape from their computer systems and store it remotely for safekeeping.

StorageTek's crown jewel is its PowderHorn product, which stores thousands of tapes on shelves and retrieves them like a jukebox. John McArthur, an analyst at market researcher IDC, said the deal helps broaden Sun's storage-product line and makes the company "a more credible supplier" to customers who use IBM mainframe computers, since StorageTek has a long history of selling to those companies.

Patrick Martin, StorageTek's CEO, said tape-based storage is gaining importance for companies. Forthcoming products will help sales grow at a faster rate, he said, adding that the company's 7,000-employee work force contains "great depth in storage expertise" that could help Sun broadly.

## Shell Fights Over Domain Name Ahead of Parent Firms' Merger

By CHIP CUMMINS

Later this summer, oil giant Royal Dutch/Shell Group is expected to merge its two parent companies, creating a new corporate entity: Royal Dutch Shell PLC.

But go to [www.royaldutchshellplc.com](http://www.royaldutchshellplc.com) and you will find a crude Web site in garish colors where Alfred Donovan, an 88-year-old British army veteran, posts dozens of media reports and commentary, most of it negative, about Shell and the accounting scandal that plagued it last year. Just after Shell unveiled the name of the new entity last October, Mr. Donovan—who has had frequent legal battles with Shell—snapped up the rights to the Web site.

Cyber-squatting, in which people register domain names associated with a company's brands or identity, has become a bane of the corporate world in the age of the Internet. Squatters search out permutations of well-known names, often angling for a quick payout in exchange for selling the site to the company or using the site to draw hits to unrelated Web destinations. Often, critics try to grab similar domain names to draw attention to causes associated with a particular company or product.

But landing the exact domain name for a corporation as big and as well known as Shell is a rare coup these days.

Shell paid \$115 million (€94 million) in fees to bankers, attorneys and accountants to hammer out the details of the plan, announced last October, to stream-

line its ownership structure by merging its two parent companies, Royal Dutch Petroleum Co. of The Hague, Netherlands, and Shell Transport & Trading Co., based in London. After the merger, the new company will be headquartered in The Hague and have just one stock listing, in London, with an estimated market capitalization of more than \$200 billion. For years the company has been listed in London and Amsterdam.

Shell executives realized shortly after the merger announcement last fall that the new corporate name had been snapped up. Last month, Shell attorneys filed a complaint with the World Intellectual Property Organization, a Geneva-based arbiter of domain disputes, requesting Mr. Donovan be stripped of rights to the site, along with two others.

Shell's main corporate Web site will continue to be [www.shell.com](http://www.shell.com).

John Donovan, Mr. Donovan's son, said his father isn't seeking money from Shell, but wants to draw as many people as possible to his Web site's postings about the company. "It's the good, the bad and the ugly," the younger Mr. Donovan said in a phone interview with his father, who is hard of hearing. "And it's not his fault the news has been so bad for Shell lately."

The two Donovans are well-known to Shell. They have waged a long-running anti-Shell campaign dating to the 1990s.

A Shell spokeswoman declined to comment on the dispute, citing the pending arbitration.

## Repsol and CVC Offer €2.5 Billion For Shell Gas Unit

By ANDRES CALA  
And ENZA TEDESCO

In an attempt to become the world's largest distributor of liquefied-petroleum gas, Repsol YPF SA has teamed up with British private-equity firm CVC Capital Partners Ltd. to offer about €2.5 billion for Royal Dutch/Shell Group's LPG assets, the Spanish-Argentine company said.

Under the CVC-Repsol agreement, signed earlier in the week, Repsol would get 60% of the LPG unit, while CVC would hold the remaining 40% if the consortium wins the asset. CVC would ante up between 70% and 80% of the money, and Repsol would be responsible for operating the business through its Repsol Butano SA unit, a Repsol spokeswoman said.

People familiar with the sale process have said that several parties are interested in the asset.

Shell says it wants to finalize a deal by the end of the year. A sale would be part of a disposal program that aims to raise as much as \$15 billion, or about €12 billion, over the next three years to improve the company's upstream oil-and-gas exploration business.

Analysts said that buying the LPG unit would be a good strategic move for Repsol, but a successful offer isn't expected to have much impact on Repsol's earnings or on its share price. Angus McPhail of ING Wholesale Banking in London said Repsol-CVC's offer "is near enough to fair value, with a very slight discount." People involved in the sale say the unit is valued between \$2.4 billion and \$3.2 billion.

Repsol's shares closed at €20.42 Thursday, off six European cents, in Madrid. ING has a "hold" rating on Repsol shares, with a target price of €19.10.

If the bid is accepted, Repsol—the fifth-largest European oil company by market capitalization—would become the world's largest LPG operator. With annual LPG production of 3.2 million tons, Repsol ranks third in the global LPG business. SHV Holdings NV of the Netherlands is the world's largest LPG distributor, followed by Anglo-Dutch Shell.

Separately, First Calgary Petroleum Ltd. said it is close to an agreement with Repsol to develop an Algerian natural-gas field, the chief executive of the Canadian exploration company said.

—Michael Wang  
contributed to this article.

## Nokia Introduces Low-Cost Phones For New Markets

Dow Jones Newswires

STOCKHOLM—Nokia Corp. Thursday unveiled two low-priced mobile phones aimed at emerging markets, which have begun to provide strong growth for the global handset industry.

The two new handsets will be "very high volume," said Nokia Vice President Juha Pinomaa, who is responsible for so-called entry-level phones.

Mobile-phone makers are trying to exploit strong growth in developing regions like Africa, China and India. Nokia—the world's No. 1 handset manufacturer in terms of units sold—expects the number of wireless subscribers to rise to three billion by 2010, from about 1.7 billion users at the end of 2004, with much of the increase coming in emerging markets.

