

Scandinavian Air Cargo Tradeindex Fourth Quarter 2006

IATA-CASS Nordic • Swedish International Freight Association • Swedish Civil Aviation Administration

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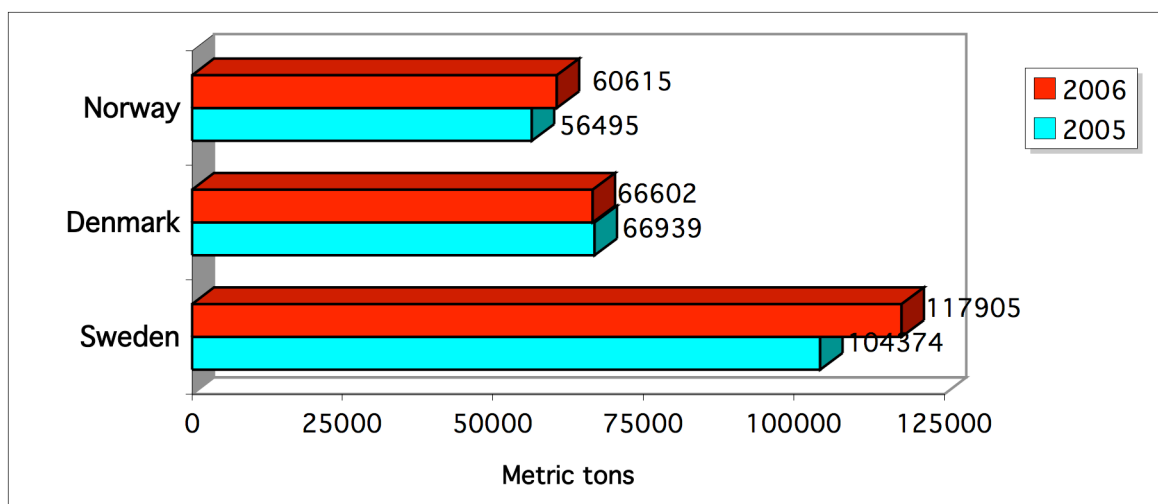
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HIGHLIGHTS

- Robust growth in Sweden and Norway
- Denmark a bit gloomier
- Excessive inventory levels in the United States
- German economy growing with strong pace

CASS outbound tonnage from Scandinavia January-December 2006 Vs 2005



IATA-CASS Tradeindex: cumulative January-December 2006

SWEDEN	Turnover	%-	Index	Tons	%-	Index
	TSEK gross	split		Last Year	split	Last Year
North America	755,893	28.0	99.7	36,794	31.2	100.8
Central Am.&Caribbean	86,769	3.2	87.8	4,031	3.4	82.3
South America	165,006	6.1	135.4	5,916	5.0	130.0
Europe	103,652	3.8	98.8	5,583	4.7	97.9
Middle East	182,260	6.8	107.6	10,040	8.5	108.7
Africa	131,265	4.9	149.7	5,416	4.6	144.0
South East Asia	240,149	8.9	119.9	9,424	8.0	126.0
China	248,705	9.2	115.2	12,059	10.2	123.5
Japan	202,633	7.5	108.7	6,589	5.6	108.5
Korea	79,975	3.0	112.7	2,450	2.1	110.1
South Asian Subcont.	282,338	10.5	115.3	13,627	11.5	125.1
South West Pacific	217,457	8.1	150.8	5,972	5.1	156.5
Domestic	3,428	0.1	145.2	160	0.1	169.1
Total:	2,699,534	100.0	112.2	118,065	100.0	112.4

DENMARK	Turnover	%-	Index	Tons	%-	Index
	TDKK gross	split		Last Year	split	Last Year
North America	356,501	22.0	99.6	19,318	29.0	103.3
Central Am.&Caribbean	23,507	1.5	99.4	927	1.4	101.9
South America	72,779	4.5	106.8	2,762	4.1	109.1
Europe	65,828	4.1	92.5	4,073	6.1	95.3
Middle East	117,761	7.3	107.7	5,837	8.8	115.5
Africa	142,593	8.8	101.6	4,463	6.7	81.1
South East Asia	133,555	8.3	90.1	5,521	8.3	95.9
China	147,028	9.1	98.7	7,750	11.6	102.6
Japan	136,241	8.4	91.2	4,672	7.0	93.9
Korea	76,088	4.7	76.4	2,337	3.5	76.9
South Asian Subcont.	76,034	4.7	84.7	3,456	5.2	81.4
South West Pacific	268,319	16.6	113.1	5,482	8.2	114.5
Domestic	774	0.0	88.5	23	0.0	66.1
Total:	1,617,012	100.0	98.5	66,625	100.0	98.9

