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After historic win, Obama gets to work

U.S. president-elect starts shaping team as transition begins

By Jonathan Weisman
And Laura Meckler

WASHINGTON—The day after President-elect Barack Obama's historic win, attention turned to his transition team and new administration.

Mr. Obama already made the first selection for the new administration, choosing Illinois Rep. Rahm Emanuel to be his White House chief of staff, the Associated Press reported. Several Democrats also said Massachusetts Sen. John Kerry, who lost the party's presidential bid four years ago, was actively seeking appointment as secretary of state in the new administration, according to the AP.

Mr. Obama issued a statement Wednesday announcing that his transition team would be headed by John Podesta, a former White House chief of staff under President Bill Clinton; Pete Rouse, who has been Mr. Obama's chief of staff in the Senate; and Valerie Jarrett, a friend of the president-elect and campaign adviser.

Meanwhile, the nation's top intelligence officials were to begin highly classified daily briefings with Mr. Obama on Thursday. A U.S. intelligence official said Sen. Joe Biden, the vice president-elect, will begin to get his own briefings beginning this week.

President George W. Bush promised Wednesday to cooperate with Mr. Obama, who takes office Jan. 20, in the transition work that will precede the transfer of power to the newly elected Democrat.

Mr. Bush went to the Rose Garden of the White House Wednesday morning to also pay tribute to Sen. John McCain and Alaska Gov. Sarah Palin, the losing Republican ticket.

Mr. Obama's election was a historic breakthrough in a country that has had monumental civil-rights battles. "No matter how they cast their ballots, all Americans can be proud of the history that was made yesterday," Mr. Bush said.

Mr. Obama scored a strong Electoral College win that redrew America's political dynamics in defeating Sen. McCain, as citizens flocked to the polls in a presidential race that climaxed amid the worst financial crisis

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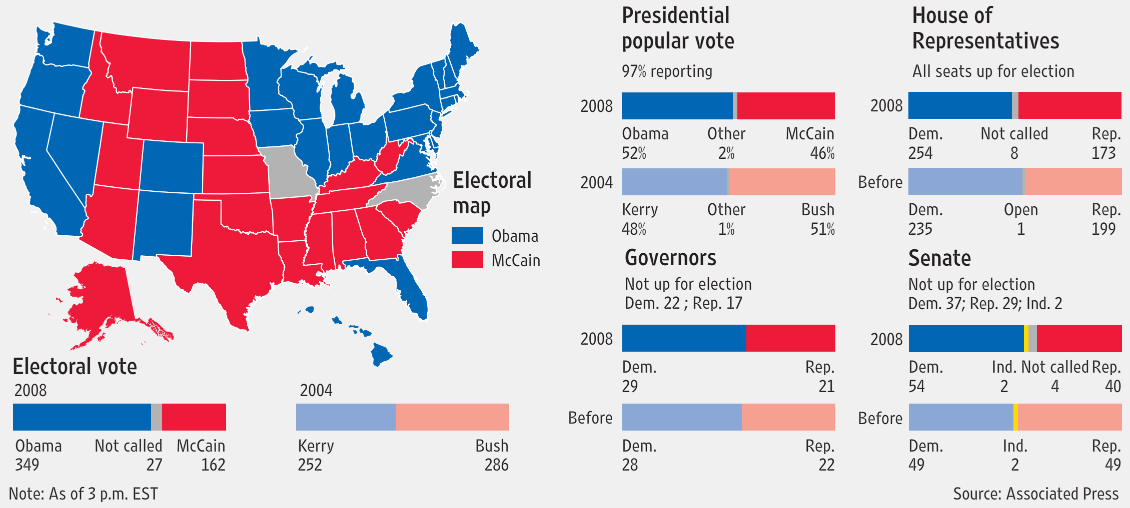
President-elect Barack Obama

Associated Press

Election scorecard



Source: Associated Press

What's News—

Business & Finance

U.S. stocks surrendered all of their Election Day gain, and then some, Wednesday as traders shifted their attention back to the deteriorating economy and incoming data. European shares fell, breaking their longest winning streak of the year. Page 22

- **Germany's cabinet cleared** economic-stimulus measures that will cost about $30 billion over four years. Page 2
- **Siemens will set aside** an estimated $1.3 billion to pay fines to U.S. and German authorities investigating alleged bribery at the company. Page 3
- **Total reported** a 2% profit decline as older oil fields and security and shutdown issues outweighed new production. Page 2
- **ArcelorMittal will slash** production by more than a third due to falling demand. Page 5
- **Google withdrew** from its advertising pact with Yahoo, after U.S. regulators said they would sue to block the deal. Page 6
- **BNP Paribas reported** sharply lower third-quarter profit. Page 21

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	9139.27	-486.01	-5.05
Nasdaq	1681.64	-98.48	-5.53
DJ Stoxx 600	228.13	-5.37	-2.30
FTSE 100	4530.73	-108.77	-2.34
DAX	5166.87	-111.17	-2.11
CAC 40	3618.11	-72.98	-1.98
Euro	$1.3066	+0.0084	+0.65
Nymex crude	$65.30	-5.23	-7.42

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World-Wide

Attention in the U.S. turned to Obama's transition team and new administration, after his historic presidential win. He was set to begin highly classified briefings with intelligence officials Thursday. Meanwhile, much of the world looked on Obama as the new global leader, but there also were signs of challenges he will face. Page 1

- **Obama's foreign policy will** focus on wooing longtime U.S. adversaries while rebuilding alliances in Europe and Asia hurt over the past eight years. Page 9
- **Russia's Medvedev issued** a chilly reception to the coming U.S. administration and threatened to station missiles deep inside Europe, in his first state-of-the-nation speech. Page 3
- **Afghanistan's president** demanded Obama put an end to civilian casualties as villagers said U.S. planes bombed a wedding party, killing 37. The U.S. said it would investigate. Page 11
- **Hamas militants hit** southern Israel with rockets after Israeli forces killed six gunmen in Gaza, in a new bout of violence.
- **Armed men kidnapped** four European aid workers and two Kenyan pilots in Somalia.
- **Spain rejected** an asylum request from a son of bin Laden.

Editorial & Opinion

President Obama
What Tuesday's election means for Americans, Congress and Europe. Pages 13-15

Challenges await new president

Despite popularity, inevitable clash of global interests looms large

By John W. Miller in Brussels,
Farnaz Fassihi in Beirut, and
James T. Areddy in Shanghai

From the halls of power in London to his relatives' ramshackle village in Kenya, much of the world on Wednesday didn't simply look at Barack Obama as the newly elected president of the United States, but as the new global leader.

Germany tabloid Bild summarized the sky-high hopes of millions of Europeans with the front-page headline: "Good Morning Mr. President—Make the world better!"

But there also were immediate signs of the challenges that the incoming U.S. president will face from overseas, beyond addressing impossibly high expectations that his mere election will resolve the world's pressing problems of poverty, terrorism and climate change.

Some countries wasted no time in sending a signal that they weren't in a festive mood about Mr. Obama's victory. Russian President Dmitry Medvedev delivered a blistering critique of U.S. foreign policy that appeared to throw down the gauntlet to the incoming president.

Afghan President Hamid Karzai demanded that Mr. Obama put an end to civilian casualties after reports that U.S. warplanes bombed a wedding party, killing 37 people—nearly all of them women and children. "We cannot win the fight against terrorism with airstrikes," Mr. Karzai said. "This is my first demand of the new president of the United States—to put an end to civilian casualties."

The developments in Russia and Afghanistan crystallized the challenge facing Mr. Obama: While he is wildly popular abroad, he is still the president of just the U.S.—and his defense of U.S. interests will inevitably clash with those of other nations.

In the war on terrorism, for instance, Mr. Obama has stressed that he wants to step up the military effort in Afghanistan and Pakistan against Islamic militants that are holed up along the border of the

Please turn to back page

Associated Press

An **Indonesian schoolboy reacts** Wednesday to the announcement that Barack Obama won the U.S. presidential election at Obama's former school in Jakarta.

THE WALL STREET JOURNAL.

LEADING THE NEWS

Total's earnings fall 2%

Security issues, shutdowns outweigh new oil production

By Adam Mitchell

PARIS—French oil and gas major **Total** SA on Wednesday reported a 2% decline in third-quarter net profit, as robust sales growth was offset by inventory effects and other items.

Total, one of the world's biggest oil companies, said net profit fell to €3.05 billion ($3.97 billion), from €3.12 billion a year earlier. The earnings were hit by charges of €752 million linked to inventory valuations and a €190 million charge largely related to contract renegotiations in Libya.

However, third-quarter profit adjusted to exclude inventory changes, nonrecurring items and the company's equity share of the amortization of intangibles related to the Sanofi-Aventis merger rose 35% to €4.07 billion from €3 billion a year earlier. Adjusted profit is the income figure analysts watch most closely. Total's underlying results confirm a sector-wide trend toward robust profits in the third quarter thanks to the steep rise in oil prices this summer.

Sales jumped 24% to €48.85 billion from €39.43 billion a year earlier, as record-high oil prices helped make up for a 5.1% decline in production.

New production from the North Sea and Congo failed to offset the effects of production-sharing contracts, the normal decline of producing fields, unscheduled shutdowns in Libya and the North Sea, and security issues in Nigeria, all of which hit third-quarter production, said Chief Executive Christophe de Margerie.

Under the terms of production-sharing contracts in some countries, Total retains fewer barrels of its production as the oil price rises.

Total said it still expects higher oil prices in the medium- to long-term, supported by a tight balance of supply and demand.

Total's third-quarter results are strong compared to peers, said ING analyst Jason Kenney. However, he cautioned against putting too much emphasis on "counting the barrels." Mr. Kenney stressed the surge in upstream profits and said the third-quarter decline in output appears a "short-term blip," noting a lot of projects in the pipeline.

