

EU DAILY UPDATE

December 19, 2006

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1. COMPETITION

M&A

- The total of announced mergers and acquisitions on 18 December 2006, worth Euro69bn, reveal the strength and the pace of the M&A market, making 2006 the busiest year on record for M&A under a global perspective (FT, December 19, 2006, p. 15)
- **Statoil**, the Norway-based oil company is reportedly planning to acquire the oil and gas business of **Hydro**, the other Norwegian oil company for Euro22bn (FT, December 16, 2006, p.1, 16; WSJE, December 19, 2006, p. 3, 17)
- On December 19, 2006, **Gaz de France (GdF)**, the French state-owned energy group, is expected to sign an agreement with **Gazprom**, the Russian gas company, including among others the extension of existing long-term contracts for gas delivery by the Russian company to French industry until 2030 (FT, December 19, 2006, p. 3; WSJE, December 19, 2006, p. 4)
- On December 20, 2006, **Gaz de France (GdF)**, the French state-owned energy group, is reportedly expected to present at its board meeting a new timetable which could possibly delay until July 2007 the shareholder vote on the merger between **GdF** and **Suez**, the Franco-Belgian utility (FT, December 19, 2006, p. 16)
- Dutch finance minister Gerit Zalm, in a letter released by **Euronext**, the pan-European stock-exchange, is reportedly trying to acquire control over a foundation established to secure the proposed merger between the **New York Stock Exchange** and **Euronext**, from US regulatory intervention (FT, December 19, 2006, p. 16; WSJE, December 19, 2006, p. 21)
- On December 18, 2006, **OneSteel** and **Smorgon**, the Australian-based steelmakers, announced a proposed acquisition of **Smorgon** by **OneSteel** for US\$779m. The new agreement also includes a potential JV between the two companies in order to combine their pipe and tube manufacturing business (FT, December 19, 2006, p. 17)
- **Express Scripts**, the US-based pharmacy-benefits manager, has launched a US\$26bn offer for **Caremark**, the UK-based prescription benefit management firm, in an attempt to block the merger agreement between **Caremark** and **CVS**, the US drug-store chain, for US\$21bn (FT, December 19, 2006, p. 18; WSJE, December 19, 2006, p. 6)
- On December 19, 2006, **Biomet**, the US-based orthopedic devices manufacturer, was sold at an auction to a consortium of private equity groups for US\$10.9bn (FT, December 19, 2006, p. 18)
- **BCE**, the Canada-based communications enterprise, has agreed to sell **Telesat Canada**, its satellite unit, to **Loral Space Communications** and the **Public Sector Pension (PSP) Investment**, its Canadian partner, for US\$2.8bn plus the assumption of US\$148m in debt (FT, December 19, 2006, p. 18; WSJE, December 19, 2006, p. 7)
- **Danone**, the French dairy food and water producer, has formed a JV with **China Mengniu Dairy**, the Chinese manufacturer and distributor of dairy products in which **Danone** agreed to hold a 49% stake (WSJE, December 19, 2006, p. 4)
- Oil explorer **Cairn India** raised US\$1.18bn from an IPO. Poor response forced Cairn India to lower the initial offer price to investors (WSJE, December 19, 2006, p. 3)
- **Bayer**, the Germany-based pharmaceutical company, has reportedly agreed to sell **Wolff Walsrode**, its cellulose products specialized business, to **Dow Chemical**, the US-based producer of plastics and chemicals for an undisclosed amount (WSJE, December 19, 2006, p. 7)
- **Warner Music Group**, the US-based recording company, has reportedly agreed to buy a 73.5% stake in **Roadrunner Music Group**, the Netherlands-based music producer and distributor, for US\$73.5m (WSJE, December 19, 2006, p. 7)
- **FedEx**, the US-based express transportation company, has bought **ANC Holdings**, a UK-based package-delivery company, for US\$ 234.2m (WSJE, December 19, 2006, p. 7)
- **Eli Lilly**, the US-based pharmaceutical company, is reported to intend to acquire **Icos**, the US-based pharmaceutical company, for US\$2.3bn (WSJE, December 19, 2006, p. 7)

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- **Apollo Management**, the US buyout firm, is believed to intend to acquire **Realogy**, the US real-estate services company for US\$6.6bn (WSJE, December 19, 2006, p. 22)
- The German government has announced that it has stopped seeking investors for the acquisition of a stake in the **European Aeronautic Defense & Space (EADS)**, Europe's largest aerospace firm, since the number of investors who have already expressed their interest would be sufficient (WSJE, December 19, 2006, p. 7)
- Andrea Pininfarina, the vice-chairman of Confindustria, the Italian employers' federation expressed his concern on the negative impact which the Italian government's involvement in the failure of the **Abertis-Autostrade** proposed merger could have in the envisaged sale of **Alitalia**, the Italian airline (FT, December 19, 2006, p. 2)
- The following concentrations have been notified to the European Commission:
 - ◆ **Advent/Carlyle/H.C. Starck** — Candidate case for simplified procedure (metals, ceramics and electronic chemicals) (OJ C 311, December 19, 2006, p. 54)
 - ◆ **Industri Kapital/Attendo** — Candidate case for simplified procedure (health care services) (OJ C 311, December 19, 2006, p. 60)
- The following concentrations have been cleared by the European Commission:
 - ◆ **BART/HTA/CDPQ** (airport management) (RAPID, December 19, 2006)
 - ◆ **Mammoet/SHV** (heavy lifting operations) (RAPID, December 19, 2006)
 - ◆ **Oakwood/MLCP/CIR** (financial services) (RAPID, December 19, 2006)

