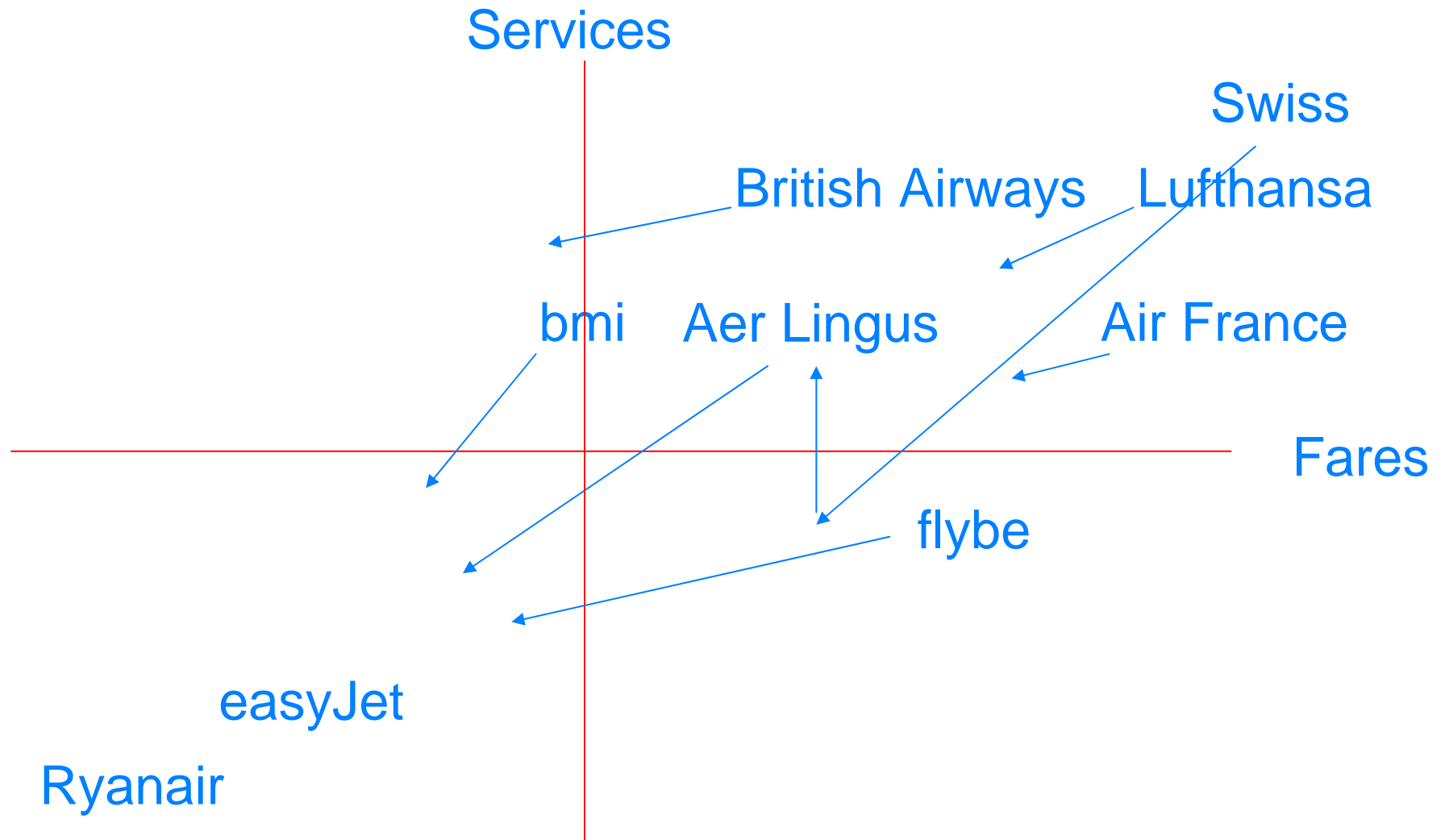


CHANGES TO THE INTRA-EU OPERATIONS OF TRADITIONAL CARRIERS

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REPOSITIONING OF THE SHORT-HAUL PRODUCT a stylised interpretation



MAJOR AIRLINES REDUCE LABOUR COSTS

- Increase productivity
- Freeze or reduce salaries and benefits
- Hire new staff on less generous terms
- Outsource support services
e.g. catering, ground handling, cleaning, maintenance, IT

