

For Immediate Release

**PortalPlayer Private Ltd Transitions into New Entity
"Pinexe" - the focused Embedded Technology Services Company**

Hyderabad, India – June 25, 2003 – PortalPlayer Private Ltd, formerly an exclusive development center for U.S.-based PortalPlayer, Inc., today became a new entity, called "Pinexe", that will provide highly skilled outsourced design and development services to the large, untapped digital audio and embedded systems market. Led by J.A.Chowdary, a 25-year veteran of the Indian IT industry, Pinexe will provide a variety of customized and cost-effective VLSI/ASIC and embedded system design and development services to a diverse set of customers worldwide, and also plans to develop its own Intellectual Property (IP). Pinexe's employees will become employees and significant stake holders in the new company and PortalPlayer will become Pinexe's first customer. As a result of the transition, Pinexe can better capitalize on the outsourcing trend to India which has doubled since 2002 and provide a larger variety of customers with its expert design and development services.

"Our mission is to help our customers strengthen their leadership position by giving them access to some of the world's most skilled design and development services in a flexible business model. In an era where expectations of faster time-to-market, lowered costs and high quality create tremendous pressure, we offer customers the means and methods to exceed these expectations. Pinexe's offerings are tailored with these objectives in mind. " says J.A Chowdary, president and CEO of Pinexe.

The new entity, Pinexe, expects to rapidly grow its business and serve a wider cross section of Original Equipment and Design Manufacturers (OEMs and ODMs), across multiple domains. As part of its offering, Pinexe will establish dedicated offshore development centers (ODCs). As a result, Pinexe will offer its customers the security, stability and consistency of an in-house development team, with the flexibility, scalability and reduced overhead costs of an outsourced supplier. PortalPlayer will be the first company served through the new ODC model. Pinexe also expects to finalize two additional ODCs with technology focused companies in the very near future.

The move will allow Pinexe ODC customers to continue their technology innovation and serve their customers with a consistent and skilled development team, within a highly scalable, responsive and cost-effective business model. By lowering their costs and providing flexibility and scalability, Pinexe can help them become even more competitive. In addition, Pinexe will also enable new business opportunities for

its ODC customers. For example, Pinexe will also become a third-party preferred partner for PortalPlayer products and solutions in specific regions.

"Our Pinexe ODC will further strengthen our position as we continue to gain market share in the digital audio market. We serve a rapidly growing consumer electronics segment which can often have unpredictable and cyclical demand. By moving to the ODC model, we will give our customers access to a highly skilled development team that is capable of scaling up or down as demand shifts, and yet will allow us to maintain the lowest possible overhead cost," says Gary Johnson, president and CEO of PortalPlayer Inc.

Pinexe will also develop IP cores in select technology domains. It will offer core competencies to companies that would like to stay ahead in terms of technology with significantly reduced investments. In addition, it will provide its employee-owners the ability to capitalize on the tremendous growth anticipated in the embedded systems arena.

"The embedded systems industry in India is expected to register a compounded average growth of 35.4 per cent by 2005 earning revenues close to \$1552.6 million," according to international market consultancy Frost & Sullivan. In a whitepaper on the embedded systems arena, the consultancy claims that the proof of the sector's immunity to the slowdown is reflected in the \$462 million revenues it grossed in 2000, mainly from the automotive, consumer and industrial electronics segments. "And these are the industries which will continue to drive the embedded systems market for they are poised to register a higher growth in usage of embedded devices than any other industry in the future," the whitepaper states.

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