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What's News

Lloyds posted a \$6.8 billion first-half loss but said impairment charges have peaked and suggested a reduced need to participate in a U.K. bailout program. The bank's shares rallied 11%. **Page 19**

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EDITORIAL & OPINION

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Breaking news at europe.WSJ.com

India plans EU drug fight

WTO complaint will say bloc allowed customs agencies to detain generics

India plans to file a complaint with the World Trade Organization alleging that the European Union allowed big pharmaceutical companies to use

By John W. Miller in Brussels and Geeta Anand in Mumbai

the bloc's tough patent laws to have national customs agencies detain generic drugs in transit to developing countries, ac-

ording to India's commerce secretary.

On more than 20 occasions since late last year, border inspectors in the Netherlands and Germany have held up Indian medicines used to treat AIDS, Alzheimer's disease, heart conditions and other ailments, saying they violated patent laws in the EU, although the drugs weren't intended for sale there, according to EU and Dutch customs officials and to

lawyers for Indian pharmaceutical companies.

At the request of companies including Sanofi-Aventis SA, Novartis AG and Eli Lilly & Co., the drugs were then detained for periods that extended for as long as eight months, according to letters sent by the companies to customs officials and reviewed by The Wall Street Journal.

Indian generics makers say they have had to divert ship-

ments at higher cost to transit hubs outside the EU, and to hire lawyers to defend their right to have the drugs shipped safely to their destination.

Dutch customs officials are still holding on to the Indian generics drug giant Cipla Ltd.'s shipment of a schizophrenia medicine seized in November, according to Cipla and Lilly.

"We see this as an attack on the Indian generics industry," Please turn to page 31

A pair of high-profile U.S. diplomats take on global issues



CLINTONS ON MISSIONS: At left, U.S. Secretary of State Hillary Clinton on Wednesday criticized the Kenyan government for corruption, impunity and human-rights abuses. At right, former U.S. President Bill Clinton with freed U.S. journalist Euna Lee and her daughter. **Page 5.**

Merrill woes grew ahead of BofA vote

By DAN FITZPATRICK

Merrill Lynch & Co.'s projected losses swelled by nearly \$2 billion two days before shareholders approved the securities firm's takeover, but Bank of America Corp. executives concluded that the losses weren't severe enough to disclose publicly before the vote, according to company emails and people familiar with the situation.

"4Q revenues need to be adjusted down by \$3B," Bank of America Chief Accounting Officer Craig Rosato wrote in a Dec. 3 email sent at 6:51 p.m. to other bank executives. That meant Merrill was headed for a net loss of \$8.98 billion, worse than a previous forecast of \$7.06 billion circu-

lated by another top executive earlier the same day.

The emails and attached documents challenge Bank of America's insistence that the losses at Merrill didn't begin ballooning until after shareholders approved the takeover on Dec. 5. Bank executives said nothing publicly about Merrill's problems until they spiraled into a net loss of \$15.84 billion for the fourth quarter and the U.S. government bailed out Bank of America in January.

There was disagreement inside the bank about whether to tell shareholders about Merrill's losses, which companies must do if they suffer materially significant financial hits, people familiar with the dis-

Please turn to page 31

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As the yacht turns

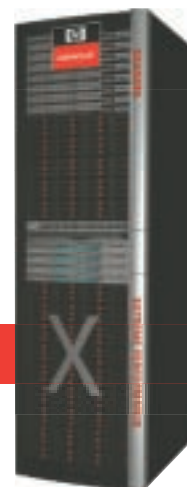
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Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	9280.97	-0.42
Nasdaq	1993.05	-0.91
DJ Stoxx 600	226.87	-0.40
FTSE 100	4647.13	-0.52
DAX	5353.01	-1.18
CAC 40	3458.53	-0.51
Euro	\$1.4385	-0.10
Nymex crude	\$71.97	+0.77

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LEADING THE NEWS

U.K. home prices get lift

Data from Lloyds, builder's comment buoy recovery hopes

BY ILONA BILLINGTON AND ANITA LIKUS

LONDON—Hopes for a U.K. housing recovery got a lift Wednesday from fresh home-price data and cautiously upbeat comments from builder Taylor Wimpey PLC.

Lloyds Banking Group PLC said its Halifax index measuring house prices rose 1.1% in July from June, the second rise in three months. Year-to-year, prices were down 12.1%—the smallest decline since August 2008. Prices now stand at mid-2004 levels.

“Higher demand has combined with the low levels of property available for sale to boost sales activity from exceptionally low levels and

support prices over the past few months,” said Martin Ellis, Halifax’s housing economist.

U.K. house builders have suffered in the past two years as the availability of mortgage financing evaporated, curbing demand for housing and driving down prices. House builders mothballed new developments. But price cuts and lower interest rates have helped revive demand.

The Bank of England said last week that the forward-looking measure of mortgage approvals rose to a 14-month high in June. That was the fifth straight month of gains in approvals, which suggests that the current wave of more upbeat house-market indicators will continue.

Still, economists warned that a pickup in the market doesn’t represent a return to the years of soaring house prices seen up to 2007.

“While it is very possible that April marked the trough in house prices on the Halifax measure...we certainly do not think that a sharp sustained up-

ward trend in house prices is in the process of developing,” said Howard Archer, chief U.K. and European economist for Global Insight IHS.

Meanwhile, Taylor Wimpey reported a narrower first-half net loss Wednesday and said it is “cautiously optimistic” about the rest of the year amid improving business conditions. The company said results since June have been encouraging, and that a traditional slowdown in summer sales failed to materialize.

“The market has stabilized since the start of the year,” said Chief Executive Pete Redfern, adding that while prices fell because of competition, they were more stable.

Taylor Wimpey posted a first-half loss of £681.9 million (\$1.16 billion), compared with a loss of £1.42 billion in the year-earlier period. The latest quarter included write-downs of £603.8 million on land and work in progress. Revenue fell to £1.13 billion in the first half from £1.56 billion in the year-

Rebounding

Year-to-year percentage change in average U.K. house prices



Note: Seasonally adjusted data
Source: Halifax



A for sale sign outside a house in London

earlier period.

The builder said in the first half it completed 4,702 homes in the U.K. at an average selling price of £153,000 and 1,933 homes in North America at an average selling price of £183,000. Looking ahead, Taylor Wimpey said it will focus on raising prices and delivering a strong start to 2010. The company said it would retain its focus on cutting building costs, which is key to delivering ac-

ceptable returns from existing and new land.

The Royal Institution of Chartered Surveyors said house prices in the U.K. may end the year higher than they started it, further bolstering the prospects of a recovery.

The group had previously forecast that house prices would fall 10% to 15% over the course of the year.

—Paul Hannon
contributed to this article.

U.K. data lift economists' hopes for quarter

BY ILONA BILLINGTON AND NICHOLAS WINNING

LONDON—The British economy looks set to emerge from a year-long recession in the third quarter as data showed a strong pickup in activity and sentiment in July.

The purchasing managers index for the dominant services sector rose to a 17-month high of 53.0 in July, indicating that the sector grew for the third straight month. The Office for National Statistics also released better-than-expected manufacturing data, showing that output rose 0.4% in June from May and that the wider measure of industrial production rose 0.5%—the largest increase in 20 months.

“Today’s U.K. data has further boosted optimism on the prospect

of recovery,” said James Knightley, U.K. economist for ING Economics.

In addition, resurgence in euro-zone business activity whole suggests Europe’s economy could emerge earlier than expected. Markit Economics said its final euro-zone composite output index—an important gauge of private-sector activity based on a survey of some 4,500 manufacturing and services firms—rose to 47.0 in July from 44.6 in June.

Though the headline figure, which reflects variables such as sales, prices, inventories and employment, remained below the neutral 50.0 level, indicating that output has contracted for a 14th consecutive month, it beat both the market consensus estimate and a preliminary reading of 46.8.

In Britain, the data suggested

that a 0.8% quarter-to-quarter fall in gross domestic product in the second quarter won’t be repeated in the third. Indeed, of 15 economists surveyed by Dow Jones Newswires Wednesday, 12 said GDP will rise during this quarter, while the remaining three see a return to growth in the fourth quarter.

If the majority are right, the economy will start growing a little earlier than the government had forecast, providing a considerable boost for Prime Minister Gordon Brown’s government, which is lagging badly in the polls and must hold an election by June 2010.

Wednesday’s data should also be welcome news for the Bank of England’s rate-setting Monetary Policy Committee. They began a two-day meeting Wednesday at which they

will review the U.K. economy, discuss the effects of the bank’s quantitative-easing program and decide what to do next. The results will be announced Thursday.

Some economists believe that taken together, the three releases provide enough evidence that the economy is heading out of recession to persuade the monetary-policy committee to keep its bond-buying program and interest rates on hold.

“The upbeat data continue to tilt the balance of risks on [Thursday’s] BOE decision towards no expansion of the quantitative-easing program, which should help sterling hold onto its recent gains,” said Daragh Maher, deputy head of global foreign-exchange strategy at Calyon Capital Markets.

The European Central Bank, meanwhile, has forecast a recovery for the 16-country economy by mid-2010. But economists see recent signs that the return to economic expansion could come sooner.

Chris Williamson, chief econo-

Bottoming out

Euro-zone composite output index, which combines both the manufacturing and services sectors, remained below the neutral 50 level, indicating that output continues to contract.



Source: Markit Economics

mist at Markit, said the July PMI survey would raise hopes that the euro-zone economy could stabilize in the second half of the year, led by manufacturing.

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LEADING THE NEWS

U.S. weighs extending lending program

Fed decision looms as economy, markets show signs of recovery

BY JON HILSENDRATH

U.S. Federal Reserve officials could move in the coming weeks to extend a program aimed at reviving consumer and business lending markets.