State Aid

- Summary information communicated by Italy, Austria and the Netherlands regarding State aid granted under Commission Regulation (EC) No 1/2004 of December 23, 2003, on the application of Articles 87 and 88 of the EC Treaty to State aid to small and medium-sized enterprises active in the production, processing and marketing of agricultural products (OJ C 311, December 19, 2006, p. 45)

Other

- The Financial Services Authority (FSA) of the UK has put under review some of the largest takeover offers of the past year in order to apply stricter control rules and to avoid relevant information leaking prematurely (FT, December 19, 2006, p. 19)
- "Airlines and Antitrust"- merger trends in the airline industry (WSJE – Review & Outlook, December 19, 2006, p. 11)

2. TRADE

- Council Regulations (EC) No 1870-1872/2006 of December 11, 2006, on trade in certain steel products between the Community on the one side and Kazakhstan, Ukraine, and Russia on the other (OJ L 360, December 19, 2006, p. 1, 21, 41)
- Commission Regulation (EC) No 1875/2006 of December 18, 2006, amending Regulation (EEC) No 2454/93 laying down provisions for the implementation of Council Regulation (EEC) No 2913/92 establishing the Community Customs Code (OJ L 360, December 19, 2006, p. 64)
- Notice of initiation of an antidumping proceeding concerning imports of polyvinyl alcohol (PVA) from China and Taiwan (OJ C 311, December 19, 2006, p. 47)
- Notice of initiation of partial interim reviews of certain antidumping measures (urea and ammonium nitrate and ammonium nitrate from Russia and ammonium nitrate from Ukraine) (OJ C 311, December 19, 2006, p. 51, 55, 57)

3. COMMUNICATIONS / E-COMMERCE / DATA PRIVACY

- No major developments

Please see under Competition

4. FOOD / CONSUMER POLICY / PHARMACEUTICALS

- On December 19, 2006, Markos Kyprianou (EU Commissioner for Health) is to visit Russia in an attempt to cope with the Russian threat for a meat import ban after the Romania's and Bulgaria's accession to the EU in January 1, 2007. His visit comes after

Russia offered bilateral meat trade agreements to France, Italy, Germany, the Netherlands, Ireland and Denmark which were not accepted by these EU Member States (FT, December 19, 2006, p. 2)

- On December 18, 2006, at the Environment Council, Ministers rejected by qualified majority the European Commission's proposal to oblige Austria to lift its ban on the use or sale, on Austrian soil, of two forms of genetically modified maize (*i.e.* MON 810 and Bayer T25) (EIS, December 19, 2006, FT, December 19, 2006, p. 7)
- On December 18, 2006, Muhammad Yunus, the winner of the 2006 Nobel Peace Prize signed an extended "affordable-food" partnership agreement with **Danone**, the French dairy food and water company, and offered to co-operate with more multinational companies on social investment projects (FT, December 19, 2006, p. 19)
- "Rush to "biomarker" testing for diseases raises questions" - an article commenting on the popularity of protein diagnosis and its interrelation with science (WSJE, December 19, 2006, p. 34)
- Commission Regulation (EC) No 1876/2006 of December 18, 2006, concerning the provisional and permanent authorization of certain additives in feedingstuffs (OJ L 360, December 19, 2006, p. 126)

Please see also under Competition

5. ENVIRONMENT

- On December 18, 2006, the European Commission suggested a revised proposal concerning the inclusion of airline companies arriving at or departing from EU airports in the EU's carbon emissions trading scheme by limiting the scheme until 2013 only to travel within EU, hence to EU airlines. This proposal is scheduled to be agreed by the Commission on December 20, 2006 and will require the approval of the Member States and of the European Parliament (FT, December 19, 2006, p. 1)
- On December 18, 2006, at the Environment Council, Ministers adopted their conclusions on the World Climate Conference in Nairobi emphasizing that the rhythm of negotiations on the future of the Climate Convention and on the post-2012 period of the Kyoto Protocol must be "maintained" or even increased in 2007, in order to finish by 2009 at the latest, thereby avoiding a gap between the first and second periods (EIS, December 19, 2006)

6. TRANSPORT / ENERGY

- According to a report by the Union for the Coordination of Transmission of Electricity (UCTE), the energy blackout in big parts of Western Europe on November 4 was caused by inappropriate coordination among Transmission System Operators (TSOs). Andris Piebalgs (EU Commissioner for Energy) stated that "[a]lthough the final report can give further causes for the incident, it is now clear that the EU internal market needs stronger cooperation between transmission system operators if we want to ensure the highest levels of security in the system" (RAPID, December 19, 2006)
- "Blowdown: how faults at BP led to one of America's worst industrial disasters" : A commentary on the industrial disaster taken place at the BP's Texas city refinery on March 23, 2006 (FT, Comment & Analysis, December 19, 2006, p. 11)

7. ENLARGEMENT

- No major developments

Please see under Food/Consumer Policy/Pharmaceuticals

8. OTHER DEVELOPMENTS

- On December 18, 2006, Angela Merkel, the German chancellor, received strong opposition from regional politicians threatening to reject the government's healthcare bill which mainly aims to establish a centralized health fund that would pool all contributions paid by employers and employees and redistribute them into individual funds (FT, December 19, 2006, p. 2)

List of sources

EIS: *Europe Information Service*
EV: *European Voice*
FT: *Financial Times*
OJ: *Official Journal*
RAPID: *Rapid – The Press and Communication Service of the European Commission*
WSJE: *Wall Street Journal Europe*

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