CHANGE IN TRAFFIC AND EMPLOYMENT LEVELS

Selected European Airlines 1999-2004

Airline	Change 1999-2004		
	Traffic (RPK)	Employees	RPK/employee
bmi	+56%	- 40%	+162%
Aer Lingus	+27%	- 36%	+ 99%
flybe	+85%	+26%	+ 46%
Lufthansa	+17%	- 9%	+ 29%
GB Airways	+70%	+34%	+ 27%
British Airways	- 8%	- 21%	+ 17%
Iberia	+15%	- 2%	+ 17%

RPK – Revenue Passenger Kilometres

Source: Compiled from IATA, Flight International and Airline Business data

BRITISH AIRWAYS ROUTES FROM MANCHESTER

evolution 1997-2005

Routes axed	Capacity reduced	Capacity increased	New routes
Amsterdam	Aberdeen	Belfast BHD	Isle of Man#
Belfast Intl	Berlin Tegel	Billund	Lyon
Cardiff	Brussels	Edinburgh	Malaga
Cork	Dusseldorf	Hanover	Oslo
Guernsey	Frankfurt	Londonderry	Vienna
Knock	Geneva	Southampton	
London STN	Glasgow		
Nice*	Jersey		
Rome FCO*	London LGW		
Shannon	London LHR		
Stuttgart*	Madrid		
Venice*	Milan		
Zurich*	Paris CDG		

* Route introduced since 1997, discontinued 2005 # formerly Manx airlines
 Source: Compiled from OAG data

BA STRATEGY ON DIFFERENT ROUTES FROM MANCHESTER

Route (and other trad airlines)			Low-cost competition
Amsterdam (also KL)	was now	4x737 none	Jet2 Manchester-Ams 3x733 easyJet Liverpool-Ams 4x733 Jet2 Leeds Bradford-Ams 2x733
Frankfurt (also LH)	was now	3x737 5xER4	None
Geneva	was now	1x737 2xER4	easyJet Liverpool-Geneva 1x319
Madrid	was now	2x737 1xAR1, 1xER4	Monarch Manchester-Madrid 1x320 easyJet Liverpool-Madrid 1x733
Vienna	was now	no service 1xER4	None

ABANDONMENT OF SECONDARY HUBS SWISSAIR/CROSSAIR/SWISS ROUTES FROM GENEVA

1997 (24 routes)

Alicante
Amsterdam
Athens
Barcelona
Basel/Mulhouse
Berlin Tempelhof
Bilbao
Brussels
Dusseldorf
Lisbon
London Heathrow
London City

1997 continued

Lugano
Marseille
Moscow
Nice
Paris CDG
Prague
Rome Fiumicino
Seville
Stuttgart
Toulouse
Vienna
Zurich

2005 (7 routes)

Athens
Barcelona
Lisbon
London City
Moscow
Rome
Zurich

IMPORTANCE OF REGIONAL OPERATIONS AT SECONDARY HUBS - LYON 2005

Lyon (AF) Operator	Dests
Air France	6
CCM*	2
Regional*	15
Brit Air*	16
Malev	1
Portugalia	1
Austrian	1
TOTAL	42

* franchise/subsidiary

PRICE DIFFERENTIALS WITHIN EUROPE

- Historical pricing on traditional airlines: only fare permitting a single trip or return before Sunday was full business class (or eurobudget: 15% off on UK routes)
- Low-cost airlines pricing: fares available on one-way basis. Price is dependent only on peak/off-peak schedule and time of booking

EXPENSIVE BA _____ DS!

	Ryanair from	BA from
FRANKFURT	£ 69	£ 374
GENOA	£ 129	£ 560
TURIN	£ 119	£ 462 (i)
ANCONA	£ 129	£ 562 (ii)
BIARRITZ	£ 99	£ 534 (iii)
DINARD	£ 99	£ 315

(i) Includes return fare. (ii) Includes tax. (iii) Includes tax.