Associated Press

Total's **underlying results** confirm a sector-wide trend toward robust profits in the third quarter thanks to the steep rise in oil prices this summer.

German cabinet clears $30 billion stimulus plan

By Andrea Thomas

BERLIN—Germany's cabinet approved measures to boost the economy that will cost the country's public finances around €23 billion ($30 billion) over four years.

Chancellor Angela Merkel's government hopes the measures, including tax breaks and state-backed loans, will unleash around €50 billion of extra investment by the public sector and German businesses and households in 2009 and 2010, while safeguarding an estimated one million jobs.


Angela Merkel

But Germany rejected appeals by business groups and some politicians for extra income-tax relief. Finance Minister Peer Steinbrück said that German households would probably save the money gained by such a measure instead of spending it, and that any boost to domestic demand would come too late to soften the looming recession.

Other European countries also plan to prop up growth through fiscal policy, including Spain, France and the U.K. On Wednesday, Switzerland's government said it is considering lowering the tax burden for households and businesses.

As a part of Germany's package, state-owned KfW Banking Group will provide up to €15 billion in extra financing for commercial banks aimed at boosting banks' ability to lend to business and private customers.

The package also includes more-generous tax rules allowing companies to write off the cost of investments and extra money for public infrastructure projects.

Analysts doubt the plan will offer much of a cushion against a widely expected contraction next year. "These tax measures will have some effect, but not a large one," says Martin Lueck, economist at Swiss bank UBS in Frankfurt.

Separately, European Union regulators on Wednesday refused to give **Commerzbank** AG an immediate all-clear for a German government capital injection that would help it ride out losses from the financial crisis. Commerzbank struck a deal Monday to get up to €23.2 billion in government help to boost its capital, as part of a wide German rescue package for banks starved of liquidity.

—Marcus Walker in Berlin and Martin Gelnar in Zurich contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Under the Swiss government rescue plan, as much as $60 billion in illiquid securities will be transferred from **UBS** AG into a fund managed by the Swiss National Bank. A Leading the News article Wednesday incorrectly stated the assets will be assumed by the Swiss government and the SNB.

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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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

LEADING THE NEWS

Medvedev derides U.S.

In national address, Russian leader gives no sign of softening

By Alan Cullison

MOSCOW—Russian President Dmitry Medvedev issued a chilly reception to the incoming U.S. administration, threatening to station missiles deep inside Europe and lambasting the U.S. for "selfish" foreign-policy and economic blunders.

Mr. Medvedev also proposed extending the term of the Russian president to six years from four, a change that may benefit his predecessor and prime minister, Vladmir Putin, who may run for president again in 2012.

Without mentioning U.S. President-elect Barack Obama by name, Mr. Medvedev said he hoped the new administration in Washington will take steps to improve badly damaged U.S. ties with Russia. But he suggested it is up to Washington, not Moscow, to improve relations.

"We have no problem with the American people, no inborn anti-Americanism," he said.

Mr. Medvedev's speech, his first state-of-the-nation address since he became president in May, bore few signs of a hoped-for softening toward the West, or of the authoritarian political system established under Mr. Putin.

Germany's foreign ministry called Mr. Medvedev's plan to deploy missiles in response to U.S. plans for an antimissile system "a wrong signal at the wrong time."

The Kremlin has repeatedly called on Washington to abandon the planned missile system.

Analyst George Perkovich said the speech recalled the threats delivered in 1961 by Soviet leader Nikita Khrushchev to another newly elected U.S. president, John F. Kennedy, at a summit in Vienna.

"It looked like a clumsy effort to test the new president's mettle," said Mr. Perkovich, vice president for studies at the Carnegie Endowment for International Peace in Washington. "It's a psychological ploy the U.S. should not fall prey to."

Mr. Medvedev repeated earlier assertions of Mr. Putin that a realignment was needed in international politics, with a demotion of U.S. influence.

"Mechanisms must be created to block mistaken, egoistical and sometimes simply dangerous decisions of certain members of the international community," he said shortly after starting the 85-minute speech.

Mr. Medvedev said a "selfish" U.S. foreign policy set off the war in Georgia. He said the U.S. used the war as a pretext to send North Atlantic Treaty Organization warships into the Black Sea, and speed up its plan to deploy antimissile systems in Eastern Europe.

Mr. Medvedev said the Kremlin in response would deploy ground-to-ground missiles in its westernmost territory in Europe, the Russian enclave of Kaliningrad, bordering on European Union members Poland and Lithuania.

He said Russia would also electronically jam the U.S. system, parts of which are due to be deployed in Poland and the Czech Republic, and scrap plans to stand down three Cold War-era nuclear missile regiments.

He peppered the address with references to freedom and democracy but proffered only minor changes to an electoral system that has shunted aside opposition parties and turned parliament into a Kremlin-controlled body that rubber-stamps its decisions.

Mr. Medvedev announced plans to lengthen legislators' terms by a year to five years and make it easier for small parties to win parliamentary representation.

Sergei Mitrokhin, head of the Yabloko political party, said Mr. Medvedev's proposal to prolong the presidential term to six years "is a signal of the continuing bureaucratization of the country and that the government is heading toward stagnation and will be even more isolated from the people."

Mr. Medvedev, who came to power promising to curtail the encroachment of government on the business sector, vowed that his government will continue on its path to economic liberalization.

Medvedev's challenge:

"From what we have seen in recent years, the creation of a missile defense system, the encirclement of Russia with military bases, the relentless expansion of NATO, we have gotten the clear impression that they are testing our strength"

"I stress that we have no problem with the American people, no inborn anti-Americanism. And we hope that our partners, the U.S. administration, will make a choice in favor of full-fledged relations with Russia"

"We will overcome the consequences of the world economic crisis and will come out of it even stronger than we were"

Excerpts from Russian President Dmitry Medvedev at his annual state of the nation speech

"The dramatic fluctuations in the political and economic situation, the turbulent global economy, and even the escalation of military and political tensions will not be used as a pretext for dismantling democratic institutions or nationalizing industries and banks," Mr. Medvedev said.

So far, however, the Kremlin's economic-bailout package, as the global financial crisis takes its toll here, has led to greater state control over industry and banks.

Siemens makes provision for massive bribery fines

By David Crawford And Mike Esterl

Siemens AG said it will set aside €1 billion ($1.3 billion) in estimated fines from U.S. and German authorities investigating alleged bribery at the German conglomerate.

The disclosure by Europe's largest engineering company by revenue suggests Siemens is nearing legal settlements with prosecutors—and is possibly in line for a record U.S. fine for overseas bribery—after German police raided Siemens's offices on suspicion of corruption two years ago. It also reflects Chief Executive Peter Löscher's broader plan to book one-time costs in fiscal 2008, so they don't weigh on results in 2009, when global business conditions are expected to deteriorate.


Peter Löscher

Siemens already signaled it would book around €3 billion in separate restructuring costs in the fourth quarter ended Sept. 30, 2008. The company is scheduled to report its results next week. Fallout from the November 2006 German raid has triggered criminal probes in more than 10 countries amid growing evidence that Siemens bribed customers to win big infrastructure projects abroad. Munich-based Siemens said last year it had flagged €1.3 billion in suspicious transactions in 2000 through 2006.

In a brief statement, Siemens said Wednesday the €1 billion provision is the "current estimate" of coming German and U.S. fines "based on the status of ongoing discussions" with authorities in the company's two biggest markets.

The U.S. Justice Department and the Securities and Exchange Commission have been probing Siemens under the U.S. Foreign Corrupt Practices Act. The costliest fine under that law to date was $44 million, levied against a subsidiary of Houston-based oil-services company Baker Hughes Inc. last year, for payments made to government officials in Kazakhstan. The DOJ and the SEC declined to comment. But a person familiar with the Washington-based talks said that Siemens is in intensive discussions with authorities and is increasingly "comfortable" about where they are headed.

Siemens also is negotiating a followup settlement with Munich prosecutors. The company agreed last year to pay German authorities a €201 million fine for bribing government officials in Nigeria, Russia and Libya to win telecommunications-equipment contracts earlier this decade.

A spokesman for Munich prosecutors confirmed new settlement talks with Siemens over alleged bribes paid by other business units. Siemens booked €72 billion in revenue in fiscal 2007 and manufactures products that range from light bulbs and medical scanners to steam turbines and high-speed trains.

CORPORATE NEWS

Drug makers target developing countries

Western firms aim for the newly affluent as other markets slow

By Shirley S. Wang
And Jeanne Whalen

Reaching the most **affluent consumers** in developing countries, such as India, can mean billions of dollars in revenue for Western drug companies.

Associated Press

As prescription-drug sales slow in the U.S. and other developed markets, pharmaceutical makers are increasingly targeting countries such as Brazil, Russia, India and China, where rising prosperity has produced new customers willing to pay near U.S. prices for brand-name prescription drugs.

Sales of Western prescription drugs in emerging markets are expected to grow by as much as 15% a year, to as much as $161 billion. Meanwhile, drug-sales growth in the U.S. is expected to slow to 1% to 2%, according to IMS Health, which tracks drug data globally.

Reaching the top 1% to 3% of affluent consumers in developing countries can mean billions of dollars in sales for Western drug companies.

Leading U.S. health-care companies such as **Johnson & Johnson**, **Pfizer** Inc., **Merck** & Co. and **Wyeth** are trying to increase their presence in emerging markets by expanding their sales forces, acquiring or teaming up with local companies and developing medicines specific to those markets.

In the 2008 first half, Pfizer's sales in seven emerging markets totaled some $5 billion, even though the company's market share in those countries combined amounts to only 3% so far.

"The dynamic five years ago was, we live or die by the U.S.," says Ray Hill, general manager of IMS's consulting group. "The story now is quite different because these [emerging] markets are so critical to the economy globally."