NORWAY	Turnover	%-	Index	Tons	%-	Index
	TNOK gross	split		Last Year	split	Last Year
North America	123,243	9.4	111.6	6,650	10.1	108.8
Central Am.&Caribbean	9,067	0.7	116.8	342	0.5	94.3
South America	24,964	1.9	127.6	943	1.4	123.3
Europe	74,596	5.7	107.2	3,747	5.7	105.3
Middle East	56,004	4.3	110.5	2,817	4.3	103.5
Africa	37,942	2.9	104.9	1,312	2.0	114.6
South East Asia	160,100	12.2	111.7	7,165	10.9	119.0
China	226,949	17.3	121.2	14,251	21.6	118.0
Japan	406,947	31.1	92.0	18,226	27.7	93.1
Korea	75,286	5.7	119.7	3,812	5.8	116.9
South Asian Subcont.	13,732	1.0	115.3	672	1.0	105.1

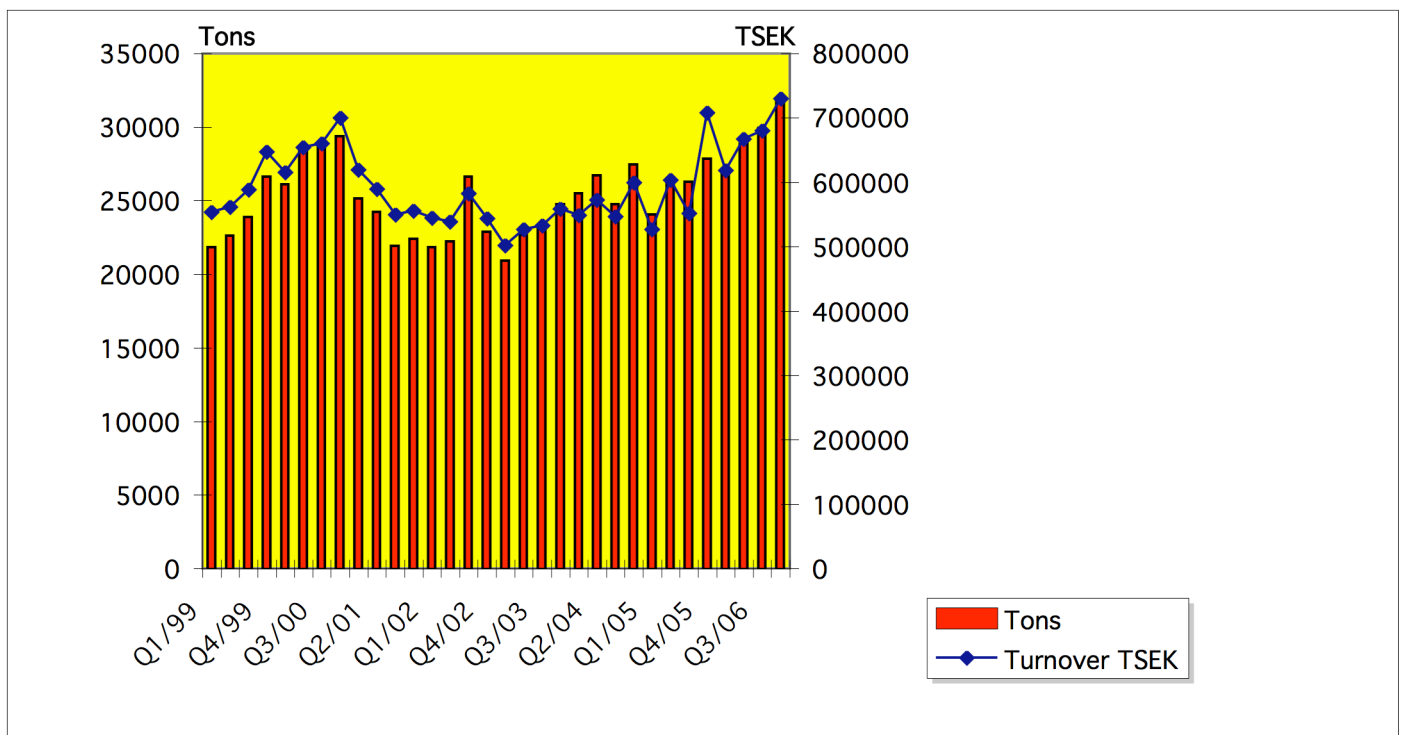
South West Pacific	27,738	2.1	121.6	675	1.0	125.9
Domestic	73,231	5.6	80.9	5,214	7.9	83.2
Total:	1,309,808	100.0	104.4	65,829	100.0	104.4

