

Holcim calls a halt to Lafarge deal to revisit terms

REUTERS, Paris/Zurich

HOLCIM called a halt on Monday to its merger with Lafarge, pressing the French company to renegotiate the deal terms and putting their plan to create the world's biggest cement maker at risk.

The deal announced in April 2014 was supposed to combine the firms on an equal basis. But since then, diverging results, share prices and a surge in the Swiss franc against the euro have strengthened Holcim's position and led its largest shareholder to press publicly for a revision of the agreement.

"The Holcim board of directors has concluded that the combination agreement can no longer be pursued in its present form," Holcim said in a statement, saying it was ready to talk about both the share exchange ratio and "governance issues".

Lafarge said in a separate statement it was willing to consider revising the share exchange ratio but not other aspects of the deal, which was unveiled as "a merger of equals".

Lafarge boss Bruno Lafont was due to become chief executive of the merged company but Holcim wants to change the earlier plan, a person familiar with the situation said.

A top 10 shareholder told



A general view shows Switzerland's Holcim cement production plant in Siggenthal in August 2007.

REUTERS/FILE

Reuters that the board composition was also an issue, since the original plan to divide the seats equally with seven for each side was no longer fair.

Lafarge shares fell 4.5 percent, making them the biggest loser on the French blue-chip index, while Holcim fell 1 percent as the two firms' positions cast doubt over the deal.

"For us, this leaves the issue of an adjustment or break-up wide

open," wrote Bernstein Research.

"The boards were not nearly as united as we expected ... both sides have taken tough negotiating positions, with some willingness to find common ground on the financial terms but little flexibility on changes to governance," Bernstein said.

SHARE RATIOS

Shareholders of both groups still had to ratify the deal and some on the Holcim side have

been agitating for change, including investor Thomas Schmidheiny who owns a 20 percent stake.

The differences between the two companies came to a head during the transition period in which they were seeking antitrust approvals globally and selling off assets to comply with various regulators' requests.

On Feb. 2, Holcim and Lafarge agreed to sell a chunk

of their European businesses to Irish group CRH (CRH.I) to secure approval for the merger from European Union competition authorities.

CRH shares fell 3 percent on Monday on news Holcim wanted to renegotiate the Lafarge merger terms.

Approvals for the deal are still needed in India, the United States and Canada.

According to the person familiar with the situation, Holcim has proposed changing the previously agreed 1-1 share exchange ratio to 0.875 Holcim shares for each Lafarge share, confirming a Sunday report from Bloomberg.

Lafarge is said to be planning a counter proposal that would trim its weighting to 0.93 to get the deal done, the person said.

"Lafarge's board of directors remains committed to the project that it intends to see implemented," the French group said on Monday.

Holcim said further details would be communicated later.

Shares in Lafarge and Holcim moved broadly in tandem after the deal was announced, but the positive correlation broke down in late February after Holcim reported stronger growth.

Shares in Lafarge are down nearly 8 percent since then, while Holcim shares are up 0.2 percent over the same period.

Kuwait plans to introduce corporate tax as oil slumps

AFP, Kuwait City

KUWAIT has sought help from the International Monetary Fund to introduce corporate taxes in a bid to diversify revenue in the face of falling oil prices, a minister said Monday.

"The IMF will prepare a preliminary report on how to impose taxes on companies in Kuwait," Commerce and Industry Minister Abdulmohsen al-Mudej said after a meeting with IMF representatives, the official KUNA news agency reported.

The two sides discussed ways of introducing corporate taxes for Kuwaiti and foreign companies operating in the oil-rich Gulf state after the recent introduction of a new corporate law, the minister said.

Kuwait currently imposes no taxes on local companies, Kuwaiti citizens and expatriates but it requires foreign firms to pay 15 percent tax on their profits.

The IMF has in the past advised Kuwait to subject local companies to corporate tax as part of a series of measures aimed at boosting non-oil revenues and cutting spending.

Kuwait has posted a budget surplus in each of the past 15 fiscal years due to high oil prices but has also increased public spending from under \$13 billion (12.4 billion euros) to more than \$77 billion this fiscal year, mostly on wages and subsidies.

