Exhibit 26
ESS Technology (ESST¹,²,³ $18.76)

NEAR-TERM MARKET PERFORM
LONG-TERM MARKET PERFORM

DVD Market Hits The Great Wall of China
Downgrading Near- and Long-Term Rating from Buy to Market Perform

We believe expectations for robust unit growth in DVD players, exceeding 50M units (up from 30M in 2001), are already discounted into the numbers.

Our proprietary channel checks from Asia indicate that ASP declines at decoder chip levels will be >15% through CY02, and more importantly, >30% in CY03.

While ESST has been able to defend its leadership share in the near term through tactical moves and better customer support, it risks losing share longer term to Taiwanese players such as MediaTek, in our opinion.

US fabless players, while superior on decoder sophistication, are behind schedule in terms of single-chip integration, giving the Taiwanese a window of time in which to catch up on high-level features, quality and customer support.

We believe that MediaTek’s superior margin profile provides it more flexibility.

We believe the overall TAM for DVD chip suppliers will be flat assuming unit growth of ~45% or ~80M units, offset by ASP declines of over 30%.

We are lowering our Near- and Long-Term ratings on ESS from Buy to Market Perform. We reduced our 2002 and 2003 estimates as well.

We do, however, believe that ESST’s solid balance sheet (cash) will provide it a cushion as the competitive scenario unfolds in 2003.

Key Data

52-Week Range $26 - $6
Weighted Average Shares (MM) 50.0
Float (MM) 36.3
% Held Institutional 95%
Market Capitalization (MM) $938
Average Daily Volume (000) 2,637
Revenues – LTM (MM) $299.7
Total Debt (MM) $0.0
Net Cash per Share $4.28
Long-Term Growth Rate 25%
12- to 24-Month Price Target NA

Revenue (MM) $271.4 $339.1 $312.0
Previous Revenues (MM) $341.1 $410.0

Earnings Per Share

<table>
<thead>
<tr>
<th></th>
<th>2001A</th>
<th>2002E</th>
<th>2003E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>($0.04)</td>
<td>$0.37A</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>$0.10</td>
<td>$0.34</td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td>$0.20</td>
<td>$0.36</td>
<td></td>
</tr>
<tr>
<td>Q4</td>
<td>$0.35</td>
<td>$0.32</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>$0.62</td>
<td>$1.38</td>
<td>$0.95</td>
</tr>
<tr>
<td>Previous EPS estimates</td>
<td>$1.40</td>
<td>$1.55</td>
<td></td>
</tr>
<tr>
<td>P/E</td>
<td>30.3X</td>
<td>13.6X</td>
<td>19.7X</td>
</tr>
<tr>
<td>Shares Fully Diluted (MM)</td>
<td>44.4</td>
<td>49.7</td>
<td>51.1</td>
</tr>
</tbody>
</table>

ESS Technology is a leading provider of high performance digital display processing integrated circuits used for powering Digital Versatile Disc (DVD) and Video Compact Disc (VCD) decompression to be displayed on standard television. Headquartered in Fremont, CA, the Company utilizes a fabless model and designs, develops and markets its processors for use in the fastest growing consumer electronics video segments.
We believe expectations for robust unit growth in DVD players, exceeding 50M units (up from 30M in 2001), are already discounted into the numbers.

