

Europe

July - September 2006 Forecast



Passenger Numbers by Overall Route (millions)

| | Apr-Jun '06 | Apr-Jun '05 | % change | Jul-Sept '05 | Forecast |
|------------------|-------------|-------------|----------|--------------|----------|
| Europe | 67.20 | 65.79 | 2.15% | 69.26 | 70.75 |
| Intercontinental | 19.01 | 17.86 | 6.46% | 20.00 | 21.29 |
| Total | 86.22 | 83.65 | 3.07% | 89.26 | 91.99 |

Compared to the previous quarter, passenger numbers continues to increase. Also, the trends of intercontinental market and domestic market show a continual growth at over 6% and 2% respectively compared to the corresponding period of last year. However, with regard to passenger numbers of only major European airlines (excluding other airlines shown in AEA statistics) the rate of growth for European market is 8.3% and 7.3% for Intercontinental market. Note that passenger numbers in both markets have continued to increase when compared to the past six quarters signifying a very strong position of travel and tourism market in Europe region.

Passenger Numbers by Seat Class (millions)

| | Apr-Jun '06 | Apr-Jun '05 | % change | Jul-Sept '05 | Forecast |
|----------|-------------|-------------|----------|--------------|----------|
| First | 3.06 | 2.97 | 3% | 3.17 | 3.27 |
| Business | 16.27 | 15.78 | 3% | 16.84 | 17.36 |
| Economy | 66.89 | 64.90 | 3% | 69.25 | 71.34 |

Compared to the same quarter of the previous year, passenger numbers in all three seat classes show a small growth at over 3%. Similarly, when compared to the previous quarter, passenger numbers in First and Business classes are slightly larger, while number of passengers in Economy class indicates a stronger increase.

Passenger Numbers by Carrier (millions)

| | Apr-Jun '06 | Apr-Jun '05 | % change | Jul-Sept '05 | Forecast |
|-----------------|-------------|-------------|----------|--------------|----------|
| Air France/KLM | 19.05 | 17.95 | 6.13% | 18.70 | 19.85 |
| Alitalia | 6.50 | 6.22 | 4.39% | 2.32 | 2.42 |
| British Airways | 9.54 | 9.15 | 4.27% | 9.72 | 10.13 |
| Iberia | 7.46 | 7.24 | 3.08% | 7.65 | 7.89 |
| Lufthansa | 14.09 | 13.57 | 3.81% | 14.19 | 14.73 |
| SAS Group | 10.32 | 9.36 | 10.32% | 9.32 | 10.28 |
| easyJet | 8.78 | 7.58 | 15.85% | 8.49 | 9.84 |
| Ryanair | 9.88 | 8.55 | 15.60% | 9.48 | 10.96 |

Travel Catering Research Centre Quarterly Report

Overall, the major European carriers saw an increase in passenger numbers compared to the previous quarter. While the low-cost carriers continue to have outstanding growth, other major airlines such as SAS Group and Air France/KLM also experience growth at over 10% and 6% respectively. Despite the high cost of fuel, Alitalia, Lufthansa, and Iberia also saw a slight increase in passenger numbers. After the disappointing results in 2005, British Airways has begun to see better results as the passenger numbers in the first two quarters of 2006 have increased.

Estimated Complimentary Meal Numbers by Route (millions)

| | Apr-Jun '06 | Apr-Jun '05 | % change | Jul-Sept '05 | Forecast |
|-----------------------|----------------|----------------|-------------|-----------------|----------|
| Europe (non-domestic) | 21.69 | 17.50 | 23.93% | 22.45 | 27.82 |
| Europe – Africa | 3.89 | 3.61 | 7.61% | 4.30 | 4.63 |
| Europe – Middle East | 2.00 | 1.80 | 11.07% | 2.19 | 2.44 |
| Europe – Atlantic | 15.32 | 15.11 | 1.37% | 16.15 | 16.40 |
| Far East/Australasia | 6.44 | 5.71 | 12.85% | 6.40 | 7.22 |
| Totals | 49.40 | 43.79 | 12.81% | 51.55 | 58.15 |

Overall, meal numbers have increased on previous quarter. The market of European (non-domestic) saw the largest increase compared to other markets at over 24%, with the Far East/Australasia being the second. Also, in comparison with the same quarter in the preceding year meal numbers saw a significant increase of over 12%. In comparison to the past five quarters, meal numbers have shown a continual growth with European market (non-domestic) having the strongest rate of growth.