But the strategy isn't without risks, particularly the possibility of incurring social and political pressures as demand for the branded drugs spreads beyond the affluent patients in these countries.

"Our concern as a medical humanitarian organization is the 'bottom billion' who can't afford the medicines," says Buddhima Lokuge, the U.S. manager of Doctors Without Borders' campaign for access to essential medicines. "Essential medicines should not be a luxury," he adds.

Vibha Kapoor, the 44-year-old owner of a travel agency in Delhi, India, paid about $400 for 10 Valtrex pills, **GlaxoSmithKline** PLC's herpes and shingles medicine, almost half of her family's income of $1,000 a month, to treat a critically ill patient close to the family.

"If there is some critical disease in the family, then the doctor will prescribe some foreign brand," she says. "I know I have to pay extra and I will pay extra."

Elena Kuchmiyeva, a blind 35-year-old Russian with Type 1 diabetes, gets some of the pills she needs from the state, but she still spends most of her monthly disability pension of about 6,000 rubles, or $224, on medicine.

"In August I was supposed to get five flasks of imported insulin but I got only two. They tried to give me the rest in Russian insulin but I wouldn't take it," she says. She blames poor-quality insulin for causing her to go blind in her early 20s and doesn't trust generics.

In some developing countries, high drug prices have sparked organized protests, particularly over medicines important to public health, such as HIV drugs, leading to price cuts in Brazil and elsewhere. Government or third-party payer systems could step in to negotiate lower prices or refuse to pay for some medicines, applying additional pricing pressure.

"The moment governments get stricter and better organized, there will be huge pressure on the prices," says Hans Hogerzeil, director of essential medicines and pharmaceutical policies at the World Health Organization.

Companies recognize that they may need to make exceptions to the strategy of pricing drugs based on what the most affluent patients can pay. For instance, in order to broadly immunize China's population, Wyeth says it will be "flexible" in pricing its pediatric pneumococcal vaccine Prevnar, which was recently approved for use in that country.

Even the risk of such pressure isn't deterring drug makers' pursuit of emerging markets because the markets are crucial to the companies' long-term health.

Sales in the important U.S. market are slowing because drug-safety scrutiny is increasing and pharmaceutical prices are under pressure from generic competition and health insurers. The big pharmaceutical companies are also struggling to refill their product pipelines with new offerings as their blockbuster drugs' patents expire.

But in China, Pfizer's sales soared 60% in the first half, excluding the favorable impact of the dollar's low value in that period, the company says.

Pfizer plans to expand its sales force to more cities in China, with a goal of reaching 27 more of them by year end, up from 110 in March, Pfizer Chief Executive Jeffrey Kindler said in July.

In addition to enlarging their sales forces, Western drug companies are building other links in emerging markets. Last month, Johnson & Johnson expanded its partnership with **WuXi PharmaTech Cayman** Inc., a Chinese pharmaceutical research and development organization.

J&J and **Abbott Laboratories**, which have large medical-device businesses, run training programs for physicians on how to conduct specialized procedures, such as implanting cardiac stents.

"I think it definitely illustrates the toughness of the U.S. market," says Mike Krensavage of Krensavage Asset Management LLC. "I don't think the drug companies have much of a choice."

Sanofi halts Acomplia drug trials

By Jeanne Whalen

French drug maker **Sanofi-Aventis** SA said it is discontinuing clinical trials of anti-obesity drug Acomplia, putting an end to a controversial drug that has been linked to psychiatric side effects.

A Sanofi spokesman said health regulators in France and Germany ordered trials to be stopped out of safety concerns. That prompted Sanofi to end clinical development, which involves 24,000 patients in more than 50 countries, he said.

Sanofi has invested hundreds of millions of euros in Acomplia, and had high hopes for its sales. But two weeks ago, the European Medicines Agency recommended that sales of the drug be halted because of concerns about its psychiatric side effects. The EMEA noted that five patients taking Acomplia in clinical trials committed suicide between June and August this year.

Once one of Sanofi's most promising drugs in development, Acomplia has faced extensive problems with regulators. The U.S. never approved the drug for sale due to concerns over side effects, including depression and suicidal thinking. Europe approved it for sale in 2006 as a treatment for obesity but has added increasingly stern warnings.

Sanofi had planned to continue large clinical trials of the drug to determine its potential against diabetes and heart disease. But that plan was thwarted when the French and German regulators demanded that trials on their territory be stopped, the Sanofi spokesman said.

The French regulator, Agence Française de Sécurité Sanitaire des Produits de Santé, Wednesday said it was ordering an end to all clinical trials of Acomplia.

Acomplia had sales of just €54 million ($69.3 million) in the first half of 2008. Sanofi had total sales of €13.6 billion in the same period.

The drug blocks receptors in the brain that help control food intake. Some scientists fear that the class of drugs has negative effects on the brain. **Merck** & Co. recently stopped developing a similar drug because of its psychiatric side effects.

Glaxo to cut U.S. sales force by 12% in restructuring

By Peter Loftus

GlaxoSmithKline PLC plans to cut its U.S. sales force by about 12% in a restructuring the British drug maker says will better serve doctors.

Glaxo said it will eliminate nearly 1,800 U.S. sales positions, some of which are vacant, and shift some sales representatives to its vaccine unit from its pharmaceutical unit, for a net reduction of about 1,000 employees. That will leave it with a U.S. sales force of about 7,500 by year end.

As part of the restructuring, the company plans to group its sales staff around specific treatment areas—such as respiratory, for the asthma drug Advair and allergy medicine Veramyst, and cardiovascular and metabolic, for the diabetes pill Avandia and heart drug Coreg—rather than by geographic area, as in the past.

Spokeswoman Mary Anne Rhyne said health professionals have told Glaxo "they want to see fewer reps but want to see people with specialized training and information."

The job cuts follow similar ones this year by other drug makers, including **Merck** & Co., **Wyeth** and **Schering-Plough** Corp. Big drug makers are under pressure from generic rivals and heightened government scrutiny of drug safety and marketing practices.

Glaxo said it will designate its facilities in Research Triangle Park, N.C., as its sole headquarters for the U.S. Previously, the site had shared that status with a site in Philadelphia.

Ms. Rhyne said Glaxo is making the move partly because it owns its buildings in Research Triangle Park, where about 5,000 employees work.

Genzyme, Osiris forge pact to develop stem-cell drugs

By Jon Kamp

Genzyme Corp. and **Osiris Therapeutics** Inc. reached a deal, valued at as much as $1.4 billion for Osiris, to jointly develop and sell Osiris stem-cell-based treatments aimed at several diseases.

Genzyme will pay Osiris $130 million upfront in two guaranteed payments, the second of which is due on July 1, while it helps develop and market Osiris's Prochymal and Chondrogen products. The deal then calls for as much as $1.25 billion in potential payments over several years as regulatory and sales milestones are hit.

Prochymal and Chondrogen are made from a type of stem cell that is taken from the bone marrow of adult donors. Prochymal is an injectable drug aimed at a number of diseases, including a rare immune-system problem that can hit marrow-transplant patients, while Chondrogen is being developed as a potential injectable treatment for severe knee arthritis.

Baltimore-based Osiris would market the two products in the U.S. and Canada, while Genzyme, of Cambridge, Mass., would market them elsewhere. C. Randal Mills, Osiris's president and chief executive, said the deal will provide a financial boost as the company is spending on several clinical trials aimed at bringing its products to market.

Henri A. Termeer, Genzyme's chairman and chief executive, said the agreement will strengthen the biotechnology company's late-stage pipeline "with the potential to support our growth beyond 2011."

Prochymal is already in limited use , based on U.S. Food and Drug Administration approval earlier this year, to treat pediatric patients who are stricken with severe graft-versus-host disease and have no other options. Graft-versus-host disease, or GvHD, is a rare and serious side effect sometimes triggered by bone-marrow transplants. Data are expected next year from late-stage trials aimed at winning approval to more broadly treat that disease, and also the intestinal disorder Crohn's disease.

If backed by the FDA for broader use, Prochymal may become the first approved drug made from stem cells. The FDA has granted Prochymal fast-track designation for GvHD, which means it is eligible for an expedited review.

Chondrogen is much farther away from the market than Prochymal.

ArcelorMittal to slash output at least 35%

Steelmaker adjusts cut sharply lower as demand plunges

By Robert Guy Matthews

In spite of higher third-quarter earnings, steelmaker **ArcelorMittal** said it will slash at least 35% of production—more than double what it announced only weeks ago—in response to the deepening global economic crisis.

ArcelorMittal Chief Executive Lakshmi Mittal said the downturn was swifter and deeper than expected. "I hope that this is already at the worst point," he said in an interview. "We have seen a drop in Europe go much faster in the last two weeks. And now we are seeing the impacts in the emerging markets." The U.S. is also weak, he said, as automotive and construction demand declines.

Wednesday's cutback announcement came even as the company reported a 29% increase in third-quarter net profit to $3.82 billion from $2.96 billion a year earlier. Sales jumped 38% to $35.2 billion, but the quarter wound down before the global economic crisis hit the steel industry.

The steelmaker, the world's biggest by production, is negotiating with its unions world-wide to determine whether layoffs will be necessary to conserve cash and rebalance supply and demand. In light of the output cuts, some of the company's mills might operate at a loss temporarily, a swift reversal from just a few months ago, when the industry as a whole was running flat-out and profits were their strongest in decades.

Mr. Mittal said the plants hit hardest have been those producing for small steel buyers who are having a particularly tough time getting bank lending. Among the strongest plants are those in Africa and Brazil making steel for domestic consumption, he said.

Mr. Mittal said the company is reviewing expansion plans and that the costs of new projects would have to drop substantially before getting a green light. He was cautious about predicting when the steel industry would pick up but said that once steel buyers worked through their existing inventories next year, the market could surge back.