<table>
<thead>
<tr>
<th>Weekly DVD Sales</th>
<th>Year ago</th>
<th>Y/Y</th>
<th>YTD 2002</th>
<th>YTD 2001</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-Jan-02</td>
<td>100,400</td>
<td>77,649</td>
<td>29.3%</td>
<td>100,400</td>
<td>77,649</td>
</tr>
<tr>
<td>11-Jan-02</td>
<td>114,937</td>
<td>135,568</td>
<td>-15.2%</td>
<td>215,337</td>
<td>213,217</td>
</tr>
<tr>
<td>18-Jan-02</td>
<td>176,563</td>
<td>115,864</td>
<td>52.4%</td>
<td>391,900</td>
<td>329,081</td>
</tr>
<tr>
<td>25-Jan-02</td>
<td>195,310</td>
<td>242,950</td>
<td>-19.6%</td>
<td>587,210</td>
<td>572,031</td>
</tr>
<tr>
<td>1-Feb-02</td>
<td>199,176</td>
<td>183,009</td>
<td>8.8%</td>
<td>786,386</td>
<td>755,040</td>
</tr>
<tr>
<td>8-Feb-02</td>
<td>123,066</td>
<td>89,623</td>
<td>37.3%</td>
<td>909,452</td>
<td>844,663</td>
</tr>
<tr>
<td>15-Feb-02</td>
<td>208,462</td>
<td>117,682</td>
<td>77.1%</td>
<td>1,117,914</td>
<td>962,345</td>
</tr>
<tr>
<td>22-Feb-02</td>
<td>235,414</td>
<td>165,542</td>
<td>42.2%</td>
<td>1,353,328</td>
<td>1,127,887</td>
</tr>
<tr>
<td>1-Mar-02</td>
<td>248,236</td>
<td>244,393</td>
<td>1.6%</td>
<td>1,601,564</td>
<td>1,372,280</td>
</tr>
<tr>
<td>8-Mar-02</td>
<td>157,697</td>
<td>114,243</td>
<td>38.0%</td>
<td>1,759,261</td>
<td>1,486,523</td>
</tr>
<tr>
<td>15-Mar-02</td>
<td>307,760</td>
<td>196,316</td>
<td>56.8%</td>
<td>2,067,914</td>
<td>1,682,839</td>
</tr>
<tr>
<td>22-Mar-02</td>
<td>245,433</td>
<td>242,774</td>
<td>1.1%</td>
<td>2,312,454</td>
<td>1,925,613</td>
</tr>
<tr>
<td>29-Mar-02</td>
<td>359,241</td>
<td>409,763</td>
<td>-12.3%</td>
<td>2,671,695</td>
<td>2,335,376</td>
</tr>
<tr>
<td>5-Apr-02</td>
<td>92,392</td>
<td>90,556</td>
<td>2.6%</td>
<td>2,764,627</td>
<td>2,425,932</td>
</tr>
<tr>
<td>12-Apr-02</td>
<td>167,312</td>
<td>101,595</td>
<td>64.7%</td>
<td>2,931,939</td>
<td>2,527,527</td>
</tr>
<tr>
<td>19-Apr-02</td>
<td>272,261</td>
<td>98,502</td>
<td>176.4%</td>
<td>3,204,200</td>
<td>2,626,029</td>
</tr>
<tr>
<td>26-Apr-02</td>
<td>558,262</td>
<td>340,700</td>
<td>63.9%</td>
<td>3,762,462</td>
<td>2,966,729</td>
</tr>
<tr>
<td>3-May-02</td>
<td>237,689</td>
<td>140,413</td>
<td>69.3%</td>
<td>4,000,151</td>
<td>3,107,142</td>
</tr>
<tr>
<td>10-May-02</td>
<td>208,312</td>
<td>88,546</td>
<td>135.3%</td>
<td>4,208,463</td>
<td>3,195,688</td>
</tr>
<tr>
<td>17-May-02</td>
<td>250,912</td>
<td>115,310</td>
<td>117.6%</td>
<td>4,459,375</td>
<td>3,310,998</td>
</tr>
<tr>
<td>24-May-02</td>
<td>244,760</td>
<td>178,956</td>
<td>36.8%</td>
<td>4,704,135</td>
<td>3,489,954</td>
</tr>
<tr>
<td>31-May-02</td>
<td>408,452</td>
<td>249,393</td>
<td>63.8%</td>
<td>5,112,587</td>
<td>3,739,347</td>
</tr>
<tr>
<td>7-Jun-02</td>
<td>199,085</td>
<td>69,841</td>
<td>185.1%</td>
<td>5,311,672</td>
<td>3,809,188</td>
</tr>
<tr>
<td>14-Jun-02</td>
<td>250,211</td>
<td>77,416</td>
<td>223.2%</td>
<td>5,561,883</td>
<td>3,886,604</td>
</tr>
<tr>
<td>21-Jun-02</td>
<td>242,875</td>
<td>125,249</td>
<td>93.9%</td>
<td>5,804,758</td>
<td>4,011,853</td>
</tr>
<tr>
<td>28-Jun-02</td>
<td>516,475</td>
<td>398,940</td>
<td>29.5%</td>
<td>6,321,233</td>
<td>4,410,793</td>
</tr>
<tr>
<td>5-Jul-02</td>
<td>187,442</td>
<td>109,990</td>
<td>70.4%</td>
<td>6,508,675</td>
<td>4,520,783</td>
</tr>
</tbody>
</table>

Source: CEA and CEUT estimates

Our channel checks from Asia indicate that ASP declines at decoder chip levels will be >15% through CY02, and more importantly >30% in CY03.