RYANAIR

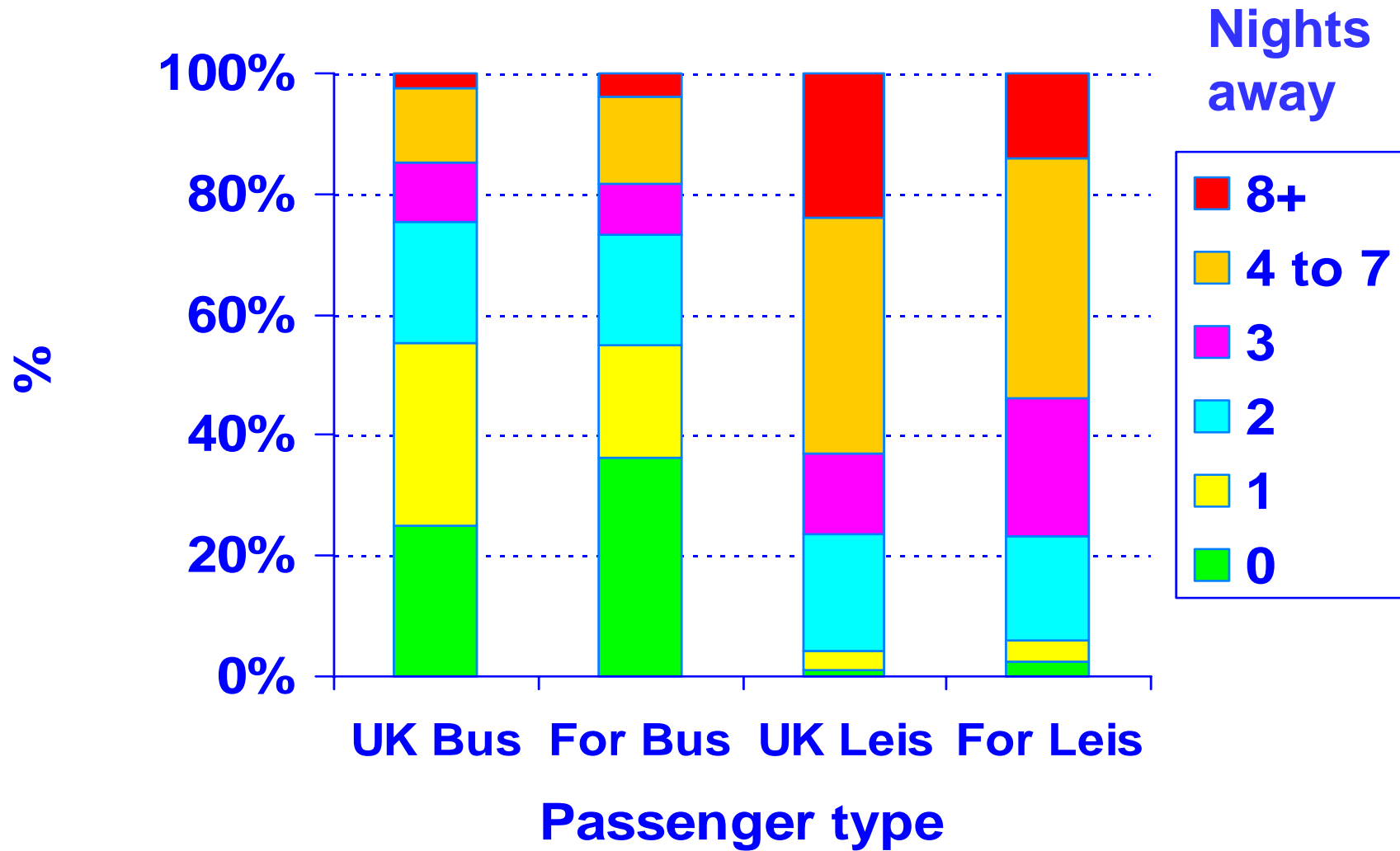
THE LOW FARES AIRLINE

RESPONSES OF THE MAJOR AIRLINES

- Airlines move from Sunday rule to 2 night minimum stay on cheapest fares (1 night if it is Saturday night)
- In 2002 BA abolishes minimum stays on cheap short-haul return flights from the UK
- bmi introduces low one-way fares

LENGTH OF STAY

International Passengers at London City Airport



Source: Derived from CAA Surveys

CURRENT PRICING STRATEGY ON EUROPEAN ROUTES

- BA: No minimum stay on cheap return fares for travel starting in the UK and certain other European countries. 2 day minimum retained from other points of origin. Single fares still at full tariff with a few exceptions.
- bmi, Aer Lingus: matched the low-cost carriers tariff structure.
- Air France: Matched BA for bookings in UK but retains traditional structure elsewhere.
- KLM: Reduced many excursion fares but retains 2 night minimum stay even in UK.
- Lufthansa: Some cheap fares on UK-Germany routes with no minimum stay, booking from either end.