Earlier this year, the emirate stopped diesel, kerosene and aviation fuel subsidies and the finance ministry is considering similar measures for petrol, electricity and water. Oil income contributed around 94 percent of Kuwait's public revenues but the sharp drop in prices is expected to substantially reduce its income.

Kuwait's revenues in the first 10 months of the current fiscal year dropped 16 percent to \$74.5 billion compared to \$88.8 billion last year, according to finance ministry figures. In the same period, oil income dived 17.3 percent to \$68.3 billion from \$82.5 billion.

The emirate is however forecast to end this fiscal year with a surplus -- albeit smaller than usual -- for the 16th year in a row.

The government has announced the 2015/2016 budget with a \$24 billion deficit despite slashing spending by 17.8 percent to \$65.1 billion.

There are about 1.25 million Kuwaitis in the tiny gulf kingdom, in addition to 2.9 million foreigners. It pumps about 2.8 million barrels of oil per day.

IMF chief hails India as 'bright spot' in gloomy world economy

AFP, New Delhi

INTERNATIONAL Monetary Fund chief Christine Lagarde hailed India as a bright spot in the otherwise gloom-ridden global economy Monday, saying the recovery from the 2008-2009 financial crisis was still fragile.

Speaking at the start of a two-day visit, Lagarde said India was bucking the trend of declining growth seen in other major economies and was on course "to become a key engine for global growth".

With the global economy expected to grow at only 3.5 percent this fiscal year and even Chinese growth decelerating, Lagarde predicted India would soon be the fastest growing major economy.

"More than six years after the global financial crisis, the recovery remains too slow, too brittle, and too lopsided," Lagarde said in a speech in New Delhi ahead of talks with Prime Minister Narendra Modi later Monday.

"We have pared down our forecasts of global growth since last October, despite the boost from cheaper oil and stronger US growth.

"And while the global economy is expected to grow by 3.5 percent this year, and 3.7 percent next year, this is still below what could have been expected after such a crisis," she told an audience of business leaders.

"In this cloudy global horizon, India is a bright spot," she added.

Since Modi came to power last May, inflation has fallen to around five percent while revised gross domestic product (GDP) data has put growth for the current financial year at 7.4 percent, meaning Asia's third largest economy is now out-



Christine Lagarde

pace China.

A fall in global crude prices has also been a major boon to a country that is one of the world's biggest oil importers.

Lagarde welcomed the government's first full budget last month for striking "a good growth-equity balance" and praised Modi's drive to make India a major manufacturing hub and an easier place to do business.

But she also stressed that the government needed to do more to allow "an open and competitive business environment to flourish", saying up to \$1 trillion in infrastructure investment was required over the medium-term.

While Modi has pledged to streamline bureaucracy, Lagarde said that too many projects were still being stalled by red tape.

"Much needs to be done in easing land acquisition, expediting clearances, and establishing a stable regulatory regime so that the private sector can invest," she said.

"These issues are on the radar of policymakers, which is promising, they must be on the action list."

Boeing production czar says planemaker won't repeat errors

REUTERS, Seattle

BOEING Co is well-positioned to hit record production targets for its popular 737 jetliner by 2018, having learned from past mistakes, the head of its industrial system told Reuters.

"To the extent that we could accommodate uncertainty and risk, or reduce risk, we are much better postured today than when we have tried this in the past," said Pat Shanahan, who oversees production at the world's biggest planemaker.

Boeing's production lines face a crucial test as the company prepares to lift output of its bestselling jet by 24 percent while simultaneously shifting to a new fuel-saving model, the 737 MAX.