Lakshmi Mittal

He didn't specify which of the steelmaker's mills will cut production—perhaps sharply—this quarter. The Luxembourg-based company employs 310,000 workers. "There will be discussions going on about what is the best way to run the business effectively and how we can reduce the number of working hours and what places we can reduce," Mr. Mittal said.

Tony Montana, international spokesman for the United Steelworkers union, said recently negotiated contracts would provide extra benefits in case of layoffs but said no layoff plans have been finalized.

ArcelorMittal isn't alone in announcing cutbacks. Nearly every steelmaker from China and India to the U.S is scaling back. Prices for some steel products have fallen 60% from this summer as demand has evaporated. Buyers, nervous about the shaky economy, are postponing purchases and working through inventories until a better gauge of demand for automobiles, appliances, construction and farming equipment can be determined.

Steel analysts are concerned that prices are falling perilously close to the cost of production. If that happens, said Peter Marcus, steel analyst for World Steel Dynamics, bankruptcies could wash over the steel industry.

Though it would be illegal for steelmakers to work in concert to keep prices from falling too low, the effect of many steelmakers individually cutting output could have the same effect.

EU officials raid cement makers in antitrust probe

By Geraldine Amiel And Peppi Kiviniemi

European Union competition authorities Wednesday said they have launched a major antitrust probe into the European cement industry, raiding the offices of companies suspected of cartel activity.

France's **Lafarge** SA, Switzerland's **Holcim** AG, Mexico's **Cemex** SAB, and Germany's **HeidelbergCement** AG and **Dyckerhoff** AG were among companies that confirmed their offices were raided by regulators.

Surprise inspections are the first step when foul play is suspected, said the European Commission, the EU's executive arm. The companies have a right to be heard in the commission's proceedings against them.

The commission said it has no strict deadline to complete its investigation, as the duration of the probe usually depends on the complexity of the case and the willingness of the companies to cooperate.

Cemex said authorities searched its offices in Germany and the U.K. as part of an investigation into the European cement industry, and it is cooperating fully with the probe.

Holcim said its operations in France, Belgium, Germany and the U.K. were being investigated and it is also fully cooperating with authorities. A spokeswoman for Lafarge said the company didn't know what the investigations concerned.

HeidelbergCement Chief Executive Bernd Scheifele said in a conference call that he didn't know "the exact reasons for the searches," but added he could imagine the commission probe was related to cement imports in the U.K. He couldn't give further details.

Ciments Français, a unit of Italian cement maker **Italcementi** SpA, is also targeted by the investigation and is fully cooperating with authorities, a spokeswoman said, adding that she had no details on the investigation.

Europe's major cement makers in 1994 were fined €248 million ($322 million) for running a cement cartel. The amount of the fine was reduced to €140 million after the companies won an appeal in 2004.

—Andreas Heitker, Martin Gelnar, Anthony Harrup and Alice Dore contributed to this article.

Boeing delays 787 flight

Fastener woes, strike will keep Dreamliner on ground in 2008

By J. Lynn Lunsford

In a setback that could cause more delays to ripple through its troubled 787 Dreamliner program, **Boeing** Co. said Tuesday that it needs to replace thousands of improperly installed fasteners on the first of the new jets before they can be flown.

Boeing said the fastener woes were discovered during a routine quality-control inspection. The company said it won't know the extent of the delays, if any, caused by the fasteners until it has a chance to fully assess the problem.

Meanwhile, the company said Tuesday that it would be unable to meet its goal of flying the first Dreamliner this year because it lost too many days of production time as a result of a recently resolved strike by the International Association of Machinists and Aerospace Workers.

"There just aren't enough days left on the calendar this year to do everything that needs to be done," said Boeing spokeswoman Yvonne Leach.

Engineers have traced the fastener problem to improper instructions on what type and length of fasteners to use on certain titanium parts. The fasteners, located throughout the airplane, were installed mostly by suppliers at the plants where the major sections of the jet are being built, and affect all fuselage sections built so far.

People familiar with the situation said the strike delays, combined with the time it could take to correct the fastener problem, increase the chances that Boeing won't be able to deliver the first Dreamliners by the end of 2009 as planned. The average list price for the plane is $178 million.

"Every day the first planes sit on the ground is a day that you can't conduct flight tests, which means everything gets pushed back," said a senior aerospace executive connected with the Dreamliner program.

The 787 already has been delayed nearly two years by manufacturing problems related to Boeing's decision to have suppliers in Japan, Italy, South Carolina and Kansas build the bulk of the plane without close enough oversight by the company. Boeing said it now has "better visibility" into its supply chain and that it has corrected the bulk of those problems.

Nevertheless, the latest delay is a surprise likely to further anger customers who have lined up to buy more than 900 Dreamliners. The plane, which is supposed to be 20% cheaper to operate and cost a third as much to maintain as previous planes of its size, is the hottest-selling new model in Boeing's history. That only adds to the pressure to get it right.

Boeing's Ms. Leach said engineers traced the latest problem to "specifications that weren't specific enough." She said the problem, while significant, was confined to less than 3% of the fasteners on the airplane. "The good news is that no major structures are having to come apart to fix this," she added.

UPI/Landov

A worker examined the **tail section** of a Dreamliner earlier this year. Boeing cited the recently resolved Machinists strike for not flying the first Dreamliner this year.

Google abandons Yahoo ad pact

By Jessica E. Vascellaro

Google Inc. backed out of its advertising agreement with **Yahoo** Inc., as the U.S. Department of Justice notified the search giant that it planned to file a lawsuit to block the deal.

"Pressing ahead risked not only a protracted legal battle but also damage to relationships with valued partners. That wouldn't have been in the long term interests of Google or our users, so we have decided to end the agreement," Google's chief legal officer, David Drummond, wrote on the company's blog.

In a statement, Yahoo said it "continues to believe in the benefits of the agreement and is disappointed that Google has elected to withdraw from the agreement rather than defend it in court."

The Justice Department issued a statement, saying it had determined that the deal would have made the companies "collaborators rather than competitors for a significant portion of their search advertising businesses, materially reducing important competitive rivalry between the two companies."

The agency's statement noted the compromises the two sides proposed had failed to address its concerns. The notice also divulged the extent of its months' long review, noting that attorneys generals from 15 states participated in the investigation.

Google and Yahoo struck the ad pact in June as Google rejected another search offer from **Microsoft** Corp. The agreement allowed Yahoo to display search ads sold by Google and to share some revenue, but many advertisers and Google partners expressed concern that the deal would raise prices for search ads and give Google too much control over the online advertising market.

Yahoo called the deal "incremental to Yahoo's product road map" and noted it was committed to continuing to invest in its search business.

The situation is likely to renew investors' questions about whether Yahoo can continue to exist as an independent company.

Auto makers turn to lobbying Obama

By Josh Mitchell

WASHINGTON—U.S. auto makers are turning their focus to lobbying the next president for emergency aid after unsuccessful efforts to persuade the Bush administration, an official for one of the Detroit auto makers said Tuesday.

Dismal vehicle sales for October reported this week may add pressure to the Bush administration to take such steps as providing immediate low-cost loans and consumer tax credits. But administration officials have given no indication that they will act, despite lobbying by auto executives. Help could come from Congress, which is expected to convene for a lame-duck session on Nov. 17.

House Speaker Nancy Pelosi (D., Calif.) met with House Democrats Monday to discuss steps to help the industry, including an immediate $25 billion in low-cost loans, in addition to a loan package approved last fall, the Detroit News reported. A spokesman for Rep. Pelosi said only that talks between industry officials and lawmakers are continuing.

Some analysts have said that without outside help, one or more of Detroit's Big Three auto makers could be headed toward bankruptcy within a year, given how quickly they are burning through cash reserves.

"The industry, but GM in particular, really can't take too many more months like we just reported in the month of October," said Joe Phillippi, an analyst at AutoTrends Consulting Inc. in Short Hills, N.J.

A **General Motors** Corp. spokesman and a **Ford Motor** Co. spokeswoman said those companies continue to work with Bush officials on the implementation of a $25 billion loan program, funding that was approved by Washington this fall. The money was designed to help auto makers modernize plants. The Energy Department, which is administering the program, has said it could take six to 18 months to issue the loans. A **Chrysler** LLC spokeswoman declined to comment.

There is a growing sense at the auto companies that the administration will leave it to President-elect Barack Obama to consider help for the auto sector, the industry official said.

Sanyo powers the field for advanced batteries

By Hiroko Tabuchi

TOKYO—From laptops to cars, advanced batteries have become a key factor in innovation. And if **Panasonic** Corp.'s possible takeover of **Sanyo Electric** Co. goes through, the merged company could become a dominant force in the fast-growing business.

Electronics makers have been scrambling to develop or procure batteries that are smaller, reliable and more powerful to run mobile devices with an increasing number of functions. Moreover, the main batteries fueling these gadgets—based on lithium-ion technology—also are being adapted to next-generation, ecofriendly cars. That has spurred technology companies to team up with auto makers in alliances that are changing the manufacturing landscape.

Sanyo is a key player. And now its much larger peer, Japanese electronics giant Panasonic, is in talks to buy a majority stake in Sanyo in a tender offer. The move could profit Sanyo's biggest shareholders, including **Goldman Sachs Group** Inc.

Sanyo has said it is considering many options, while Panasonic said nothing has been decided.

Osaka-based Sanyo on Wednesday posted a 67% fall in net profit for the July-September quarter to 4.4 billion yen ($44.1 million) from 13.41 billion yen a year earlier, which included a gain from the sale of its financial-services subsidiary and other assets. Revenue slipped 0.8% to 527 billion yen. But sales in the company's batteries segment rose 17% to 144.2 billion yen, with high energy prices fueling demand. Sanyo said it now expects revenue for the segment to be 553 billion yen for the fiscal year through March, up 11% from its previous forecast.