While ESST has been able to defend its leadership share in the near term through tactical moves and better customer support, it risks losing share longer term to Taiwanese players such as MediaTek, in our opinion. Our channel checks indicate that MediaTek has secured at least 5 “design-ins” with large OEMs/ODMs. In one big account, Shinco, we believe ESS has been able to maintain its share by offering partnered solution with ALi in the near term, offering P-Scan as a standard feature and some price concession. However, longer term, the trend is in favor of single-chip solution due to its clear advantages and Mediatek with at least 6 months of lead is in a position to take some share away from the likes of ESST.
US fabless players, while superior on decoder sophistication, are behind schedule in single-chip integration, giving the Taiwanese a window of time in which to catch up on high-level features, quality and customer support. We believe the sophistication of US fabless players’ decoders in decompression quality and error correction gives them a competitive edge, however the six-month lead of MediaTek allows it to catch up by Chinese New Year build season, thus allowing incumbents to meet their goals for Christmas build.

**Single Chip DVD Solution Competitive Analysis**

<table>
<thead>
<tr>
<th></th>
<th>ESST</th>
<th>Zoran</th>
<th>MediaTek</th>
<th>ALi</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part Number</td>
<td>ES6638F</td>
<td>&quot;Vaddis 6&quot;</td>
<td>MT1369</td>
<td>M3351</td>
</tr>
<tr>
<td>Availability</td>
<td>4Q02</td>
<td>1Q03</td>
<td>In Production</td>
<td>3Q02</td>
</tr>
<tr>
<td>Price (Est. in 2003)</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Support Staff in China</td>
<td>70</td>
<td>30</td>
<td>10</td>
<td>N/A</td>
</tr>
<tr>
<td>Decoder Processor</td>
<td>135MHz 32-bit RISC</td>
<td>135 MHz 32-bit RISC</td>
<td>32-bit RISC MIPS</td>
<td>N/A</td>
</tr>
<tr>
<td>Audio DSP</td>
<td>64-bit DSP</td>
<td>32-bit DSP</td>
<td>32-bit DSP</td>
<td>N/A</td>
</tr>
<tr>
<td>TV Encoder</td>
<td>X</td>
<td>X</td>
<td>3Q02</td>
<td>X</td>
</tr>
<tr>
<td>Progressive Scan</td>
<td>X</td>
<td>X</td>
<td>3Q02</td>
<td>X</td>
</tr>
<tr>
<td>Audio Supported</td>
<td>Dolby ProLogic</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Dolby Digital</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>MP3</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>WMA</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>SA CD</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>DVD-Audio</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Package</td>
<td>208-pin PQFP</td>
<td>N/A</td>
<td>208-pin PQFP</td>
<td>208-pin PQFP</td>
</tr>
<tr>
<td>IC Process Technology</td>
<td>0.18µm</td>
<td>0.18µm</td>
<td>0.25µm</td>
<td>0.25µm</td>
</tr>
</tbody>
</table>

Source: Company Reports and CEUT Estimates
2002 DVD Front End / Back End Architecture

Front-End

- Analog signal processor
- Channel Driver
- Flash
  - SERVO
  - MediaTek
  - ALi
- DRAM

Back-End

- Flash
  - DVD MPEG2 DECODER
  - ESST
  - Zoran
  - LSI
  - Cirrus
  - STM
  - Captive
- Audio DAC
- Video Out

2003 DVD Integrated Servo / Decoder Architecture

- DVD-Multi Analog Signal Processor
- Channel Driver
- Flash
  - Integrated Servo / Decoder
    - MediaTek
    - ALi
    - ESST
    - Zoran
- Audio DAC
- Display / Remote
  - Audio Out
  - Video Out

DRAM

Original Illustration
We believe that MediaTek’s superior margin profile provides it more flexibility: Gross margins of 53.7% at MediaTek compare favorably to 43.3% and 35.3% at ESS and Zoran (ZRAN1,3 $18.79, MP/MP), respectively. This will give Mediatek the flexibility to lower prices in the near term to gain a foothold in the market, in our opinion.