Headlines

Air France

Air France is the first airline in the world to be awarded ISO 22000 certification for food safety in the meals it serves on board. Air France started proceedings to obtain the ISO 22000 standard on 16 June, but had already implemented most of the measures required by the certification commission today, as early as 1996.

Air France has a testing and risk prevention system which complies with all European regulations. It has introduced a hygiene audit policy for its subcontractors, specific training for cabin crews, bacteriological tests of meals, the installation of air chillers on board its aircraft to ensure that the cold chain remains intact, and has implemented strict supply procedures for drinking water. The Company has also reinforced its requirements from suppliers and a total of 7,000 tests are carried out each year on food supplies.

To begin with, the ISO 22000 certification covers all flights out of Paris, operated by Air France aircraft. A second stage in the certification process will cover other stations during the course of next year.

[http://www.airfrance.com/double6/home.nsf/\(lookuppublishedweb\)/Y1-PublishedmarketY1en?Opendocument](http://www.airfrance.com/double6/home.nsf/(lookuppublishedweb)/Y1-PublishedmarketY1en?Opendocument) July/19/2006

easy Jet

easyJet, Europe's leading low-fares airline, today announced it will launch a new daily service from Bristol to Paris, Charles de Gaulle, on 30 October 2006. Bristol is the airline's largest UK base outside of London accounting for 11% of easyJet's total operation. In the last year easyJet carried 3.5m passengers from Bristol and expects to carry close to 50,000 passengers on this new route in the next 12 months. Also, the airline is launching its new service between London Luton and Istanbul's Sabiha Gokcen International Airport. The service will operate three times weekly throughout August (on Tuesdays, Thursdays and Saturdays), increasing to daily from 4 September 2006.

Another development is the significant expansion of its services in Spain and the launch of a new base at Madrid's Barajas airport. Madrid will be the airline's 17th base and the first in Spain. The Madrid base will commence operations on 16 February 2007 with several brand new routes from Spain's largest airport.

<http://www.easyjet.com/en/News/index.html> Aug/1&21/2006

Finnair

Finnair is now focusing more on the Asian market. The capacity of Finnair's Asian traffic will grow by 30 per cent in the latter part of year 2006. Demand for the Asian traffic continues to be strong, and around one million passengers will travel on Finnair's Asian flights this year. The airline has added two aircrafts on long-haul routes and has been recruiting more personnel for flight operations. From August until the end of October, Finnair will be flying passengers to its destinations in China at a rate of over 100 flights per month.

http://www.finnairgroup.com/mediaen/mediaen_7_2.html August 2006

Explanations***Passenger Numbers by Route***

The data in this table is derived from the Monthly Traffic Snapshots found on the Association of European Airlines (AEA) web pages.

% change - This compares the last full quarter of this year with the same quarter in the previous year.

Forecast - The forecast is based on the trend derived from the equivalent quarter of the previous year and the percentage change in the last full quarter.

Passenger Numbers by Seat Class

The data in this table is derived from data found on Euromonitor's web pages. The seat class data is defined by country and is then applied to the major carrier for that country.

Passenger Numbers by Carrier

The data in this table is derived from the individual carrier's websites.

% change – Please see above.

Forecast – Please see above.

Estimated Complimentary Meal Numbers by Route

The data in this table is calculated by taking the total passenger numbers provided by the AEA (this specifically excludes budget airlines and charter passenger numbers) and applying a multiplier to provide an estimate of the total number of meals provided to passengers. The multipliers used are based upon consensus meal values agreed upon by a panel of experts and are subject to change on a monthly basis.

% change – Please see above.

Forecast – Please see above.