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Financial Times

FRONT PAGE - FIRST SECTION, London Ed3, 01

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Google raises internet monopoly alert on Microsoft bid for Yahoo

Growing enmity has echo of previous clash

By Richard Waters in San Francisco and Andrew Edgecliffe-Johnson in London

Google raised a red flag over Microsoft's unsolicited takeover offer for Yahoo, yesterday arguing it could open the way for the software developer to extend its PC monopoly to the internet.

The intervention is the latest example of the growing enmity between the two companies and echoes Microsoft's denunciation of Google's proposed acquisition of online advertising company DoubleClick.

While Microsoft claimed that deal could give Google inordinate power to control online ads as they become the lifeblood of many internet companies, Google believes Microsoft would be in a position to influence the evolution of the web itself. However, Brad Smith, general counsel of Microsoft, said: "Microsoft is committed to openness, innovation, and the protection of privacy on the internet."

Microsoft has not ruled out launching a proxy fight for control of Yahoo by 13 March, the last date it can nominate its own directors to the board ahead of this year's shareholders' meeting.

Separately, an alliance with Google is being seen inside Yahoo as one of the main options as the company tries to fight off Microsoft's hostile approach, according to one person familiar with its thinking. The cash-and-stock offer was worth \$43bn (£22bn) at the end of last week.

Yahoo rejected the idea of a tie-up with Google last year but has now put it back at the top of its list of options, along with finding ways to realise more of the value from its stakes in Japanese and Chinese joint ventures, according to this person.

In a posting on Google's company blog, David Drummond, its top lawyer, said: "While the internet rewards competitive innovation, Microsoft has frequently sought to establish proprietary monopolies - and then leverage its dominance into new, adjacent markets."

Google swung the spotlight on the "overwhelming" share of the web e-mail and instant messaging markets Microsoft and Yahoo account for, and that they own two of the busiest web portals.

Meanwhile, a Google-Yahoo alliance, something discussed but not pursued last year, would enable Google to halt Microsoft's latest bid to boost its standing on the web. The idea was receiving serious consideration again this weekend as Yahoo looked at a wider range of options, according to a person close to the company.

Search for a fight, Page 10 Pain for gain, Page 13 Yahoo's options, Page 24 www.ft.com/techblog
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14-Mar-2008

Bear Stearns funding news knocks European shares

By Rachel Morarjee and Sarah O'Connor

European stocks shuddered into negative territory on Friday after news that US investment bank Bear Stearns will receive funding from the Federal Reserve and JP Morgan.

The FTSE Eurofirst 300 lost over 2 percent after the news emerged, and by 2pm GMT was at 1254.91, 1.3bp down on the day. Frankfurt's Xetra Dax lost 1.5 per cent to 6,406.5, the CAC 40 in Paris shed 1.7 per cent to 4,552.11 and London's FTSE 100 sank 1.6 per cent to 5,601.5.

In the US, Bear Stearns lost almost 50 per cent of their value while the Dow Jones Industrial Average was 2.3 per cent down in opening trade and the S&P 500 was 2.6 per cent down.

The move to provide funding for Bear Stearns came on the back of growing concerns in the market that it was facing significant liquidity constraints.

Back in Europe mining and metals stocks managed to hold onto positive ground following recent surges in commodity prices.

Eurozone inflation hit a new record high of 3.3 per cent in February, as surging commodities prices cancelled out the effect of the stronger euro. The pick-up from January's 3.2 per cent was related partly to a small increase in energy inflation. The core rate rose from 1.7 per cent to 1.8 per cent.

Sweden's SSAB, which announced the sale of its IPSCO Canadian unit to Russia's Evraz for \$2.3bn, rose 7.2 per cent to SKr171.50.

Speculation that Russian groups may continue buying up foreign steel companies lifted the sector. French steel tube maker Vallourec, which has long been seen as a bid target for Russian firms, climbed 4.7 per cent to €154.40, and in Germany Salzgitter gained 4.2 per cent to €113.39, while Austria's Voestalpine added 3.7 per cent to €44.06. French miner Eramet added 1.6 per cent to €25.5.

Continental retailers showed a strong performance with France's Casino Guichard up 2.9 per cent to €78.13 and domestic rival Carrefour up 0.1 per cent to €47.44 despite a negative note from Goldman Sachs which hit their British peers.

But shares pared early gains on news that Eurozone inflation hit a new record high of 3.3 percent in February as surging oil prices outweighed the support of the strong euro.

"These data provide a worrying sign that wages growth could finally be responding to previous falls in unemployment. In all, signs of rising inflation pressures are likely to keep ECB rates on hold for a few months yet," said Jennifer McKeown at Capital Economics.

Swiss watchmaker Swatch sounded a note of caution in spite of an upbeat outlook for this year. The company reiterated concerns about currency swings, and high raw materials costs like gold and platinum, both near record highs, and diamonds. Swatch shares fell 4.3 per cent to SFr391.

Concerns over the weaker dollar and the slowdown in US consumer spending overshadowed record earnings from Luxottica, the Italian designer eyewear maker. The company, whose brands include Ray Ban, said recently it was taking a cautious approach to 2008 given the US slowdown. Shares fell 3.1 per cent to €6.48.

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