The program—called the Term Asset-Backed-Securities Loan Facility, or TALF—will be one of several issues on the table at the Fed's next policy meeting Aug. 11 and 12, when Fed governors meet with presidents of the Fed's 12 regional banks to set a path for interest rates.

They also will consider whether to extend a program to purchase \$300 billion of long- and medium-term U.S. Treasury securities. That program expires in September. Officials could decide at the meeting to let that program run its course and stop buying Treasury bonds, though it remains unclear which way they will go and how they will communicate their decision on the matter.

Officials also are likely to consider a proposal that they include adjustable-rate mortgage-backed securities in a \$1.25 trillion mortgage purchase program, an idea that was discussed at the last meeting but left unsettled. So far the Fed has purchased a little more than \$700 billion of fixed-rate mortgage-backed securities.

The central bank has shifted into a less aggressive stance in the past few months as the economy and financial markets have shown signs of healing. After pushing short-term interest rates to near zero, flooding financial markets with cash and aggressively launching new programs, the central bank is now allowing some programs to wind down naturally and weighing which others to keep going.

Fed Chairman Ben Bernanke and other Fed officials have sought to assure investors in recent weeks that

the central bank will be able to pull back its support for the economy in time to avoid inflation. But with the economy still fragile and unemployment high, they look unlikely to raise interest rates any time soon.

"It is premature to talk about when we are going to exit from this period of unusual accommodation," William Dudley, president of the Federal Reserve Bank of New York, said in a speech last week.

The decision about the Treasury bond purchase program is the most pressing on the agenda. As of Wednesday, the Fed had purchased \$237 billion of Treasuries through the program, putting it on pace to complete its purchases by mid-September, according to Michael Pond, a bond strategist at Barclays Capital.

Officials haven't been convinced it was highly effective at bringing

down long-term interest rates. Moreover, they worry about the costs of continuing the program. Investors might worry that more bond purchases will cause inflation by making it easier for the government to run big budget deficits or that holding a bigger hoard of long-term government debt could make it tough to raise interest rates later.

"They've given no indication that they're likely to extend the program," Mr. Pond noted.

Still, even after all of the Fed's efforts to revive the economy, it isn't clear it has done enough to promote a strong recovery. The Fed's own economic forecast calls for a long hangover from recession with the unemployment

rate lingering above 8% through 2011.

"In light of the substantial economic slack and limited inflation pressures, monetary policy remains focused on fostering economic recovery," Mr. Bernanke said in congressional testimony on policy last month.

Extending the TALF program could be one way to do that. When the TALF program was launched in March, officials said it could extend loans of as much as \$1 trillion to investors as part of an effort to revive credit markets. So far it has reached \$30 billion.

But officials think the program has helped improve credit markets and could decide to extend the pro-

gram beyond its December expiration into 2010. Yields on asset-backed securities have come down substantially since the program was launched, helping to hold down borrowing costs for consumers and businesses.

"We will be reviewing those programs and others to assess whether or not they're needed beyond [2009]," Mr. Bernanke said last month.

A decision about TALF will be made by the Federal Reserve Board, consisting of its five Washington-based governors, and not the broader Federal Open Market Committee, which includes regional Fed presidents. Still, the issue will be discussed with the FOMC when it formally meets next week.

—Lingling Wei
contributed to this article.



Ben Bernanke

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High winds. Soaking spray. The percussive thump of a hull carving through rough seas.

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ROLEX. A CROWN FOR EVERY ACHIEVEMENT.

U.S. job losses slow as data show a mixed picture

BY SARA MURRAY

Employers in the U.S. cut 371,000 private-sector jobs in July, the smallest number in nine months, but enough to underscore unemployment's drag on an overall economic recovery, according to a report.

July's figure was less than the 463,000 jobs shed in June. Wednesday's report by Automatic Data Processing Inc. and forecasting firm Macroeconomic Advisers suggests that the government's official employment estimate, to be released Friday, is likely to reveal a similar pattern of additional job losses but at a slower pace.

Meanwhile, a mix of positive and negative data released Wednesday showed, once again, that the rebound is unlikely to be quick and easy. The service sector declined at a faster rate in July, which came as a surprise after months of slowing declines.

Factory orders increased 0.4% in June to \$349 billion, the Commerce Department said. It was the fourth increase in the last five months.



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LEADING THE NEWS

Protests greet Iran president's ceremony

Some lawmakers shun swearing-in; crowds are dispersed

BY ROSHANAK TAGHAVI

DUBAI—Iran's incumbent president Mahmoud Ahmadinejad was sworn in Wednesday for a second term of office, amid protests from some lawmakers inside the parliament, where he addressed the assembly, and from hundreds of demonstrators outside the building.

"As the president of the Islamic Republic of Iran, I swear before the holy Quran and the Iranian nation and God to be the guardian of the official religion, the Islamic Republic and the constitution," said Mr. Ahmadinejad in a speech broadcast live on state television.

The president criticized a number of Western countries for failing to congratulate him on his reelection, according to state media. "We heard that some of the Western leaders had decided to recognize but not congratulate the new government. Well, no one in Iran is waiting for your messages," he said. "Iranians will neither value your scowling and bullying nor will they pay attention to your smiles and greetings."

State media said 242 of Iran's 290 members of parliament attended the ceremony. The reformist Parleman News Web site reported that 53 MPs didn't attend the ceremony, and a number of them walked out of parliament as Mr. Ahmadinejad began his speech.

Iranian opposition leaders Mir Hossein Mousavi and Mehdi Kar-



Iranian President Mahmoud Ahmadinejad, addressing parliament at his swearing-in on Wednesday in Tehran, criticized Western leaders who didn't congratulate him.

roubi boycotted the inaugural ceremony, as did former president Akbar Hashemi Rafsanjani and conservative presidential candidate Mohsen Rezaei. Reformist cleric Mohammad Khatami and Ayatollah Mohammad-Reza Mahdavi Kani, a prominent member of the powerful Assembly of Experts, also shunned the event, according to Press TV.

Outside the parliament, hundreds of demonstrators—many wearing green clothing and the opposition's trademark green ribbon around their wrists—chanted "Death to the Dictator," according to videos posted on YouTube. Witnesses said at least 10 people were

detained by police, according to the Associated Press.

One witness said it was difficult to determine the number of protesters because the area was congested with such a large number of police that people had to keep dispersing.

The witnesses said thousands of police, security forces and members of the government basij militia were stationed with guns around the parliament in central south Tehran where the swearing-in ceremony took place. Plainclothes basij militia with batons also were stationed there, and police cordoned off the perimeter of the parliament so that vehicles couldn't enter, they said.

In his speech, Mr. Ahmadinejad urged national unity in the face of "oppressive powers" that have been targeting the Islamic Republic with "interference and foul language," Iran's state Press TV Web site reported. The Iranian government has accused Western media of encouraging the widespread political turmoil and street protests that took place after Mr. Mousavi and Mr. Karroubi, who both ran against Mr. Ahmadinejad, claimed the country's June 12 elections were rigged. The election has marked the deepest political divide within the Islamic Republic since the country's 1979 revolution.

Mr. Mousavi lashed out at the Iranian president on Wednesday just hours after the ceremony, criticizing Mr. Ahmadinejad's remarks that foreign meddling was behind the postelection protests. "Our issue is a national and domestic issue, and has nothing to do with foreigners," Mr. Mousavi's Ghalamnews Web site quotes him as saying.

Roughly 100 people who disputed President Ahmadinejad's reelection—including a number of top reformist clerics and former politicians—went on trial in a revolutionary court in Tehran this past Saturday. A second hearing is set for Aug. 8, according to state media.

Capital flight has Tehran struggling to defend currency

BY MARGARET COKER AND ROSHANAK TAGHAVI

DUBAI—Iranian economists are predicting double-digit currency depreciation by year-end, amid expectations that already high levels of capital flight will increase over fears about Iran's economic direction.

The government has managed to keep depreciation under 5% a year since 2001, despite the U.S.-led sanctions that have limited trade with and imports to the Islamic Republic. But economic problems snowballed after President Mahmoud Ahmadinejad took office in 2005. Since that time, his lavish spending plans and subsidized loan programs to government insiders have exacerbated inflation and decreased currency reserves.

As the president begins his new term, anecdotal evidence shows that the central bank is battling to defend the currency at official exchange rates as more Iranians look to move their wealth to safer places.

A steep drop in Iran's currency would be a heavy blow to Mr. Ahmadinejad, who is already facing rifts among the country's ruling elite and battling to quash widespread public outcry over his controversial June 12 re-election.

Tehran has limited access to international credit markets because of the sanctions. Monetary policy is facilitated by currency deals conducted through a network of 50 Ira-

nian-run money-exchange dealers inside the Islamic Republic, the wider Middle East and Europe. Members of this exchange network say the government is selling between \$180 million and \$250 million daily to keep the exchange rate steady within the 9,700 to 9,900 rial-to-dollar corridor set by the central bank.

That spending exceeds the amount of revenue the country is taking in from the 2.4 million barrels of oil exported daily—the country's only major source of foreign currency. Oil prices so far this year are averaging \$60 a barrel. Unless that price strengthens to at least a consistent \$70 a barrel, the rial could fall as much as 15% by December, according to a former Iranian central-bank official.

A government adviser disputes the claim, saying Tehran has the tools necessary to keep the rial stable.

"Ahmadinejad's government has so far followed a simple policy that they will not devalue the currency. There will be serious budgetary pressures, but they will go through austerity measures first, not emergency measures," said the adviser.