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Introduction

Please click [here](#) for details about participating carriers in CASS Nordic, definitions of the regions/areas in the tables above and other background details.

Sweden



The Swedish market performed impressively last year. The CASS volume and the gross turnover in the 2006 were up 12 percent on the previous year. The last quarter ended also up positively, up 6.9 percent on the previous quarter. The turnover chalked up 7.2 percent (QOQ).

The North American market is the most important export market by far in CASS based statistics with a market share of 31 percent of the total CASS volume. Still, US bound volumes have not grown in the same pace. CASS data indicate that westbound flows to North America soared insignificantly and in terms of revenue, there was even a small decline.

Asian volumes grew dramatically during 2006. South West Pacific soared 56 percent. South East Asia was up 26 percent, South Asia 25 percent, China 24 percent, Korea 10 percent and Japan 9 percent. CASS share of the total outbound air freight volumes into China/Taiwan/Hong Kong has for many years been fairly low, but is now on the rise due to additional Asian carriers joining CASS Nordic.

The African market remained strong and was up 44 percent. Middle East jumped 9 percent and South America experienced a 30 percent growth rate.

The Intra-European volume contracted 2 percent. It is likely that express operators have gained market share especially within Europe, so the market decline might be less sharp than CASS statistics indicates. The Central America and the Caribbean market has become gloomier during the past year. Volumes fell 18 percent.