Once a struggling, second-tier electronics maker, Sanyo recently has turned itself around with a new focus on energy under a new management installed by shareholders, including Goldman Sachs. The current management put more money into batteries, saying earlier this year it would spend 125 billon yen over three years to bolster its lithium-ion operations.

Sanyo, the No. 1 lithium-ion battery maker, now controls about 30% of the $6 billion global market for lithium-ion batteries in electronics devices such as laptops and cellphones—and is ramping up production. The company plans to raise lithium-ion battery output to 100 million units a month by 2010, from 73 million units currently, the most of any battery maker.

Add to that Panasonic's own lithium-battery output, which the company will boost to 75 million units a month from 25 million over the next four years. The new company will dwarf plans by **Sony** Corp., the current No. 2 lithium-ion battery maker, to produce 74 million units a month—with all the cost benefits of economies of scale and shared technology costs.

In autos, Sanyo has a deal to produce lithium-ion batteries for Volkswagen AG, as well as orders to supply Honda Motor Corp.'s new hybrid model called Insight. The Honda hybrid is set for release next year with first-year target sales of 200,000 cars world-wide. By 2015, Sanyo aims to grab a 40% share of the hybrid-car market by providing to other auto makers.

But there are risks going forward. Both Sanyo and Sony have been hit by recalls, raising questions over both companies' ability to expand production while maintaining strict quality control and keeping costs down.

U.S. lawmakers issue call to fund Air Force fighter jets

By August Cole

Senior U.S. House lawmakers are ratcheting up pressure on Defense Department officials to release congressionally approved funding for an Air Force fighter that has been the subject of a running battle between Pentagon and Air Force leaders.

In a letter to Defense Secretary Robert Gates, who has said he wants the F-22 Raptor's fate decided by the next presidential administration, senior House Armed Services Committee lawmakers demanded an explanation for why $140 million already set aside for the plane's suppliers is being held up.

The money would go toward keeping the plane's production line ready for new orders beyond the current plans calling for 183 of the jets to be built. The situation pits lawmakers against Pentagon officials who argue that, at a price tag of about $140 million apiece, the **Lockheed Martin** Corp. F-22 is too expensive.

Lawmakers appropriated $500 million in the fiscal-2009 budget toward an additional 20 jets, which the Bush administration hadn't sought. The $140 million in question is part of that money. Earlier this year, a battle between Air Force leaders and Mr. Gates over the airplane's future contributed to the firing of two senior Air Force officials.

In separate statements, Pentagon and Air Force officials didn't directly address the lawmakers' concerns. A Pentagon spokeswoman said the Defense Department "is committed to bridging F-22 production to preserve options for the next administration." An Air Force spokeswoman said the service will do whatever Pentagon officials tell it to do with the program.

Mr. Gates has said the plane isn't relevant to post-Cold War conflicts such as those in Afghanistan and Iraq. Deputy Defense Secretary Gordon England would rather buy more Lockheed F-35 Joint Strike Fighters, which are cheaper but not as fast or as stealthy.

In their Oct. 31 letter to Mr. Gates., lawmakers warned that future F-22 costs would increase dramatically if suppliers are forced to shut down because John Young, the Pentagon's top weapons buyer, has refused to release the $140 million. The letter was signed by House Armed Services Committee Chairman Ike Skelton (D., Mo.), ranking member Duncan Hunter (R., Calif.), chairman of the Subcommittee on Air and Land Forces Neil Abercrombie (D., Hawaii), and the ranking member of the subcommittee, Jim Saxton (R., N.J.).

THE MART

PUBLIC NOTICES

Transocean

NOTICE OF TRANSOCEAN COURT MEETING

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO 501 OF 2008

IN THE MATTER OF TRANSOCEAN INC.

AND IN THE MATTER OF SECTION 86 OF THE COMPANIES LAW (2007 REVISION)

NOTICE IS HEREBY GIVEN that, by an order dated 29 October 2008 (the "**Order**") made in the above matter, the Grand Court of the Cayman Islands (the "**Grand Court**") has directed a meeting (the "**Transocean Scheme Meeting**") to be convened of the holders of ordinary shares of Transocean Inc. ("**Transocean**") for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the "**Transocean Scheme**") proposed to be made between Transocean and its Scheme Shareholders (as defined in the Transocean Scheme) and that the Transocean Scheme Meeting will be held on 8 December, 2008 at 3 p.m., local time, at the Sheraton Nassau Beach Resort, Nassau, Bahamas at which place and time all such holders of ordinary shares of Transocean are requested to attend.

The Transocean Scheme is parallel to, and inter-conditional upon, a further scheme of arrangement between Transocean Cayman Ltd. and the holder of its ordinary shares (the "**Transocean Acquisition Scheme**").

Copies of the Transocean Scheme and the Transocean Acquisition Scheme (together, the "**Schemes**") and a copy of an explanatory statement explaining the effect of the Schemes are incorporated in the proxy statement of which this Notice forms part. A copy of the said proxy statement can also be obtained by the above-mentioned holders of ordinary shares of Transocean from Transocean's proxy solicitor in the United States being D.F. King & Co., Inc. 48 Wall Street, 22nd Floor, New York, NY 10005.

The above-mentioned holders of ordinary shares of Transocean as at the record date set by Transocean for the Transocean Scheme Meeting, being 27 October 2008, may vote in person at the Transocean Scheme Meeting or they may appoint one or more proxies, whether a member of Transocean or not, to attend and vote in their stead. A form of proxy for use at the Transocean Scheme Meeting is enclosed with the proxy statement of which this Notice forms part.

If shares are held in joint names, then either the holder whose name appears first in the Register of Members of Transocean or each holder should sign. If signing as Attorney, Executor, Administrator, Trustee or Guardian, please give your title as such. If the signer is a corporation, please sign in the full corporate name by a duly authorized officer.

It is requested that forms appointing proxies be lodged, by post, with Transocean Inc., c/o The Bank of New York Mellon, Enclosing and Mailing Operations, 925 Patterson Plank Road, Secaucus, NJ, 07094 in accordance with the instructions set out in the form of proxy, no later than the time appointed for the Transocean Scheme Meeting, but if forms are not so lodged they may be handed to the chairman of the Transocean Scheme Meeting at the meeting.

By the Order, the Grand Court has appointed Robert E. Rose, a director of Transocean, or failing him Robert L. Long, also a director of Transocean, or failing him any other person who is a director of Transocean as at the date of the Order to act as the chairman of the Transocean Scheme Meeting and has directed the chairman of the Transocean Scheme Meeting to report the results thereof to the Grand Court.

The Transocean Scheme will be subject to a subsequent application seeking the sanction of the Grand Court which shall be heard on or about 16 December 2008. Any interested party, including any Shareholder of Transocean, desiring to support or oppose the making of an order on the petition to sanction the Schemes and desirous of being heard on the said petition should appear at the time of hearing in person or by counsel or attorney for the purpose. The attorneys mentioned below will provide a copy of the petition to sanction the Schemes to any such person requiring the same.

Dated the 29th day of October 2008.

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Grand Cayman KY1-9001
Cayman Islands
Attorneys for Transocean Inc.

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To commence due diligence, qualified and interested buyers should contact Ash Asensio at (888) 433-3053, email at ashasensio@helpusell.com, or mail at: Realty Information Systems, Inc., PO Box 742, Colton, CA 92324.

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CORPORATE NEWS

Profits rise at brewers as demand chugs along

Carlsberg says sales in U.K. pubs suffer from smoking ban

BY DAVID KESMODEL
AND AARON O. PATRICK

Molson Coors Brewing Co. posted a 29% increase in third-quarter profit, as the beer giant boosted its market share in Canada and the U.K. and shed costs through a U.S. joint venture.

Separately Wednesday, Danish brewer **Carlsberg** A/S reported lackluster third-quarter profit and cut its full-year forecast.

Molson Coors, based in Denver and Montreal, said net income in the quarter ended Sept. 28 rose to $173.2 million, or 94 cents a share, from $134.7 million, or 74 cents a share, in the year-earlier period. Excluding one-time items, earnings were flat at 95 cents a share.

The quarter was the first for **MillerCoors** LLC, the U.S. joint venture between Molson Coors and London-based **SABMiller** PLC.

MillerCoors, the second-largest U.S. brewer by sales after **Anheuser-Busch** Cos., reported net income of $168.2 million for the quarter ended Sept. 30, up 15% from a year earlier, when Miller and Coors were separate companies. Revenue increased 2.1% to $1.95 billion, as sales to retailers rose 0.7%.

Molson Coors's net sales fell 45% to $921.1 million, as U.S. sales shifted to the joint venture. Pretax profit in Canada declined 8.1%, amid discounted beer prices and higher commodity costs. Sales-to-retailers rose 4% in Canada.

"The fundamentals of our business remain strong," despite global economic turmoil, Peter Swinburn, chief executive of Molson Coors, said in a conference call with analysts.

Molson Coors also said it had built up a 5% exposure to **Foster's Group** Ltd.'s stock.

Carlsberg cut its annual profit forecast because of weak sales in Britain, Estonia, Lithuania and Latvia. The company said it now expects to report net income of 2.6 billion to 2.7 billion Danish kroner in 2008, down from its previous forecast of 3 billion kroner ($524 million).

One big problem for the company is declining sales in British pubs, which have been hit hard by a recent ban on smoking. It plans to shut a brewery in Leeds, in Northern England, in 2011.

Third-quarter net profit rose 3.7% to 1.22 billion kroner, while revenue increased 48% to 18.44 billion kroner with a boost from Carlberg's acquisition of part of Scottish & Newcastle.

—Anjali Cordeiro contributed to this article.

Time Warner profit flat as AOL weighs on results

BY MERISSA MARR

In a reminder of why **Time Warner** Inc. is under pressure to unload AOL, the media company posted flat third-quarter earnings Wednesday, as another dismal performance by the Internet unit muted profit gains in the television and movie businesses.