That will mean keeping costs down so that wireless operators in those markets can profitably offer a service to customers spending small amounts each month. With the "right combination" of handsets, networks and a regulated environment, "we envision a mobile landscape where operators can profitably offer mobile services to consumers for as little as \$5 per month," Mr. Pinomaa said.

Rival Motorola Inc., the world's No. 2 handset maker, said in February that it will develop phones for emerging markets that will sell for \$40, or about €33, apiece. Second-tier players like Sony Ericsson, a joint venture of Sony Corp. and Telefon AB L.M. Ericsson, also are look-

## Havas Nears Crisis

*Holders to Decide on Bolloré Bid for Share*

By BRIAN STEINBERG

### ADVERTISING

LONG-SIMMERING tension between Havas and its biggest shareholder, corporate raider Vincent Bolloré, will come to a boil next week when the French advertising giant's shareholders meet to vote on Mr. Bolloré's bid for board seats.

The crucial vote, at Havas's annual meeting Thursday in Paris, could well determine Havas's direction. Mr. Bolloré, who has accumulated a 20% stake in the company, has been quoted in the French media saying he wants some say in Havas management. His precise intentions aren't clear, although he has ruled out trying to take control—at least in the immediate future.

Mr. Bolloré has nominated four people to join Havas's board, which has 13 directors. Three existing directors are up for re-election, while Havas has nominated three more people for election to the board. French law limits the board to 18 members, making it possible that at least two of Mr. Bolloré's nominees could be elected along with the company's nominees. But to have a chance of winning any seats, nominees need to get at least a majority of votes. If all nominees get a majority, those with the most votes will be elected.

Mr. Bolloré's spokesman didn't return phone calls seeking comment.

If Mr. Bolloré loses the shareholder vote, some observers have speculated he may sell his stake—which could trigger a takeover of Havas. Havas, owner of ad agencies such as Euro RSCG Worldwide and Arnold Worldwide Partners, is a mid-size ad holding company in an industry

dominated by giants like Omnicom Group of the U.S. and small firms. Last year it had revenue of €1.5 billion, less than half that of the next-biggest, Publicis Groupe.

Some analysts question whether Havas can survive as an independent or whether it eventually will be swallowed up by one of its bigger rivals. Those questions intensified last week when Havas's offer to buy Greyhound Group was trumped by rival WPP



Alain de Pouzilhac

based in London. Havas has been hurt by weak advertising conditions in the U.S. dollar, hurting effecting a falloff in advertising in the U.S. markets. Adding its performance has been the loss in recent months of a significant Intel account and mess from Volkswagen. Havas' price has been hurt in the past few years, although it has risen since Bolloré emerged as a major shareholder last year.

Havas certainly has had some success. Arnold Worldwide won accounts from Radio City while Euro RSCG captured the Schwab account. Euro RSCG's coup when it stole Ford Motor's account from its WPP Group, which does much of Ford's business. In a view, Havas Chairman and Chief Executive Alain de Pouzilhac says n

## Sony Starts Push to Streamline

By PHRED DVORAK

TOKYO—Sony Corp. unveiled a slimmed-down top-management team and simplified executive structure, in the first glimpse of what steps incoming Chief Executive Howard Stringer will take to revive the struggling electronics giant.

Sony said that as of June 22, it will cut the number of corporate executive officers—Sony's top executive layer—to seven



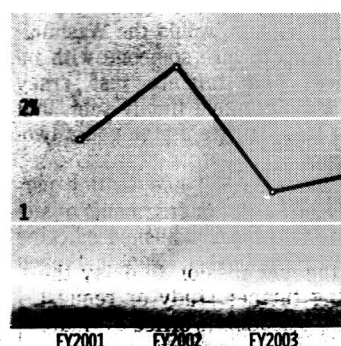
Howard Stringer

from 13. It also is reducing the kinds of top posts available, as well as the number of ranks those executives can hold, big steps in title-sensitive Japan. Sony had earlier said it was shrinking its board of directors to 12 members from 16.

Some of the executive officers will be retiring and some will be demoted, and not all of the departures are new. Counted among the six is Mr. Stringer's predecessor as CEO, Nobuyuki Idei, who will become an adviser.

## Revival Under Way

Sony hopes to improve its profit



Note: Fiscal years end March 31

Source: the company

Thursday's announcement is likely to be only the start of a Stringer-led streamlining Sony's management to solidate its far-flung operations. It will unveil the makeup of its rate-executive team—Sony's layer of operational chiefs—on June 22. Now, there are 36 corporate executives.

The steps, announced as Mr. Stringer gave a presentation at Sony's managers' meeting, are an early look at how the Welsh-born U.S. opera-

## Qwest's Ex-Finance Chief Agrees to Probe

By SHAWN YOUNG

The former chief financial officer of Qwest Communications International Inc. agreed to plead guilty to one criminal count of insider trading and cooperate with the government's investigation of other former executives of the phone company, according to the U.S. Justice Department.

Robin Szeliga, 44 years old, is the highest-ranking former Qwest official to be charged with a crime related to accounting problems at the Denver-based phone company. Ms. Szeliga is charged with exercising 10,000 options and selling the shares for \$410,000 (€335,000) in 2001,

Nacchio, according to people familiar with the investigation. A spokesman for Mr. Nacchio declined to comment.

"We are pleased with the progress of the investigation," said Bill Leonard, U.S. attorney for the district in Colorado, in an interview. "We continue to sift through the evidence and we will let you know where it leads."

Ms. Szeliga's cooperation could be a turning point for the government's criminal investigation of Qwest, which had been a darling of the 1990s technology and telecommunications boom. Demand for its services shrank as accounting problems surfaced.

Chief financial officers have been