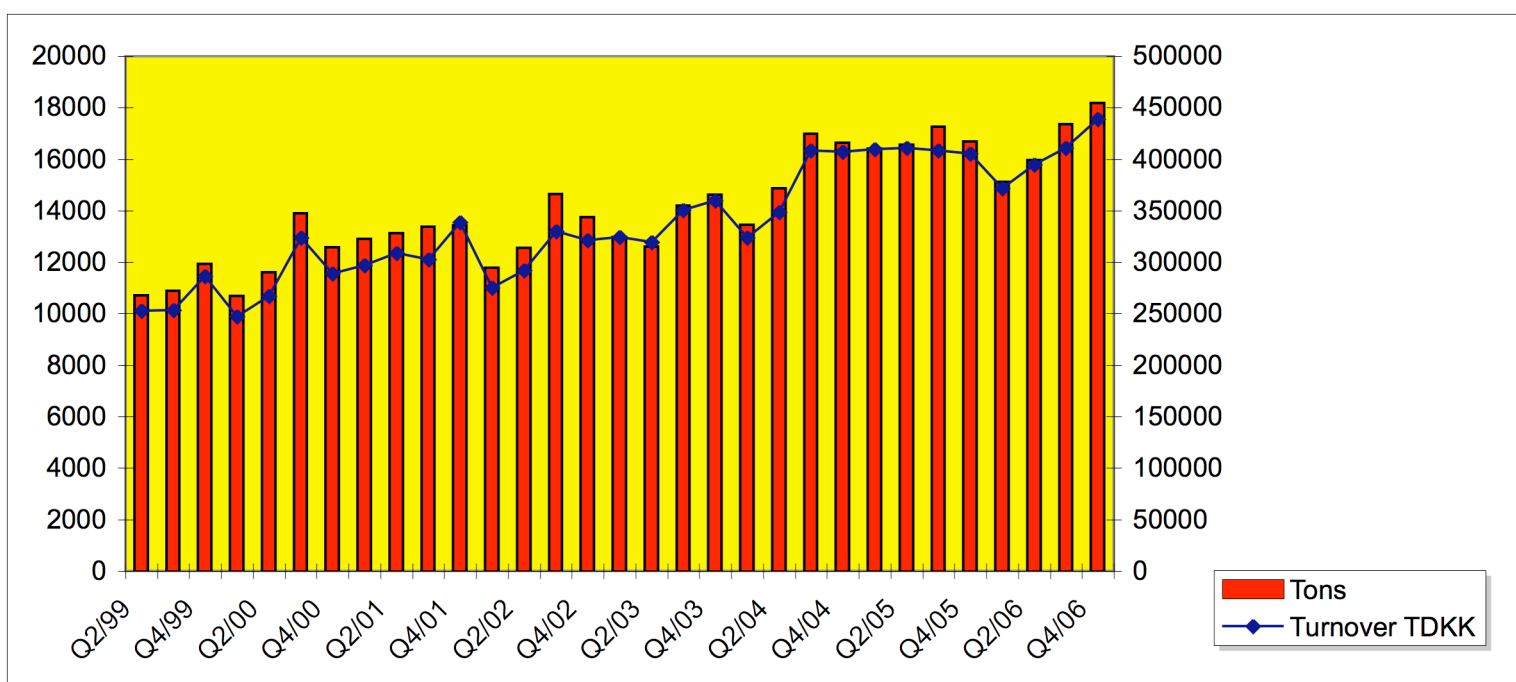
The Intra-European volume was stable, but volumes contracted 5 percent. It is likely that express operators have gained market share especially within Europe, so the market decline might be less sharp than CASS statistics indicates.

The Malaysian based carrier Transmile has significantly increased the number of all-cargo departures from Malmö-Sturup into Shanghai. The Asian interest in Sweden resulted in new air carriers introducing scheduled freighter operations into Stockholm-Arlanda airport this summer. Korean Air Cargo commenced their new service into Seoul at the end of August, and Cathay Pacific Cargo inaugurated the new all-cargo operation to Dubai and Hong Kong in mid-September. Icelandair Cargo introduced a new all-cargo route from Jönköping airport into Reykjavik and New York/Charlotte on behalf of DSV Air & Sea in October 2006.

Demand for ad-hoc flights into Central Asia, particularly Kazakhstan, has remained very strong during 2006. Ericsson is shipping a lot of telecom equipment. This has particularly boosted cargo volumes at Örebro airport.

The data for the domestic Swedish market should in practice be ignored. It does not say anything, since only a small portion of the domestic air cargo volume is included in CASS. JETPAK is the dominating actor, and is not party to CASS.

Denmark



The Danish air cargo outbound market has temporarily lost its pace. The robust growth in Sweden and Norway has bypassed Denmark. The air cargo volume fell 1 percent and the turnover contracted 2 percent. However, the volumes in 4Q 2004 soared 4.7 percent on the previous quarter, while the turnover jumped 6.8 percent. Still, the 4th quarter volume is all-time high. This means that the Danish market is gaining strength again after a weak first half-year 2006. Most likely it is a combination of favorable export growth for Danish manufacturers and an influx of cargo from other parts of Europe.

CASS tonnage for Denmark does in fact also include a significant number of shipments originating from Norwegian and Swedish shippers and to lesser extent volumes from other countries in Northern Europe.

