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Traditional cookies, from Zimtsterne to pepparkakor

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Rebuilding America with Obama's new New Deal

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What's News—

Business & Finance

The future is uncertain for BNP Paribas's plan to buy some assets from Fortis amid a legal challenge. The French bank canceled a meeting set for Friday at which shareholders were to vote on the $20.87 billion deal. Page 17

■ **The ECB widened** its interest-rate corridor and cut the return it gives banks for holding cash with it in an effort to restore interbank lending. Page 3

■ **Germany's recession** is accelerating faster than expected. The Ifo business-climate index dropped in December, and GDP is expected to fall again in the fourth quarter. Page 3

■ **British Airways ended** merger talks with Qantas after failing to agree on terms of a deal valued at over $6 billion. Page 2

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■ **Investigators discovered** in 2006 that Bernard Madoff had misled the SEC, yet the U.S. agency missed a chance to uncover an alleged scheme. Page 20

■ **U.S. stocks dropped** as oil prices tumbled and traders turned their attention to the weakening demand picture for fuel. Europe shares fell. Page 18

■ **Crude-oil prices fell** to a four-year low, closing at $36.22 a barrel on the New York Mercantile Exchange, as inventories approach record levels. Page 19

■ **Parmalat founder Tanzi got** a 10-year prison sentence in Italy for securities-law breaches tied to the dairy firm's collapse. Page 7

■ **The BBA adjusted** language to make it clear that banks can't use government-guaranteed debt in Libor quotes. Page 17

■ **Obama's team is crafting** a stimulus package to send to Congress worth $675 billion to $775 billion over two years. Page 9

■ **Netherlands-based ASML** lowered its outlook and said it will cut 1,000 jobs. Page 6

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	8604.99	-219.35	-2.49
Nasdaq	1552.37	-26.94	-1.71
DJ Stoxx 600	197.31	-0.20	-0.10
FTSE 100	4330.66	+6.47	+0.15
DAX	4756.40	+48.02	+1.02
CAC 40	3234.15	-7.77	-0.24
Euro	$1.4329	-0.0013	-0.09
Nymex crude	$36.22	-3.84	-9.59

Money & Investing > Page 17

World-Wide

The oil-fired economic miracle in Russia is unraveling as industry shrinks and job losses mount. Putin painted a bleak picture of the economy, saying that since October over 7,500 firms had told the government they planned to lay off people. The Kremlin is making a list of the most significant enterprises in trouble that might need a bailout. Page 1

■ **Obama said** that remaking the U.S. financial regulatory system will be a priority and promised to streamline regulatory authority, as he named Mary Schapiro to lead the SEC. Pages 9, 21

■ **Bill Clinton released** a list of donors to his foundation, part of a deal with Obama to make Hillary Clinton secretary of state.

■ **Over 20 employees** of Iraq's defense and interior ministries were arrested on allegations they were plotting to revive the outlawed Baath party. Also, the journalist who threw his shoes at Bush asked for a pardon.

■ **Thousands of protesters** demanded Pakistan shut the route along which supplies are ferried to coalition forces in Afghanistan.

■ **The main organizer** behind the 1994 slaughter of more than 500,000 people in Rwanda was convicted of genocide and sentenced to life in prison.

■ **Riot police clashed** with rock-throwing demonstrators in central Athens, sending Christmas shoppers running for cover.

■ **A Hamas official said** the Islamic militant group won't extend a six-month truce with Israel, as the two sides launched attacks against each other.

■ **Britain said** labor restrictions on Romanian and Bulgarian workers will remain in place.

■ **Russia and Georgia fell** short of an accord that would establish an international observer for Georgia's breakaway province, at the latest peace talks.

■ **China confirmed** that it is preparing to dispatch naval warships to join international forces battling Somali pirates.

■ **The cholera death toll** in Zimbabwe surpassed 1,000, with a lack of clean drinking water still a problem, the U.N. said.

EDITORIAL & OPINION

"State" aid

The Charleroi airport bailed out itself, not Ryanair. Review & Outlook. Page 12

Russia faces trying times as economic woes mount

Social unrest looms as industry shrinks and job losses grow

BY ANDREW OSBORN AND ALAN CULLISON

BARNAUL, Russia—The country's oil-fired economic miracle is unraveling as industry shrinks and job losses mount. Now the first stirrings of social unrest have the Kremlin groping for a response.

Prime Minister Vladimir Putin on Thursday painted a bleak picture of the economy. Since October, more than 7,500 firms have informed the government they intended to lay off people, and 207,000 workers have had their working hours reduced, he said, calling these "worrying signals."

The government is drawing up a list of the most significant enterprises in trouble that might need a Kremlin bailout, Mr. Putin added. Meanwhile, Deputy Economy Minister Andrei Klepach said the economy wouldn't grow again until the middle of next year. The government in October announced an economic bailout package of over $200 billion, but it's been slow to work.

The central bank, after spending

Please turn to page 27

Georgia war is still raging for one Briton

BY MARC CHAMPION

TBILISI, Georgia—Since Russia invaded Georgia in August, Moscow has turned the tide of international opinion over who started the conflict.

For that, the Kremlin has in large part to thank Ryan Grist, a 47-year-old former British army captain. His position as a dispassionate observer is now being questioned by Georgia and some Western diplomats in Tbilisi.

Mr. Grist was in charge of international monitors on the ground for the Organization for Security and Cooperation in Europe when fighting erupted in Georgia's separatist enclave of South Ossetia on the night of Aug. 7. Last month, he confirmed in interviews that the monitors never heard the Russian-backed provocations that Georgia says triggered the war. He also says he had repeatedly warned OSCE diplomats that Georgia might attack, but was ignored.

What Mr. Grist hasn't said before, but described to The Wall Street Journal, is that in the middle of the war he went AWOL. He crossed Russian lines on a freelance journey that cost him his job and, he

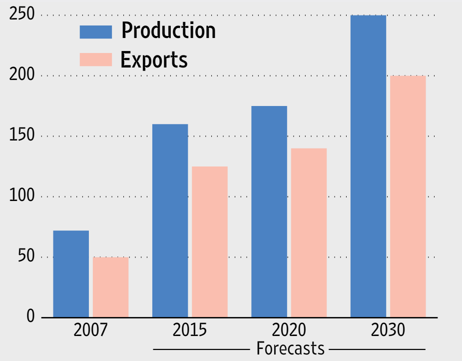
Please turn to back page

China's $20 billion pipeline under construction will take gas directly from Turkmenistan

Associated Press

Turkmenistan's bounty

With the discovery that Turkmenistan's natural-gas resources are higher than previously thought, many companies are courting the country to secure business. Natural-gas production and export forecasts, in billions of cubic meters a year.



Source: Turkmengaz

Hopeful oil majors find hurdles in Turkmenistan

BY GUY CHAZAN

ASHGABAT, Turkmenistan—When an audit confirmed in October that Turkmenistan boasted one of the world's largest natural-gas fields, Western oilmen sniffed the chance of a once-in-a-lifetime mega-deal with a country that finally seemed to be opening up to the world. They've been badly disappointed.

Though its new president has declared the country "open for business," authorities say Turkmenistan will develop its vast onshore resources itself. The majors will be limited to exploring for oil in the Caspian Sea, where the risks are higher and the possible rewards fewer.

Oil executives haven't given up hope yet. Turkmenistan desperately needs technical expertise and cash, a commodity that is increasingly tight amid the global credit crunch and plunging energy prices.

Yet the obstacles to doing business in such a closed state remain formidable. The new president, Gurbanguly Berdymukhamedov, may be more palatable than his eccentric predecessor, who kept the country cut off from the outside

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THE WALL STREET JOURNAL.

LEADING THE NEWS

BA, Qantas end talks on merger

Airlines fail to agree on the equity ratio in cross-border deal

By Daniel Michaels
And Lyndal McFarland

Qantas Airways Ltd. and **British Airways** PLC said they ended merger talks after failing to agree on key terms of a deal valued at more than US$6 billion that would have created a global airline.

Cross-border airline mergers are rare and extremely difficult to orchestrate because international air travel is constrained by a global web of aviation treaties and national laws restricting airline ownership. U.K.-based BA and Australia-based Qantas worked to overcome those obstacles, but this link-up appears to have collapsed because of a more common deal-breaker: valuation.

People close to both sides of the talks said the two carriers couldn't agree on the equity split within a merged company.

When the two companies announced their preliminary negotiations Dec. 2, officials from both said the goal was a merger of equals. But growing public pressure from investors and commentators for a shift in those terms made it impossible to find common ground, these people said. Particularly in Australia, calls grew for Qantas to demand a bigger stake.

Qantas Chief Executive Alan Joyce cautioned last week that closing a deal would be difficult because of a "number of significant matters" that needed to be considered, including agreeing on an appropriate merger ratio.

The end of talks with Qantas puts more pressure on BA to complete merger talks with Spain's **Iberia Lineas Aereas de Espana** SA, which the two carriers announced in July. BA's negotiations with Qantas had threaten to scupper the European deal, but a BA spokeswoman and an Iberia spokesman said separately that the talks continue.

BA, Iberia and **AMR** Corp.'s American Airlines are also requesting permission from the U.S. Department of Transportation to cooperate closely in ways normally forbidden as collusion. European Union regulators will also analyze the trio's bid for "antitrust immunity."

A day after the BA-Qantas talks were disclosed, Iberia Chief Executive **Fernando Conte** said that it would make more sense first to pursue mergers within one region and only then to link across oceans.

The BA-Iberia talks could still founder on the same valuation issues that sank a deal with Qantas. Since the Iberia talks were revealed, BA shares have fallen sharply because of its ballooning pension deficit as well as plunging traffic in its core North American markets amid broader economic upheaval. Shares in Iberia, a smaller carrier focused on Latin America, have held up better.

Qantas could now pursue ties with Asian airlines, which many analysts have said would make more sense than merging with British Airways.

But pressure is growing on BA to complete a deal that enables it to grow and diversify its traffic. German rival **Deutsche Lufthansa** AG in recent months has announced plans to acquire controlling stakes in **Austrian Airlines** AG, **British Midland Airways** Ltd. and the parent company of Brussels Airlines. The other major European carrier, **Air France-KLM** SA, is aggressively pursuing a minority stake in the new Italian airline being formed from bankrupt flag carrier **Alitalia** SpA.