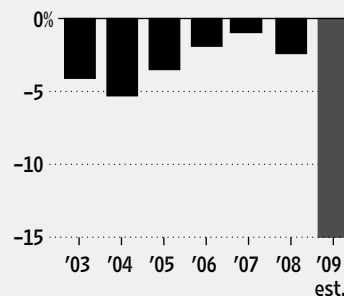
Iran doesn't release official economic statistics in a timely fashion. The last official estimate of its foreign reserves published in mid-2008 showed \$80 billion in central-bank coffers. Iranian economists say that figure has dropped approximately 25% in the past year,

On shaky ground

Iranian rial is expected to weaken sharply by year's end amid economic woes.

Iranian rial depreciation

Year-to-year change in the strength of the rial vs. the U.S. dollar



*Iran economist

Inflation

Year-to-year change in consumer prices



Sources: Iran Central Bank (currency); International Monetary Fund (inflation)

as oil prices have fallen, but the government's hasn't cut its \$290 billion budget that runs through March 2010.

Unlike other Gulf oil producers, Iran has failed to parlay its oil wealth into a well-endowed rainy-day fund, leaving it vulnerable to new economic challenges such as depreciation.

Iran's currency appears to be one of the next weak links in the economy. "Wise people know they can't escape [a weaker] rial," a Dubai-based Iranian businessman said. "Businesspeople want their money out of the country."

Dubai-based money-exchange officials, who facilitate transfers from Iran to overseas destinations,

say Iranians started moving substantial amounts of money out of the country at the end of 2008 as they exited the country's depressed real-estate sector and searched for safer investments. During the past six to eight months, capital flight has averaged \$200 million a day, according to one prominent Dubai-based money changer, who handles both official and private monetary transactions.

Government actions since the June 12 election have exacerbated the imbalanced flow of funds in and out of Iran, two Dubai exchange officials say.

While street protests rocked the Iranian capital in the month after the election, informal *hawala* trans-

actions to Iran fell by half, said the two men who handle international business transactions for the large Iranian expatriate community based here.

These two exchange officials blamed the declines on technical issues. The government's disruption of mobile-phone and Internet connections aimed at blocking street protests made their cash transfers impossible, because they couldn't communicate with their partners inside Iran to coordinate pickups and withdrawals.

The communication lines are back up, but hawala orders to Iran haven't recovered to pre-election levels. Currency flows from U.S.-based Iranians back to their homeland, which earlier this year amounted to roughly \$500,000 a day, have almost entirely dried up, according to the Dubai-based exchange official.

Even ordinary Iranians without ties outside the country are hedging their bets by turning in rials for hard currency. Money changers in Tehran's Grand Bazaar say that approximately \$15 million in foreign-currency deals are being conducted on a daily basis.

A 29-year-old Tehran taxi driver said that immediately after the election he exchanged \$5,000 worth of rials into dollars. "Things are going to get worse, so I'm waiting for the right time to change the rest of my savings," he said.

LEADING THE NEWS

Kim reaps gains as reporters return to U.S.

Clinton's visit offers North Korean leader relief in hard times

BY EVAN RAMSTAD

SEOUL—For North Korean dictator Kim Jong Il, Bill Clinton's one-day visit this week provided a momentary respite from a difficult summer during which he has contended with reports of unrest at home and growing pressure from abroad.

About a month ago, North Korea asked for the former U.S. president to visit Pyongyang in exchange for the release of two American journalists, Euna Lee and Laura Ling, who were captured by North Korean soldiers on the border with China in March. Mr. Clinton and the U.S. agreed, seizing on chance to free the journalists and move on from the issue in order to concentrate on pressuring the North to end its pursuit of nuclear weapons.

Ms. Lee and Ms. Ling, of Current TV LLC, landed with Mr. Clinton and his delegation at a Los Angeles-area airport Wednesday morning, to be greeted by their families and Al Gore, Current TV's co-founder and Mr. Clinton's former vice president. Mr. Clinton was expected to meet with government officials to debrief them on his visit.

At the White House, President Barack Obama proclaimed the U.S. government "extraordinarily relieved" over the release.

In return, Mr. Kim scored two propaganda victories—a chance to show North Koreans that he cuts a big figure by appearing with Mr. Clinton, and a chance to show the world he isn't evil by freeing two reporters who didn't deserve their sen-



Laura Ling, center, and Euna Lee were met by Al Gore and reunited with their families at a California airport on Wednesday. Getty Images

tence of 12 years of hard labor.

Outside the country, the event allowed North Korea to provide a counterpoint to months of belligerence in the form of weapons tests, which other nations penalized with new economic sanctions, and hostile rhetoric.

North Korea's biggest newspaper, Rodong Shinmun, covered its front page Wednesday with five large pictures of Mr. Kim and Mr. Clinton. A small article accompanying the pictures said the pair discussed issues of common concern between the two countries. A small article on the third page described Mr. Kim's decision to free the two reporters.

North Korean officials "convey the impression of one of the [world's] most senior statesmen paying tribute to Kim Jong Il without mentioning he came for the sake of the two reporters," said a person familiar with the patterns of the nation's media.

The meeting—and the photos of a smiling, standing Mr. Kim—could also help address concerns about his health abroad, as well as address any potential doubts at home. Analysts noted that North Korea's belligerence in recent months followed reports that Mr. Kim suffered a stroke a year ago, raising ques-

tions about a leadership vacuum.

Because North Korea sharply limits contact and travel between its citizens and the outside world, it will take weeks to accurately gauge public reaction inside the country.

The visit happened at a time when North Korean leaders have been driving the country's 20 million citizens back to the basics of their repressive and ultranationalist ideology—and encountering a growing amount of resistance.

The shift to hard-line behavior has been most visible to the outside world by the acceleration of weapons tests, including a long-range

missile in April and a nuclear explosive in May. But it has taken many other forms inside North Korea, including the expulsion of international aid workers, investigations of border guards and the revival of an old propaganda tactic—a nationwide campaign, dubbed the "150-day battle," steeped in militant rhetoric and designed to increase production and instill respect and fear in Mr. Kim's regime.

A chief feature of the "battle" campaign has been crackdowns on market activities, including forcing men and women under 50 years old to work in state-owned factories and businesses rather than their engage in market activities of their own.

In recent weeks, more reports of clashes between North Korean citizens and local police and government officials have been coming in to South Korea-based aid groups such as Good Friends, a Buddhist charity, and news outlets that focus on the country.

When city officials swept through a market looking for women to work in factories the town of Suncheon two months ago, they were shouted down by vendors, according to a report gathered by Good Friends. Efforts to thwart people from growing their own crops have also failed in recent months.

"The government is trying to control the market, but the number of stakeholders in the market is larger than ever," says Howard Young, executive director of Open Radio, a short-wave radio service that broadcasts to North Korea. "Not just ordinary people but also government officials and even higher-level officials have an interest in sustaining the markets because they are the main source of money."

'The nightmare of our lives was finally coming to an end'

ASSOCIATED PRESS

BURBANK, Calif.—Two American journalists reunited with their family and friends upon returning to the U.S. with former President Bill Clinton, whose diplomatic trip to North Korea secured their release nearly five months after their arrests.

The jet carrying Euna Lee and Laura Ling, reporters for former American Vice President Al Gore's San Francisco-based Current TV, and Mr. Clinton arrived at Burbank's Bob Hope Airport at dawn.

Mr. Clinton met with communist leader Kim Jong Il Tuesday to secure the women's release. The journalists were arrested near the North Korean-Chinese border in March while on a reporting trip.

Ms. Lee, 36 years old, emerged from the jetliner first and was greeted by husband, Michael Saldate, and 4-year-old daughter, Hana. She hugged the girl and picked her up before all three embraced in a crushing hug.

Ms. Ling, 32, embraced her hus-

band, Iain Clayton, as teary family members crowded around.

"The past 140 days have been the most difficult, heart-wrenching days of our lives," Ms. Ling said, her voice cracking. Thirty hours ago, Ms. Ling said, "We feared that any moment we could be sent to a hard labor camp." Then, she said, they were taken to another location.

"When we walked through the doors, we saw standing before us President Bill Clinton," she said to

applause. "We were shocked but we knew instantly in our hearts that the nightmare of our lives was finally coming to an end, and now we stand here, home and free."

Mr. Clinton came down the stairs to applause. He hugged Mr. Gore, then chatted with family members.

Mr. Gore, who was vice president under Mr. Clinton, described the families of the two women as "unbelievable, passionate, involved, committed, innovative."

White House press secretary

Robert Gibbs said Mr. Clinton will fill in President Barack Obama's national-security team on what transpired during his trip as a private envoy to Pyongyang.

He reiterated that Mr. Clinton didn't carry a message from Mr. Obama to Mr. Kim. When asked whether the release of the journalists could lead to a breakthrough on other issues such as North Korea's nuclear program, Mr. Gibbs said that will depend on the actions of the communist regime.



Secretary of State Hillary Clinton on Wednesday criticized the 'absence of strong and effective democratic institutions' in Kenya, the first stop on her Africa tour.

Clinton, in Kenya, focuses on rights

BY SARAH CHILDRESS

NAIROBI, Kenya—U.S. Secretary of State Hillary Clinton criticized the Kenyan government for corruption and human-rights abuses on Wednesday, but stopped short of backing calls by Kenyan rights groups for immediate intervention by the International Criminal Court to try citizens suspected of involvement in post-election violence.

Kenya, East Africa's economic engine and an important U.S. ally, is Mrs. Clinton's first stop on a seven-nation Africa tour. She had intended to highlight food security in this agricultural nation, her office said, but much of the focus during her visit fell instead on the Kenyan govern-

ment's failure to address atrocities committed last year as violence erupted after disputed elections in December 2007.

President Mwai Kibaki, now in his second term, was accused of rigging the vote, which he denies. The allegations spurred ethnic clashes that left more than 1,300 dead and hundreds of thousands displaced.