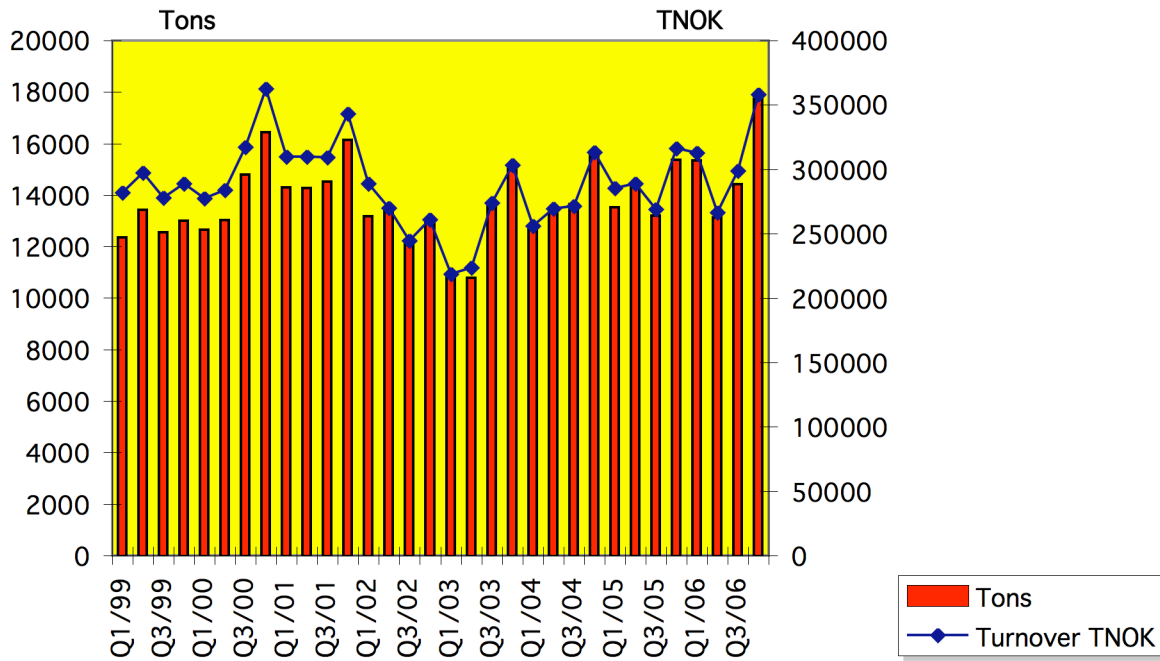
The important North American market with a share of 29 percent of total CASS export volumes increased only 3 percent.

Middle East soared 15 percent, South West Pacific 14 percent, North America 3 percent and Central America 2 percent, Volumes into the Asian market plummeted during the year. Korea fell 23 percent, South Asia 19 percent, Japan 6 percent and South East Asia was down 4 percent. A possible explanation could be the dramatic increase of new freighter capacity from Stockholm-Arlanda airport into East Asia that has resulted in declining Asia-bound volumes at other Scandinavian airports, including Copenhagen.

More freighter capacity has been added at Copenhagen airport during 2006. Singapore Airlines Cargo introduced new and additional all-cargo frequencies and Air China commenced new scheduled services to/from the People's Republic of China serving the Scandinavian market.

It is important to remember that the statistics only includes CASS-participating air carriers. Small volumes originating from Danish shippers might also to some extent end up in the Swedish CASS-data, since some Danish shipments are trucked to Malmö Air Cargo Terminal for consolidation. However, this is almost insignificant volume. Far bigger flows are going to Holland, Germany and other continental hubs. Express operators not reporting traffic data to IATA-CASS Scandinavia carry more than 50 percent of the Intra-European volume.

Norway



The last quarter 2006 has been favorable for the Norwegian air cargo community. The CASS volume excluding domestic volumes was up 22.9 percent 4Q on the previous quarter, and soared 7.3 percent on full-year basis. The turnover in NOK was up 6.6 percent YOY. The main reason for the market growth is increasing demand for Norwegian fish and other products into Asia, despite the fact that the important Japanese market fell 7 percent. Export volumes to South West Pacific by air soared 26 percent full-year 2006. South East Asia was up 19 percent YOY, China up 18 percent, Korea up 17 percent and South Asia +5 percent.

The major markets for fish and fish products by air are located in East Asia. According to official data from Statistics Norway, the total exports by air from Norway of fish and fish products 2006 to Japan was 19,624 tons (22,300 tons 2005). Other major markets in the region are Hong Kong 8,583 tons, China 3,509 tons, Singapore 2,192 tons, Taiwan 1,958 tons, South Korea 1,730 tons, Malaysia 644 tons, Indonesia 573 tons and Thailand 521 tons. This data does not reflect certain trucked air cargo volumes.

