

## BUSINESS

## British Airways owner books loss

The parent company of British Airways reeled to a loss of 3.8 billion euros (\$4.5 billion) in the first six months of the year as travel restrictions from the COVID-19 pandemic ate into the bottom line.

By way of comparison, IAG reported 806 million euros in profit in the same period a year ago. Passenger traffic dropped by 98.4% in the second quarter amid government travel restric-

tions. The company announced it plans to raise 2.75 billion euros through a proposed capital increase.

Chief Executive Willie Walsh predicted that passenger levels wouldn't return to pre-virus levels until 2023, and that it is "restructuring its cost base to reduce each airline's size."

The group has already announced 12,000 cuts at British

Airways.

Walsh says the scale of the challenge eclipses the downturn faced by the industry after the Sept. 11, 2001 attacks.

"Anyone who believes that this is just a temporary downturn and therefore can be fixed with temporary measures, I'm afraid seriously misjudges what the industry is going through," he said. (AP)

## Siemens unit to buy Varian

Germany-based Siemens Healthineers said Sunday it will buy US cancer therapy and research company Varian in a deal worth around \$16.4 billion.

Siemens Healthineers, in which industrial conglomerate Siemens holds a majority stake, said it will buy all shares in Varian Medical Systems, Inc. for \$177.50 per share in cash. It said that the acquisition is

expected to close in the first half of 2021, and requires the approval of regulators and Varian shareholders. Varian's board of directors unanimously approved the agreement, it added.

Palo Alto, California-based Varian had revenues in the 2019 fiscal year of \$3.2 billion, Siemens Healthineers said in a statement. Varian says it employs about 10,000 people around the world. (AP)

## KLM job cut

Dutch carrier KLM said Friday it will cut between 4,500 and 5,000 jobs because of the coronavirus crisis.

The company said in a statement that in addition to 1,500 job losses, some 1,500 temporary contracts won't be renewed and 2,000 jobs will be suppressed via a voluntary departure scheme. (AP)

## Eurozone economy suffers record quarterly drop

Lockdowns shut businesses, hampered consumer spending

PARIS, Aug 3, (AP): The economy of the 19-country eurozone shrank by a devastating 12.1% in the April-June period from the quarter before – the largest drop on record – as coronavirus lockdowns shut businesses and hampered consumer spending.

Economists say the worst of the downturn is past as many restrictions have eased, but that the recovery will be drawn out and vulnerable to renewed virus outbreaks.

Spain, which along with Italy was among the first to get hit hard by the spread of the virus, suffered the region's heaviest drop at 18.5%. France, Italy and Portugal also endured steep declines, but no country escaped the impact of the pandemic.

For the currency union as a whole it was the biggest decline since the records started in 1995. The broader 27-country European Union, not all of whose members use the euro, saw output sag 11.9%.

The decline in Europe compares with a 9.5% quarter-on-quarter drop in the United States, which unlike Europe has not yet been able to get its contagion numbers firmly down yet and whose economic recovery is in doubt.

European governments are countering the recession with massive stimulus measures. EU leaders have agreed on a 750 billion-euro recovery fund backed by common borrowing to support the economy from 2021. National governments have stepped in with loans to keep businesses afloat and wage support programs that pay workers' salaries while they are furloughed. The European Central Bank is pumping 1.35 trillion euros in newly printed money into the economy, a step which



In this file photo, waiters prepare the terrace of a restaurant in order to respect distancing measures in Paris as France gradually lifts its lockdown due to the coronavirus. France's economy shrank by nearly 14% in the second quarter when the country was in coronavirus lockdown, a third consecutive quarter of negative growth in a worsening recession, the national statistics agency said Friday, July 31, 2020. (AP)

helps keep borrowing costs low.

Those support measures have helped keep unemployment from spiking. The rate rose to 7.8% in June from 7.7% in May. But many job losses will wind up

being permanent despite the stimulus.

Major companies such as Lufthansa, Daimler and Airbus have said they will cut thousands of jobs.

Economists say the downturn was

concentrated in the months of April

and May when lockdowns were most severe. Many restrictive measures

have been eased, and business confidence in Germany, the biggest euro-

zone economy, has ticked up for three straight months.

But the outlook is for a long and uncertain climb back to pre-virus levels that could take until 2022 or longer.

Company forecasts for the rest of the year assumed that there is not a renewed outbreak of COVID-19, the illness caused by the coronavirus. Cases have been rising again in several countries as people go on vacations and Britain slapped a 14-day quarantine on travelers returning from Spain.

Rosie Colthorpe, European economist at Oxford Economics, said the current third quarter was likely to see high growth rates, "but not nearly large enough to make up for the damage."