<table>
<thead>
<tr>
<th>Product Gross Margins</th>
<th>ESST</th>
<th>Zoran</th>
<th>MediaTek</th>
<th>Ali (1)</th>
<th>Cirrus</th>
</tr>
</thead>
<tbody>
<tr>
<td>43.3%</td>
<td>35.3%</td>
<td>53.7%</td>
<td>&gt;40%</td>
<td>47.0%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Overall Operating Margins</th>
<th>ESST</th>
<th>Zoran</th>
<th>MediaTek</th>
<th>Ali (1)</th>
<th>Cirrus</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.2%</td>
<td>3.2%</td>
<td>48.4%</td>
<td>??</td>
<td>-13.7%</td>
<td></td>
</tr>
</tbody>
</table>

(1) ALi gross margins in DVD players are based on our educated guess
Source: Company Reports and CEUT Estimates

We believe the overall TAM for DVD chip suppliers will be only flat, assuming unit growth of ~45% or ~80M units.

<table>
<thead>
<tr>
<th>Year</th>
<th>Total DVD units shipped (in millions)</th>
<th>Y/Y unit growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>30</td>
<td>83%</td>
</tr>
<tr>
<td>2002</td>
<td>55</td>
<td>45%</td>
</tr>
<tr>
<td>2003</td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total IC market ($) in millions</th>
<th>Y/Y growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$975.0</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$1,564.2</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>$1,868.8</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Front end IC market ($)</th>
<th>Y/Y growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$265.0</td>
<td>50%</td>
</tr>
<tr>
<td>2002</td>
<td>$426.3</td>
<td>-53%</td>
</tr>
<tr>
<td>2003</td>
<td>$200.0</td>
<td>-53%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total single chip IC market ($)</th>
<th>Y/Y growth % in Front end/Back end</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$525.0</td>
<td>55%</td>
</tr>
<tr>
<td>2002</td>
<td>$811.3</td>
<td>-1%</td>
</tr>
<tr>
<td>2003</td>
<td>$800.0</td>
<td></td>
</tr>
</tbody>
</table>

We believe the overall TAM for DVD chip suppliers will be only flat, assuming unit growth of ~45% or ~80M units.
We are lowering our estimates on ESST. Our numbers for CY02 go from $341.1M and $1.40 to $339.1M and $1.38 and for CY03, from $410M and $1.55 to $312M and $0.95.

We are downgrading our rating from NT/LT Buy to NT/LT Market Perform: We realize that the commentary from management for the upcoming quarter is going to be very bullish and that the issues outlined in this report probably will take 3-6 months to manifest. We believe that ESST needs to reduce its heavy reliance on the DVD player space (58% of revenues in 1Q02) and diversify into newer markets. As such, we are lowering our short- and Long-term ratings from Buy to Market Perform.

We believe that its solid balance sheet (cash) will provide ESS a cushion as the competitive scenario unfolds in 2003. ESS maintains a healthy balance sheet with $4.28 in cash and $5.08 in book value, which provides it a cushion to withstand the competitive pressures we anticipate.
C.E. Unterberg, Towbin assigns research equities both a short- (3-6 months) and long-term (12-24 months) rating of Buy, Market Perform or Avoid. For Long-Term Buys, we publish a 12-month price target.

- **Short-Term Buy:** Over three to six months, 20% appreciation potential
- **Long-Term Buy:** Over 12 to 24 months, 35% appreciation potential
- **Market Perform:** Performance in line with the Nasdaq Composite
- **Avoid:** Significant underperformance anticipated.