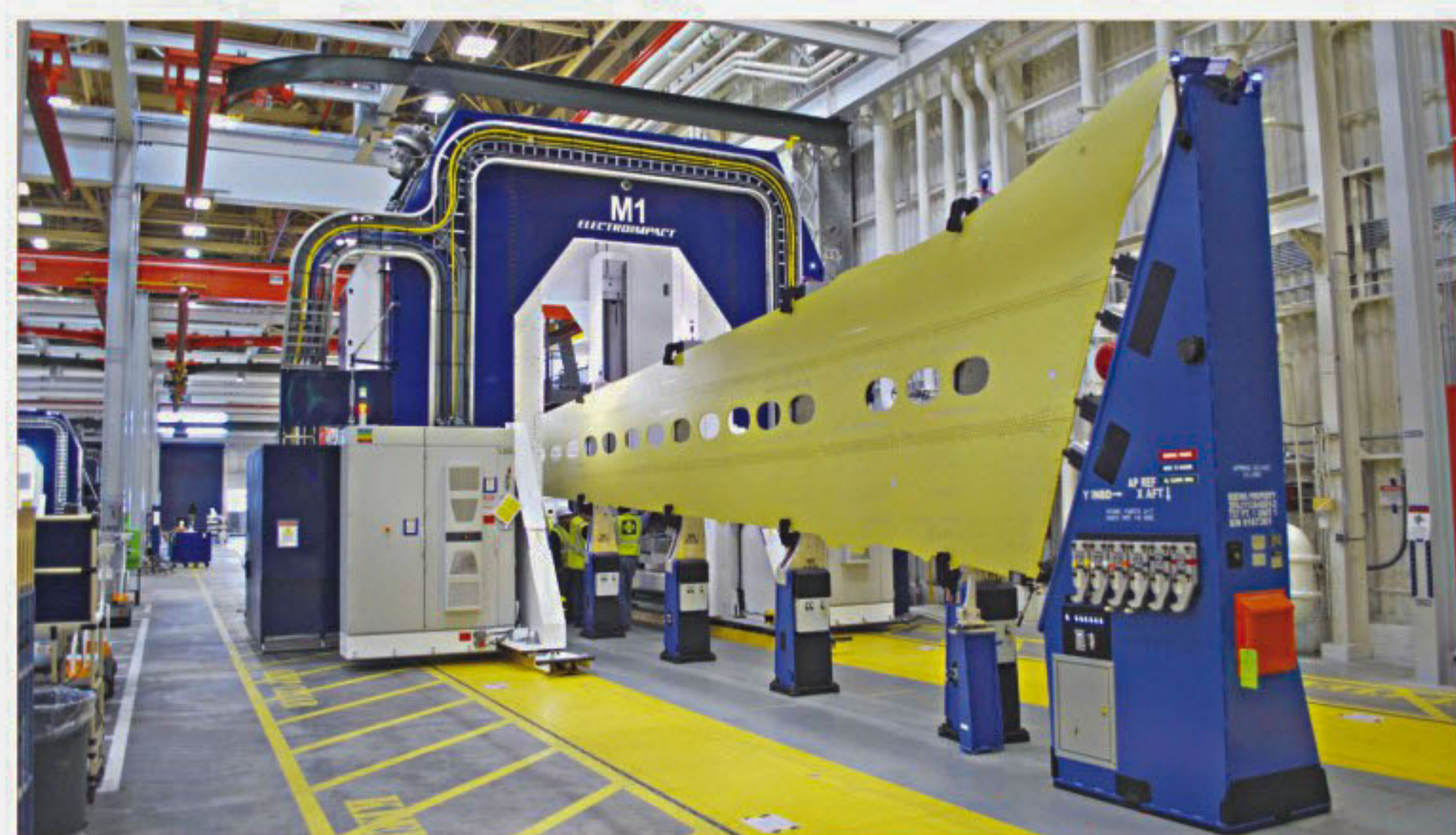
Boeing has not attempted such a production boost and model shift since 1997, when it was forced to stop assembly of its 747 jumbo and delay building a new version of the 737 for several weeks due to parts shortages. Boeing was also distracted by a merger with McDonnell-Douglas at the time.

This time, with zero room for error on the 737, a major cash generator for the company, Boeing is taking a fresh look at the way it builds jets by adding more automation.