BA Chief Executive Willie Walsh said in October that he was exploring a commercial link with the new Italian carrier, but that BA wouldn't invest in the airline.

Qantas, meanwhile, could now pursue ties with Asian airlines, which many analysts have said would make more sense than merging with BA. Qantas has previously held talks on possible mergers with both **Malaysian Airline System** Bhd. and **Singapore Airlines** Ltd., a person close to the airline's planning said. Despite the end of merger talks between BA and Qantas, the two remain partners on flights between Great Britain and Australia and within the oneworld marketing alliance. Analysts said that the two airlines were already reaping benefits out of their existing relationship so there wasn't a large amount of room for further gains. The main benefit of merging would have been a bigger balance sheet and global network reach.

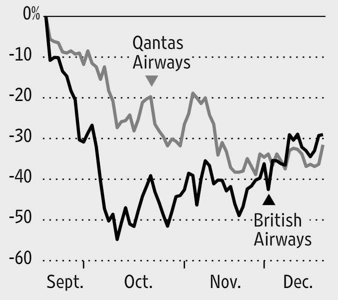
Qantas shares ended up 7.5% to 2.43 Australian dollars (US$1.70). BA shares rose 0.3% to close at 172.50 pence (US$2.67) in London.

Airline stocks

Thursday's close

British Airways: **£1.73**, down **29**%

Qantas Airways: **A$2.43**, down **32**%



Source: Thomson Reuters Datastream

CORRECTIONS & AMPLIFICATIONS

Berlin's major-league soccer team is Hertha BSC. The name was misspelled as Herta BSC in a Marketplace article Wednesday.

Mike Dektas is a spokesman for Advanced Mechanical Products Inc. A Marketplace article Monday misspelled his last name Dektus.

Deutsche Bank AG's Chief Executive is Josef Ackermann. A Money & Investing article Thursday misspelled his name as Ackerman.

Harry Markopolos raised concerns with the U.S. Securities and Exchange Commission about Bernard L. Madoff Investment Securities LLC in 2000. A News in Depth article Monday on the Madoff fraud case incorrectly said he sent a letter to the agency in 1999.

INDEX TO PEOPLE

This index lists the names of businesspeople and government regulators who receive significant mention in today's Journal.

For more people in the news, visit CareerJournal.com/WhosNews

INDEX TO BUSINESSES

This index of businesses mentioned in today's issue of The Wall Street Journal Europe is intended to include all significant references to companies. First reference to these companies appear in boldface type in all articles except those on page one and the editorial pages.

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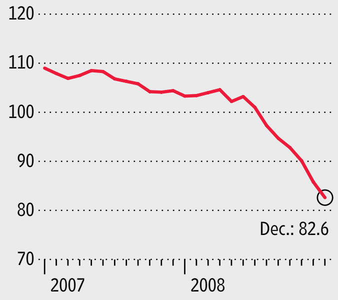
Declining hopes

Germany's Ifo business sentiment index fell to its lowest level since reunification in December



Source: Ifo

ECB moves to foster interbank lending

Step aims to halt surge in the euro without a rate cut

A WSJ News Roundup

The European Central Bank widened its interest-rate corridor Thursday and cut the return it gives banks for holding cash with it as it seeks to prod interbank money markets back to normality.

The move also was seen as a way to halt this week's surge in the euro without having to cut the main interest rate for the 15-nation bloc closer to zero.

In a statement after its mid-month non-rate-policy meeting, the bank's governing council said it would carry on lending commercial banks as much money as they wanted for as long as necessary.

The ECB said the rate of its deposit facility will be reduced Jan. 21 to 1.5%, or a full percentage point below the main refinancing rate of 2.5% and down from 2% currently. It also will increase the rate on its marginal lending facility to a full percentage point above the interest rate of the main refinancing operation, up from 0.50 percentage point.

The move is designed to push banks back into interbank lending and wean them off the habit of hoarding cash at its overnight facility.

"After trying moral persuasion, the ECB has now moved on to cutting the deposit rate to try and revive the interbank market," said RBS analyst Jacques Cailloux.

The euro fell as low as $1.4220 on the news, off an intraday high of $1.4720 overnight. The currency turned down on the day after two consecutive sessions of sharp gains to a 12-week high Thursday. It had been climbing in the wake of Tuesday's interest-rate cut by the U.S. Federal Reserve, which made euro-denominated deposits more attractive.

Jittery banks have been borrowing from the ECB's weekly and longer-term refinancing tenders to ensure they don't run short of cash, but instead of lending spare funds to rivals as they would normally do, they lodge it back with the ECB.

The ECB added that it would also extend measures introduced in October to calm bank funding fears. The system of meeting all demand for funding and allocating that amount at a fixed rate was to end Jan. 20.

Germany's slump is speeding faster than expected

By Andrea Thomas And Marcus Walker

BERLIN—Germany's recession is accelerating faster than expected, according to the government and a business survey.

The German economics ministry said in a monthly report Thursday that gross domestic product will probably fall even harder in the fourth quarter than in did in the third, when Europe's biggest economy contracted by 0.5%.

The closely watched Ifo business-climate index dropped for the seventh straight month, hitting 82.6 in December after 85.8 in November. The fall was steeper than analysts expected. The Ifo index is at its lowest level since German unification in 1990. Even including former West Germany, business confidence hasn't been so low since the second oil crisis in 1982, the institute said.

Germany's export-dependent economy is a victim of the downturn in global demand for cars, capital goods and other products in which Germany specializes. The country's output will contract by nearly 2% next year, according to forecasts by two leading economics think tanks.

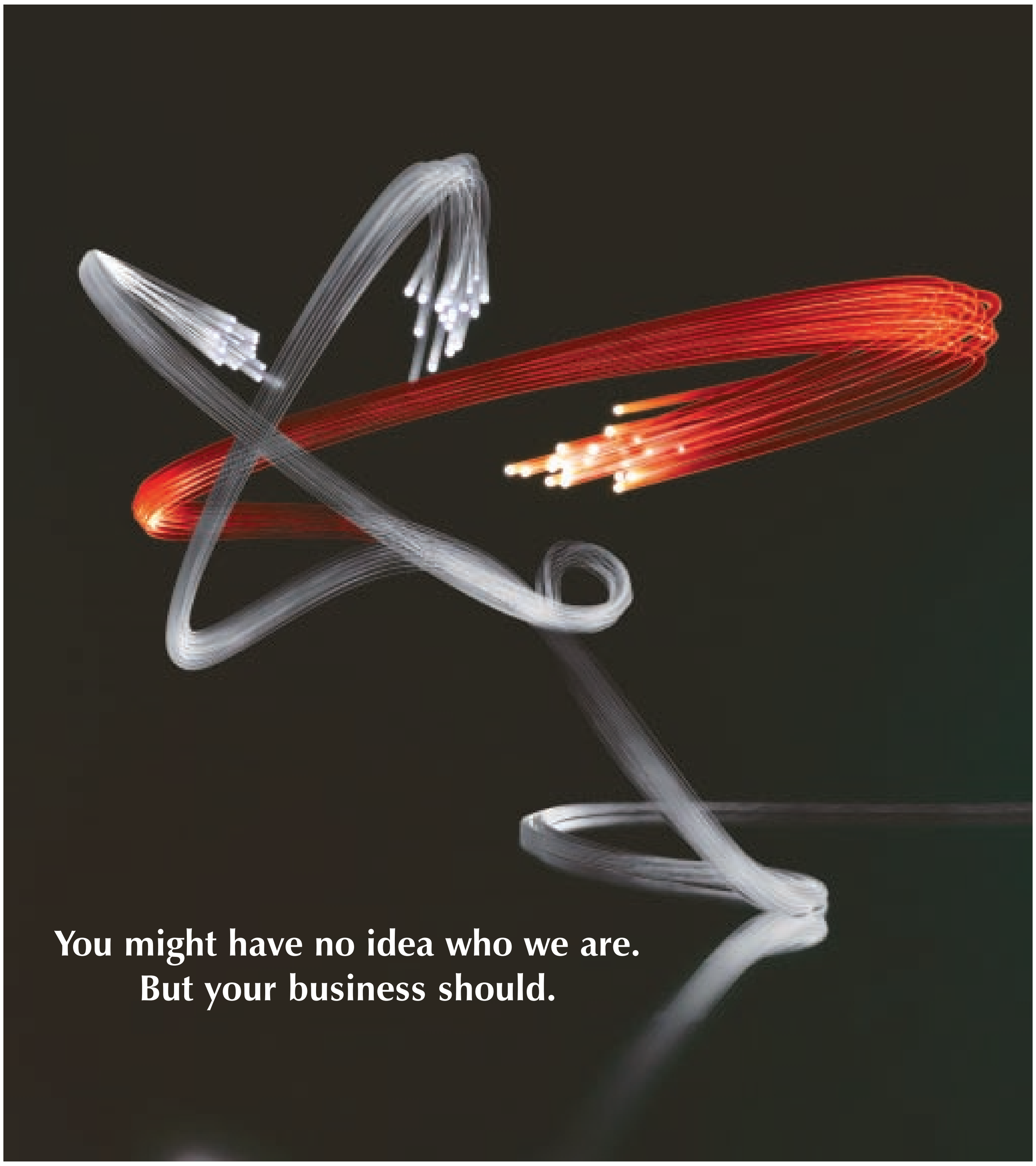
The IHW economics institute in Halle said Thursday that Germany's GDP will fall 1.9% next year, following an expected 1.4% expansion this year. The IMK institute in Düsseldorf, meanwhile, forecast a 1.8% contraction in 2009, following 1.6% growth this year. Both institutes warned that German unemployment could rise sharply next year. That could prove a significant factor in national elections set for fall.

Many economists now believe Germany is on course for its worst recession in the post-World War II era, beating West Germany's 0.9% contraction in 1975 and united Germany's 0.8% contraction in 1993. Some private-sector economists predict a contraction of 3% or more.

Economy & Politics

Stability in China

Leaders say the slowdown creates the need to guard against unrest > **Page 11**



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CORPORATE NEWS

U.S. firms form a car-battery venture

Tech companies seek federal aid in effort to catch Asian rivals; high manufacturing costs among the hurdles

By Rebecca Smith

Fourteen U.S. technology companies are joining forces and seeking $1 billion in federal aid to build a plant to make advanced batteries for electric cars, in a bid to catch up to Asian rivals that are far ahead of the U.S.