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3. C.E. Unterberg, Towbin has performed investment banking, capital markets or other services for this company or its officers within the last three years.
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5. An officer, or a household family member of an officer, of C.E. Unterberg, Towbin, is a director or an officer of this company.
<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Gross Operating Expenses</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Operating Pretax Rate</th>
<th>Tax Net Diluted EPS</th>
<th>Diluted Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1A</td>
<td>79.3</td>
<td>N.M.</td>
<td>N.M.</td>
<td>31.2</td>
<td>39.4%</td>
<td>N.M.</td>
<td>8.4</td>
<td>8.1</td>
<td>16.6</td>
<td>20.9%</td>
<td>N.M.</td>
<td>14.7</td>
<td>19.8%</td>
</tr>
<tr>
<td>Q2A</td>
<td>67.2</td>
<td>N.M.</td>
<td>-15.2%</td>
<td>26.4</td>
<td>39.2%</td>
<td>N.M.</td>
<td>9.4</td>
<td>7.8</td>
<td>17.2</td>
<td>25.5%</td>
<td>N.M.</td>
<td>9.2</td>
<td>13.7%</td>
</tr>
<tr>
<td>Q3A</td>
<td>75.4</td>
<td>N.M.</td>
<td>12.2%</td>
<td>28.5</td>
<td>37.7%</td>
<td>N.M.</td>
<td>10.5</td>
<td>8.4</td>
<td>18.9</td>
<td>25.1%</td>
<td>N.M.</td>
<td>9.5</td>
<td>12.6%</td>
</tr>
<tr>
<td>Q4A</td>
<td>88.7</td>
<td>N.M.</td>
<td>17.7%</td>
<td>33.1</td>
<td>37.3%</td>
<td>N.M.</td>
<td>10.2</td>
<td>8.2</td>
<td>18.3</td>
<td>20.7%</td>
<td>N.M.</td>
<td>14.7</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Gross Operating Expenses</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Operating Pretax Rate</th>
<th>Tax Net Diluted EPS</th>
<th>Diluted Shares</th>
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<tr>
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<td>310.7</td>
<td>N.M.</td>
<td>119.1</td>
<td>38.6</td>
<td>22.5%</td>
<td>71.0</td>
<td>22.9%</td>
<td>N.M.</td>
<td>52.8</td>
<td>17.0%</td>
<td>N.M.</td>
<td>46.1</td>
<td>15.5%</td>
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<tr>
<td>Q1A</td>
<td>83.6</td>
<td>5.4%</td>
<td>-5.8%</td>
<td>30.5</td>
<td>36.3%</td>
<td>N.M.</td>
<td>11.6</td>
<td>11.8</td>
<td>14.1%</td>
<td>29.0%</td>
<td>N.M.</td>
<td>18.7</td>
<td>22.4%</td>
</tr>
<tr>
<td>Q2A</td>
<td>79.6</td>
<td>18.4%</td>
<td>26.4</td>
<td>39.2%</td>
<td>N.M.</td>
<td>9.6</td>
<td>6.6</td>
<td>16.2</td>
<td>20.3%</td>
<td>N.M.</td>
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<tr>
<td>Q3A</td>
<td>87.7</td>
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<td>23.7%</td>
<td>10.9</td>
<td>5.8</td>
<td>16.8</td>
<td>19.1%</td>
<td>N.M.</td>
<td>18.4</td>
<td>21.0%</td>
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<td>Q4A</td>
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<td>-40.8%</td>
<td>15.0</td>
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<td>54.6%</td>
<td>7.0</td>
<td>6.3</td>
<td>13.3</td>
<td>25.3%</td>
<td>N.M.</td>
<td>1.7</td>
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<th>Fiscal Year</th>
<th>Sales</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Gross Operating Expenses</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Operating Pretax Rate</th>
<th>Tax Net Diluted EPS</th>
<th>Diluted Shares</th>
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<tr>
<td>2000A</td>
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<td>36.2</td>
<td>21.8</td>
<td>58.0</td>
<td>19.1%</td>
<td>-18.3%</td>
<td>N.M.</td>
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<td>17.4%</td>
