

## S3, VIA SPLIT OUT GRAPHICS GROUP

*By Peter N. Glaskowsky {5/1/00-03}*

S3 and VIA have agreed to transfer S3's graphics-chip design unit to a new joint venture owned by the two companies. The deal, which does not include S3's graphics-card business or Intel licenses, will cost VIA about \$323 million in cash and securities. VIA, which already

owns about 15% of S3, will buy a further 3 million shares of S3 stock. S3 is eligible to receive additional payments from VIA based on the future performance of the unit.

The assets and personnel in the S3 graphics-chip unit will be transferred into the new joint venture, which will subsume the two companies' previously established joint venture S3-VIA, Inc. The transaction gives VIA access to the graphics technology it needs to produce system-on-a-chip (SOC) devices for low-cost PCs.

S3 has now completed its transformation into an Internet-appliance company. Henceforth, S3 will focus on Internet computing devices and digital consumer-electronics products such as the Rio portable MP3 player. Though S3 no longer needs to worry about the cut-throat competition in the PC 3D-graphics business, it now faces even tougher competitors such as Sony, Panasonic, and Thomson in the consumer-electronics marketplace. ♦

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