The effort, the latest pitch from corporate America to inject federal dollars into a project, is similar to an alliance that two decades ago helped the U.S. computer-chip industry restore its competitiveness. Participants include **3M** Corp. and **Johnson Controls** Inc.

Many experts believe battery technology and manufacturing capacity could become as strategically important as oil is today. Auto makers, including **General Motors** Corp. and **Ford Motor** Co., say they plan to roll out plug-in electric cars by 2010. But the U.S. has limited capacity to make the lithium-ion batteries those cars will need. Asian producers such as **Panasonic** Corp. dominate the car-battery field.

Federal energy laboratories, including the Argonne National Lab, are advising the alliance, and more companies are expected to join. Together, the consortium members estimate the plan to build the first large-scale lithium-ion battery plant in the U.S. could cost $1 billion to $2 billion.

Experts say the plan faces several hurdles, including its high cost and the fact the U.S. has lost the lead in battery manufacturing.

Ralph Brodd, a Nevada-based energy-storage consultant, recently published a report on battery manufacturing for the National Institute of Standards and Technology. He said that though much of the advanced battery technology was developed in the U.S., American companies "opted out" of battery production because of the low returns the business offered. Asian manufacturers picked up the business because of their proximity to makers of electronic devices, which need a steady supply of batteries.

Mr. Brodd said American companies now face significant hurdles in regaining lost ground, including the preference by Asian car makers to use Asian-made batteries in their hybrid models. However, he said U.S. concerns could leap ahead if they developed the right technologies.

"If you manufacture everything in China, you lose control of the technology," Mr. Brodd said.

The consortium's plant would make battery cells of various chemistries and sizes for the consortium companies. Members would turn the output into finished batteries by adding their own proprietary electronics, which would control factors such as operating temperature and voltage, and package the batteries to fit specific products.

The consortium intends to solicit as much as $1 billion in federal funds from President-elect Barack Obama's administration by tapping loan guarantees contained in an energy-security act passed last year. The act pledges as much as $7 billion in loan guarantees for advanced-battery plants in the U.S. The focus is to produce jobs and create a domestic supply chain, and the factories need not be owned by U.S. companies.

Alliance members also may seek funding through the Energy Department and legislation that could funnel money to job-creating industries aimed at developing greener energy technology.

Experts said the consortium, called the National Alliance for Advanced Transportation Battery Cell Manufacture, has a high likelihood of receiving U.S. funding because it gives the government a place to concentrate efforts and investment in battery technology without favoring any one company.

Reuters

Hybrid electric cars sit in front of San Francisco City Hall. The U.S. has limited capacity to make batteries for electric cars.

But the consortium faces obstacles. Several national labs and U.S. companies including 3M and **General Electric** Co. have been pursuing advanced battery technology for years. But researchers have been dismayed that the technology and processes they develop appear to be migrating largely outside the U.S. Battery manufacturing has moved to Asia for many reasons, among them a better-developed supply chain and lower labor costs.

Most of the batteries used in today's hybrid vehicles, including **Toyota Motor** Corp.'s Prius and some of GM's hybrid models, come from Asian makers.

The consortium is the most ambitious effort to date to boost the ability of U.S.-based companies to meet what is expected to be surging demand by auto makers for high-tech batteries. U.S. companies say the alliance attempts to lower the biggest hurdle they face: funding construction of a large manufacturing facility when there aren't orders yet for the batteries.

More than four dozen advanced battery factories are being built in China but none, currently, in the U.S.

Chinese vehicle maker BYD, which also makes lithium-ion batteries and has received financial backing from Warren Buffett's **Berkshire Hathaway** Inc., said it will begin exporting electric vehicles to the U.S. in the next few years.

American auto makers are concerned that Asian battery makers may reserve the largest portion of their production for Japanese, Korean or Chinese car companies, leading to further loss of market share for domestic auto makers.

Recently, Andrew Grove, former chairman of **Intel** Corp., began urging the chip maker to explore whether it could play a role in battery manufacturing. Mr. Grove and others say U.S. companies must step up efforts to produce advanced batteries for the country's car industry or America will end up trading its dependence on foreign petroleum for dependence on foreign-made batteries.

Jamie Gardner, technical manager for 3M's battery materials group, said it is important for the U.S. to create "world-class manufacturing" to drive down costs and bolster energy security.

Aakar Patel, chief executive of advanced battery maker **Mobius Power** Inc. of Fremont, Calif., said it would be a "daunting task" for a small company like his to build a U.S. manufacturing facility because of the overhead costs and lack of domestic equipment suppliers. He hopes the consortium members, which include his company, can effectively pool resources. "There are plenty of U.S. companies that could blow away the competition" if they worked together, he said.

The consortium is modeled on Sematech, the group formed by U.S. computer-chip companies in 1987 to compete with the Japanese. Sematech, based in Austin, Texas, is credited with helping U.S. companies regain their footing by focusing on manufacturing and design advancements with funding from the federal government. "We think Sematech was one of the best examples of government intervention in industry," said Jim Greenberger, a Chicago attorney at Reed Smith LLP, who is working with the battery consortium.

The consortium's goal is to make U.S.-built batteries lighter, cheaper and more powerful than batteries made elsewhere.

Other consortium members include chemical-maker **FMC** Corp. of Philadelphia and advanced battery makers **EnerSys** of Reading, Pa., and **ActaCell** Inc. of Austin.

GM, Chrysler resume talks on linking up

By Heidi N. Moore
And Jeffrey McCracken

General Motors Corp. and **Chrysler** LLC have reopened talks on combining some of their businesses, as Chrysler owner **Cerberus Capital Management** LP has signaled its willingness to give away part of its ownership in the auto maker, say people familiar with the discussions.

With cash running low at both car companies, Cerberus took the initiative to restart discussions that sputtered just weeks ago. At that time, both GM and Chrysler viewed a business combination as impractical and as a distraction from their mounting liquidity problems. The auto makers' finance arms— GMAC LLC and Chrysler Financial— have been the chief focus in any recent discussions of a combination of businesses. The discussions are one of many options on the table.

The renewal of the talks could be a way for Cerberus to show Washington—which is weighing a $14 billion rescue package for the auto industry—that it wants to cooperate in restructuring the industry, say people familiar with the buyout firm's thinking. And it could offer the firm a way to protect its stakes in GMAC and Chrysler Financial, the two distressed auto-finance companies, which are crucial to the survival of the Detroit auto makers.

GM on Thursday denied a report in The Wall Street Journal that talks had been restarted.

Cerberus holds a majority stake in GMAC, GM's former finance unit. It also controls Chrysler's Chrysler Financial unit. Part of Cerberus's strategy, say people briefed on the matter, is to protect its majority investments in these two units.

A person familiar with the GM-Chrysler talks said that Cerberus is eager to make concessions in order to arrange a combination of Chrysler's finance arm with that of GM. One way in which Cerberus might make concessions could be to give away some of its principals' stakes in Chrysler as part of a broader restructuring. That could mean giving a future government auto czar discretion to distribute Cerberus' stake to the United Auto Workers union or even to GM.

"That is one of the core goals," this person said. In order to achieve that end, according to this person, Cerberus feels it has to be flexible on the use of its ownership stake in Chrysler.

It isn't clear what effect the renewed talks might have on the intricate political calculus hanging over a government rescue of the auto makers. Wednesday, Chrysler said it would suspend output at all 30 of its plants for a month starting Friday.

Earlier this month, Congress pressed Cerberus to inject fresh capital into Chrysler as part of any rescue plan. So far, the firm has rejected the idea, saying shareholders of rivals GM and **Ford Motor** Co. aren't being asked to contribute more capital, and that its investment charter prohibits such a move.

Cerberus's equity in Chrysler has already been valued at zero by **Daimler** AG, which still owns 19.9% of the auto maker. But Cerberus hopes lawmakers would view flexibility on its stake as a contribution to the restructuring of the troubled industry, says a person familiar with its thinking.

Chrysler is asking the government for a $7 billion bridge loan by Dec. 31. The company told lawmakers earlier this month that the financing required for even a short bankruptcy would be higher—between $12 billion and $15 billion for a proceeding lasting just one year. But its argument got a harsh reception from many lawmakers who questioned why Cerberus couldn't provide the financing.

For now, the White House isn't planning to force GM or Chrysler into bankruptcy as a condition for receiving government aid, an option that had been on the table earlier, people familiar with the matter said. The administration is still wrestling with how much money to give the auto makers and how long the aid should last, according to one of these people. On Thursday, White House press secretary Dana Perino discussed the possibility of an "orderly" bankruptcy.

Chrysler Financial and GMAC are constrained by the tight credit markets. Because they could be classified as banks, they are central to Detroit's argument for receiving government money from the Troubled Asset Relief Program, set up for the financial industry.

One developing problem in the auto makers' pursuit of government rescue funds is the state of Chrysler's collateral. Unlike GM, which has assets it can pledge or use as collateral for a federal loan, Cerberus is believed to have pledged all of Chrysler's assets in the summer of 2007 as security for $10 billion in bank debt.

GM could pledge its substantial operations in Europe, China and elsewhere, along with trademarks.

—Greg Hitt, Deborah Solomon and John D. Stoll contributed to this article.

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CORPORATE NEWS

Euro RSCG girds for a slowdown

Unusual disclosure will show how well CEO steers course

BY AARON O. PATRICK
London

David Jones, an ad-industry wunderkind, is confronting his first big downturn. And how well he meets the challenge will show in an unusually public way.

Mr. Jones, chief executive of Euro RSCG Worldwide, rose rapidly up the ranks of the big New York-based agency, becoming CEO in 2005 at age 38. In his first year at the helm, Euro RSGC took in more than $2 billion in new accounts. In the past few months, however, he has faced slowing revenue growth, as well as client defections at the agency's key London office, whose chief he recently removed.

ADVERTISING

Ad agencies around the world are feeling the pinch from the global economic slump, which has led many major marketers to slash their ad budgets. But Mr. Jones is under particular pressure: Euro RSCG accounts for 62% of the €1.5 billion ($2.16 billion) annual revenue of its parent company, Paris-based **Havas**.