In a private discussion with Mrs. Clinton at a conference center in Nairobi, Mr. Kibaki and Prime Minister Raila Odinga attempted to reassure her that the government was working toward necessary reforms. Last week the government said rather than create a special tribunal to try suspects in post-election violence, it planned to reform the existing judi-

cial system to handle such cases. The government had initially agreed that if it failed to establish an appropriate judicial system in Kenya for these suspects, the International Criminal Court would pursue the cases.

Mrs. Clinton criticized the government harshly. "The absence of strong and effective democratic institutions has permitted ongoing corruption, impunity, politically motivated violence, human rights abuses, and a lack of respect for the rule of law," she said after the meeting with the president and premier.

The Kenyan government considered criticism from the U.S. to be "positive," said Foreign Affairs Minister Moses Wetang'ula, and was working to address the issues.

CORPORATE NEWS

H-P is on quest to fix software glitch

Problems with Omega in-house system have prevented salespeople from receiving proper monthly commissions

BY JUSTIN SCHECK

Hewlett-Packard Co. urges customers to replace clunky, older technology with cutting-edge H-P systems that make businesses more efficient. But the technology giant itself still runs outdated software that has frustrated some of its employees.

Problems with an in-house system named Omega have kept about 2,000 of H-P's more than 23,000 salespeople from getting their proper monthly commissions for much of this year, according to current and former H-P employees and recent company emails reviewed by The Wall Street Journal.

Omega calculates commissions for many salespeople in H-P's business-technology group. But the system, which H-P inherited in a 2002 acquisition, has struggled to handle H-P's growing mounds of data. Omega has malfunctioned repeatedly since November, according to company emails that show that some salespeople have waited as long as seven months to get their correct commissions.

H-P has instead given some salespeople monthly payments equal to 60% or 70% of what they would earn for meeting sales quotas, according to the emails. It is common for a salesperson in the group to earn more than \$150,000 annually, said former employees and executives.

Omega's glitches affect just a fraction of H-P's more than 300,000 workers, and there is no evidence it significantly affects H-P's business.

"You'd be foolish to think people aren't frustrated," said Al Chien, a sales executive who left H-P last year and is now at Dasher Technologies Inc., which resells H-P equipment.



CEO Mark Hurd, seen in July, tells customers to update old technology. H-P inherited Omega in a 2002 acquisition.

H-P has had problems with Omega, a spokeswoman said, elaborating in a written statement: "We are in the midst of transforming every application in the company to rationalize 6,500 systems down to 1,500, but still have work to do."

"Recently, we experienced a glitch with one of those applications, which resulted in delayed compensation for a small percentage of our global sales team," the statement continued. "We expect to have this resolved shortly and are committed to ensuring that

all of our systems operate flawlessly."

H-P started using Omega seven years ago when it bought rival Compaq Computer Corp., which itself inherited the technology from its 1998 acquisition of Digital Equipment Corp. "Over the years, H-P has integrated many sales forces and inherited thousands of complex internal systems," the spokeswoman's statement said.

Such legacy computer systems, which get passed down over the years, are a familiar problem among corporations—including technol-

ogy companies. Since he took over H-P four years ago, Chief Executive Mark Hurd has made a point of telling customers to update old technology. He highlights H-P's years-long effort to modernize its own systems at a cost of more than \$1 billion.

Omega's delays result partly from H-P's success: They have worsened as the technology company has grown. H-P's revenue soared from \$73 billion in fiscal 2003 to \$118 billion in fiscal 2008, when it also bought giant tech-services company

Electronic Data Systems Corp. H-P's product lines and sales channels ballooned, creating more data for Omega to digest.

Executives often discussed how to fix Omega, said Bob Bacon, who worked in H-P's sales operation until last year. They "went to heroic lengths" to improve it, he said.

At a 2008 sales meeting in Texas, a senior vice president of sales, Randy Runk, promised salespeople they would be paid on time, said a person who was in attendance. Mr. Runk and others at H-P involved with Omega weren't available for comment, an H-P spokeswoman said.

H-P tried improving Omega with new software intended to ease how it processes sales data, according to company emails.

But after H-P's fiscal year closed in November 2008, certain data in Omega were incorrect and incomplete, according to the emails.

By March, the H-P employees were apologizing to the sales force for delays. In subsequent emails this year, executives repeatedly promised to have Omega fixed soon. "We recognize the frustration this causes," wrote H-P sales-operations employee Bob Slaby in April. But each month the problems persisted.

In a May 25 email, Mr. Runk called the problem his top priority. "I know the financial hardship this places on all of you," he wrote to the sales force. "I regret these chronic and persistent problems."

On June 8, Mr. Slaby emailed that Omega was finally on track. But four days later, he wrote to say, "The system encountered a production failure that has delayed our progress." In the meantime, he added, "We sincerely appreciate your patience."

EA posts a loss, remains cautious

BY YUKARI IWATANI KANE

Videogame publisher Electronic Arts Inc. reported a wider fiscal-first-quarter loss and a 20% revenue drop, largely because it deferred some revenue from games with online features.

But EA's loss narrowed sharply excluding the deferral.

EA said sales of "The Sims 3," the latest installment of its life-simulation PC game, were even stronger than the previous version. Sales of games for Nintendo Co.'s Wii console also doubled due to the popularity of the exercise game "EA Sports Active."

"We ended up a little bit better than our own internal expectations," said Chief Financial Officer Eric Brown in a telephone interview. He added that the company had also completed about 90% of its previously announced restructuring plan, which included job cuts and a strategy to focus on fewer games.

Despite the strong results, however, EA stuck to its previous full-year earnings forecast of \$1 a share and revenue of about \$4.3 billion.

"The industry is weaker than we originally expected, and we remain cautious on the macro environment," said Chief Executive John Riccitiello in a conference call with analysts.

Still, analysts are optimistic because EA is expected to come out with a strong lineup of games in the next two quarters, including the latest in



Electronic Arts, which is relying on such videogames as 'The Sims 3' (above), said it has completed about 90% of its restructuring plan.

its popular "Need for Speed" racing and FIFA soccer game series. The company is also the distributor for MTV Games' highly anticipated "The Beatles: Rock Band" music game.

Michael Pachter, an industry analyst for Wedbush Morgan, praised the company's forthcoming titles. "We think their product strength continues into the September quarter," added Evan Wilson, an ana-

lyst with Pacific Crest Securities.

For the period ended June 30, EA reported a net loss of \$234 million, or 72 cents a share, compared with a loss in the year-earlier period of \$95 million, or 30 cents. Revenue fell to \$644 million from \$804 million.

Excluding the impact of deferred revenue from games with online features, EA said its quarterly loss was two cents a share.

News Corp. increases its stake in Premiere

BY ARCHIBALD PREUSCHAT

News Corp. said Wednesday it had increased its stake in German pay-TV company Premiere AG, prompting a jump in Premiere shares as investors bet on a full acquisition.

A News Corp. spokesman said it is comfortable with its 39.96% stake, up from 30.5% and now roughly the same as its holding in British Sky Broadcasting Corp.

"News Corp. has always said it sees huge potential in German pay-TV and the increase of its stake underpins this," said a spokesman for News Corp. in Germany. He wouldn't comment on whether it intends to increase the stake further.

Premiere shares rose 8.9% in Wednesday trading in Germany.

News Corp. isn't required to make a takeover offer to Premiere's minority shareholders, which is usually the case after building a stake larger than 30% in a company, thanks to a waiver granted by the German Federal Financial Supervisory Authority as part of Premiere's restructuring.

News Corp. also owns The Wall Street Journal.

Mark Williams, formerly chief fi-

ancial officer for News Corp.'s operations in Europe and Asia, took the helm at Premiere in September 2008 with the aim of turning around a business that has rarely posted a profit since its initial public offering in March 2005. Mr. Williams now expects the company to become profitable from 2011 as restructuring measures take effect.

Premiere has already secured crucial rights to broadcast games from Germany's top flight soccer league, the Bundesliga, for the next four seasons.

Premiere will also change its name to Sky Deutschland AG once the commercial registration process is complete. Premiere changed its brand name to Sky in July and introduced a new pricing and package structure that will see prices rise sharply for subscribers who only want to watch live Bundesliga soccer matches.

News Corp. has a track record of using soccer to turn around unprofitable pay-TV companies in Europe, notably Sky Italia and the U.K.'s BSkyB.

As of March 31 Premiere had 2.37 million direct subscribers. Premiere is set to report second-quarter results Aug. 13.

CORPORATE NEWS

Adidas backs full-year outlook

Net plunges 93%, but company says worst is behind it

BY HILDE ARENDS

Adidas AG reported a 93% drop in second-quarter net profit, weighed down by lower sales, the weaker Russian ruble and higher spending on promotions ahead of the 2010 football World Cup.

However, the Germany-based sportswear and equipment maker said Wednesday that the worst is behind it, sending its shares 6.1% higher to €32.20 (\$46.36) in Frankfurt.

Adidas reported net profit of €9 million (\$13 million), compared with €116 million a year earlier. Analysts had expected a small quarterly loss.

Adidas—one of the world's biggest sportswear companies and the maker of adidas and Reebok shoes and TaylorMade golf equipment—has been hit hard by the recession, as well as rising input costs and lower revenue from Russia as the ruble has fallen in value against the euro. Russia is one of the company's most important markets in Europe.

Earnings also were hurt by margin drops at Adidas's Reebok unit. The operating margin at the unit slumped to a negative 11.3%, compared with a negative 2.4% in the first half of 2008, while sales at the division slipped 4.3%. The negative margin means it is costing the company more to produce Reebok-branded goods than what it earns from selling them.