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<tr>
<td>Q1A</td>
<td>50.8</td>
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<td>-3.3%</td>
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<td>22.0%</td>
<td>-63.3%</td>
<td>8.7</td>
<td>4.8</td>
<td>13.5</td>
<td>26.6%</td>
<td>14.7%</td>
<td>(2.3)</td>
<td>(3.9)%</td>
</tr>
<tr>
<td>Q2A</td>
<td>64.9</td>
<td>18.4%</td>
<td>27.8%</td>
<td>18.9</td>
<td>25.2%</td>
<td>-37.5%</td>
<td>8.9</td>
<td>5.7</td>
<td>14.6</td>
<td>22.5%</td>
<td>8.2%</td>
<td>4.3</td>
<td>6.7%</td>
</tr>
<tr>
<td>Q3A</td>
<td>72.4</td>
<td>-17.5%</td>
<td>11.5%</td>
<td>26.5</td>
<td>36.6%</td>
<td>-24.8%</td>
<td>11.7</td>
<td>6.0</td>
<td>17.7</td>
<td>24.5%</td>
<td>5.6%</td>
<td>8.7</td>
<td>12.1%</td>
</tr>
<tr>
<td>Q4A</td>
<td>83.3</td>
<td>58.5%</td>
<td>15.0%</td>
<td>34.5</td>
<td>41.5%</td>
<td>130.0%</td>
<td>11.4</td>
<td>6.7</td>
<td>18.1</td>
<td>21.7%</td>
<td>2.1%</td>
<td>16.4</td>
<td>19.7%</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Gross Operating Expenses</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Operating Pretax Rate</th>
<th>Tax Net Diluted EPS</th>
<th>Diluted Shares</th>
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<tr>
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<td>91.1</td>
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<td>-17.9%</td>
<td>40.7</td>
<td>23.2</td>
<td>63.9</td>
<td>23.6%</td>
<td>10.1%</td>
<td>N.M.</td>
<td>27.2</td>
<td>10.0%</td>
</tr>
<tr>
<td>Q1A</td>
<td>79.1</td>
<td>55.7%</td>
<td>-5.0%</td>
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<td>43.3%</td>
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<tr>
<td>Q2E</td>
<td>84.0</td>
<td>29.4%</td>
<td>6.2%</td>
<td>34.4</td>
<td>41.0%</td>
<td>81.8%</td>
<td>11.1</td>
<td>7.1</td>
<td>18.2</td>
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</tr>
<tr>
<td>Q3E</td>
<td>90.0</td>
<td>24.3%</td>
<td>7.1%</td>
<td>36.9</td>
<td>41.0%</td>
<td>39.4%</td>
<td>11.4</td>
<td>8.0</td>
<td>19.4</td>
<td>21.6%</td>
<td>9.7%</td>
<td>17.5</td>
<td>19.9%</td>
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<tr>
<td>Q4E</td>
<td>86.6</td>
<td>3.3%</td>
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<td>34.4</td>
<td>40.0%</td>
<td>-5.0%</td>
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<td>8.0</td>
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<td>22.5%</td>
<td>6.9%</td>
<td>15.1</td>
<td>17.5%</td>
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<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Sales</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Gross Operating Expenses</th>
<th>YoY</th>
<th>Seq</th>
<th>Inc.</th>
<th>% Chg.</th>
<th>Operating Pretax Rate</th>
<th>Tax Net Diluted EPS</th>
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<td>2002E</td>
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<td>140.0</td>
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<td>44.2</td>
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<td>73.7</td>
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<td>66.3</td>
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<tr>
<td>Q1E</td>
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<td>-8.0%</td>
<td>N.M.</td>
<td>117.0</td>
<td>37.5%</td>
<td>-16.4%</td>
<td>43.7</td>
<td>29.6</td>
<td>73.3</td>
<td>23.5%</td>
<td>-0.6%</td>
<td>43.7</td>
<td>14.0%</td>
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</table>