To get the agency through the downturn, Mr. Jones is adopting a common tactic in the ad world: merging some of Euro RSGC's previously separate Internet-ad operations with the rest of the agency. The idea is to improve coordination, as well as the quality of online ads. Internet advertising is the part of the ad world where spending is holding up best.

Mr. Jones, who built up Euro RSCG in part by recruiting senior executives from rivals JWT, TBWA Worldwide and BBDO Worldwide, says he plans to continue hiring during the downturn. "We are going to steal some of the best people out there," he says.

David Jones

While most global agencies that are part of larger holding companies don't release revenue figures publicly, Euro RSCG's revenue-growth rate is published every six months, putting Mr. Jones under extra scrutiny.

"I am about the only global [ad agency] CEO who is not allowed to lie about our results," Mr. Jones jokes.

Expectations of slowing revenue at Mr. Jones's operation have contributed to a big decline in Havas shares, which are down 54% over the past 12 months to €1.51. Over the same period, shares of rivals **WPP** and **Omnicom Group** have fallen 35% and 42%, respectively.

French industrialist Vincent Bolloré, Havas's chairman and biggest shareholder, picked Mr. Jones to run the agency, both men say. The share-price slide has cut €270 million from the value of Mr. Bolloré's 32.87% stake, which is now worth €213 million.

Havas Chief Executive Fernando Rodés Vilà says he is very happy with Mr. Jones' performance, and that Euro RSCG is performing well, given the tough economic conditions. Through a spokesman, Mr. Bolloré declined to comment.

Mr. Jones, an Englishman who speaks French and German, was a teenage tennis star, ranking among the top 10 players in Britain under 21.

After working at several other agencies, he joined Euro RSCG in 1998 in Australia, became CEO there a year later, at 32, then moved to London, and to the U.S. in 2004 to run the agency's New York office. One of the agency's campaigns from that period—for Charles Schwab—featured the tag line "Talk to Chuck."

As CEO of the agency, Mr. Jones has spent a lot of his time wooing potential clients. Among the new accounts Euro RSCG racked up this year is **Pernod Ricard**. Mr. Jones won over executives of the French spirits maker with a mocked-up TV spot for its Chivas Regal whisky based on the notion of chivalry, Pernod says.

"He attended all the important meetings," says Martin Riley, global marketing director for Pernod's Chivas Brothers division. "That's not unique, but it's good when it happens." Since then, Mr. Jones has emailed or phoned at least every 10 days to discuss the campaign, which will launch in the U.S. next year, Mr. Riley says.

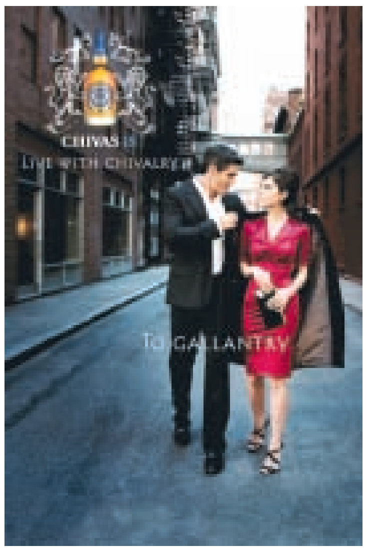
Mr. Jones says two large Euro RSCG offices, New York and Chicago, will increase revenue by more than 20% this year. Abernathy MacGregor Group, the U.S. public-relations firm owned by the agency, is performing strongly too, a Havas spokeswoman says.

But, hurt by client losses in Britain and the global slowdown in ad spending, Euro RSCG's revenue growth slowed to 2.3% in the third quarter from 6.6% in the first half of the year, according to a person familiar with the matter. The figures exclude the effects of acquisitions, divestments and currency changes.

In Britain, one of its biggest markets, Euro RSCG has lost three important accounts in recent months: a cellphone business owned by **Hutchison Whampoa** of Hong Kong called 3, airline **BMI Airways**, and the Sun and News of the World newspapers, both owned by News Corp. (News Corp. also owns Dow Jones, publisher of The Wall Street Journal.)

Allan MacCaskill, head of brands for the two British newspapers, said Euro RSCG "didn't deliver a huge amount of creative or strategic insight." The agency created a billboard ad for the Sun that looked like a shopping receipt. Instead of groceries, it listed all the sections in the paper.

A spokesman for 3 said it switched to another agency with more Internet experience because of 3's "increasing focus on digital media." A BMI spokesman declined to comment.



Euro RSCG Worldwide

Chivalry is the theme of a campaign Euro RSCG has created for Chivas Regal.

A spokeswoman for Euro RSCG also declined to comment.

The agency's lucrative health-marketing division, Euro RSCG Life, has been hurt by spending cutbacks by pharmaceutical makers, a person familiar with the matter said. Its clients include **Pfizer** and **AstraZeneca**.

Mr. Jones recently removed Mark Cadman, a former JWT executive whom he had appointed in February 2006 to run the London office. There are no immediate plans to replace him, a spokeswoman says.

Mr. Cadman's office referred calls to a company spokeswoman, who said he couldn't be reached.

MillerCoors to take jolt out of Sparks drink

BY DAVID KESMODEL

MillerCoors LLC agreed to stop producing and selling caffeinated-alcoholic drinks in the U.S., under a settlement with more than a dozen state attorneys general.

The beer giant had come under fire from the states as well as several consumer-advocacy groups, for allegedly marketing its top-selling Sparks brand so that it appealed to underage consumers. Critics also complained that the drinks raised potential health risks by masking feelings of drunkenness.

"Attorneys general from around the country are gravely concerned about premixed alcoholic energy drinks," Maine Attorney General Steve Rowe said in a prepared statement. "They're popular with young people who wrongly believe that the caffeine will counteract the intoxicating effects of the alcohol."

MillerCoors, a joint venture of **SABMiller** PLC and **Molson Coors Brewing** Co., agreed to remove caffeine, taurine, guarana and ginseng from Sparks. The malt beverage comes in tall 24-ounce cans that sell for about $2.50 at retailers.

The company said the agreement with the attorneys general, as well as with San Francisco's city attorney, contained no finding that the company had engaged in unlawful behavior or marketed Sparks to people under the legal drinking age of 21 in the U.S. "We are always willing to listen to societal partners and consider changes to our business to reinforce our commitment to alcohol responsibility," Tom Long, president of MillerCoors, said in a prepared statement. He said the company disagrees with the states' "inaccurate allegations about the marketing and sale of Sparks."

Under the settlement, MillerCoors agreed to end certain marketing strategies that the attorneys general contend appealed to underage youth. It will remove content on the Sparks Web site that the attorneys general said "looks like it was created by a college freshman." The company also will eliminate images that imply energy or power, such as the battery-themed symbols on Sparks cans.

The company, the second-largest U.S. brewer by sales, will stop making and marketing Sparks in its current form by Jan. 10. It will pay $550,000 to the states and San Francisco to cover the cost of their investigations. The settlement includes the attorneys general of California, Illinois, New York and New Mexico.

Drinks that combine alcohol and stimulants like caffeine have generated concerns in other countries, including Australia and Scotland, because of their potential to attract younger drinkers. Some countries have proposed tax increases on the products and other restrictions to curb sales.

Earlier this year, **Anheuser-Busch InBev**, the largest U.S. beer maker, agreed to stop making and selling caffeinated alcoholic drinks in a settlement similar to the MillerCoors pact.

Thursday's agreement is a blow to MillerCoors because Sparks had built a niche following and was the dominant product in the category.

MillerCoors, however, said it is confident it can continue to increase Sparks sales even if its formula changes. "We remain committed to the Sparks franchise," Mr. Long said.

—Chad Bray contributed to this report.

Watch exports fall amid slide in luxury demand

BY MARTIN GELNAR

ZURICH—Switzerland's luxury-goods industry took a pre-Christmas hit, with watch exports sharply lower in November.

Swiss watch exports fell 15% in November from a year earlier to 1.52 billion Swiss francs ($1.41 billion), a steep deterioration compared with the 0.1% rise, in nominal terms, posted for October. November is the watch industry's most important month of the year because of the run-up to Christmas.

Although a decline had been expected, the extent of the plunge surprised market watchers. Particularly worrying were the first signs of a weakness in Asian markets and the tailing off of demand for premium products, which had been thought to be less prone to cutbacks in spending, analysts said.

All price segments were affected, from the basic plastic watches sold by **Swatch Group** AG to high-end items selling for thousands of francs, the Federation of the Swiss Watch Industry FH said.

Exports to Hong Kong and the U.S. fell 17% and 24%, respectively, though shipments to Germany rose 9%. Exports to China, which have risen regularly in the past few quarters, were flat.

Swatch and **Financière Richemont** SA dominate the world's premium watch industry, together with closely held **Rolex** SA.

"The data confirm views that the news flow from the luxury sector will be gloomy in the near future," said Bank Sarasin analyst Patrick Hasenböhler.

ASML lowers its outlook, plans to cut 1,000 jobs

BY ROBIN VAN DAALEN

Hit by a sharp drop in demand for its chip-making equipment, **ASML Holding** NV Thursday lowered its outlook and said it is cutting 1,000 jobs, or more than 10% of its work force.

The Veldhoven, Netherlands-based company, a key supplier to **Intel** Corp. and other chip makers, cut its forecast for the fourth quarter and the first half of next year, citing what it called the sharpest slowdown in demand it has seen for lithography systems, which map out tiny electronic circuits on silicon wafers.

The company blamed an unprecedented mix of falling end-demand for semiconductors, weak memory prices and restricted access to capital for its customers.

ASML said it now expects fourth-quarter sales at €450 million to €500 million ($648 million to $720 million), down from an earlier forecast of around €530 million. It also said it expects substantially lower sales in the first six months of 2009, and sales in the first quarter of between €180 million and €250 million.

ASML's revised forecast "will lead to an almost complete standstill in the first half of 2009," said Petercam analyst Eric de Graaf. "We were cautious, but not negative enough. The company will be severely loss-making in 2009."

To better cope with the slowdown, ASML said it aims to reduce its cost base by €200 million annually. The company said it will spend €120 million to €150 million to achieve the cost savings, with the majority of this amount accounted for in the fourth quarter of 2008.