Time Warner's cable-television networks defied the economic slowdown to deliver strong advertising gains. But AOL, coupled with weakness at the Time Inc. publishing unit, weighed on earnings and the company trimmed its full-year profit forecast.

Time Warner reported net income of $1.07 billion, or 30 cents a share, down slightly from $1.09 billion, or 29 cents, a year earlier. Revenue rose slightly to $11.71 billion. Analysts surveyed by Thomson Reuters had forecast earnings of 27 cents a share.

Time Warner scaled back its 2008 profit outlook, to earnings per share of between $1.04 and $1.07, from $1.07 to $1.11, largely because of the uncertain advertising climate and higher-than-expected costs to restructure and cut jobs at New Line Cinema and Time Inc.

That uncertain climate took its toll on AOL, which posted a 6% decline in advertising revenue, its worst performance this year. Display advertising, long a sore spot, tumbled 15%.

Solving the AOL problem is one of the biggest challenges facing Chief Executive Jeffrey Bewkes as he seeks to kick-start Time Warner's faltering share price. Since taking the reins 10 months ago, Mr. Bewkes has slashed costs and pulled the trigger on a long-expected spinoff of Time Warner Cable, focusing the company more on its content businesses. But finding a long-term solution to AOL continues to elude him.

The cable TV networks posted 9% growth in ad revenue, bucking the weaker trend of rivals such as **Viacom** Inc. The unit posted a 21% jump in operating income, with channels such as CNN benefiting from the election.

The movie business faced tough comparisons with last year, when the studio released "Harry Potter and the Order of the Phoenix." But cost cutting at New Line Cinema helped the unit post a 3% rise in operating income.

Time Inc.'s advertising fell 8% and operating income tumbled 35%.

GLOBAL BUSINESS BRIEFS

Swedbank AB

New management installed in wake of problem lending

Stockholm-based **Swedbank** AB appointed Michael Wolf as its new chief executive, replacing Jan Liden, who will retire in April after 18 years with the bank, including four years as CEO. Mr. Wolf will take up the position at or before the bank's annual general meeting in April. He is currently head of credit-management firm **Intrum Justitia** AB and will receive the same 8 million Swedish kronor ($1 million) annual salary as outgoing CEO Liden. He won't get a bonus and the sum of his benefits will be less than what Mr. Liden receives, Chairman Carl-Eric Staalberg said. Mr. Staalberg said the board wasn't "completely satisfied" with the bank's communications efforts this fall and Mr. Wolf pledged to better communicate past and future achievements. Swedbank has been accused of reckless lending in Baltic countries and poor disclosure of its $1.35 billion loan to a Lehman Brothers subsidiary.

Raiffeisen Zentralbank

Raiffeisen Zentralbank Österreich said it will ask for as much as €2 billion ($2.6 billion) in state aid to strengthen its capital base. The decision to dip in to the Austrian government's €100 billion financial-sector support package hasn't been made out of need, but rather to ensure better access to interbank credits, said Austria's second-biggest lender and the parent of publicly listed **Raiffeisen International Bank Holding** AG. The funds will be injected in the form of participation capital. Raiffeisen initially had rejected government funds but dropped its reservations after Austria's largest lender, **Erste Group Bank** AG, last week announced it would take €2.7 billion from the aid package.

Coca-Cola Hellenic Bottling SA

Greece's **Coca-Cola Hellenic Bottling** SA, or CCH, posted flat third-quarter net profit as the global economic crisis hurt sales. The results come weeks after it gave its second profit warning of the year, in which it disclosed that sales in its high-growth emerging markets, such as Russia, had slowed below original projections. For the three month period ended Sept. 26, the company, one of the world's largest Coke bottlers, said net profit was €212.8 million ($276.7 million), slightly down from €213 million in the year-earlier period. Revenue rose 9% to €2.07 billion. After it issued its first profit warning, CCH developed a package of cost-cutting initiatives, which have led to some €25 million in savings in the third quarter, said Managing Director Doros Constantinou.

SAS AB

Scandinavian airline **SAS** AB became the latest European airline to warn that business demand is dropping sharply. The airline posted a net loss of two billion Swedish kronor ($263 million) for the third quarter, compared with a net profit of 667 million kronor a year earlier. Revenue was flat at 16.37 billion kronor. The airline reported a 1.96 billion kronor write-down on goodwill and tax assets at its Spanish unit Spanair and said that the fatal accident of a Spanair plane in August at Madrid-Barajas airport cost it 100 million kronor in lost revenue in the third quarter because of a drop in bookings.

ITV PLC

Britain's largest commercial broadcaster **ITV** PLC said revenue for the first nine months of the year was little changed from last year despite the economic downturn, but gave a gloomy outlook for the rest of the year. ITV, whose shows include "The X Factor," said revenue dipped less than 1% to £1.47 billion ($2.35 billion), but didn't report profit or detail its third-quarter performance. The broadcaster credited a substantial increase in online viewers, which helped boost online-advertising revenue, and strong growth in sales of its content to other broadcasters with keeping overall revenue flat—even as television advertising fell 5%. ITV's global content division posted a 35% rise in revenue to £206 million, while online-advertising revenue was up 4% to £25 million. The company estimated a 9% drop in ad sales at its channels in the fourth quarter.

Royal Dutch Shell PLC

Royal Dutch Shell PLC on Wednesday said it has called force majeure on some of its Nigerian crude exports because of the Organization of Petroleum Exporting Countries' recent decision to reduce output by 1.5 million barrels a day. The move suggests Nigeria, which has a patchy record when it comes to complying with OPEC output reductions, is complying, which will reduce its oil revenue. "We called force majeure late last week," said a Shell spokesman, referring to a declaration that provides legal protection for a company not meeting its contractual obligations with customers. Other foreign oil companies also are expected to cut their output in Nigeria. Nigeria is expected to slash output by 113,000 barrels a day under OPEC's decision, based on the group's quota system.

OAO Norilsk Nickel

A representative of the Russian government will become part of an enlarged board at OAO **Norilsk Nickel** after the miner received a $4.5 billion credit facility from Russia's state-development bank last month, said aluminum producer **United Co. Rusal**, which holds a 25% stake in Norilsk. The government representative will be elected at an extraordinary meeting of Norilsk shareholders on Dec. 26, said the company, which is controlled by magnate Oleg Deripaska. Two additional government representatives will join the Norilsk management team, it added. State development bank VEB provided the loan to Rusal last month after a syndicate of Western lenders threatened to seize its stake in Norilsk as collateral. The lenders were worried that Rusal wouldn't meet an Oct. 31 deadline to repay a loan it had taken out earlier this year to finance the purchase of the stake. Rusal said it used the VEB money to repay the syndicate's loan early.

EADS

Germany expects the first flight of **European Aeronautic Defence & Space** Co.'s A400M military transporters to be delayed by more than 12 months, a defense-ministry spokesman said Wednesday. "We previously said we assumed a delay of 12 months. We have to expect this period of time will take longer," the spokesman said. He called on EADS to provide transparency. The military arm of EADS's Airbus unit has booked 192 orders for the A400M from nine governments. In September, EADS indefinitely postponed the A400M's first flight in a dispute over engine development.

Polo Ralph Lauren Corp.

In a rare bright spot in the luxury sector, **Polo Ralph Lauren** Corp. said its fiscal second-quarter profit rose 40%, after gains in Europe and its discount outlets helped to make up for lower demand at U.S. department stores. The company kept its full-year profit forecast but lowered the top end of its sales outlook, citing a U.S. economic slowdown that has begun to sweep globally. Net income in the quarter rose to $161 million, or $1.58 a share, from $115 million, or $1.09, a year earlier, said the company, which is based in New York and owns its namesake chain as well as Rugby and Club Monaco locations. Revenue in the quarter ended Sept. 27 rose 10% to $1.43 billion from $1.3 billion. The company affirmed its fiscal 2009 profit forecast of $4 to $4.10 a share. Polo Ralph Lauren, which has bought back its European and Japanese licensees to take control over its business overseas, said it will stick to its strategy of expanding globally. The company also has opened its own stores in overseas markets such as Paris, Moscow and Tokyo.

Samsung Heavy Industries

Samsung Heavy Industries Co., one of the world's largest shipbuilders, said its third-quarter net profit rose 23% year-to-year thanks to orders for high-end vessels, such as drill ships and floating production storage units. Net profit for the three months ended Sept. 30 climbed to 174.2 billion won ($137.2 million) from 141.5 billion won a year earlier. Operating profit jumped 20% year-to-year to 142.5 billion won from 119 billion won, while sales were up 16% at 2.596 trillion won from 2.239 trillion won. The third-quarter operating profit margin fell to 5.5% from 7.5% in the second quarter due to increased shipbuilding plate prices.

Thai Airways International

Thai Airways International PCL swung to a net profit of 426.2 million baht ($12 million) in the third quarter from a loss of 971.1 million baht in the same period last year, helped by a foreign exchange gain. In the three months to Sept. 30, the national carrier booked a foreign-exchange gain of 4.73 billion baht compared with a foreign-exchange loss of 3.36 billion baht in the previous year. Third-quarter performance was weighed down partly by domestic political upheaval, which hurt tourism traffic. Revenue rose 9.5% to 53.67 billion baht while operating expenses jumped 22% to 56.88 billion baht. Fuel costs rose to 26.51 billion baht from 15.76 billion baht as average fuel price soared by 79.2%.

Namco Bandai Holdings Inc.

Namco Bandai Holdings Inc. reported its net profit for its fiscal first half plummeted 84% from a year earlier and issued a profit warning for the full year, in a sign that slowing consumption world-wide is cutting into its toy and game businesses. The Japanese company, known for its Power Rangers action figures and Tamagotchi virtual pet, posted net profit of 1.28 billion yen ($12.8 million) for the six months ended Sept. 30, compared with a profit of 7.98 billion yen a year earlier. Group sales fell 11% to 190.8 billion yen. Operating profit tumbled 63% to 5.58 billion yen.