Comments:
1. Pro forma amounts for all periods presented exclude the effects of loss on discontinued operations, amounting to ($17,517), $0, $0, $0, $0, $0, $0, ($3,595), ($2,225), ($1,580), ($0), ($64), ($166), ($990), and ($1,220) respectively.
2. Pro forma amounts for all periods presented exclude the effect of investment related amortization, amounting to $1,580, $1,904, $1,236, $1,680, $1,773, $1,281, $1,281, $890, $890, $890, and $890, respectively.
3. Pro forma amounts for all periods presented exclude the effect of In Process Research and Development related to Q1 00 Netridium acquisition, amounting to $2,625 for Q1 of 2000.
4. Pro forma amounts for all periods presented exclude the effect of Cisco stock related transaction, amounting to $35,045 for Q3 00 and ($21,187) for Q2 01, respectively.
5. Pro forma amounts for all periods presented exclude the effect of In Process Research and Development related to Q1 00 Netridium acquisition, amounting to $2,625 for Q1 of 2000.
6. Pro forma amounts for all periods presented exclude the tax effect of Cisco stock related transaction, amounting to $14,018 for Q3 00 and ($8,475) for Q2 01, respectively.
7. Company's effective tax rate in 2000 and 1999 is 17% and 15% respectively.

Source: Company Reports and CEUT Estimates.
<table>
<thead>
<tr>
<th></th>
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<td></td>
<td></td>
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<tr>
<td><strong>Balance Sheet ($ 000's)</strong></td>
<td>Dec-98</td>
<td>Dec-99</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash &amp; Equivalents</td>
<td>65,752</td>
<td>130,913</td>
<td>134,870</td>
<td>152,933</td>
<td>120,296</td>
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<td>Short Term Investments</td>
<td>16,719</td>
<td>50,616</td>
<td>54,235</td>
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<td>Inventories</td>
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<td>34,862</td>
<td>56,995</td>
<td>46,702</td>
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<td>Deferred Income Taxes</td>
<td>22,882</td>
<td>42,347</td>
<td>51,605</td>
<td>46,132</td>
<td>63,847</td>
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<td>Prepaid expenses and other assets</td>
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<td>9,758</td>
<td>10,758</td>
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<td>Total Current Assets</td>
<td>153,697</td>
<td>271,197</td>
<td>311,432</td>
<td>306,329</td>
<td>368,296</td>
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<td>Notes Receivable</td>
<td>38,000</td>
<td>40,564</td>
<td>41,548</td>
<td>39,117</td>
<td>37,874</td>
</tr>
<tr>
<td>Other Assets</td>
<td>22,948</td>
<td>9,266</td>
<td>14,071</td>
<td>12,953</td>
<td>8,666</td>
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<tr>
<td><strong>LIABILITIES &amp; SHAREHOLDERS' EQUITY</strong></td>
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<tr>
<td>Accounts payable</td>
<td>57,930</td>
<td>72,303</td>
<td>74,206</td>
<td>23,511</td>
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<td>Income taxes payable and deferred income taxes</td>
<td>14,643</td>
<td>12,285</td>
<td>19,315</td>
<td>19,547</td>
<td>36,265</td>
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<td>Accrued Liabilities</td>
<td>29,927</td>
<td>29,927</td>
<td>29,927</td>
<td>29,927</td>
<td>29,927</td>
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<tr>
<td>Total current liabilities</td>
<td>72,573</td>
<td>84,588</td>
<td>93,521</td>
<td>72,985</td>
<td>86,756</td>
</tr>
<tr>
<td>Long-Term Debt</td>
<td>38,000</td>
<td>40,564</td>
<td>41,548</td>
<td>39,117</td>
<td>37,874</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>110,573</td>
<td>125,152</td>
<td>135,569</td>
<td>112,162</td>
<td>118,637</td>
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<td>Minority Interest</td>
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<td>79,907</td>
<td>78,325</td>
<td>75,869</td>
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<tr>
<td>Total Liabilities &amp; Shareholder Equity</td>
<td>163,433</td>
<td>205,059</td>
<td>213,894</td>
<td>188,031</td>
<td>194,506</td>
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**VALUATION RATIOS**

<table>
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<tr>
<th>Dec-98</th>
<th>Jan-00</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Dec-00</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
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<tbody>
<tr>
<td>Book Value Per Share</td>
<td>$3.50</td>
<td>$3.93</td>
<td>$3.13</td>
<td>$4.31</td>
<td>$4.99</td>
<td>$4.73</td>
<td>$4.30</td>
<td>$4.17</td>
<td>$3.48</td>
<td>$3.86</td>
<td>$5.08</td>
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<tr>
<td>Cash Per Share</td>
<td>$1.62</td>
<td>$3.89</td>
<td>$4.03</td>
<td>$4.18</td>
<td>$4.55</td>
<td>$1.32</td>
<td>$1.38</td>
<td>$1.65</td>
<td>$2.20</td>
<td>$2.81</td>
<td>$4.28</td>
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<tr>
<td>Current Ratio</td>
<td>2.1</td>
<td>3.2</td>
<td>3.3</td>
<td>4.2</td>
<td>3.4</td>
<td>3.5</td>
<td>3.8</td>
<td>4.8</td>
<td>3.9</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Sales/Total Assets</td>
<td>154.7%</td>
<td>96.8%</td>
<td>85.8%</td>
<td>91.3%</td>
<td>81.9%</td>
<td>103.1%</td>
<td>109.3%</td>
<td>108.9%</td>
<td>111.4%</td>
<td>114.0%</td>
<td>115.3%</td>
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<tr>
<td>Long-term Debt/Equity</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Return on Sales</td>
<td>20.7%</td>
<td>13.8%</td>
<td>13.3%</td>
<td>15.1%</td>
<td>15.4%</td>
<td>19.1%</td>
<td>14.8%</td>
<td>11.5%</td>
<td>8.0%</td>
<td>11.8%</td>
<td>15.1%</td>
</tr>
<tr>
<td>Return on Avg Equity</td>
<td>14.3%</td>
<td>14.3%</td>
<td>15.6%</td>
<td>16.5%</td>
<td>18.8%</td>
<td>18.5%</td>
<td>13.5%</td>
<td>10.6%</td>
<td>7.2%</td>
<td>10.4%</td>
<td>15.9%</td>
</tr>
</tbody>
</table>
| Source: Company Reports and CEUT Estimates
Reuters Company News
ESS shares tumble after Barron’s article