Reuters

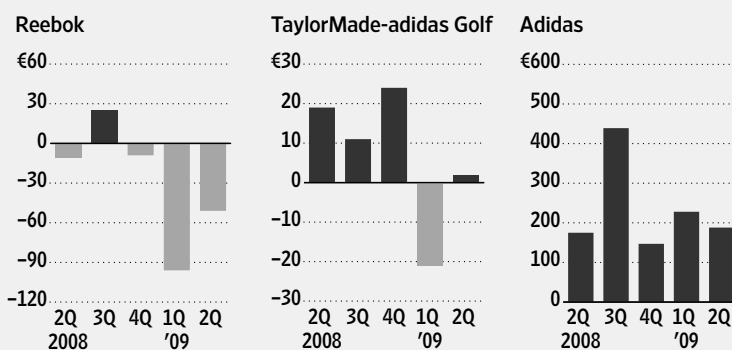
Adidas bought U.S.-based Reebok in 2005, seeking to reduce the company's bloated cost base and revitalize the brand, which was losing ground to competitors like Nike Inc. Since then, Adidas expanded Reebok's range of products and improved its distribution network.

Adidas's total quarterly sales fell 2.5% to €2.46 billion, mainly because of weakness in Europe.

Adidas backed its full-year outlook, saying it still expects sales at constant currency rates to fall by a low- to mid-single-digit percent this year and for margins and earnings to decline as the recession erodes spending on sports goods. Many analysts had feared Adidas would cut its forecasts.

Reebok remains weak

Adidas brands' operating profit, in millions



Second-quarter operating profit, change from a year earlier

N/A

89.0%

7.2%

Source: the company

"Although there are still challenges ahead, I am confident that our results will improve as we go through the remainder of the year. We expect to generate significantly positive earnings per share in the second half of the year, albeit below the record levels of the prior year," said Chief Executive Herbert Hainer.

NordLB analyst Martina Noss said the outlook beat expectations, but the company is still facing a multitude of problems. Adidas's gross margin declined to 45% from 50.1% a year earlier, while its leverage—its level of debt compared to earnings—rose to 85.7% from 82.3%, she noted.

Adidas, whose main competitors

include Nike and German rival Puma AG, owned by PPR SA, has stepped up a restructuring program to cut costs in response to the downturn. It expects to achieve €100 million in annual savings from the program.

Puma last week reported better-than-expected second-quarter operating profit as it stripped out costs and lowered marketing expenses, while sales rose 4% from a year earlier.

At the end of June, Nike was less optimistic than Adidas as its fiscal fourth-quarter profit dropped 30% on restructuring charges and a 12% decline in orders was worse than expected. It also warned 2010 would remain difficult.

Consumer bargain hunting hurts P&G profit

BY ANJALI CORDEIRO

Procter & Gamble Co.'s fiscal fourth-quarter profit exceeded expectations, but the consumer-products giant continued to see sales declines across most of its businesses as consumers cut back purchases of its higher-priced items.

P&G projected more of the same near-term, saying sales excluding acquisitions and divestitures would be flat to down 3% in the first quarter. On a conference call, company executives said results would improve sequentially after the first quarter.

In the latest fourth quarter, P&G was hurt by weaker sales in its beauty and grooming businesses. Sales of the higher-end, more discretionary line of Braun shavers fell sharply. But some of P&G's everyday brands also continued to see declines as consumers traded down to cheaper brands and private-label goods in grocery stores. Shipments of its key Tide brand, which is priced

much higher than competing detergents, fell during the fiscal year.

Earnings fell 18%, in part because of last year's sale of the Folger's coffee brand. But the company also saw volumes drop as it raised prices. Net sales decreased 11% to \$18.7 billion on the stronger U.S. dollar, while organic sales—which exclude currency changes, acquisitions and divestitures—fell 1%.

The fourth quarter was the first time the company reported earnings under newly appointed Chief Executive Robert McDonald.

On the conference call Wednesday, Mr. McDonald said the company will grow long term by pushing more of its products in areas where it is underrepresented. P&G will aim to sell more beauty products in drug stores. It is also aiming to increase its overall presence online. The company will put more focus on lower-priced products, but will continue to expand its higher margin businesses through internal growth and acquisitions, he said.

In recent years, Procter & Gamble has put more focus on higher-priced products, seeking to drive growth by getting consumers to trade up. That strategy has hurt the company during the recession as consumers cut discretionary spending in areas like beauty and traded down to cheaper pantry staples. Although there have been some signs of an improving outlook for the economy, many consumer-industry experts predict that U.S. consumers will stay frugal even after the recession ends.

Rival Colgate Palmolive Co. is perceived as having held up better during the recession because its portfolio is focused on lower-priced staples including toothpaste and soap.

For the quarter ended June 30, the maker of brands such as Tide and Pampers reported a profit of \$2.47 billion, or 80 cents a share, down from \$3.02 billion, or 92 cents a share, a year earlier. Excluding items such as divestitures and tax adjustments, earnings rose to 83 cents a share from 78 cents.

Analysts polled by Thomson Reuters most recently were looking for earnings of 79 cents on sales of \$19.32 billion.

Mr. McDonald took over from A.G. Lafley, who engineered the giant Gillette acquisition and drove the push toward faster growing, higher margin businesses. But Mr. McDonald also inherits a host of challenges as consumer trends shift and as the economic outlook stays uncertain.

"Congratulations are premature," Mr. McDonald said to one analyst, who wished him luck on the new position.

For the first quarter, P&G projected results slightly more downbeat than analysts—earnings of 95 cents a share to \$1 and a net sales drop of 7% to 10%. Analysts were looking for earnings of \$1 a share and a sales decline of 7% to \$20.57 billion, according to analysts surveyed by Thomson Reuters.

—Tess Stynes contributed to this article.

Carlsberg net climbs, but Russia drags on results

BY GUSTAV SANDSTROM

Carlsberg A/S Wednesday posted a 37% rise in second-quarter net profit as it boosted margins by cutting costs and raising prices. Still, the brewer cut its full-year revenue forecast as the economic downturn hit volumes in Russia harder than expected.

The Denmark-based maker of

Carlsberg, Tuborg and Kronenbourg beer posted a net profit of 1.94 billion Danish kroner (\$375.2 million) for the quarter, up from 1.42 billion kroner in the year-earlier period. Sales rose marginally to 17.62 billion kroner from 17.54 billion kroner.

The brewer said the Russian beer market, the world's third-largest after China and the U.S., de-

clined by about 9% in the first half of 2009 from a year earlier, though the company's Eastern European division, Baltika, increased its market share in the country to 41%, from 38.5% a year earlier.

Carlsberg said it now expects the Russian market to decline 5% to 6% for all of 2009 from the previous year, having previously forecast a 2% decline. But it said Bal-

tika, Russia's biggest brewer by sales, would continue to expand its market share.

Looking ahead, Carlsberg cut its full-year revenue outlook to 61 billion kroner from about 63 billion kroner. It kept its outlook for operating profit of at least nine billion kroner and net profit of at least 3.5 billion kroner, saying it expects cost cuts to offset the revenue drop.

Shire turns profit and talks to U.S. about Fabry drug

BY JASON DOUGLAS

LONDON—U.K. pharmaceuticals company Shire PLC swung to a profit in the second quarter and said it is in talks with the Food and Drug Administration about bringing a drug for a second rare disease to U.S. patients, as rival Genzyme Corp. faces shortages for its bestselling treatments.

The Basingstoke-based company is in talks with the FDA about bringing its drug Replagal, a treatment for the genetic disorder Fabry disease, to the U.S., said Angus Russell, Shire Chief Executive Officer.

Earlier this week the FDA said Shire could launch velaglucerase alfa, or vela, an experimental treatment for Gaucher disease, another genetic disorder, on the U.S. market. Patients affected by both diseases lack enzymes to break down certain types of fats, which then build up in blood vessels, tissues and vital organs.

The Shire drugs are alternatives to treatments made by Genzyme, which is having trouble supplying the drugs as its Boston manufacturing plant was shut down in June following a viral contamination. Production has since restarted.

Shire said earlier this week that vela had passed its Phase III trial and the FDA allowed the company to supply the drug ahead of formal approval. The health watchdog made this decision to offset supply shortages of Genzyme's Cerezyme, the only other drug for Gaucher currently on the market.

The company intends to initially provide vela in the U.S. for free, so the handful of patients with the condition can get effective treatment, the Shire CEO said.

Shire had originally planned to launch Replagal in the U.S. in 2011, Mr. Russell said, adding that he couldn't say when the FDA might make a decision about providing it sooner. Shire's Replagal is on sale in Europe for patients with Fabry disease. In the U.S., patients are prescribed Genzyme's Fabrazyme.

Shire also reported a second-quarter net profit of \$44.1 million, compared to a loss of \$79 million a year earlier, when earnings were hit by a \$135 million research and development write-off.

However, second quarter revenue declined 19% to \$629.7 million, mainly because sales of Shire's top-selling hyperactivity drug, Adderall XR, fell 77% after a generic version made by Teva Pharmaceutical Industries Ltd. hit the U.S. market in April.

Sales of a newer hyperactivity drug, Vyvanse, now comarketed with GlaxoSmithKline PLC, grew 75% to \$114 million, and Mr. Russell said it held onto its 12% market share despite the arrival of generic Adderall XR.

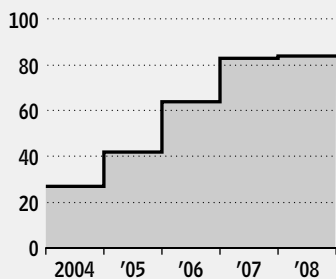
Shire is banking on its broadening portfolio of specialty drugs for rare diseases such as Gaucher and Fabry to help drive future sales and make it less reliant on its hyperactivity franchise.