—Compiled from staff and wire service reports.

French envy U.S. openness to black leader

Country must learn from Obama vote, a politician argues

BY MAX COLCHESTER

PARIS—President-elect Barack Obama's victory has prompted a wave of soul-searching in France, a country proud of its egalitarian tradition but where racial minorities have yet to break through to the top ranks of politics and business.

Nicolas Sarkozy

France's self-image as a home of ethnic equality previously suffered a shock when weeks of riots shook Paris's immigrant suburbs in late 2005 in protests over economic disparities and lack of opportunity. With the U.S. electing its first black president, some French politicians are questioning their own country's prejudices.

"France needs to learn from what is happening with Obama," says Christiane Taubira, a black politician from the French overseas department of French Guiana, who ran for president in 2002 and won 2% of the vote. "The U.S population has grown with Obama, they have overcome their prejudices....Such an experience is impossible in France."

An estimated 10% of France's population has African or Arab roots. In an overture to this minority group, President Nicolas Sarkozy last year named three women from African backgrounds to his cabinet. Yet only three of the 36,000 elected mayors in mainland France, which excludes overseas departments, and only one lawmaker in the country's National Assembly, the lower house of parliament, are black.

There are no black chief executives at major French companies and no black ambassadors, according to the Conseil Représentatif des Associations Noires, or CRAN, an advocacy group for black people in France.

The U.S. election has left many asking why. "Looking for the French Barack Obama," was the headline of a two-part investigation by French newspaper Le Monde. "This morning we all want to be Americans and capture a piece of the American dream," Senegalese-born Rama Yade, French secretary of state for human rights, said in an interview on Wednesday morning with French radio.

In Paris's suburbs, where there is a large black population, the reaction has been one of jubilation. Mr. Obama's victory "gives us all hope," says Diaby Doucouré, a youth worker living in Aubervilliers a suburb in the north east of Paris.

A sense of envy at America's electoral feat is being felt across Europe, where no nation has elevated a racial minority to its highest office. "Unfortunately, we know we're not at the point where this could happen in Europe," Belgium's Senate President Armand De Decker, a conservative, told RTBF television last weekend.

In France, one problem, ironically, is the country's rigidly egalitarian approach to education, employment and social welfare. In the interest of ensuring equality, for example, French law prohibits the collection of information on race, ethnicity, religion and the like. There are no official statistics on minorities in France, and affirmative action is considered by many as anathema to egalitarianism.

The structure of French politics has also slowed the integration of minorities, experts say. Unlike in the U.S. presidential primaries, in France it's veterans of the two main political parties—rather than voters—usually get to choose candidates to run for France's highest office.

AFP

A U.S. election-night reception organized by French supporters of Barack Obama in L'Hay-les-Roses, outside Paris. In France, Mr. Obama's victory is being contrasted with **the poor political fortunes** of French minorities.

"The hierarchical structure of French politics means that there is no French Obama," says Vincent Tiberj, a researcher at the Center for Political Research at Sciences Po. Mr. Tiberj also says that France's big wave of immigration—mainly from North Africa—came later than in the U.S. "In France, the drive for equality only started in the 1980s. In the U.S. it dates from the 1960s," he says. There have been mounting efforts to integrate France's young minorities. In 2001, one of France's top universities started a program aimed at recruiting students from France's poorer neighborhoods where the majority of first, second and third-generation immigrants live. Over the past few years, a few French businesses have started reviewing CVs of job applicans without names to try to eliminate discrimination.

France's rigidly egalitarian approach to education, employment and social welfare is a problem. Collection of information on race, ethnicity, religion and the like is barred.

It's unclear whether French people are ready to vote for a minority candidate for president. A recent poll of 1,001 people organized by pollster Institut Francais d'Opinion Publique, or IFOP, found that 47% of respondents thought that a black person "had a chance" of becoming French president.

George Pau-Langevin, the one black lawmaker in the National Assembly from mainland France, says she is proof that there is increasing diversity in French politics.

But the Guadeloupe-born politician who represents the Socialist Party remains skeptical. "We cannot let young people rot in the suburbs," she says. "We need real equal opportunities."

Obama set to engage with nations

BY JAY SOLOMON

WASHINGTON—President-elect Barack Obama's foreign policy will focus on wooing longstanding U.S. adversaries while rebuilding alliances in Europe and Asia strained during the eight years of George W. Bush's presidency.

Mr. Obama and his advisers are studying ways to engage Iran and Syria, countries that are viewed as central to American hopes for stabilizing Afghanistan and Iraq and forging a broader Middle East peace.

The Obama camp also is developing plans to heal tensions between the U.S. and the broader Muslim world. Aides said Mr. Obama may make a major speech in an Islamic capital during his first 100 days in office.

Mr. Obama has pledged to move beyond the Bush administration's hostility toward the United Nations and other international bodies that stand to check U.S. power, such as the International Criminal Court.

As a candidate Mr. Obama applauded recent drives by the U.S. and its allies to use engagement and economic aid to end the nuclear programs of Iran and North Korea.

Associated Press

A Syrian man in Damascus on Wednesday reads about **Barack Obama's victory** in the U.S. presidential election. Syria is viewed as central to U.S. plans in the Mideast.

Those efforts have largely foundered, and the new president could face major proliferation crises in those nations during his first year, say Bush administration officials.

Obama advisers said engaging U.S. adversaries is important in part because the tactic shifts the onus for any failure onto the other side. "There's no guarantee that diplomacy will succeed...but it strengthens your hands with other people" if it fails, said James Steinberg, a former Clinton administration official who has been touted as a possible national-security adviser under Mr. Obama.

Powell says he won't serve in Obama administration

BY JONATHAN CHENG

Former U.S. Secretary of State Colin Powell said he isn't interested in serving in a new administration under President-elect Barack Obama, saying he wants a new generation of leaders to step up.

Colin Powell

"I am not interested in a position in government, nor have I been approached," said Gen. Powell, who was traveling in Hong Kong. The former Army general and secretary of state under President George W. Bush said the election marked a generational shift in the U.S., and that he would always be available to offer advice. When asked whether he might serve as secretary of state or secretary of defense, Gen. Powell shrugged it off, saying: "Why? I've done it."

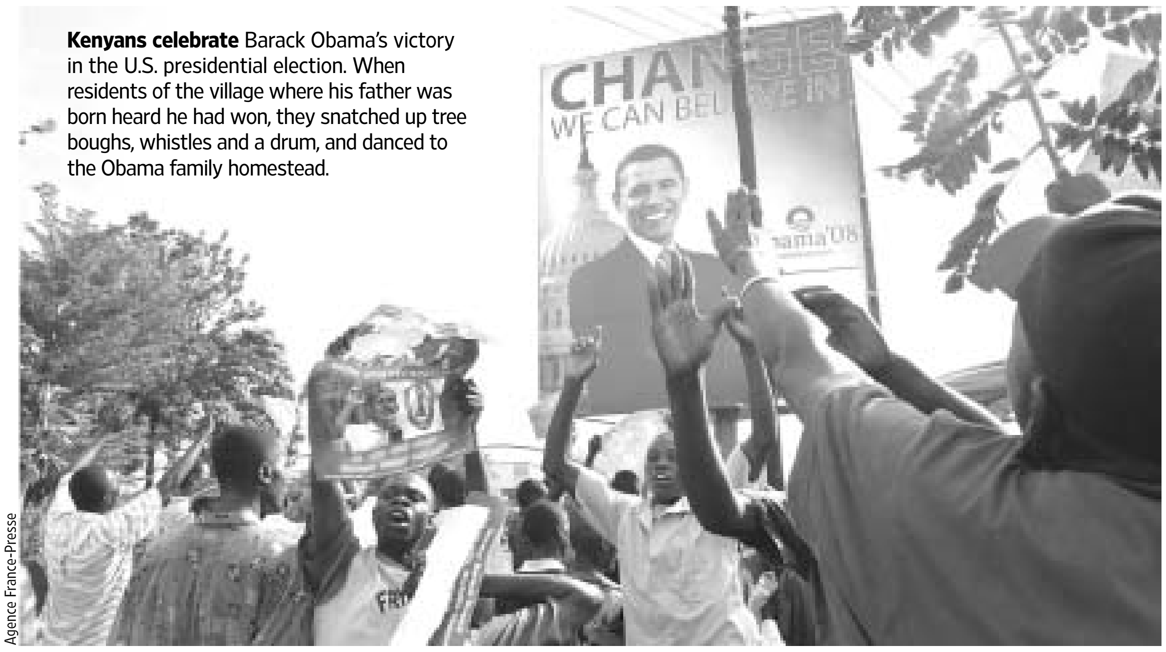
He called Sen. Obama's election "historic," adding that the president-elect is more likely to reach out and listen more to allies than the past administration has been.

Gen. Powell, an African-American and Republican, endorsed Sen. Obama last month, giving the candidate a significant boost at a time when he was already pulling ahead of his opponent, Republican Sen. John McCain. Gen. Powell called the election a "historic day in the United States of America, when American people voted for a new president named Barack Hussein Obama."

Speaking at the Hong Kong campus of Canada's Richard Ivey School of Business, Gen. Powell said he didn't think mainland China has "any reason to be concerned over President Obama's policies." He added, "I don't expect he will adopt protectionist policies."

Gen. Powell said Sen. Obama's victory will help the nation's standing overseas, saying people outside the country will say: "Ah, that's the America we remember, that's the America we want to see."

ECONOMY & POLITICS



Kenyans celebrate Barack Obama's victory in the U.S. presidential election. When residents of the village where his father was born heard he had won, they snatched up tree boughs, whistles and a drum, and danced to the Obama family homestead.

