

# Finnair Becomes Pals Again with Finncomm Airlines, Planning Minority Stake

After threatening to replace Finncomm Airlines (FCA) with Flybe as its domestic feeder-route partner, Finnair has agreed a new deal with FCA for the coming winter season and has reached a preliminary agreement to buy a 20 per cent minority stake in the regional carrier.

As part of the deal, [Finnair](#) also plans to buy the companies that own the Finncomm Group's 12 ATR 42 and ATR 72 turboprops.

The new commercial agreement replaces Finnair's previously announced agreement with UK carrier [Flybe](#), whereby Flybe was to base three Bombardier Q400 turboprops at Helsinki-Vantaa Airport and operate several domestic Finnish and regional international routes on Finnair's behalf.



Finncomm Airlines' fleet includes eight ATR 72-500s, four ATR 42-500s and two Embraer 170 jets, these last two aircraft acquired from Finnair

However, Finnair says it is continuing negotiations with Flybe over cooperation on other routes. Finnair said at the time it announced the Flybe deal that it expected Flybe to be particularly helpful in operating and growing Finnair's network across the Baltic and to other Scandinavian states, suggesting that Flybe may still be likely to base aircraft at Helsinki-Vantaa in support of Finnair.

Finnair says in a statement that it and Finncomm Group intend to find additional external investors in FCA. Depending on the outcome of investor negotiations, Finnair's ownership may rise from the 20 per cent holding agreed in the initial stage of the deal.

"I am delighted that we have found a good solution for the coming winter traffic season. This is certainly good news also for our Finnish customers. We have been satisfied with our years-long cooperation with Finncomm," says Mika Vehviläinen, Finnair's president & CEO.

Under the code-share agreement with Finnair, Finncomm will fly Finnair's Turku, Tampere and Tallinn services from Helsinki-Vantaa, as it has to date, and will also operate the Helsinki-Jyväskylä route, six times a day, as a new service. Additionally, Finncomm will operate codeshare flights on the Joensuu, Kuopio and Vaasa routes and the two airlines will cooperate on flights between Helsinki and Norrköping in Sweden.

Finncomm Airlines' domestic route network also includes Kokkola, Kemi, Seinäjoki, Savonlinna and Varkaus. The regional carrier's timetable is designed to offer convenient connections to Finnair's international scheduled flights.

"Good connections will be maintained from domestic airports to Helsinki and via Helsinki to Finnair's international network," says Juhani Pakari, Finncomm Airlines' CEO. "Finncomm knows the challenges and opportunities of domestic air traffic. With our own structure, we can cost-competitively complement Finnair's network."



Finncomm Airlines feeds domestic traffic to Finnair from a variety of short-haul routes within Finland. The carrier also operates some regional international routes to Scandinavian destinations

Finnair's preliminary purchase price for the companies that own FCA's ATR turboprops is a preliminary €38 million, including their debts. Its preliminary purchase price for the 20 per cent stake in FCA is €10 million (including the company's debts), the consideration also taking into account the possibility of Finnair increasing its ownership in FCA at a later date.

Negotiations on the detailed terms of the transaction are underway. According to Finnair, in addition to negotiations on the share purchase and shareholder agreements, completion of the transaction will also depend on fulfilment of other conditions such as the result of its due diligence into FCA; obtaining approval of Finnair's Board of Directors and Finncomm's shareholders; financing and security arrangements; and possibly the need to obtain official permits.

Finnair is expecting to complete its various FCA-associated share-purchase deals in the fourth quarter of 2010.

Finnish Commuter Airlines mainly operates domestic routes and has had a feeder-traffic arrangement with Finnair for over 10 years. Finnair says its impetus for the deal is to safeguard cost-competitive provision of domestic feeder traffic to its international route network.

In 2009 the Finncomm Group generated €86.7 million in revenues from business operations, compared with €95.5 million in 2008. Its operating profit fell to €8.7 million in 2009 from €16.4 million in 2008. Finncomm and its subsidiaries employ approximately 325 people.

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