The company reiterated its 2009 earnings forecast, saying it expects earnings per American depositary share, excluding amortization, asset impairments and other items, to be between \$3 and \$3.40 per share.

CORPORATE NEWS

Bright spot

Number of cellphone handsets distributed world-wide by Brightpoint, in millions



Source: Brightpoint (data & photo)



Interior of a Brightpoint warehouse in Plainfield, Ind.

The handset handoff

Distributors gain as cellphone carriers outsource logistics

BY SARA SILVER

At Fort Leonard Wood, a military base in Missouri, a kiosk plastered with yellow and black banners invites soldiers to check out the latest cellphones and discounted calling plans from Sprint-Nextel Corp.

Though Sprint is located about 100 kilometers away in Overland Park, Kan., it doesn't staff the kiosk or make sure there are enough cellphones on the shelves. Those duties are left to Brightpoint Inc., a global distributor and logistics provider for cellphones based in Indianapolis.

To cope with the largest drop in cellphone sales since the wireless industry took off in the mid-1990s, Sprint and other carriers are finding ways to cut costs by hiring companies like Brightpoint to handle tasks such as installing software on devices and activating customer accounts.

"They act as distributors for our products in areas where we don't have a large sales force and manage thousands of indirect distributors

to make sure they have the right devices and can get them activated in a timely way," said Fared Adib, vice president of device operations and logistics for Sprint. "For Sprint to do that itself, we'd have to build a massive organization."

Brightpoint last year handled 84 million wireless devices in its warehouses, making it the largest such distributor and logistics provider in the U.S. and Europe. It distributes phones for Motorola Inc., Nokia Corp., Research In Motion Ltd. and others.

Most of Brightpoint's revenues still come from traditional product distribution: buying cellphones in bulk and reselling them with a thin markup to carriers, retailers and independent dealers.

But Brightpoint is focusing more on helping wireless carriers around the world procure devices, load their software onto them, put the handsets in boxes and activate them for consumers.

"As the economy becomes tougher, everyone is looking to take costs out of their wireless operations—carriers, manufacturers, and even big-box retailers," said Brightpoint Chief Executive Robert Laikin. "We can take over a lot of the functions."

With little investment and no

risk of getting stuck with inventory that doesn't sell, the services can yield big profits. The logistics business accounts for just 9% of Brightpoint's revenue, but 47% of profits.

The performance hasn't been big enough yet to offset other challenges. Brightpoint had a loss of \$3.1 million in the first quarter, as cellphone sales fell 15%; its logistics business dropped 10%. The company reports second-quarter results Thursday.

But the logistics business should grow, analysts say. Many carriers around the world have already shed such functions, and others are talking about doing so.

Brightpoint already handles logistics services for Deutsche Telekom AG's T-Mobile USA, Virgin Mobile USA Inc. and TracFone Wireless Inc., a subsidiary of Mexico's America Movil SAB.

Competing distributors are also accelerating efforts to diversify with the downturn. Closely held Brightstar offers outsourcing and training services to operators and retailers including Wal-Mart Stores Inc. and 7-Eleven Inc.

"Our warehouse management solutions have generated over \$1 billion in savings for just one customer in the past three years," said Chief Executive Marcelo Claire.

Obama sets funds for electric cars

BY ELIZABETH WILLIAMSON

WAKARUSA, Ind.—President Barack Obama used a factory in one of the most economically battered U.S. manufacturing regions Wednesday as the backdrop to unveil a plan to use \$2.4 billion in tax money to jumpstart creation of an electric-vehicle industry centered in the Midwest.

The plan outlined by Mr. Obama, Vice President Joe Biden and other members of his administration in separate appearances in six states

would make the U.S. government the major financial backer for 48 different ventures to develop and produce electric-vehicle batteries, electric-drive components and various kinds of electric vehicles.

The government also would be a major customer for those ventures, committing to buy "thousands" of electric and hybrid vehicles from General Motors Co., Ford Motor Co., Chrysler Group LLC and some smaller manufacturers. That is critical, because auto-industry executives are unsure whether consumers will pay premiums that run to thousands of dollars for all or partially electric vehicles if gasoline prices remain at current levels.

Mr. Obama's own automotive task force cast doubt in a report on the viability of GM's coming Chevrolet Volt plug-in hybrid. Mr. Obama's plan calls for the government to buy as many as 625 Volts for electric utilities and consumers to test.

Government grants also would subsidize installation of electric-vehicle charging stations. The lack of stations has been one of the main obstacles to wider use of battery-powered vehicles.

"I want the cars of the future and the technology to power them to be

built right here," Mr. Obama said to cheers from workers at Monaco RV, a struggling recreational-vehicle factory in Wakarusa, a northern Indiana town of 1,800 that has an unemployment rate of 18%. "For too long, we failed to invest in this kind of innovation, even as countries like China and Japan raced ahead," he said.

The Obama administration says the government money will leverage another \$2.4 billion in private investment by the recipients. The bulk of the Department of Energy money goes to seven companies in Indiana and 11 in Michigan, two states with the nation's highest unemployment.

Losers in the competition for the electric-vehicle funding said the program will benefit a significant number of foreign-owned companies, either directly or because they are joint-venture partners with the U.S.-based firms highlighted as winners. Compact Power Inc., which received \$151.4 million for production of lithium-ion battery components for the Chevrolet Volt, is a unit of South Korean battery maker LG Chem Ltd.

"There's more money in this for South Korea than for California," said Rep. Brad Sherman (D., Calif.).

—Stephen Power
contributed to this article.

Polo income drops 19%; weak sales to continue

BY RACHEL DODES

Fashion designer Polo Ralph Lauren Corp. said profit fell 19% in its fiscal first quarter as U.S. sales slumped. But the company's results exceeded analysts' forecasts.

President and Chief Operating Officer Roger Farah said in an interview Wednesday that the results reflect Polo's continuing efforts to trim costs, diversify geographically and match inventory to demand, more than any improvement in the broader economic outlook.

"There's not a trend change by consumers yet," Mr. Farah said. "The terrific results we reported in this environment...are based on strategies we employed."

Polo's offerings span a wide range of prices, from \$70 dresses at J.C. Penney Co. to \$1,100 herringbone vests at Neiman Marcus Group, making its results a key indicator of department-store trends.

The New York apparel maker said Wednesday that it earned \$76.8 million, or 76 cents a share, in the quarter ended June 27, compared with \$95.2 million, or 93 cents a share, a year earlier. Analysts polled by Thomson Reuters projected earnings of 50 cents a share for the latest quarter.

Revenue fell 8% to \$1.02 billion. Gross margin increased to 58.7% of sales from 57.3%. The company attributed the gain to improved wholesale and retail margins in Europe and Japan, as well as cost-saving initiatives.

Polo's shares rallied on the news, rising 6.8% to \$68.14 in late-afternoon trading on the New York Stock Exchange.

Polo's performance underscores how the prolonged decline in consumer spending is forcing luxury retailers to reckon with a rising wave of frugality, even among the well-to-do. Mr. Farah said the company will bring its "Blue Label" line of less expensive sportswear to Saks Fifth Avenue in the fall. The collection has been sold only at Polo boutiques.

Polo's sales at stores open at least a year, a key measure of retail health, fell 9% in the quarter, with a deeper decline at its full-priced boutiques. Excluding the impact of Polo's e-commerce sales, which rose 14%, retail sales fell 11% in the quarter.

Areas of strength included the Polo men's sportswear line, as well as Lauren jeans, and the moderately priced Chaps line.

Polo remained cautious in its outlook for the current quarter, anticipating that wholesale revenue and sales at its global network of boutiques will decline by a low double-digit percentage. For the full fiscal year, the company reaffirmed its May forecast of a high single-digit decline in revenue.

Mr. Farah declined to comment on the outlook for back-to-school sales. He said he expects to see improvement in the fashion designer's same-store sales in September on easy comparisons to last year. But he cautioned that such sales numbers can be deceptive.

"If you see a 1% increase or a 1% decrease...it's going to feel better than seeing 9%, 10% and 14% decreases," Mr. Farah said. "But does that mean that business is better? I am not sure you can draw that conclusion."



Polo Ralph Lauren's earnings fell on weak sales, but European and Asian results helped lift margins. A customer shopped at a New York Polo outlet in June.

Benetton profit declines 60%

BY SOFIA CELESTE

ROME—Benetton Group SpA posted a 60% drop in first-half net profit, but said it entered the second half with "reasonable optimism."

Profit fell to €29 million (\$41.8 million) from €72 million a year earlier. Revenue declined 11% to €882 million.

The apparel retailer, based in Ponzano, Italy, blamed the decline on its decision to delay delivery of its fall-and-winter collection. Benetton stores, which are independent from the company, this year received their orders in July instead of

June in the expectations that the recession will cause shoppers to postpone purchases from the collection.

As a result, Benetton will book €88 million in sales from the collection in the third quarter rather than the second. A combination of healthy order levels for the collection and cost savings "allow reasonable optimism for the end of 2009 in respect of sales, profit and net indebtedness," said Chief Executive Gerolamo Caccia Dominioni.

Benetton expects its cost-cutting efforts to generate between €30 million and €40 million in additional cash flow next year.

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CORPORATE NEWS

Creditors target Ssangyong assets

Parts suppliers seek breakup of car maker in Seoul court filing

BY KYONG-AE CHOI

SEOUL—Some creditors of Ssangyong Motor Co., South Korea's smallest auto maker, have filed a petition with a Seoul court to have the debt-stricken company liquidated, a creditor representative said.

"It was an inevitable decision to file a liquidation plan to retrieve even some of assets before their value falls further," said Choi Byeong-whoon, who represents about 600 auto-parts suppliers that are Ssangyong creditors.