Agence France-Presse

Obama thrills Kenyans

In father's village, hopes that victory brings jobs, money

BY SARAH CHILDRESS

KOGELO, Kenya—Barack Obama may already be suffering from the curse of lofty expectations here, the village where his father was born and buried.

Many of the U.S. president-elect's relatives still live here. When villagers heard Wednesday morning that Sen. Obama had won the election, they snatched up tree boughs and, waving them to whistles and a beating drum, danced down the road to the Obama family homestead.

"Obama is the king of the world," they sang. "We are going to the White House."

There was heady talk of jobs and money.

Roy Samo, a city councilman in nearby Kisumu, said that if Sen. Obama could raise millions to fund an election campaign, he could certainly spare some money to develop his father's homeland.

Villagers here said they already have proof change is on the way. On Wednesday morning, trucks from the Kenya electricity company began rolling into Kogelo, and the word was that the village would have power within days. Backhoes were working steadily to smooth and widen the roads, perhaps even pave them.

Officials had said the work was previously planned, but that didn't stop residents from crediting Sen. Obama.

"I've already seen the road," said Mary Adiambo Warinda, 28 years old. "He promised to help us, so he will."

Sen. Obama's grandmother, Sarah, and his sister Auma did their best to tamp down expectations. "We've always made it clear that he's an American president of the American people," Auma said.

Charles Lumumba, 39 years old, stepping along in the impromptu village parade on Wednesday, grew up down the road from the Obama homestead and said the sudden influx of foreign journalists has already energized the village. Many of the youngest villagers had never seen a white person, or even so many cars.

Now, new ideas and languages swirl around them. Recently, Raila Odinga, Kenya's prime minister, choppered in to visit the Obama family. Mr. Lumumba's 8-year-old was in awe. "When she saw the helicopter, she asked a lot of questions," he said.

"We just hope that he can do everything in his reach," said John Orondo, 23, with a slight smile. "Back in America, people are also expecting a lot."

—Sammy Kagwanja contributed to this article.

U.S. debt could tie Obama's hands

BY JON HILSENRATH

The U.S. government is on course for an unprecedented borrowing binge in coming months, a development that could constrain President-elect Barack Obama's economic agenda.

The Treasury Department laid out near-term borrowing plans Wednesday, saying it expects to tap financial markets for $550 billion in the final three months of 2008 and another $368 billion in the first three months of next year by issuing Treasury securities with a wide range of maturities.

Economists project that total government borrowing could pass $1.5 trillion in the fiscal year, which ends next September, in one year pushing up the government's total debt burden by more than 25%.

The sharp rise poses a potential dilemma for Mr. Obama's ambitious agenda. Few economists believe the Treasury will be constrained in the next year in its ability to manage its rising borrowing needs or in advancing another fiscal stimulus program. But in the long run, rising government debt could make it harder for Mr. Obama to pursue new spending and tax-cut programs aggressively.

"I don't think that anything on the stimulus end will be constrained by these deficits," said David Greenlaw, a Morgan Stanley economist. "But if you're talking about health care reform and some of these longer-term programs, there is some constraint there."

A range of factors are behind the mammoth borrowing increase. The recession has slowed individual income and corporate income tax receipts. Outlays are rising for unemployment insurance, food stamps and other programs meant to be an economic stabilizer. Meantime, the Treasury is embarking on a $700 billion program to buy distressed assets from Wall Street and invest in financial firms and has already increased borrowing in support of Federal Reserve financial rescue efforts.

Furthermore, Congress is likely to pass a new economic stimulus plan in the weeks ahead that could run well over $150 billion.

"We're really expecting private, foreign, domestic investors and foreign government investors to increase their Treasury debt holdings by a huge proportion," said Rudy Penner, a budget expert at the Urban Institute.

In theory, such a sharp increase in new supply of Treasury bonds and notes might jolt investors, pushing up interest rates. That hasn't happened so far, in large part because investors have been reluctant to hold riskier assets.

Yields on 1-month Treasury bills, at less than 0.2%, represent almost costless borrowing for the U.S. government, and have served as a green light to policy makers for a new economic stimulus plan.

"A large fiscal stimulus package of $300-$500 billion appears to be required to prevent an even deeper economic slump than the one we are now forecasting," Goldman Sachs economists said in a recent report on the fiscal outlook.

Economists break into two camps on the longer-term threat of mounting budget deficits. One sees the debt as manageable compared to other countries' and past U.S. debt.

Even with $1.5 trillion of new borrowing this year, the U.S. government's publicly held debt would amount to about 49% of gross domestic product, according to Morgan Stanley. That's much lower than Japan's government debt, which exceeds 100% of GDP.

As the economy improves and the government's borrowing needs diminish, this camp holds, the deficit picture should improve.

Others warn that the current increase in borrowing is coming at the worst possible time, just as the budget picture is darkening amid spending on Medicare, Medicaid and Social Security with the aging of the population.

Campaign addicts face life after the election

BY KEVIN HELLIKER AND DAVID KESMODEL

At age 53, Anne Summers discovered a susceptibility she never knew she had. She was an election junkie.

Her affliction started with late-night news programs, then progressed to incessant Internet surfing. It culminated in door-to-door campaigning for Sen. Barack Obama near her home in Fairfax County, Va. "Addiction wouldn't be too strong a word," she says.

So now, Dr. Summers will experience a sense of emptiness familiar to recovering addicts. Never mind that she is a soccer mom, wife and full-time cardiologist. The election is over.

"To fill the void I've bought some poli-sci books," says Dr. Summers. "And I'll catch up on my medical journals."

The end of the most-followed presidential campaign in recent years will leave many Americans feeling lost, even if their candidate won. The 2008 race provided drama and suspense to a nation hooked on reality television, mystery novels and Hollywood epics.

Arin N. Reeves, a Chicago-based diversity consultant, says she lost hours of sleep to late-night cravings for new campaign developments. For her, the vice-presidential picks were among the many suspenseful episodes—with the emergence of Alaska Gov. Sarah Palin deliciously surprising. "Week after week after week the story just kept getting better," she says.

Seldom in American history has a presidential campaign offered such compelling narratives: The rise and fall of former first lady Sen. Hillary Clinton. The come-from-behind primary performance of war-hero Sen. John McCain. The emergence of Barack Obama, the biracial Harvard Law star raised by a single mother. The moose-slaying Sarah Palin, who proudly embraced her unwed pregnant teenager. The father, Sen. Joe Biden, who raised his young sons alone following the death of his wife and daughter in a car accident.

On the morning after the election, however, it is as if "The Sopranos," "American Idol" and "Desperate Housewives" all ended on the same night.

Kathy Gilbert, a 62-year old educator in Grand Rapids, Mich., took to making twice-daily phone calls to her equally obsessed sister in Chicago. Campaign gossip was a way for the two to connect. "I've just been hooked on it night and day. It's definitely aberrant behavior for me," she says. "What now?" She compares her current state to being on an emotional roller coaster. "I think I may need to join Politics Anonymous."

Until this election cycle, Pamela Miller, 50, manager of a medical clinic in Phoenix, had never done anything more than vote. But after serving as a telephone volunteer in recent months for the McCain campaign, she's now feeling withdrawal pains.

Issues, of course, underpinned interest in the race. Worries about economic upheaval, war and health-insurance coverage stoked passions, as did the debate over tax plans. But to a great extent this became a competition not only between candidates but narratives, giving Tuesday's vote an Academy Awards quality: Who had the best story? The disparate tales of Sens. McCain and Obama inspired people in a way that differed from, say, the 2000 election, which featured two candidates born to the political aristocracy.

The narratives in this contest created intrigue across party lines. Dr. Reeves, for instance, is an Obama supporter. But her fascination with the campaign intensified after the Republican vice-presidential nomination of a woman whose infant son has Down syndrome. "After Sarah Palin, women started talking about abortion very differently, openly, as if her candidacy were an entree into forbidden grounds," says Dr. Reeves, who advises law firms and legal departments on issues of diversity.

For Miles McMillin, a corporate communications manager in greater Kansas City, the addictive habits began early in the morning, with the "Today Show." National Public Radio gave him a second fix during his commute to work, allowing him to soak up details about each candidate's schedule and speaking engagements. At night, he fed his cravings with a buffet's worth of cable-news helpings.

"After Wednesday night, I guess I'm going to have to reintroduce myself to my kids," says the Obama supporter.

The end of the campaign won't leave its addicts utterly bereft. Post-election, there will be no shortage of questions to analyze: How close to the mark were pollsters? Was Sen. McCain's concession delivered with grace? Whom will President-elect Obama appoint to his cabinet?

For some, solace is already available in the form of political futures markets. Intrade, a self-described "prediction market," on Tuesday was accepting bids for the 2012 presidential nominations, featuring Sens. Obama and Clinton on the Democratic side and five Republican possibilities, including Gov. Palin and former Rep. Newt Gingrich.

But just as a campaign's end can promote healing among political parties, abstinence can be healthy for political junkies. In recent weeks, when a chiropractor diagnosed Mrs. Gilbert with "computer elbow," she told him, "It's not going to heal until after the election," when she stops checking the Internet for campaign updates.

Dr. Reeves says the end of the campaign will enable her to stop biting her tongue at soccer matches when less-informed parents—meaning those who didn't stay up past midnight dissecting polls—start talking politics. "People would think it was a little weird if they knew how much I know," she says.

Sleep, a casualty for some, will make a comeback. "I'm just tired," says Vikki Watson. The Kansas City-area communications consultant stayed up late so many nights watching cable-TV pundits that at one point she told herself, "You've got to stop this. You're going to drive yourself insane."

As chief of sleep medicine at Loma Linda University Medical Center in California, Ralph Downey III advises patients to stay away from late-night television and Internet use. "But unfortunately, doctors don't always take their own advice," says Dr. Downey. He confesses he was drawn to check his computer for campaign updates as many as three times a night.