LONDON-AMSTERDAM

Day return trip on Wed 31st August (booking Wed 10th Aug)
Leave by 0900, return from 1700

London-Amsterdam-London	£	Amsterdam-London-Amsterdam	£
KLM-City	354	KLM-City	335
KLM-Heathrow	308	KLM-Heathrow	256
VLM-City	128	VLM-City	134
BA-Gatwick	117	BA-Heathrow	105
BA-Heathrow	112	bmi-Heathrow	102
bmi-Heathrow	94	BA-Gatwick	100
easyJet-Stansted	55	easyJet-Gatwick	59
easyJet-gatwick	53	easyJet-Luton	48
easyJet-Luton	53		

Source: airline websites; rates include taxes and charges

LONDON-GENEVA

Day return trip on Wed 31st August (booking Wed 10th Aug)
Leave by 0900, return from 1700

London-Geneva-London	£	Geneva-London-Geneva	£
Swiss-City	218	Swiss-City	519
BA-Heathrow	178	BA-Heathrow	395
Swiss-Heathrow*	166	BA-City	395
BA-City	144	BA-Gatwick	395
easyJet-Gatwick	115	Swiss-Heathrow*	220
BA-Gatwick	112	easyJet-Gatwick	119
easyJet-Luton	95		

* Operated by BA

Source: airline websites; rates include taxes and charges

LONDON-MADRID

Day return trip on Wed 31st August (booking Wed 10th Aug)
Leave by 0900, return from 1700

London-Madrid-London		Madrid-London-Madrid	
	£		£
Iberia-Heathrow	188	Iberia-Heathrow	697
BA-Heathrow	148	BA-Heathrow	688
Iberia-Gatwick*	147		
easyJet-Luton	140		
easyJet-Gatwick	125		
BA-Gatwick	112		

* Operated by BA

Source: airline websites; rates include taxes and charges

CUTTING OUT FOOD SERVICE SAVES MORE THAN THE £5 COST OF THE MEAL!

- Galley space can be replaced with extra seats
- Cabin staff numbers can be reduced to safety minimum
- Turn-around speeded up as no catering to load/unload and minimal cleaning

CHARGE FOR CATERING OR REDUCE FREE PROVISION

- Economy class passengers within Europe:
Reduce catering – reduce cost
Helps differentiate business class
But erodes differential with low-cost airlines
- US: Frequent Flier Programme is only
'frill' valued by passengers
- Paid for catering:
Aer Lingus, bmi, Austrian, Iberia, Maersk, SAS
Efficiency?
Swiss reinstates free refreshments
- Domestic flights: little in most cases although
BA still provides hot breakfast for all

welcome

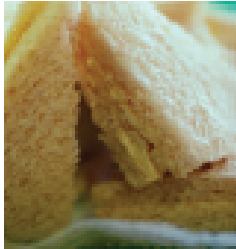
We hope you will enjoy our range of tasty meals and refreshing drinks. We also have a selection of great value fragrances, cosmetics and gifts – so why not treat yourself! Thank you for choosing to fly first.

sandwiches

hot bacon sub roll with Heinz tomato ketchup £3.50 €6.00

mature cheddar salad with vine ripened tomatoes and chutney on milked brown bread £3.00 €5.00

roast chicken salad with crushed black pepper, mayonnaise, vine ripened tomatoes, cucumber and lettuce on milked brown bread £3.00 €5.00



salads and fruit

tomato pasta salad with mixed leaf and mozzarella £3.50 €6.00

tuna and egg salad with mixed leaf, lemon and oregano dressing and kalamata olives £3.50 €6.00