Exports to Japan represent 28 percent of the total Norwegian export volume by air. The most dramatic downturn has hit Central America bound exports with a 6 percent decline YOY. Growth markets during full-year 2006 are South America 23 percent, Africa 15 percent, North America 9 percent, Europe 5 percent and the Middle East 3 percent.

Some important outbound flows are not included in CASS data. Significant volumes are trucked to airports in continental Europe, and carried by non-CASS participating airlines.

The domestic volume contracted 17 percent.

Macroeconomic outlook

The **US** economy chartered more dynamic development in the closing quarter of 2006 following a slowdown in the middle of the year. The preliminary estimate of gross domestic product showed an annualized growth rate of 3.5 % over the prior quarter, slightly higher than expected. The growth contribution made by foreign trade clearly outperformed expectations at 1.6 percentage points, on the back of declining imports. A return to a more subdued pace of growth in the first half of 2007 is expected.

A key factor for the renewed slide in the overall index to below the expansion threshold was the steep decline in the inventory components, signaling more rigorous efforts to cut back inventory investments. The national purchasing managers' index for the manufacturing sector in January assesses excessive inventory levels at product buyers. Together with a less favorable assessment of new orders, this is putting pressure on production plants. As a result, there is more of a risk that industrial production will slide further in the current quarter after a minimal drop in the last quarter of 2006.

Euroland growth slowed from 3.75% annualized in Half-year 1 to 2.75% Half-year 2 2006. The slowdown would have been more pronounced had it not been for a stellar performance by Germany. However, Germany's performance is probably due to temporary factors. A substantial portion of the growth last year was due to pre-VAT excess spending and exceptionally strong exports. Economic output in France and Italy expanded by 2% last year. The upswing in the Euro area looks fairly solid. Investments will continue to rise at a pace a little above trend, although construction is showing some tentative signs of having peaked in some countries.

Russia's economic growth last year was again well over 6% YOY. The drivers of growth were investment and private consumption. Above all the increase in real wages by more than 13% and strong ruble helped boost domestic purchasing power. However, last year also saw the continuation of the trend of import growth substantially outstripping export growth.

Japan's industry looks set to point upwards as spring turns to summer. This will underline continued strong corporate spending. Real GDP 4Q rose 1.2% QOQ and 4.8% on the previous year. During the second half-year 2006, Japan's industry boomed despite slowing US industry. The drivers were reasonably strong export growth but also a build up of inventories. Inventory dynamics suggest that industrial production will soften the coming months.

The **Chinese** economy has been slowing over the last half-year, although the economy is still growing at a very fast pace. China's industry will start to creep upwards during the spring. A pick-up in China's industry should also support investment growth staying at close to 20% YOY throughout 2007. As a result, it is likely that China will continue to grow at a speed close to 10% in 2007.

Economic forecast Scandinavia and selected major economies

	Year	GDP	Exports	Imports
Denmark	2006	3.3	10.1	13.6
	2007	2.3	5.3	6.0
	2008	1.6	5.4	5.2
Norway	2006	2.3	2.0	7.8
	2007	3.6	2.5	4.5
	2008	3.3	2.7	3.9
Sweden	2006	4.2	6.4	7.3
	2007	3.4	7.0	6.6
	2008	2.8	2.8	4.3
USA	2006	3.3	8.9	5.8
	2007	2.8	8.4	4.2
	2008	2.9	8.2	7.3
Japan	2006	2.2	9.6	6.0
	2007	2.3	12.0	10.0
	2008	1.9	10.0	8.0
UK	2006	2.6	12.6	12.6
	2007	2.5	2.4	3.0
	2008	2.5	3.8	3.3
Euroland	2006	2.8	8.7	8.4
	2007	1.9	6.0	6.0
	2008	2.2	6.0	6.0
Finland	2006	5.5	10.9	6.0
	2007	3.2	7.0	8.0
	2008	3.0	8.0	7.0

Source: OECD and Danske Bank

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