"Beyond this initial bounce, the recovery is set to be gradual and uneven," with pre-virus output regained only by mid-2022, she said, adding that "recent flare-ups of the virus in several European countries risk derailing this recovery." The Spanish economic drop was by far the sharpest since the country's national statistics agency began collecting data. Prime Minister Pedro Sánchez was meeting later Friday with the leaders of Spain's regions to discuss how to rebuild the economy and where to deploy billions of euros in European Union aid for recovery.

Germany, the largest of the countries that use the euro, went through a 10.1% decline, the biggest since records started in 1970.

In France, the startling plunge of 13.8% in April-June was the third consecutive quarter of contraction in France's worsening recession. The pain has been so damaging to jobs and industries that the government is talking down the possibility of another nationwide lockdown as infections tick upward again. Finance minister Bruno Le Maire called on French people to spend more to help the economy recover.

"All the growth in GDP seen in the 2010-2019 decade has been wiped out in five months," said Marc Ostwald, chief economist at ADM Investor Services International. In Italy's case, economists said it wiped out about 30 years of growth.

## HSBC says net profit plunged 96 pct in 2Q

LONDON, Aug 3, (AP): Europe's biggest bank, HSBC, said Monday that its net profit plummeted 96% in the second quarter of this year as lower interest rates combined with the downturn due to the coronavirus pandemic tool hold.

The bank's net profit was \$192 million in the April-June quarter, down from \$4.37 billion reported in the same period a year earlier.

Net profit in the first quarter of the year was \$1.79 billion.

London-based HSBC has most of its business in Asia, where the pandemic began, first emerging in central China.

Near-zero interest rates meant to help businesses keep running with cheap credit are squeezing margins for lenders. The bank forecasts expected credit losses of \$8 billion-\$13 billion in 2020, though it said that was "subject to a high degree of uncertainty."

HSBC said its lending in the last quarter fell 3% to \$29 billion while deposits rose 6% to \$85 billion as customers saved more and spent less.

Revenue slipped 12% to \$5.6 billion thanks to slimmer interest rate margins and weaker wealth management activity.

One area of growth was mobile payments, which jumped more than doubled from a year

earlier to \$71.4 billion.

Earlier this year, the bank said it will shed some 35,000 jobs as part of an overhaul to focus on faster-growing markets in Asia and as it tries to cope with a slew of global uncertainties, from Brexit to the trade wars to the pandemic.

The bank's chief executive, Noel Quinn, said in a presentation posted online that HSBC paused its restructuring efforts in the last quarter to focus on supporting its customers.

The bank's net profit fell 53% to \$6 billion in 2019.

"Our first half performance was impacted by the COVID-19 pandemic, falling interest rates, increased geopolitical risk and heightened levels of market volatility," Noel Quinn, the bank's chief executive, said in a statement.

Still, he said, HSBC's Asia business showed "resilience."

"We are also looking at what additional actions we need to take in light of the new economic environment to make HSBC a stronger and more sustainable business," Quinn said.

HSBC's troubles reflect those of the wider banking industry. Apart from low interest rates, in Europe many banks are still dealing with problems left over from the financial crisis.



In this file photo, people walk past a branch of HSBC bank in London. Europe's biggest bank, HSBC, has reported Monday, Aug. 3, 2020, its net profit plummeted 96% in the second quarter of this year as lower interest rates combined with the downturn due to the coronavirus pandemic stunted business activity. (AP)

## Rift over oil and gas exploration in eastern Mediterranean

## Putin 'to help ease' tensions with Turkey: Cyprus

NICOSIA, Cyprus, Aug 3, (AP): Russian President Vladimir Putin has promised to intercede with Turkey's leader to try to ease rising tensions over oil and gas exploration in eastern Mediterranean waters that Cyprus claims as its own, the Cypriot government said Thursday.

Government spokesman Kyriakos Koushos said Putin made the pledge during a 45-minute telephone conversation with Cypriot President Nicos Anastasiades, who appealed to the Russian leader to personally step in so Turkey "is convinced to cease its unlawful actions."

The European Union has already imposed sanctions on top officials from Turkey's petroleum company and curtailed some funding to Turkey over its pursuit of energy resources in Cypriot waters. The United States has also urged Turkey to stop "provocative" drilling efforts that increase regional tensions.

"(Putin) promised that he would intercede with (Turkish) President (Recep Tayyip) Erdogan in order to deescalate the crisis," Koushos told reporters.

"(Putin) assured that he's observing the situation ... with great concern, and always supports the resolution of differences through negotiations based on principles of international law," the government spokesman added.

Russian Foreign Minister Sergey Lavrov plans to travel to the Cypriot capital on Sept. 8 "for a more detailed assessment of developments and for joint action to ensure peace and stabil-



An offshore drilling rig is seen in the waters off Cyprus' coastal city of Limassol, on July 5, 2020 as a boat passes with a skier. Russian President Vladimir Putin has promised to intercede with Turkey to try and ease rising tensions over its oil and gas exploration in eastern Mediterranean waters that Cyprus claims as its own, the Cypriot government said on July 30, 2020. (AP)

ity" in the region, Koushos said. Anastasiades also accepted Putin's invitation to visit Moscow when conditions permit.

