

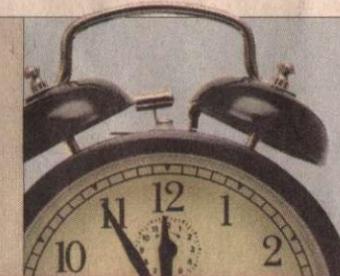
FINANCIAL TIMES

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'The next stage in recovery must be a strengthened European growth strategy'

Gordon Brown Comment Page 13



Wake-up call
UK credit rating fears should sound alarm for America
Comment Page 13

World Business Newspaper

News Briefing

Ex-Morgan Stanley trader fined £140,000

A former Morgan Stanley trader was fined £140,000 and banned by the City watchdog after he traded ahead of clients to profit from their orders. It was the third trading-related punishment linked to the bank by the Financial Services Authority in the past month. **Page 17; Lombard, Page 18**

Iron ore ruckus looms

Chinese steelmakers and miners are heading for a showdown over ore prices after Rio Tinto agreed to cut prices by a third for Japanese steel mills, much less than the reduction Beijing is demanding. **Page 17; Lex, Page 16; Serious cracks, Page 34**

Brown changes tack

Gordon Brown will today seek to shift the political agenda from the focus on MPs' expenses, with a call for European reforms to fight the recession. **Page 2; A void to fill, Page 11; Gordon Brown, Page 13**

Online music fillip

Online music services received a boost to their business model after the UK royalty collection agency cut the charges they must pay artists for playing a track. **Page 3; EU music rights, Page 5**

City exits on cards

City finance professionals are so worried about the future that nearly 30 per cent are planning to leave London, according to a survey. **Page 4**

Sarkozy climate outcry

President Nicolas Sarkozy's desire to appoint an outspoken climate-change sceptic to a new French super-ministry of industry has drawn strong

Surprise departure as Shell set for revamp

New chief tackles issues caused by oil price fall

Head of gas and power steps down from board

By Ed Crooks and John O'Doherty

Royal Dutch Shell is poised to announce a wide-ranging restructuring as its new chief executive starts to tackle the problems caused by the oil price plunge.

The changes began yesterday with the sudden departure of Linda Cook, head of the gas and power division and a former contender for chief executive, who had left the company "by mutual agreement", Shell said.

Her division is expected to be merged into the exploration and production business under the restructuring, as part of a drive to cut costs and improve operating efficiency.

She had previously said she believed gas and power worked better as a separate unit.

more than 30 per cent of senior managers were expected to go.

Shell refused to comment on any of the restructuring plans last night.

The fact that Mr Voser, who was investors' favoured choice as chief executive when he was appointed last year, has been given a mandate by Shell's board to make far-reaching changes before he is formally in post indicates a determination to address the company's problems quickly.

Shell's debt is set to rise sharply this year, albeit from a low base, as it funds its ambitious investment programme at a time when cash flows are under pressure.

The company also declined to comment on the sudden departure of Ms Cook, who steps down from the board next Monday.

Ms Cook will forgo a loyalty bonus of more than £800,000 by leaving, although the payment she receives on departure will offset that loss. The company refused to give details of the payment.

New justice First Hispanic nominated



Mandelson calls for GM to save two UK plants

By John Reed and Jean Eaglesham in London and Daniel Schäfer in Frankfurt

Britain has intervened in the political manoeuvring over the future of Opel/Vauxhall, explicitly linking its financial support for the spin-off of General Motors' European operations to the future of two UK car plants.

Lord Mandelson, business secretary, said he had held "substantial telephone conversations" yesterday with Fritz Henderson, GM's chief executive, and Carl-Peter Forster, chief executive of GM Europe, and had "made clear the UK government's commitment to all of Vauxhall's plants".

Britain is lobbying to prevent the German government from bowing to election-year pressure with a pledge to protect domestic jobs at the expense of Vauxhall's UK plants. "We're pedalling hard to get a commercial solution and not an overtly political one," a senior government insider said.

Lord Mandelson yesterday confirmed he had met Italy's Fiat and Canada's Magna, which are competing for a stake in GM Europe.