The auto-parts creditors submitted the liquidation proposal to the Seoul Central District Court on Wednesday as planned.

Shares in Ssangyong ended down 15% at 1,760 won (\$1.44) as investors rushed to sell the stock. The Korea Exchange said the petition won't halt the trading of Ssangyong shares.

"Only when the court or the company decides or files for cancellation



South Korean police in a container above the roof of a Ssangyong vehicle plant occupied by striking workers in Pyeongtaek on Wednesday.

of bankruptcy protection will the stock trading be brought to a halt," an exchange official said.

If the court sides with the creditors, they will be able to receive payments owed to them through the sale of Ssangyong assets, according to the central court.

Fired Ssangyong workers, pro-

testing the company's layoffs, have occupied its Pyeongtaek plant for 76 days as of Wednesday, resulting in 316 billion won, or 14,590 units, in production losses, the company said.

Police commandos used ropes from helicopters to gain access to the roof of a vehicle paint shop at the

plant Wednesday, while another paint shop was still in the hands of about 500 Ssangyong union members.

A liquidation of Ssangyong would leave South Korea with four car makers—Hyundai Motor Co., Kia Motors Corp., GM Daewoo Auto & Technology Co. and Renault Samsung Motors Corp.

"The court may stop the court [bankruptcy] protection process and let the car maker go as requested by creditors if their proposal makes sense," Min Jung-suk, a judge at the court, said in an interview.

Ssangyong said it had no comment on the submission.

Ssangyong owes a combined 300 billion won to the parts manufacturers, Mr. Choi said. Ssangyong also owes 240 billion won to state-owned Korea Development Bank.

KDB extended the loans taking Ssangyong's Pyeongtaek plant as collateral, while the parts companies have no such guarantee for unpaid payments for the auto parts they have supplied to Ssangyong, Mr. Min said.

The company has been under bankruptcy protection since February.

Qantas gives dim airlines outlook

BY ROSS KELLY

SYDNEY—Qantas Airways Ltd. Chief Executive Alan Joyce said he doesn't expect Australia's national carrier to merge with another airline for at least a decade, and painted a bleak picture for the aviation industry in the short term.

Mr. Joyce also predicted that at least one competitor will drop out of the cramped Pacific route between Australia and the U.S., and confirmed that Qantas has suspended plans to list its frequent-flyer business indefinitely.

"It's definitely off the radar screen for us," he said, adding that the value of the business isn't currently reflected in the Qantas share price.

Merger talks between Qantas and British Airways PLC fell through last year and Qantas also has held merger discussions with Singapore Airlines Ltd. and Malaysian Airline System Bhd.

Since then, a sharp economic downturn has devastated the global aviation industry, forcing many businesses into mergers or bankruptcy.

While industry conditions have stabilized since April, Mr. Joyce acknowledged that the short-term outlook for the industry "is dire," with 20 airlines expected to collapse this year, he said.

Consolidation is back on the agenda, he said, with merger activity accelerating in Europe and, to a

lesser extent, the U.S.

But Mr. Joyce said Qantas learned from its experience with British Airways that mergers between national airlines are "extremely hard" to achieve on commercial terms acceptable to both parties.

Tough regulatory hurdles and the potential for management to become distracted also present difficulties, he said.

"It's going to take a lot longer than we originally thought," he told an aviation conference, referring to the likelihood of a merger.

"It's still the way the industry will go, but I'm not sure it's going to be in the next few years; it's going to be 10 years-plus," he said.



Qantas CEO Alan Joyce says airlines face 'dire' short-term prospects.

Sony sets new e-readers for U.S. at lower price

BY GEOFFREY A. FOWLER AND JEFFREY A. TRACHTENBERG

Sony Corp. plans to offer two new e-reader devices priced at \$199 and \$299, a move that intensifies competition in a burgeoning market dominated by rival Amazon.com Inc.

Sony also plans to cut prices on best-selling e-book titles in its online store to \$9.99 from \$11.99, matching the discount price offered by Amazon for users of its Kindle device and Barnes & Noble Inc.'s Fictionwise.

Sony's new Readers, called the PRS-300 and PRS-600, are expected to go on sale later in August. The smaller Sony device costs \$100 less than Amazon's least-expensive Kindle. Sony's new e-readers—the first of their type in the U.S. to break the \$200 price point—replace earlier versions of the Reader, which cost \$269 and \$399.

Sony's PRS-300 model will feature a five-inch screen. The device, to be marketed as the Pocket Edition, will feature a lightweight design. The PRS-600, to be marketed as the Touch Edition, will have a six-inch touch screen, a feature not available on the

Kindle. The Kindle screen is also six inches, though Amazon introduced a larger version in May, the DX, for viewing digitized textbooks, business documents and periodicals.

The Kindle and a forthcoming reader from Plastic Logic both come with wireless service to download books and other content onto the devices without plugging them into a computer. Sony's devices do not, although Sony is developing an e-reader with wireless connectivity

that could be released before the holiday shopping season, according to a person familiar with the matter. Sony's \$9.99 price for best-sellers underscores how tough its competition is. "Right now everybody is fighting uphill against Amazon," said Arthur Klebanoff, co-founder and chief executive of New York-based e-book publisher RosettaBooks LLC.

He estimates he gets about 10 times more revenue from selling Kindle titles than he does for books for So-

ny's readers.

Sony is losing more money at that price since it typically would pay \$12.50 for the e-book edition of a new hardcover best-seller priced at \$25.

Some doubt the \$9.99 price will be permanent. "This is a market very much in flux," said Mark Suchomel, president of the Independent Publishers Group, a unit of Chicago Review Press Inc.

—Daisuke Wakabayashi contributed to this article.

CF Industries willing to raise bid for Terra

BY KERRY GRACE BENN

CF Industries Holdings Inc. said Wednesday it is prepared to raise its bid for rival fertilizer company Terra Industries Inc. if the two companies can reach a merger agreement.

CF said it would be willing to pay 0.465 of a CF share for each Terra share. It previously was offering Terra shareholders between 0.4129 and 0.4539 of a CF share. The new offer

values Terra at \$3.71 billion, or \$37.20 a share based on CF's closing price Tuesday. That's more than double the price at which Terra's shares traded before CF first announced its takeover plan.

CF also said it is prepared to return at least \$1 billion in cash to stockholders of the combined company after the transaction closes, likely through open-market purchases or a tender offer.

The new offer is the latest move in a three-way merger battle that has involved the industry for months. CF itself is the subject of a \$3.7 billion takeover attempt by a third fertilizer maker, Agrium Inc.

CF has repeatedly rejected Agrium's approaches in favor of a deal for Terra. But Terra likewise has repeatedly said no to CF, which launched its effort at the start of the year and boosted its bid in March.

GLOBAL BUSINESS BRIEFS

Henkel AG

Quarterly profit increases after year-earlier charges

Germany's Henkel AG, the maker Persil detergent and Loctite adhesive, posted a sharp increase in second-quarter net profit, after charges weighed on its year-earlier results. The company said lower raw-materials prices and cost cutting helped buoy the results despite a 15% decline in organic sales in its adhesives business. Henkel also said it is optimistic about the third quarter amid signs that its adhesives business has stabilized. Net profit climbed to €143 million (\$206 million) from €38 million a year earlier, when charges, related mainly to the acquisition of the adhesives and electronic-materials units of National Starch in April 2008, weighed on the bottom line. Sales for the quarter fell 5% to €3.49 billion.

OMV AG

OMV AG, a Central European oil and gas company, said its second-quarter net profit fell 79% because of slumping crude prices. Austria-based OMV also said it is still negotiating to take over Petrol Ofisi AS, Turkey's largest fuel distributor. OMV already owns a 41.6% stake in Petrol Ofisi, which operates 3,200 filling stations across Turkey and employs 1,100 people. OMV wants to acquire a further 54.2% from Dogan Holding, a Turkish company with media and energy interests. The remaining 4.2% is in free float. OMV said its net profit dropped to €144 million (\$207.3 million) from €684 million a year earlier. Revenue was down 41% to €4.1 billion.

British Airways PLC

British Airways PLC Wednesday said passenger traffic in July edged up 1% year-on-year as capacity declined, but said its outlook remained unchanged. Investors welcomed the rise by sending BA shares up 12 pence, or 8%, to 162 pence. BA had already said last month that volumes and seat factors had stabilized during its fiscal first quarter and were expected to improve in the peak summer months. Irish low-cost carrier Ryanair Holdings PLC Wednesday said its passenger traffic in July jumped 19% year-on-year to 6.7 million passengers. It said its load factor, or the proportion of available seats filled, last month was unchanged year-on-year at 89%. BA's load factor climbed 3.1 percentage points to 84.6%.

Nikon Corp.

Nikon Corp. fell into the red in the fiscal first quarter due to a decline in global demand for semiconductor devices and as the strong yen crimped earnings from its mainstay camera sales. The Tokyo-based optics and imaging equipment maker posted a loss of four billion yen (\$42 million) in the quarter ended June 30, compared with a 17.95 billion yen profit in the same period a year earlier. Nikon also lowered its full-year earnings guidance, projecting a net loss of 28 billion yen, compared with a previous forecast for a 17 billion yen loss. However, Nikon raised its forecast for annual revenue to 710 billion yen from 680 billion yen. It said first-quarter revenue fell 26% to 175.15 billion yen.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Turkish premier bids to end long conflict

Erdogan meets
Kurd leader, decries
'blood and killing'

BY NICHOLAS BIRCH

ISTANBUL—Prime Minister Recep Tayyip Erdogan of Turkey met the leader of the country's main Kurdish party Wednesday, signaling a new drive to end a 25-year conflict that has hobbled Turkey's status as a rising regional power and slowed its efforts to join the European Union.