Most of the job cuts will be among staff on temporary contracts at ASML's headquarters and at a manufacturing plant in Wilton, Conn. A training site in Tempe, Ariz., will be closed.

In addition to the job cuts, ASML said it plans to shut down production facilities for four weeks, spread over the first and second quarters of 2009. ASML shares gained 1.5% to close at €12.15 in Amsterdam trading Thursday.

ASML is the latest company from the global semiconductor industry to warn of tough times ahead. Late last month, **STMicroelectronics** NV, Europe's largest chip maker, cut its fourth-quarter revenue forecast, citing slowing demand. Germany's **Infineon Technologies** AG earlier this month posted a sharply wider fourth-quarter net loss.

While industry consolidation hasn't occurred yet, the weak market environment is spurring smaller and less-competitive chip companies to strengthen their ties to help weather the downturn better, industry observers said.

CORPORATE NEWS

For U2, stock deal rocks

Live Nation on hook to pay band millions after shares decline

BY ETHAN SMITH

The Irish rock band U2 hasn't toured since 2006, but it stands to make $25 million in a sweetheart stock deal, according to SEC filings Wednesday and people familiar with the matter.

In March, the band struck a 12-year deal with **Live Nation** Inc., that called for the concert promotion giant to pay U2 partly with stock. Live Nation promised to pay tens of millions of dollars to high-profile artists in exchange for several years' worth of revenue from a broad range of their work, including concerts, online fan clubs and T-shirt sales. The company had held up the stock component of the U2 deal as evidence of the band's faith in Live Nation, as well as confidence in its new business model.

But that faith was shaken Wednesday when the band moved to sell the shares, forcing Live Nation to make up an estimated $19 million in losses.

European Pressphoto Agency

Bono of U2, whose stock sale is proving costly for partner Live Nation.

Live Nation had guaranteed that U2 would receive $25 million for 1.6 million shares. But the current market value was just $6.1 million at the close of trading Wednesday. That leaves Live Nation on the hook for the balance, which the company said Wednesday in a Securities and Exchange Commission filing it would pay with cash on hand or borrowed money.

There could be more bad news coming from another of the company's marquee acts: Madonna. In April, Madonna is eligible to sell $25 million of stock under the terms of her contract, even though the stock's market value has plunged 83% since she struck her deal in October 2007.

Live Nation Chief Executive Michael Rapino sought to play down the significance of the stock sales. "Madonna and U2 are the only two deals that did contain this provision," he said. "The Madonna business is great, and we look forward to monetizing our investment in U2 next year."

Madonna's current "Sticky & Sweet" tour is the pop star's first outing since she signed her 10-year, $120 million deal with Live Nation.

Live Nation expects to start recouping its investment in U2 when the band begins a planned tour next year and releases its 12th album.

Reached in London, where U2 is wrapping up work on a new album, band manager Paul McGuinness said: "We're very much in business with [Live Nation] and we're planning to tour in 2009."

Parmalat founder gets prison term

BY ALESSANDRO MOCENNI

MILAN—A judge Thursday sentenced **Parmalat** SpA founder Calisto Tanzi to 10 years in prison for securities-laws violations related to the Italian dairy company's collapse in 2003, one of the world's biggest corporate scandals.

The verdict caps only one of two trials stemming from Parmalat's bankruptcy.

A bigger trial related to the decade-long fraud—allegedly at the hand of top managers—that left the company saddled with €14 billion ($20.15 billion) in debt began earlier this year in the northern city of Parma.

Mr. Tanzi, who was also chairman of Parmalat, was among eight former executives and bankers on trial in Milan on allegations that they misled markets about the dairy giant's financial condition. Prosecutors had sought 13 years in jail for Mr. Tanzi.

The seven other defendants, including former Bank of America employees and auditors who worked with Parmalat over the years, were acquitted.

Bank of America said in a statement: "As the evidence demonstrated, no one at Bank of America knew or could have discovered the true financial condition of Parmalat."

In 2005, a Milan judge had accepted plea-bargain deals from 10 former executives and the company's former outside counsel on the same securities laws violations charges.

Mr. Tanzi founded Parmalat more than 40 years ago and built it into one of the jewels of Italian industry. Mr. Tanzi's lawyer told reporters that he would decide whether to appeal the decision after reading the judge's full verdict.

Mr. Tanzi, who is also on trial in Parma, took the stand during the Milan trial claiming that he wasn't the mastermind behind the fraud, and was never fully aware of its ramifications for Parmalat bondholders.

Since its collapse, Parmalat has restructured its operations and relisted on the Milan bourse in 2005.

—Giada Zampano contributed to this article.

Goldman to sell Sanyo stake to Panasonic

BY ALISON TUDOR

Goldman Sachs Group Inc. agreed to a slightly sweetened offer for its 29% stake in **Sanyo Electric** Co., clearing the way for **Panasonic** Corp. to take control of the Japanese electronics company, people familiar with the matter said.

Panasonic is offering 131 yen ($1.50) a share for Sanyo, after increasing its bid several times, these people said. The price values the company at about $9 billion.

A combination of Sanyo and Panasonic would rival **Hitachi** Ltd. as Japan's largest electronics maker by revenue. Facing flagging demand for plasma televisions, Panasonic sees Sanyo's battery and solar panel businesses as potential growth markets in the coming years.

Goldman's decision to sell comes shortly after the Wall Street firm posted its first quarterly net loss since the company became a public company in 1999.

A Goldman-managed fund bought the Sanyo shares in 2006 for 125 billion yen ($1.43 billion), when Sanyo was in critical need of capital. The fund stands to pocket 234 billion yen when it sells its shares in Sanyo to Panasonic.

Panasonic, which has about $11 billion of cash in its coffers, is planning to make a tender offer for all of Sanyo's shares in the next couple of months. This will allow Panasonic to make Sanyo a subsidiary before its fiscal year ending March 31, people familiar with the matter said.

Representatives at Panasonic and Sanyo said nothing has been decided about a merger at this time.

Last month, Panasonic started negotiating a price for Sanyo with its three major shareholders—Goldman, **Sumitomo Mitsui Banking** Corp. and **Daiwa Securities SMBC** Co. Goldman walked away after Panasonic made an initial offer of 120 yen a share. A follow-up offer earlier this month of 130 yen was also rejected by Goldman even though Sanyo's two Japanese shareholders seemed open to the deal at that price.

Goldman and Daiwa each would own a 29% stake in Sanyo, while Sumitomo Mitsui would own 11.6%, if the companies convert all of their Sanyo preference shares into ordinary shares.

Goldman weighed its options as a minority shareholder and decided it couldn't take the risk of buying more Sanyo shares in the market or from the other major shareholders, a person familiar with the matter said. Lawyers noted that Sanyo could legally have diluted Goldman's stake by issuing more shares.

The outlook for the electronics industry, struggling with a downturn in consumer spending and a stronger yen, also raised the possibility that Sanyo's share price could fall further.

It remains unclear whether Sanyo will retain a separate listing on the Tokyo Stock Exchange, a decision in part depends on the results of a tender offer. Panasonic's bid of 131 yen is below the market price, making it unattractive for shareholders to sell their shares to Panasonic. Sanyo's shares closed 1.4% lower at 141 yen Thursday.

—Atsuko Fukase and Daisuke Wakabayashi contributed to this story.

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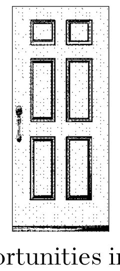
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CORPORATE NEWS

Wall Street expresses worries on Apple CEO

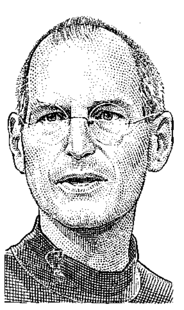
Shareholders focus on Jobs's health; marketing an issue

BY YUKARI IWATANI KANE AND NICK WINGFIELD

Apple Inc. Chief Executive Steve Jobs's unexpected decision to pull out of the high-profile Macworld trade show left Wall Street scrambling for an explanation.

Mr. Jobs's keynote at the annual San Francisco event, which he has headlined every year since 1997, is typically highly anticipated. Apple has in the past used the conference to make major product announcements.

But the Cupertino, Calif., company said Tuesday that its marketing chief, Philip Schiller, would make the Macworld keynote speech on Jan. 6 rather than Mr. Jobs. Apple also said it would no longer participate in Macworld after this year.



Steve Jobs

The news caused Apple's stock to fall 6.6% on Wednesday as it set off a flurry of speculation about the reasons behind the decision. Shares had stabilized in the afternoon on Thursday, trading up 74 cents at $89.90 on the Nasdaq Stock Exchange.

At the top of the list was renewed concern by investors that Mr. Jobs, a pancreatic-cancer survivor, is sick again.

Apple spokesman Steve Dowling said "it doesn't make sense to make a major investment in a trade show that we will no longer be attending." On Mr. Jobs's health, he said, "If Steve or the board decides that Steve is no longer capable of doing his job as CEO of Apple, I am sure they will let you know."

The company said it was scaling back on trade shows because they have become a "very minor part of how Apple reaches its customers."

Charlie Wolf, an Apple analyst at Needham & Co., said he was flooded with calls Wednesday by investors concerned about Mr. Jobs's health, though Mr. Wolf himself doesn't believe the Apple CEO has cancer. "The market is totally ridiculous," Mr. Wolf said.

Instead, Mr. Wolf says Apple's move is likely related to how Macworld has locked the company into making a big news announcement in January rather than at a date of Mr. Jobs's choosing. "Apple is hostage to the particular timing of the event," Mr. Wolf said.

In the past few years, Apple also has moved toward holding more of its own product events to make product announcements, and withdrawing from Macworld allows the company more freedom to set its own product-release schedule.

The timing of an event such as Macworld is significant because Apple tends to announce and ship new products at around the same time every year. Shipping new products near the beginning of the year isn't always ideal to achieving the biggest splash for new gadgets because the back-to-school and holiday seasons, which happen later in the year, are two of Apple's biggest selling periods.

Other analysts said they are inclined to believe Apple's explanation if for no other reason than that the company would face a lawsuit for failing to disclose material information about Mr. Jobs's health. "They would have a legal nightmare on their hands," said Gene Munster, an analyst with Piper Jaffray.