European Union member Cyprus has strong traditional ties with Russia. In its readout of the conversation, the Kremlin said that "regional issues, including the situation in the Eastern Mediterranean, and prospects for Cyprus settlement" were discussed, along with bilateral issues.

Turkey has dispatched warship-escorted research vessels and drill ships numerous times in the last year to

search and drill for gas in waters between the two countries where Cyprus claims exclusive economic rights.

This week, Ankara backed off from a similar gas exploration bid near three eastern Greek islands that lie close to the Turkish coastline, amid concerns of a military clash with Greece.

But Turkey insists that it has rights to offshore energy reserves in the eastern Mediterranean and around ethnically divided Cyprus and says it's also acting to protect the interests of Cyprus' breakaway Turkish Cypriots.

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"We will carry on with our work

in the Eastern Mediterranean and the Aegean until the end, which we began to protect our rights," Erdogan said in a pre-recorded message for the Muslim holiday of Eid al-Adha.

Nicosia says Turkey's actions violate international law and argues that Ankara is using the Turkish Cypriots as an excuse for its own regional power grab. Cyprus was split in 1974 when Turkey invaded after a coup by supporters of union with Greece. Turkey doesn't recognize Cyprus as a state and claims 44% of the island's exclusive economic zone as its own.

Turkish research vessel Barbaros is currently sailing off Cyprus' southeastern coast - in an area the island republic has already licensed to Italian and French energy companies for exploration. Earlier, Turkey issued a Navtex, or international maritime safety message, that it would be carrying out a gas search "in accordance with international law."

Anastasiades called the move "unhelpful" and further stoking tensions.

Although hailing Turkey's suspension of a gas search in the south Aegean, Greek government spokesman Stelios Petsas on Thursday called Barbaros' actions as "a tangible continuation of (Turkey's) lawless behavior."

Greek Foreign Minister Nikos Dendias told private Antenna TV that Athens would answer the Cypriot Republic's call for support, including backing additional EU sanctions against Turkey.

## New CEO takes over

## Nokia 2nd quarter profit up despite pandemic

HELSINKI, Aug 3, (AP): Nokia has reported better than expected second-quarter earnings on the back of improved margins for telecoms equipment and software despite the coronavirus crisis causing a substantial drop in revenue.

The Espoo, Finland-based maker of new-generation 5G mobile and other networks said Friday that its net profit for the April-June period was up 22% at 316 million euros (\$376 million). Sales were down 11% at 5.1 billion euros.

CEO Rajeev Suri said in a statement that the majority of the drop in revenue was "the result of COVID-19 as well as a sharp decline in China based on the prudent approach we have taken in that market."

Nokia estimated that the COVID-19 crisis hurt its net sales by about 300 million euros in the second quarter and about 500 million euros in the first half of the year.

"We expect that the majority of sales missed in the (second) quarter due to COVID-19 will shift to future periods," Suri said.

Though the company warned it was expecting to lose some market this year, it gave an upbeat outlook for its main network business and lifted its profit and cash flow guidance for full year 2020.

Suri said that Nokia has now concluded 83 commercial deals for 5G, the new network technology that allows ultra-fast downloading speeds among other things. Along with China's Huawei and Sweden's Ericsson, Nokia is one of the three main providers of 5G networks. Huawei

is at the center of a U.S.-China dispute over technology, with the Trump administration saying it can help the Chinese government spy on people, a claim the company denies.

Friday marked the last day as a CEO for Suri, a Nokia veteran with 25 years in service and the head of the company since 2014, as his appointed successor Pekka Lundmark takes over on Aug. 1.

Lundmark, 56, is the former CEO of the Finnish energy group Fortum and worked at Nokia between 1990 and 2000.

In May, Sari Baldauf was named as the company's new chair. Baldauf headed Nokia's network business from 1998 until 2005 and Lundmark was her team colleague in the 1990s.

Nokia has played catch up with

Huawei and Ericsson in the 5G business, which has become increasingly politicized amid the U.S.-China rift, and industry observers say one of Lundmark's immediate priorities is to review the company's strategies.

Suri's tenure was dominated by Nokia's 15.6 billion-euro acquisition of the French telecoms group Alcatel-Lucent in 2016. Analysts say that integrating the company has taken more time than expected, causing Nokia to get a late start in the 5G race, which took off in 2018.

In late 2019, U.S. Attorney General William Barr suggested the U.S. government should, either directly or through a U.S. company, take a stake in Nokia or Ericsson to stay ahead in the 5G and technological battle with Huawei and China.