NEW YORK, Aug 5 (Reuters) - Shares of digital video disc chip maker ESS Technology Inc. (NasdaqNM:ESST - News) fell nearly 11 percent Monday after an article in Barron’s newspaper questioned how it will fare in an increasingly competitive arena.

In early afternoon trading, ESS was down $1.25 to $10.45 after falling as low as $9.01 earlier in the session on Nasdaq.

A.G Edwards analyst Peter Andrew said some of the facts, particularly statements concerning the company’s past gross margins and competition from Taiwanese rivals, such as MediaTek were either old or incorrect.

"This is not news," Andrew said.

A representative from Barron’s could not be reached immediately.

Rebecca Mack, a spokeswoman for ESS, said the company is drafting a letter to the editor of the newspaper.

"The CEO is very, very, incensed about the story," she said.

Yet, C.E. Unterberg, Towbin analyst Kalpesh Kapadia told Reuters he downgraded the stock last month because of similar issues.

"I think most of the things talked about in the article are on the money, Kapadia said. "But they are kind of already out there."

He said market leaders, such as ESS and Zoran, have said the average selling price had been eroding at about 10 percent to 15 percent a year, 16 percent at the highest.

http://biz.yahoo.com/rc/020805/tech_esstechnology_stocks_1.html

8/5/02
He believes the rate of price erosion will accelerate to 25 percent to 30 percent in the second half of the year. Kapadia said the stock could fall even lower.

"We would also like to point out that the last time when there was a brief period of 'over inventory; in the DVD space in December 2000, both ESS and Zoran traded close to their book value," Kapadia wrote in a research note. "Additionally, this time around the end market for DVD players is more mature and there is more competition at the chip level.

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Questions or Comments?

http://biz.yahoo.com/rc/020805/tech_esstechology_stocks_1.html  8/5/02

SIDOTA 00159
Exhibit 28
ESS Technology Inc. shares fell as much as 23 percent after Barron's reported that third-quarter sales at the maker of microchips for digital video-disc players will disappoint investors as rivals take market share.

The stock fell 99 cents to $10.71 in at 3:18 p.m. New York time on the Nasdaq Stock Market after falling as low as $9.01. The shares already had lost 45 percent of their value this year.

On June 24, the company increased its third-quarter sales forecast to $86 million to $90 million from $82 million to $87 million. ESS Technology is expected to have revenue of $88.9 million, the average estimate of six analysts polled by Thomson First Call.

Barron's said in this week's edition that the chipmaker's gross margin, or the share of sales left after paying production costs, may fall to 38 percent from as high as 50 percent. Peter Andrew, an analyst with A.G. Edwards & Sons Inc., said the company's gross margin has never been 50 percent.

"I wish they had been up there," Andrew said in an interview. "They have never been up there." He has a "strong buy" rating on ESS Technology and said he doesn't own the shares. A.G. Edwards buys and sells ESS Technology shares, the firm said in a statement.

Gross Margin

ESS Technology's quarterly gross margin has not reached 50 percent since at least mid 1997, according to Bloomberg data. The Fremont, California-based company first sold shares to the public in October 1995.

"We absolutely stand by our story," said Steven Goldstein, vice president for Dow Jones and Co., which is the parent company of Barron's and the Wall Street Journal.

The article said without citing anyone that the company may lose market share to Taiwanese rivals including Via Technologies Inc., Ali Corp. and Supplus Technology Co.

"With respect to competition and pricing, that's an issue that has been bugging them, and Zoran (Corp.), for about a year now," Andrew said. "I would be paying attention to what the company is doing and its valuation."