FedEx plans to cut salaries as shipping demand softens

BY COREY DADE

FedEx Corp.'s chairman and chief executive plans to cut his annual salary by 20% and forgo a bonus, as the package shipper tries to shed $1 billion in costs to withstand an economy it says won't strengthen for a year or more.

Frederick W. Smith, who invented the concept of overnight deliveries by launching the Memphis, Tenn., company's first flight 35 years ago, said pay for senior executives and non-union salaried employees in the U.S. will be cut as of Jan. 1, and the company will stop contributing to employee retirement plans for at least a year. The cuts affect more than 35,000 employees, and more than 140,000 workers participate in the company's 401(k), according to the company.

FedEx reported a 3% increase in net income for its fiscal second quarter ended Nov. 30, barely topping its already lowered target for the period. The company said current economic uncertainty prevents it from forecasting results for the current quarter and added that it expects shipment volumes through the holiday season—usually the peak period for delivery companies—to fall below previous years' highs.

In addition to lowering his base pay, which is $1.48 million for the current fiscal year ending May 31, Mr. Smith won't take an annual bonus expected to range between $1.93 million and $4.45 million or a payout due from long-term compensation. Mr. Smith received $10.9 million in salary, bonus and stock in fiscal 2008.

"We expect ... that economic conditions will remain very difficult through calendar 2009," Mr. Smith told analysts. "We're announcing additional actions we believe are necessary to offset weak demand, to protect our business and help minimize the loss of jobs. We believe these steps are necessary and will require shared sacrifice from the top down and across the FedEx work force."

For the latest quarter FedEx earned $493 million, or $1.58 a share, compared with a year-earlier profit of $479 million, or $1.54 a share. Revenue rose 1% to $9.54 billion.

Mr. Smith said the company is "increasingly being challenged by some of the worst economic conditions in the company's 35-year operating history."

GLOBAL BUSINESS BRIEFS

Yahoo Inc.

Internet portal to curb time it retains users' data

Yahoo Inc. said it will cut the time it stores personally identifying data about users' online searches to 90 days, amid pressure from privacy advocates and legislators. The Internet portal, which had previously stored such data for 13 months, said it would make exceptions in cases of fraud or security concerns, in which case it may keep users' data for six months. The Sunnyvale, Calif., company said it will scrub user data not just on Internet searches but also on page views and ad clicks. When Internet users look for information on the Web, they leave an electronic trail, which all online companies keep for a certain amount of time. **Google** Inc. took steps in the same direction in September, when it halved the time its stores users' personally identifiable search data to nine months.

Informa PLC

U.K.-based publisher and events organizer **Informa** PLC said Friday that its full-year results will be in line with expectations. The publisher of maritime newspaper Lloyd's List and Routledge academic books said it has experienced no change in overall performance since October. Forward bookings from its publishing business, which contributes over 60% to profits, show a deferred income balance of £288 million ($446 million) at the end of November, ahead of the same period last year, said Informa. Renewal rates for academic journals, the majority of which are ordered in October and November, are in line with previous years at above 95% and the company expects to receive £90 million in cash relating to these renewals before January.

Carrefour SA

Carrefour SA shares fell 7.5% Thursday after the French retailer issued a profit warning late Wednesday. The world's second largest retailer by sales, behind Wal-Mart Stores Inc., said it now expects operating profit this year to rise slightly from last year, down from a previous forecast of 7% growth. Last year, Carrefour posted operating profit of €3.29 billion ($4.73 billion). The retailer also lowered its forecast for full-year sales growth to 6.5% at constant exchange rates from 7%. The company has decided to focus on generating cash and driving sales, even at the cost of hurting profit, said departing Chief Executive José Luis Durán. He blamed lower gasoline prices, a slowdown in food inflation in the fourth quarter and deteriorating sales for the revision.

Standard Chartered PLC

Existing investors took up 96.95% of a £1.8 billion ($2.8 billion) share rights issue from **Standard Chartered** PLC, underscoring the bank's financial health despite the global credit crunch. The remaining shares were sold to investors at 760 pence, almost double the 390 pence at which the share issue had been priced and a discount of one pence from Wednesday's closing price. Standard Chartered's shares fell 4.2% to 729 pence. The bank, which focuses on Asia and emerging markets, said in November that it was raising capital to meet investor expectations for higher capital and to expand. Unlike share sales by some other banks this year, this one was never in doubt. Standard Chartered hasn't been marred by rumors or a share selloff.

Virgin Media Inc.

U.K. television and telephony company **Virgin Media** Inc. Thursday tapped Jerry Elliott as its chief financial officer with effect from Jan. 5. Mr. Elliott was previously chief operating officer and chief financial officer of U.S. educational publisher Cengage Learning Inc. He is taking over from Charles Gallagher, who had been acting as finance chief on an interim basis during the search for a permanent appointment. Jacques Kerrest stepped down as Virgin Media's finance chief in April. Mr. Gallagher, a board member, has agreed to stay with Virgin Media until the end of March, when he will return to the U.S. to pursue other business interests. The company operates in the U.K. but is listed in the U.S.

France Télécom SA

Europe's highest court Thursday dismissed a case brought by the publishers of the "Asterix & Obelix" cartoon strip against **France Télécom** SA's mobile division Orange for using branding similar to that used in the cartoon. Orange had successfully trademarked the term "Mobelix" for a range of telephone applications, including calling cards and equipment. Publisher Editions Albert René appealed to the European Court of Justice to overturn a lower court's decision, which had upheld Orange's trademark. The publishers unsuccessfully argued that the use of the "ix" suffix could mislead consumers into thinking the Orange service was somehow related to their Asterix range of trademarks, most obviously the "Obelix" character.

Nike Inc.

Nike Inc.'s fiscal second-quarter net income grew 8.8% on higher sales and margins, with much of the revenue gain coming from overseas. For the quarter ended Nov. 30, the sportswear giant reported net of $391 million, or 80 cents a share, up from $359.4 million, or 71 cents a share, a year earlier. Revenue rose 5.8% to $4.59 billion. Changes in currency exchange rates accounted for 1% of the growth. Sales at Nike's subsidiaries, which include Converse, Cole Haan and Hurley, fell 4.3% to $564.5 million. Revenue gains were strongest in Asia Pacific and the Americas, which increased 22% and 21%, respectively. Revenue in Europe rose 6.4%. U.S. revenue fell 1.1% to $1.51 billion. Nike's worldwide futures orders, an indicator of growth based on estimates of product orders, slid 1% to $6.7 billion for the period December to April.

Raiffeisen Zentralbank

Austria's **Raiffeisen Zentralbank** said Thursday that the financial crisis would hurt its full-year results severely. Raiffeisen, which is the parent of publicly listed Raiffeisen International Bank-Holding AG, said it expects 2008 pretax profits to plunge 53% to around €700 million ($1 billion), hit by strong fluctuations on stock and securities markets and provisions for losses on bad debt. Losses from reevaluations of its investment portfolio will amount to about €750 million, said the bank. It will also book provisions of €487 million to cover expected losses from its exposure to the Icelandic banking sector and now collapsed U.S. bank Lehmann Brothers Holdings Inc. Raiffeisen's debt exposure to Icelandic banks amountsto €600 million and Raiffeisen had debt exposure of €250 million to Lehman Brothers.

Assicurazioni Generali SpA

Italian insurer **Assicurazioni Generali** SpA said Thursday that its 2009 business-plan targets are no longer up to date, adding that new targets will be set when markets stabilize. Progressive financial and economic deterioration and extraordinary levels of market volatility are affecting results from financial investments and profit for 2008, said the Trieste-based insurer. Its 2009 long-term plan and targets, announced in September 2007, were based on normal market conditions, said Generali's board. At the time, the insurer had aimed for 2009 net profit of €3.8 billion ($5.5 billion). However, Generali said its balance sheet remains strong, with a Solvency II ratio of about 185% as of end-December. Europe's regulators require a solvency level of at least 100%, but analysts favor 150% or more, given that the crisis could lead to more write-downs.

SAS AB

SAS AB said it reached a preliminary agreement to sell a stake of its Spanair subsidiary to investors from Catalonia, bringing the struggling Scandinavian airline closer to focusing on the Nordic region. Under the deal, the Spanish investors—led by Consorci de Turisme de Barcelona and Catalana d'Iniciatives—would take a majority stake in Spanair. SAS would remain a "core shareholder" and help implement cost-cutting measures at Spanair. These include grounding 15 planes and cutting about 1,000 of its 3,448 workers. Spanair has been weighing heavily on SAS's bottom line. SAS declined to say how much it intends to get for the Spanair stake. Separately, SAS said it will sell its 47.2% stake in regional carrier airBaltic to the management of the Latvian airline for about 220 million Swedish kronor.

Newell Rubbermaid Inc.

Newell Rubbermaid Inc. slashed itsearnings and sales forecasts and said it would cut additional costs because of a demand drop and a souring global economy. The maker of Rubbermaid storage containers, Sharpie pens and other consumer products said it will temporarily shut some factories to cut inventory and freeze employee compensation. The company will also cut its work force by 8% to 10%, or as many as 1,000 salaried positions. For the full year, Newell Rubbermaid now expects earnings of between $1.17 and $1.21 a share, down from its earlier forecast of $1.40 to $1.45 a share. The company's shares sank 27% on the news Wednesday and regained a small amount of ground in trading Thursday.

Take-Two Interactive Software

Take-Two Interactive Software Inc.'s fiscal fourth-quarter net loss widened on higher marketing costs, and the videogame publisher predicted a sharp drop in sales in the current quarter. The company, which also announced the signing of long-term contracts with the team behind its hit "Grand Theft Auto" series, predicted a fiscal first-quarter loss of 70 cents to 85 cents a share on revenue of $175 million to $225 million.For the quarter ended Oct. 31, Take-Two reported a net loss of $15 million, or 20 cents a share, compared with a year-earlier net loss of $7.1 million, or 10 cents a share. Revenue increased 11% to $323.4 million.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Obama will re-regulate

President-elect talks tough as he introduces his financial overseers

By Jonathan Weisman

Associated Press

President-elect Barack Obama introduces his choices for U.S. financial regulatory leadership positions: Mary Schapiro, left, Gary Gensler and Daniel Tarullo, right.

President-elect Barack Obama said Thursday that remaking the nation's financial regulatory system will be one of his first initiatives, and he promised to streamline regulatory authority, possibly consolidate agencies and spread financial oversight far beyond the banking system.