"When I think about the mistakes we made back then, we didn't have an integrated plan that included the supply chain," Shanahan said, noting that the company now follows such a plan.

Shanahan, 52, is a troubleshooter credited with turning round the 787 Dreamliner in 2008 after delays also blamed on supply chain problems and a missile defense project.

As senior vice president for airplane programs, he must ensure the 737 makeover goes



REUTERS

A blue, horseshoe-shaped wing assembly machine glides over a yellow wing panel, which will become part of a 737 jetliner, at the Boeing factory in Renton, Washington.

smoothly, and prepare a production system for the larger 777X, a revamped model of the 777 due to enter service in 2020.

Boeing builds 42 medium-haul 737s a month and plans to lift this to 52 by 2018 in competition with Europe's Airbus.

Industry sources have said Boeing is assessing whether the supply chain can support an increase to 58, but the company says it has nothing to add to its announced target of 52.

Shanahan declined to discuss further 737 output increases, but he is prepared to use bold numbers to illustrate the scale of the industrial challenge posed by the 737, and his

belief that innovation is about production systems, not just aircraft design.

"I talk about 100 (737s a month)," he said, adding, "It is not about the number...When we said 10 787s a month nobody could get their head around it. I remember on the 737 program we said one day. (People said) 'No way!' Now it is two a day."

Other than the pressures of adding a newer 787-9 variant, the 787 supply base is "starting to stabilize," Shanahan said.

"We are doing a lot of (787) -8s and -9s, so we are stressing that part of the system until it gets capable. But nothing is in the abnormal range."

Merkel urges closer tech ties with rising IT giant China

AFP, Hanover, Germany

GERMAN Chancellor Angela Merkel on Sunday urged closer high-tech cooperation with China as she opened a major IT business fair where the Asian giant is the official partner country.

"German business values China not just as our most important trade partner outside of Europe but also as a partner in developing sophisticated technologies," she said.

"Especially in the digital economy, German and Chinese companies have core strengths... and that's why cooperation is a natural choice."

Merkel was speaking at the opening of the CeBIT fair in the western city of Hanover, where more than 600 Chinese companies will exhibit their tech marvels this week, showcasing the country's rise as an IT power.

China's information and communication technology has bucked the country's wider slowdown in economic growth and is booming in what is now the world's biggest smartphone market with the highest number



REUTERS

German Chancellor Angela Merkel (C), China's Vice Premier Ma Kai (L) and Alibaba founder and chairman Jack Ma pose for a picture during the official opening of the CeBIT trade fair in Hanover on March 15.

of Internet users.

For Germany, Europe's top economy, the event aims to further cement business ties with fellow export power China as both seek to adapt to the sweeping digitisation of the world economy.

Germany is already by far the biggest European economic player in China. Two-way trade last year reached 150 billion euros (\$157 billion). Both countries have declared 2015 the year of their "innovation partnership".

Chinese Premier Li Keqiang in a video message praised Germany as "an industrial powerhouse and land of thinkers" and said he looked forward to more German-Chinese cooperation in "web-based, digital and intelligent technologies".

He said both countries' digital strategies complement each other and that he hoped "to further strengthen our comprehensive strategic partnership and embark together on a path of win-win cooperation and joint prosperity in the world".

The almost three-decade old CeBIT once

dazzled consumers with gadgets but has been overshadowed by big tech events in Las Vegas and Barcelona, leading it to focus on business users. Last year IT professionals made up more than 90 percent of the more than 200,000 visitors.

China's huge showing "makes it the biggest and strongest partner country presentation we've ever seen at CeBIT," said top exhibition executive Oliver Frese.

Its tech giants including Huawei, Xiaomi and Lenovo filled more than 3,000 square metres (30,000 square feet) of exhibition space.

"China was known as a supplier of components and later as a supplier of hardware, smartphones, tablets and also PCs," said CeBIT spokesman Hartwig von Sass.

"Now China has numerous companies that have become world leaders... We see this as a shift on the world map: digitisation is going east."

The head of German IT industry group BITKOM, Dieter Kempf, expressed awe at the scale of the Chinese market.