"Our people want unity... and an end to blood and killing," said Mr. Erdogan, describing the hourlong meeting with Democratic Society Party head Ahmet Turk as "very, very important."

More than 40,000 people, mostly Kurds, have died since the Kurdistan Workers' Party, or PKK, took up arms against the Turkish state in 1984. The war has cost the country an estimated \$300 billion and fueled opponents within the EU to Turkey's membership bid.

Mr. Erdogan repeatedly turned down earlier requests for a meeting with Mr. Turk, because the Kurdish politician would not declare the PKK a terrorist organization. Mr. Turk's party has 21 deputies in Turkey's parliament and controls most municipalities in the mainly Kurdish southeast.

Mr. Erdogan's reconciliation effort is only the latest in his government's policy of trying to neutralize disputes around its borders. Those attempts have had mixed success.

In April, the government looked close to securing a deal with Arme-

nia to reopen their common border, which Turkey closed in 1993 to protest Armenia's war with Turkish ally Azerbaijan. Though strongly backed by the U.S.—President Barack Obama praised the effort when he visited Turkey in April—those efforts collapsed, when Mr. Erdogan backed away from the deal under pressure from Azerbaijan.

Turkish efforts to resolve the dispute over divided Cyprus in 2004, 30 years after Turkey invaded the island, also ran aground, due to Greek Cypriot opposition. That failure has left in place a larger hurdle to Turkey's EU bid.

Mr. Erdogan in 2005 broke with Turkey's traditional policy of seeing the Kurdish issue as a simple matter of fighting terrorism when he promised "more democracy" for Turkey's Kurds. Like Turkish leaders before him, however, he didn't follow up words with policies.

Mr. Erdogan's Kurdish initiative faces opposition and long odds. The leader of a Turkish nationalist party, Turkey's third largest, accused the government Saturday of "surrendering to terrorists" bent on dividing the country.

Yet many analysts say the new Kurdish opening is qualitatively different from anything that came before. "For the first time ever, Turkish state institutions are working in synch to solve the problem," said Henri Barkey, a Turkish expert at the Carnegie Endowment for International Peace, a Washington-based think tank.

The main catalyst for Turkey's new sense of urgency is Washington's announcement that it plans to pull its soldiers out of Iraq, Turkey's



Turkey's Prime Minister Recep Tayyip Erdogan, left, and Pro-Kurdish Democratic Society Party leader Ahmet Turk meet at the Turkish Parliament in Ankara on Wednesday.

Fighting fires

Turkey's government has a policy of trying to resolve long running disputes with its neighbors, but with mixed success.

Kurdish war: Turkey has started talks to end a 25-year conflict, helped by recent cooperation from authorities across the border in Kurdish Northern Iraq, where many Kurdish militants are based.

Armenia: Turkey and Armenia looked set this April to agree to reopen a shared border closed since 1993, in protest at Armenia's war with Turkish ally Azerbaijan. The rapprochement stalled after fierce objections from Azerbaijan.

Source: WSJ research

Cyprus: Turkey backed a UN-brokered reunification plan in 2004, a radical departure since Turkish troops split the island by invading in 1974. Greek Cypriots, however, voted against the plan and negotiations to find a solution continue.

Israel: Turkey's hopes to become an honest broker in the Palestinian-Israeli conflict were dented in Davos this January, when Prime Minister Recep Tayyip Erdogan told Israeli President Shimon Peres "you know well how to kill people."

Syria: Long strained, Turkey's relations with Syria have improved dramatically since 1998. Wags now call Syria Turkey's 82nd province.

southern neighbor, by 2011. The planned withdrawal has speeded up a rapprochement between Turkey and Iraqi Kurds, whose relations have been blighted for years by the PKK's use of Iraqi Kurdish mountains for its military bases.

In 2007, Iraqi President Jalal Talabani, an ethnic Kurd, turned down Turkish demands for cooperation over the PKK, saying that he would not expel "even a Kurdish cat." Today, Iraqi Kurds increasingly see Ankara as an alternative to Washington in its struggle to maintain autonomy from an increasingly powerful Baghdad. Both sides agree the PKK's presence in Iraq is an obstacle to closer relations.

There is an economic side to the rapprochement too. "Turkey wants to use northern Iraqi gas for Nabucco," says Bayram Bozyel, a Turkish Kurdish politician, referring to a pipeline project that the U.S. and EU hope will help break a Russian stranglehold on European natural gas supplies. "And the [Iraqi] Kurds want to pump gas north." That would be risky in the midst of a guerrilla war.

Details of the government's Kurdish initiative remain sparse. In mid-July, Mr. Erdogan's chief political adviser proposed opening Kurdish language departments in universities, giving Kurdish names back to villages, and setting up a parliamentary commission to investigate the unsolved murders of Kurdish civilians at the height of the PKK war.

Said Bayram Bozyel, the Kurdish politician, said: "There are huge hopes this time. If they are disappointed, God only knows what could happen."

Interpreter helps Uighurs who are in Bermuda via Cuba

BY PAULO PRADA

HAMILTON, Bermuda—Rushan Abbas climbed the stone steps of Camden, the official residence of Bermuda's premier, earlier this summer and led three island newcomers into a stately receiving room where the Rev. Al Sharpton was waiting.

"Thank you for your valuable time," said Ms. Abbas, after interpreting Rev. Sharpton's greeting to the three men into Uighur, an obscure language of central Asia.

Being Uighur Muslims from western China—and having spent the past seven years as prisoners at the U.S. detention facility in Guantanamo Bay, Cuba—the men really had no idea who the American civil-rights activist is.

The task of explaining many such mysteries to the freed Uighurs has fallen to Ms. Abbas, a 42-year-old former office worker and mother of three in Fresno, Calif. Since 2002, her rare combination of language skills, passports and Uighur activism has made Ms. Abbas the primary link between Guantanamo's Uighur detainees and a world far removed from the Afghan hamlets where they were living just before the U.S. military captured them early in its hunt for al Qaeda.

The men say they were passing through the region at the time after fleeing China, where Uighurs, a people of Turkic descent, have long been an oppressed minority. In early July, clashes between Uighurs and residents from China's Han majority led

to 197 deaths in Xinjiang province, which is home to most Chinese Uighurs.

Ms. Abbas had never worked as an interpreter before Sept. 11, 2001. She has since gone from a sales job in California, through the barbed wire of Guantanamo, to the private jet that Bermuda chartered to retrieve the Uighurs after the U.S. government freed them June 11. In the process, Ms. Abbas, a native Uighur and a naturalized American citizen, went from helping the U.S. Defense Department interrogate prisoners to working for their release.

"She got into this expecting vi-

cious, throat-slitting terrorists," says Sabin Willett, a Boston lawyer who helped free the Uighurs. "Now she's helping to demythologize those men."

After the Uighurs were released, Ms. Abbas spent two weeks easing their transition. Now, after a recent move from Fresno to Washington, D.C., she is on standby to fly to Palau, in case a deal is finalized with the Pacific island nation to accept 13 remaining Guantanamo Uighurs.

"I have to explain almost everything," says Ms. Abbas. The visit from Rev. Sharpton, she explained to the men and to a fourth colleague who didn't make the meeting, was a

show of support for Bermuda's government for accepting them.

In addition to interpreting, Ms. Abbas coordinated everything from meals to visits from Bermudan lawyers and government employees who are helping them find homes, English classes and work. On Monday, the Uighurs began jobs as landscapers at the state-owned Port Royal Golf Course.

As they settled in at the oceanside guesthouse where they first arrived, Ms. Abbas baked bread, fried flounder, and made halwa, a sweet confection. "She's our translator, our assistant, and our chef," says Abdullah Abdulqadir, 30, the most jovial of the four men.

Ms. Abbas was born in Urumqi, the capital of Xinjiang province and the city where the recent violence erupted. Her father, a scientist, befriended an American researcher who invited Ms. Abbas to study in the U.S. once she had finished a biology degree at Xinjiang University. In 1989, she moved to Prosser, Wash., studied plant pathology at Washington State University, fell in love with a professor and married. Over the next seven years, Ms. Abbas had three children, became a U.S. citizen and grew active in Uighur-American circles.

In 1998, when U.S.-funded Radio Free Asia launched a Uighur language service, Ms. Abbas became the sole female voice on the channel. In 2000, she quit radio to work in sales for an exporter of animal feed.

Then, as she recalls it, one Saturday morning a few months after the

Sept. 11 attacks, the phone rang. "I've been looking for you for weeks," the voice on the line said.

It was an executive at Titan Corp., now owned by L-3 Communications Corp., which was providing interpreters for the U.S. military. The company needed her in Guantanamo, where a small group of captured Uighurs had recently been shipped.

Three weeks later, she was in Cuba, interpreting the interrogation of a Uighur detainee. After the interview, the detainee told interrogators he would like to speak with Ms. Abbas. "You are Rushan Abbas," the prisoner said. He and others recognized her voice from Radio Free Asia.

A U.S. government official said some of the Uighurs before their capture lived at times in suspected terrorist training camps. Investigators, though, never had enough evidence to prove they were indeed "enemy combatants," the official said.

Ms. Abbas resigned from her Guantanamo post in 2002. In early 2003, the military transferred the Uighurs to a medium-security portion of Guantanamo. In 2005, a group of U.S. law firms launched a pro bono effort to free the Uighurs, but had trouble communicating with the detainees. "Get Rushan," one of the detainees told the lawyers.

Last October, a federal judge ruled that the U.S. must release the 17 Uighurs who remained at Guantanamo. Once Bermuda accepted four of them, Ms. Abbas helped the men understand that they would no longer be treated as prisoners.



Ex-detainee Abdullah Abdulqadir, left, with interpreter Rushan Abbas in June.