Mr. Obama introduced Mary Schapiro, his choice to lead the Securities and Exchange Commission; Gary Gensler, his pick to run the Commodity Futures Trading Commission; and a new member of the Federal Reserve Board of Governors, Daniel Tarullo, calling them tough, common-sense regulators.

Mr. Obama talked tough on the need to tighten regulations and spread them wider. "We have been asleep at the switch, not just some of the regulatory agencies, but some of the congressional committees that might have been taking a look at this stuff," Mr. Obama told reporters in Chicago. "We have not been as aggressive, and we've had a White House that started with the premise that deregulation was always good. And so what I said during the campaign, I meant. We are going to have to greatly strengthen our regulatory apparatus."

He specifically mentioned spreading regulatory authority to govern the "huge amounts of money in the financial system [that] are sloshing around outside of banks." And he hinted at consolidating the hodgepodge of financial regulators, public and private, from the SEC and the CFTC to the Financial Industry Regulatory Authority, which Ms. Schapiro now leads.

"The need to potentially consolidate some of the regulatory agencies that are out there, to streamline them, to make clear who's got what mission so that things aren't falling through the cracks, those are all going to be part of the review that we do over the next several weeks," Mr. Obama said.

Mr. Obama's team generally won praise from industry officials and lawmakers who will help finalize any regulatory legislation. Scott Talbott, senior vice president for government affairs at the Financial Services Roundtable, called the team pragmatic, saying they combined education, experience and "an intimate knowledge of the current financial-services regulatory structure."

Micah Green, a Patton Boggs attorney and former head of the Securities Industry and Financial Markets Association, said the timing of the announcement—before the president-elect's cabinet is complete—was "extraordinary." He added: "It speaks to the priority of the issue."

The restructuring that the team will undertake is likely to tighten the regulatory teeth of the SEC and CFTC, Mr. Green said. But its focus will be on "minding the store"—not just investigations and enforcement actions after laws have been broken, but establishing a regulatory framework to watch over the flow of money before scandals erupt.

"I think it's going to be strong but not overbearing regulation," said Sen. Charles E. Schumer (D., N.Y.), who serves on three committees that will be involved.

Ms. Schapiro, 53 years old, beefed up enforcement of financial markets while at the National Association of Securities Dealers and helped create the Financial Industry Regulatory Authority, a private regulator. She will take over an organization beset by criticism for its failure to detect or stop major fraud, most recently the alleged scam run by Bernard Madoff.

Mr. Gensler, a Goldman Sachs Group Inc. veteran, was a senior official in the Clinton administration's Treasury Department, dealing with financial crises, domestic and international. As an aide to then-Sen. Paul Sarbanes, he helped craft the Sarbanes-Oxley regulatory law that grew out of the implosions of Enron and WorldCom.

Mr. Tarullo, a Georgetown University law professor, was a close economic adviser of Mr. Obama through the primaries and general election. He has been a point man during the transition on the Wall Street bailout and efforts to rescue domestic auto makers.

After serving in the Clinton administration in several positions, he ended up assistant to the president for international economic policy.

Obama stimulus plan gets bigger

By Jonathan Weisman

President-elect Barack Obama's economic team is crafting a stimulus package to send to Congress worth between $675 billion and $775 billion over two years, according to officials familiar with the package, and it expects a final price tag even larger.

The transition team has conveyed the figures to Capitol Hill, where the package is likely to grow as it works its way through the House and Senate. An Obama adviser familiar with the planning said the package could top out around $850 billion. Democratic leadership aides said it could easily exceed that before the package gets back to Mr. Obama's desk in final form.

"The biggest fear is that people will do too little," said one Democratic leadership aide, "like a start-up that fails because it didn't do enough."

Obama aides hope to keep the package below the trillion-dollar mark, a psychological threshold that could carry political consequences, as they fear being accused of adding too much to the country's long-term budget deficit.

Obama advisers and Democratic aides in Congress are accelerating their work on the massive economic-recovery package this week, ahead of Mr. Obama's two-week holiday in Hawaii and the break between the disbanding of the 110th Congress and the forming of the 111th.

Both congressional aides and the Obama team want a package ready when Congress returns Jan. 6, so legislation can reach the House and Senate floors before Mr. Obama's Jan. 20 inauguration.

Even before the details are known, a coalition of liberal groups and labor unions on Thursday announced a major campaign to get the package passed before Inauguration Day, arguing that the new president shouldn't have to expend political capital to rescue the economy left behind by his predecessor.

The coalition includes unions such as the Service Employees International Union and the AFL-CIO, the Sierra Club and umbrella group Americans United for Change, which helped sink President George W. Bush's effort to add individual investment accounts to Social Security.

The broad parameters of the package are known already. It will include a tax cut designed to pump $50 billion to $100 billion into the economy almost immediately; around $100 billion in aid to state governments, primarily to temporarily assume more of the cost of Medicaid, in hopes of staving off benefit cuts or tax increases; and funding in five main areas: traditional infrastructure, school construction, energy efficiency, broadband access and health-information technology.

But, in pursuing the largest fiscal stimulus since the Great Depression, Democrats are likely to add many more funding categories, legislative aides say.

Mix of old and new faces is filling out Team Obama

By Gerald F. Seib

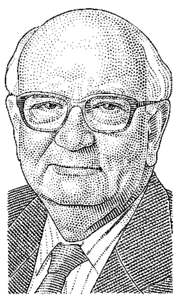
CAPITAL JOURNAL

It was said during the Bill Clinton era that the U.S. was getting two presidents for the price of one: President Clinton and first lady Hillary as well.

The Obama transition is putting a new twist on that idea. The president-elect is giving the country two administrations for the price of one.

The first one, composed of Mr. Obama's initial wave of high-profile appointees, is full of experienced, familiar Washington veterans. This is the team that pleased moderates and even some Republicans, reassured financial markets—and made the party's liberals complain about "retreads" and wonder what all that "change" rhetoric was about.

The second wave of appointments, most coming in the past week or so, has amounted to a wholly different kind of team. This one is composed of lesser-known names, new faces and, all told, the kind of folks who look like the fabled "agents of change" promised in the campaign.



Paul Volcker

Just about everybody knew the names in the first wave: Hillary Clinton, Robert Gates, Paul Volcker and Lawrence Summers, familiar faces and Washington insiders all. But how many people knew before this month the names Arne Duncan of Chicago, Steven Chu of Berkeley and Lisa Jackson of Trenton? They are, respectively, Mr. Obama's designated education secretary, energy secretary and Environmental Protection Agency administrator.

It's no coincidence the rollout of the new administration worked out this way, Obama aides say. The old faces are grouped in the economics and national-security camps, an effort by Mr. Obama to send reassuring signals at a time of war and economic upheaval. The message to markets and the world: no on-the-job training in those areas amid crisis.

The new faces, by contrast, are most notable in the areas of energy and the environment. The signal there: Big changes are coming—or at least being sought—on America's energy profile and its approach to climate change.

This mix of old and new, representatives of continuity and agents of change, is in keeping with the No Drama Obama style, which eschews jerky motions to one side or the other. It also has brought forth a team that is difficult to pigeon-hole ideologically, just as the candidate was. It screams the word increasingly attached to the president-elect himself: pragmatic.

Of course, the roster isn't quite complete yet. Mr. Obama on Thursday named former Securities and Exchange Commission member Mary Schapiro to head the commission. He is expected to pick retiring Republican Rep. Ray LaHood of Illinois to be transportation secretary, and California Democratic Rep. Hilda Solis to be his labor secretary.

Two sensitive national-security posts—director of national intelligence and head of the Central Intelligence Agency—remain unfilled.

The other remaining big position, U.S. trade representative, is an important one that hasn't gotten the attention it deserves. Mr. Obama plans to name former Dallas Mayor Ron Kirk, a free-trade advocate, to the post. Mr. Kirk will assume the task of preventing Democrats from drifting too far away from their open-trade stance of recent years, and will have to sort out the decidedly mixed messages the party sent on trade during the campaign year.

The Obama team that's taking shape is hardly going to please everyone, of course. Despite a lot of talk of bipartisanship, it isn't terribly bipartisan; it has just two Republicans, Mr. LaHood and Defense Secretary Robert Gates, who is remaining in place, and who is as much an independent as a partisan. The South is under-represented. Liberals still have an uneasy feeling they are under-represented.

But the most striking characteristic of the emerging cast of characters is this mix of old and new faces. What the two camps have in common is a general lack of obvious ideological fervor.

Ms. Jackson, for example, is a Princeton-educated chemical engineer who worked previously in the EPA, the agency she is now to head, later ran New Jersey's main environmental regulator, and then became chief of staff for Gov. Jon Corzine. She fits into the mold of other Corzine appointees, known more as technocrats than ideologues. In fact, though she's clearly a Democrat, her choice was opposed by some in the Democrat-friendly environmental community in her state.

"Lisa and fellow, fairly nonpolitical, professional selections of Corzine were sometimes called 'sensi-crats,' as in sensible Democrats," says Jim McQueeny, a veteran New Jersey political analyst. "Others called them 'neutracrats,' which some said meant neutral politically, and others, less kindly, said referred to the fact they were politically neutered."

The real prototype of Obama appointees, though, may be Mr. Duncan, the Chicago schools chief who is to become education secretary. A Harvard graduate, onetime professional basketball player in Australia, and friend of the president-to-be, Mr. Duncan has managed to build a reputation as a school reformer without winning the enmity of the teachers unions that often resist school reforms.

How did he do that? "He's a little bit of a Rorschach figure; you can read into him what you want," says Chester Finn, a conservative education expert who served in the Reagan education department yet praises the Duncan selection. He calls Mr. Duncan a "rounded-edges kind of guy" who has "closed some schools but hasn't had mass layoffs" among teachers. "He's a pragmatist, I guess," Mr. Finn concludes. At this point, at least, that seems an apt description of much of the emerging Team Obama.

U.K. government deficit soars in weak economy

November borrowing was largest since '93; mortgages decline

By Natasha Brereton And Joe Parkinson

LONDON—British government and household finances have taken a turn for the worse as the economy struggled in the fourth quarter.

British public-sector borrowing soared to a net £16 billion ($25 billion) in November, up nearly 50% from the same month of last year and marking the biggest deficit for a single month since records began in 1993, the Office for National Statistics said Thursday.