The UK move came ahead of a decision by Berlin today to name one or more preferred bidders for GM's European arm. America's largest carmaker is expected to file for bankruptcy by next week.

French super-ministry of industry has drawn strong protests. **Page 8**

Europe's big spenders

French and German consumers are keeping up their spending in the face of the most severe recession to hit Europe, data and surveys showed. **Page 7; Martin Wolf, Page 13**

Hizbollah in IMF talks

Lebanon's Hizbollah has held talks with the IMF and the EU as it seeks to secure continued financial support for Lebanon should the political alliance it leads win next month's parliamentary elections. **Page 10**

HK steps up stimulus

Hong Kong's financial secretary announced HK\$16.8bn (£1.4bn) in additional stimulus measures to help rescue the territory from its steepest economic decline in more than a decade. **Page 9**

North Korea warning

North Korea, defiant in the face of condemnation of its nuclear test, was reported to have fired two more short-range missiles off its east coast after warning such salvos could continue until Saturday. **Page 6; Editorial Comment, Page 12; www.ft.com/northkorea**

McCafé plans brewing

McDonald's is aiming to overtake Starbucks as Europe's biggest coffee chain with plans to open several hundred McCafé stores selling pastries and cappuccinos this year. **Page 17**

US mood brightens

US consumer confidence surged to its highest level since September, lifting stock markets on both sides of the Atlantic. **Page 7; Markets, Page 34**

Curbs on Sharif lifted

Pakistan's supreme court lifted restrictions barring Nawaz Sharif, the former prime minister, from contesting elections. **Page 7**

better as a separate... Peter Voser, Shell's former finance chief who is now chief executive designate and takes over from Jeroen van der Veer as chief executive on July 1, has been working on detailed plans to enable the company to cope with lower oil and gas prices.

Shell's top 200 managers are expected to be briefed on the changes at a two-day meeting in Berlin, starting today.

People familiar with the company said they also expected a drive to cut costs in support functions such as human resources and accounting.

Royal Dutch Shell plc, an independent website used by Shell staff, said yesterday that

Mr Van der Veer paid tribute to Ms Cook, who joined Shell in Houston in 1980, for her "many important contributions to the success of our company".

Ms Cook said: "There is a lot to be proud of, in particular with respect to what the Shell team has achieved in global natural gas growth and the foundation we have built for the future."

Last week, Shell suffered an embarrassing vote of no confidence from shareholders who voted down the company's executive pay plan.

Lombard, Page 18
Three into two will go, Page 19
www.ft.com/ukview



US president Barack Obama announces he has nominated federal appeals court judge Sonia Sotomayor as the next Supreme Court justice, the first Hispanic and only the third woman put forward for America's highest court. Mr Obama

said Ms Sotomayor, a native of New York's gritty South Bronx neighbourhood, had a background that gave her a 'practical understanding of how the law works in the everyday lives of the American people'. **Report, Page 8**

file for bankruptcy by next week. Germany is expected to give final approval by tomorrow for €1.5bn (£1.3bn) of bridging finance via the sale of a strategic stake.

Beijing Automotive Industry Corp emerged as a fourth contender for Opel. The Chinese carmaker pledged not to cut jobs or close plants in Germany for two years, people close to the situation said. It also plans to inject €700m in equity into Opel and use less than the minimum €5bn in state guarantees the other bidders are demanding.

Lex, Page 16
Magna's sweetener and European View, Page 22

Santander settles



Santander has reached a settlement with the trustee trying to recover money for the victims of Bernard Madoff (above). It agreed to pay \$235m (£147m) to resolve claims against two of the bank's hedge funds managed by its Optimal investment arm. The deal is the first big settlement for Irving Picard, the trustee, who is trying to get Mr Madoff's investment partners to return money.

Report, Page 23

Russian internet group makes \$200m investment in Facebook

Social network site faces expansion costs

By David Gelles in San Francisco

Facebook yesterday said it had accepted a \$200m (£125m) investment from Digital Sky Technologies, a private Russian internet investment group, valuing Facebook at \$10bn.

