

Finnair seeks cost cuts after dull results

Written by AFP / The Swedish Wire

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HELSINKI (AFP) - National carrier Finnair on Friday posted a second-quarter net loss of 23 million euros (\$32.4 million), with cost-cutting measures unable to offset rising fuel prices and traffic disruption.

"Temporary disruptions caused by events in Japan and the Middle East as well as a substantial increase in the oil price have naturally contributed to the weakening of financial performance," chief executive Mika Vehviläinen said in a statement, adding that the result "has not met expectations."

Nonetheless the result is a 17-percent improvement from the net loss of 27.8 million euros posted in the second quarter of 2010.

Turnover increased 14 percent year-on-year to 539.4 million euros.

Sales were boosted by Finnair's focus on the growing Asian market but Vehviläinen warned that competition locally and in Europe had grown so difficult that the company's cost structure was "unsustainable."

"We are now therefore seeking a permanent reduction of 140 million euros in our cost level by the year 2014," he said.

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He added that this would include discussions with unions but stopped short of calling for job cuts.

"You don't have to be a prophet to see that Finnair's own staff levels will decrease but this doesn't mean that there will be job cuts," FIM bank analyst Jaakkko Tyrvaenen told AFP.

Tyrvaenen said that structural changes are already underway and joint ventures in the passenger and cargo businesses, such as Finnair's recent acquisition of Finnish Commuter Airlines with its partner Flybe, give the airline opportunities to re-organise and re-deploy staff.

Despite struggling with costs and disruption caused by Japan's March earthquake and unrest in the Middle East, Finnair said it is still on track to return to profit in the second half, with sales growth of more than 10 percent.

However, the company said this will not be enough to offset the heavy losses incurred in the first half of the year, resulting in an expected net loss for 2011.

Following the news, the airline saw its share price fall 7.74 percent in early trading on a Helsinki stock exchange down 5.02 percent, amid a continued global market plunge on fears that a new financial crisis is looming.