Meanwhile, mortgage lending in the same month fell sharply again, and the Council of Mortgage Lenders said the outlook is set to deteriorate further next year.

Analysts warned that much worse was yet to come.

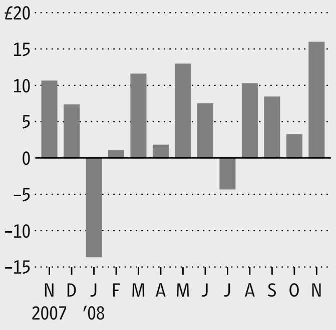
"November's public finances figures were worryingly bad given that they are only just starting to reflect the impact of the recession," said Vicky Redwood, U.K. economist at Capital Economics.

She added that with the economy set to weaken by a greater degree than the government has accounted for, borrowing is likely to jump to around £150 billion per year over the next few years.

Speaking in parliament Thursday, U.K. Chancellor of the Exchequer Alistair Darling defended the government's decision to boost borrowing, saying it "made sense." But he emphasized the need to ensure borrowing is reduced as the economy recovers and starts to grow again. "We've got to take the right action to make sure that borrowing falls within a reasonable period," Mr. Darling said.

Debtor nation

U.K. public sector net borrowing, in billions of pounds



Source: Office for National Statistics, U.K.

In the fiscal year to date, net public-sector borrowing stood at £56.1 billion—also the highest figure since records began. That compares with just £29.2 billion in the same period last year and with a full-year government target of £78 billion.

Meanwhile, the Council of Mortgage Lenders said net mortgage lending fell 22% in November to £14.6 billion, from £18.6 billion in October. Net lending will probably turn negative in 2009, the CML said.

The industry group also predicted that the number of U.K. households in arrears will surge to 500,000 in 2009 from 210,000 in 2008. Repossessions will also rise, hitting 75,000 next year, the CML said.

"The housing market will remain extremely subdued and net mortgage lending is likely to turn negative," said CML Director General Michael Coogan. "Repayment problems will worsen against the backdrop of rising unemployment, but lenders and government are working to try to reduce the negative impact on borrowers," he said.

The U.K. government is pushing banks and other lenders to maintain activity at 2007 levels, and the Bank of England cut its key interest rate to 2.0% in December from 3.0%. But the CML has said this target is totally unrealistic for the mortgage market.

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Kindly visit our website www.hindustanpetroleum.com for corrigendum / addendum with respect to deletion of tender item no. 7 (Raman- Mandi Marketing Terminal of Part B), terms & conditions and response to pre-bid queries of above tender. Due date of the tender has been extended to 15.01.09 by 14.30 Hours (IST).
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Chinese clout in R&D to grow further in 2009

By Gautam Naik

After a decade of uninterrupted increases, U.S. investment in research and development is set to fall next year, as corporations and the federal government tighten their belts in response to a faltering economy.

On the global stage, China and India continue to make big strides toward increasing their R&D clout. China is on the verge of toppling Japan as the second-largest spender on R&D. The U.S. remains the largest spender, with about 34% of the global share. Driven by China and other Asian countries, global R&D investment has risen steadily for several years. In 2009, however, global R&D spending in inflation-adjusted dollars is expected to be flat.

Without accounting for inflation, global R&D spending is expected to rise 3.2% to $1.14 trillion in 2009. The study assumes inflation of about 3.2% next year.

Ukraine's move to prop up hryvnia irritates Russia

By Alexander Kolyandr, And Geoffrey T. Smith

Fresh attempts to stabilize Ukraine's falling currency Thursday met with Russian threats to cut off natural-gas supplies and a call by the prime minister for the central bank's chairman to be sacked.

The central bank intervened in markets by selling more dollars and promising another increase in already high interest rates. The hryvnia is down 12% this week and by about half since September.

The drop has increased unease among the population and the banking system. A weaker hryvnia raises the chances of bank defaults, as many have lent in dollars or euros to Ukrainians whose only income is in local currency. Popular protest is starting to bubble across the country, though an opinion poll published Thursday by the Gorshenin Institute think tank showed few are ready to take to the streets.

Much of the ire is directed at the country's banks, which have been suspected of using foreign currency made available by the central bank to speculate on the interbank lending market rather than making it available in the country. Prime Minister Yulia Tymoshenko on Thursday called for the firing of Volodymyr Stelmakh, chairman of the National Bank of Ukraine, for mismanaging the situation. Ukraine President Viktor Yushchenko is considering restrictions on the use of foreign currency by exporters and reducing central-bank refinancing funds available to commercial banks.

Compounding the problem is that natural gas must be bought from Russia. Local consumers pay **Naftogaz Ukrainy**, the country's gas utility, in hryvnia for gas it has to buy from Russia's OAO **Gazprom** in dollars.

Gazprom, which supplies a quarter of Europe's natural gas, said Thursday that it isn't obliged to continue supplying natural gas to Ukraine, which has fallen behind on payments, and may halt deliveries beginning Jan. 1. The Russian company says it has received $800 million from Ukraine, but believes Ukraine won't complete payments for November and December before 2009. Naftogaz says it is paying its debts regularly.

The dispute has broader ramifications, as Ukraine is a key transit point for gas headed to Europe. The European Union expressed concern about the threat of a midwinter cutoff and urged a solution to the standoff.

The hryvnia has fallen from around 4.75 to the dollar in September to historic lows of 9.8 on Thursday. Dollars were offered above 10 hyrvnia in street exchange booths. Finance Minister Viktor Pynzenyk said the central bank will sell dollars at 8.95 hryvnia Thursday and at 8.70 hryvnia Friday.

In addition, central bank Chairman Stelmakh said the National Bank of Ukraine will cut the money supply by increasing the key rate from the current 12%. However, he didn't specify what the new rate will be or when the increase will come.

Last month the central bank allowed the hryvnia to trade freely as stipulated by the International Monetary Fund when it gave Ukraine a $16.5 billion stabilization loan.

—Clare Connaghan and Jeffrey Sparshott contributed to this article.

Global leaders are urged to step up coordination

By Tom Barkley

WASHINGTON—Global leaders need to urgently step up their coordinated response to the global financial crisis, as bank losses top $1 trillion and the world economy heads into the worst recession in modern times, the managing director of the Institute of International Finance said Thursday.

"This is a globally synchronized recession, it requires a globally coordinated approach," said Charles Dallara at a press conference to discuss the financial industry group's latest economic forecasts. "We have seen some indications and recognition of that, but not enough."

In its gloomy assessment, the IIF forecasts a 0.4% contraction in the world economy next year, following an estimated 2% expansion in 2008.

Mature economies will lead the way into the recession, expected to decline 1.4% in 2009, while emerging markets are forecast to grow 3.1%. The euro-zone economy is forecast to contract 1.5%, with the U.S. economy seen declining 1.3% and Japan falling 1.2%.

Mr. Dallara said it is important for the U.S., Europe and Japan to coordinate on a broad range of responses, from fiscal and monetary stimulus to a more aggressive effort to shore up financial institutions.

Emerging economies increasingly caught up in the turmoil will also need greater assistance, especially from the International Monetary Fund, World Bank and other multilateral institutions, he said. Mr. Dallara also recommended that central banks in advanced countries should consider expanding swap lines.

Turkey lowers rates to 15% despite worries about lira

By Christopher Emsden

Turkey's central bank Thursday cut its benchmark interest rate by 1.25 percentage points to 15% in response to the economic downturn.

The cut followed a half-point reduction last month and was much larger than anticipated. Analysts and investors had expected the bank to move more cautiously because of a need to defend the Turkish lira.

"This highlights just how shockingly bad recent economic data have been," said Simon Quijano-Evans, an analyst at Cheuvreux, a unit of Crédit Agricole.

Turkish production of autos fell by 58% in November, and industrial production has been contracting since October. Adjusting for working days, Turkish gross domestic product has been contracting since the spring, according to Goldman Sachs analyst Ahmet Akarli.

The move comes as data point to sharp deterioration in public finances and as signs of strain emerge in the banking system.

The lira's recent strength bolstered Central Bank Gov. Durmus Yilmaz's case for cutting rates, said Mr. Quijano-Evans. The lira gained 5% at one point before the decision Thursday, but ended the day up 1.7% to 1.50 Turkish lira to the dollar.

A strong Turkish lira helps tame inflation, but with a recession all but certain in 2009, that isn't the focus of policy makers now.

The rate cut "should be seen as part of the global coordinated reaction agreement that the G-20 reached in Washington, with the Federal Reserve as the clear front-runner," said Mr. Quijano-Evans. "We should look for more of the same from all central banks."

Turkey is in talks with the International Monetary Fund for a standby loan that should—alongside the central bank's $72 billion in foreign-exchange reserves—protect the country from a violent squeeze.

Turkey has around $100 billion in debt coming due next year in a crowded market. However, lower oil prices and very weak growth mean that its current-account deficit is likely to shrink to 2.7% of GDP next year from 6% today, sharply reducing the need for external financing, said Mr. Akarli.

National Australia Bank, ANZ warn bad loans will increase

By Lyndal McFarland

MELBOURNE, Australia—Two more Australian banks warned that bad loans will rise and loan growth is likely to slow as the global financial crisis hits home.

Australia & New Zealand Banking Group Ltd. and National Australia Bank Ltd. joined Commonwealth Bank of Australia Ltd. to warn of deteriorating market conditions, echoing comments made by the nation's biggest bank by market capitalization, Westpac Banking Corp., earlier this month.

Shares in Australian banks have tumbled in recent months as they have revealed rising loan losses resulting from exposure to collapsed companies, including Alco Finance Group Ltd. and ABC Learning Centres Ltd., as well as a slowdown in economic growth.

All of the nation's big banks also have tapped investors in recent weeks to bolster capital positions as they brace for higher loan losses and defaults.

Commonwealth Bank said this week that impairments for the full year ending June 30 on its total loans likely would be about 0.6 percentage point, which equates to about 2.5 billion Australian dollars (US$1.75 billion), meaning the lender expects about 0.6% of its total loans are in trouble.

The projection was above the average market forecast of A$2.02 billion and compares with A$930 million in the prior year. The Sydney bank said five weeks ago that it expected impairments to total 0.4% to 0.5% of loans.