The investment in the fast growing social network, in exchange for preferred stock, represents a 1.96 per cent equity stake. It is the first time Facebook has raised major funding since late 2007 when it took \$240m from Microsoft, valuing Facebook at \$15bn at the time.

DST indicated that it planned to purchase at least \$100m of Facebook common stock from shareholders, allowing current and former employees to receive a payout for their work at Facebook. Details of this plan are expected in the coming months.

DST will not receive a seat on Facebook's board as part of either investment.

"They've had to go far afield for this capital," said Ray Valdes, an analyst at Gartner. "I'm sure there are investors closer to home that would be happy to invest in Facebook but not at that valuation."

DST, set up in 2005, has about 30 investments in Russia and eastern Europe. They include Mail.ru, Russia's largest web portal. DST sites account for 70 per cent of page views on the Russian language internet.

"Our investment in Facebook underscores our belief that social networks fundamentally change the way people interact and communicate," said Yuri Milner, DST chief executive. "Based on what we have learned in our home markets, we have begun to actively expand abroad."

Facebook recently recorded 200m active users but much of its growth is coming internationally,

where the company is harder-pressed to monetise traffic. Capital costs are growing as the company pays to accommodate increased activity on the site.

"Facebook has been successful in gaining users but that has had the unfortunate result that it increases costs," said Mr Valdes. "As long as they grow, they will need additional capital to build out capacity."

Facebook projects substantial revenue growth this year. Mark Zuckerberg, chief executive, said yesterday that the company had been profitable before interest, tax, depreciation and amortisation for five quarters and expected revenue growth of 70 per cent this year.

He said Facebook would be cashflow profitable next year. Outside estimates put 2009 income at about \$500m.

"Our revenue numbers are up and our growth continues to scale very rapidly," Mr Zuckerberg said.

World Markets

STOCK MARKETS	May 26		
	May 26	prev	%chg
S&P 500	910.33	887.0	+2.63
Nasdaq Comp	1750.43	1692.01	+3.45
Dow Jones Ind	8473.49	8277.32	+2.37
FTSEurofirst 300	865.14	857.71	+0.87
DJ Euro Stoxx 50	2468.45	2440.23	+1.16
FTSE 100	4411.72	4365.29	+1.06
FTSE All-Share UK	2247.79	2227.98	+0.89
CAC 40	3270.09	3236.16	+1.05
Xetra Dax	4985.6	4918.45	+1.37
Nikkei	9310.81	9347.0	-0.39
Hang Seng	16991.56	17121.82	-0.76
FTSE All World \$	159.78	157.74	+1.29

CURRENCIES	May 26		prev	
	May 26	prev	May 26	prev
\$ per €	1.399	1.401	€ per \$	0.715 0.714
\$ per £	1.594	1.590	£ per \$	0.627 0.629
£ per €	0.877	0.881	€ per £	1.140 1.135
¥ per \$	94.8	95.1	¥ per €	132.6 133.1
¥ per £	151.1	151.1	£ index	81.2 80.8
\$ index	85.9	86.0	€ index	102.7 102.7
Sfr per €	1.516	1.518	Sfr per £	1.728 1.723

COMMODITIES	May 26		
	May 26	prev	chg
Oil WTI \$ Jul	62.45	61.21	1.24
Oil Brent \$ Jul	61.24	60.21	1.03
Gold \$	958.80	957.00	1.80

INTEREST RATES	price			yield		
	price	yield	chg	price	yield	chg
US Gov 10 yr	96.81	3.51	0.06			
UK Gov 10 yr	106.75	3.67	0.05			
Ger Gov 10 yr	98.90	3.63	0.03			
Jpn Gov 10 yr	100.52	1.44	-0.02			
US Gov 30 yr	96.66	4.45	0.07			
Ger Gov 2 yr	99.68	1.43	0.01			
	May 26	prev	chg			
Fed Funds Eff	0.17	0.17	-			
US 3m Bills	0.18	0.19	-0.01			
Euro Libor 3m	1.27	1.27	0.00			
UK 3m	1.18	1.19	-0.01			

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