Del Monte fresh fruit salad £2.00 €3.50

meal deals

1 bacon sub roll + Del Monte fresh fruit salad + tea or coffee £6.00 €10.00

2 sandwich or salad + tea or coffee or water £4.00 €6.50

3 sandwich or salad + beer or wine £5.50 €9.00

savouries

Mini Cheddar 10g £0.60 €1.00

Fingles – original 10g £1.00 €1.50

Fingles – sour cream & onion 10g £1.00 €1.50

hot drinks and soup

Esaco coffee 20ml £1.50 €2.50

Esaco Cappo cappuccino 20ml £1.65 €2.50

PG Tips tea 20ml £1.50 €2.50

Sachard hot chocolate 20ml £1.65 €2.50

Batchelor tomato & vegetable soup 20ml £1.75 €3.00

soft drinks and mixers

Breco Camo sports cap still water 100ml £1.50 €2.50

British sparkling water 100ml £0.60 €1.00

Diet Pepsi 200ml £1.00 €1.50

Fruit Shoot – apple & blackcurrant 200ml £1.00 €1.50

pure orange juice (carton) 200ml £0.60 €1.00

Pepsi 100ml £0.60 €1.00

R White lemonade 100ml £0.60 €1.00

British tonic water 100ml £0.60 €1.00

British ginger ale 100ml £0.60 €1.00

British orange juice 100ml £0.60 €1.00

British tomato juice 100ml £0.60 €1.00



alcoholic drinks

Tecopila cabernet sauvignon red wine 100ml £3.00 €5.00

Cascetto white wine 100ml £3.00 €5.00

Delcaves champagne 100ml £6.00 €10.00

Carlsberg lager 200ml £3.00 €5.00

Godol's Dry gin 50ml £3.00 €5.00

Johnnie Walker Red Label whisky 50ml £3.00 €5.00

Prince Hubert de Polignac cognac 50ml £3.00 €5.00

Smirnoff Red Label vodka 50ml £3.00 €5.00

Beard's rum 50ml £3.00 €5.00

chocolate and cakes

Cadbury Dairy Milk Bunch 70g £1.00 €1.50

Kit Kat 10g £1.00 €1.50

Mars Big One 70g £1.00 €1.50

Maltesers (bag) 100g £2.50 €4.00

fudgy brownie bites 80g £1.20 €2.00

honey flapjack 80g £1.20 €2.00

fudgy coconut oat bites 80g £1.20 €2.00

Screen fudgy malt loaf 60g £1.00 €1.50



sweets and mints

Fruit Pastilles (bag) 100g £1.50 €2.50

Wrigley's fresh breath strips £1.00 €1.50

**Frühstückskarte, auf Flügen
bis 10.00 Uhr Abflugzeit:**

*Breakfast menu, available
on all departures before 10.00 a.m.:*



„Bistro“-Frühstück
Croissant, Gebäck, Butter,
Marmelade, Actimel,
Philadelphia Frischkäse

Breakfast „Bistro“
*Croissant, roll, jam, butter,
Philadelphia cream cheese,
Actimel*

5,00 €

„Sky Gourmet“-
Frühstück*

„Bistro“-Frühstück
erweitert um ein ofen-
warmes Plundergebäck

**Breakfast
„Sky Gourmet“***
*Breakfast „Bistro“ with
additional hot Danish Pastry*

6,50 €

Ofenwarmes
Plundergebäck*
*Danish Pastry
hot from the oven**

2,00 €

*) Auf längeren Flügen, siehe Destinationsliste auf der Rückseite der Karte.
On longer flights, see overleaf list of flight destinations.

BISTRO

**Auf Flügen ab 10.00 Uhr
Abflugzeit servieren wir:**

For departures after 10.00 a.m. we serve:



Baguette
Nordischer Lachs
und Shrimps auf
XL-Baguette

Baguette
*Nordic salmon
and shrimps
on an XL baguette*

5,00 €



**Ofenfrische
Pizzaschnitte***

*Slice of Pizza
fresh from the oven**

4,00 €

*) Auf längeren Flügen, siehe Destinationsliste auf der Rückseite der Karte.
On longer flights, see overleaf list of flight destinations.

BISTRO

Auf allen Flügen zur Auswahl:

Your choice on all flights:



Tramezzini
mit Putenkeulen-
schinken und Käse
oder mit
Eiaufstrich und Käse

Tramezzini
*with turkey ham
and cheese
or with
egg spread and cheese*

3,00 €



Rosmarin-Focaccia*
Mit würziger Putensalami,
Mozzarella und Pesto

Focaccia*
*With tasty turkey salami,
mozzarella and pesto*

5,00 €

*) Auf Wunsch warm oder kalt serviert. Sprechen Sie bitte mit Ihren FlugbegleiterInnen.
Served hot or cold. Please advise your flight attendant on your choice.

BISTRO

Destinations to/from Switzerland:	Time of service (flight departure) Until 10:00	Time of service (flight departure) 10:00-14:00 After 17:00	Time of service (flight departure) 14:00-17:00
Basel, Geneva, Lugano, Stuttgart	- chocolate tablets	- chocolate tablets	- chocolate tablets
Frankfurt, Luxemburg, Milan, Munich, Nuremberg	- chocolate tablets - water	- chocolate tablets - water	- chocolate tablets - water
Amsterdam, Barcelona, Belgrade, Berlin, Birmingham, Brussels +, Budapest, Düsseldorf +, Hamburg, Hanover +, London City, London Heathrow, Manchester, Nice +, Palma de Mallorca, Paris +, Prague, Rome, Vienna, Warsaw	- heated bakery item like "pain au chocolat" - cold and hot beverages	- choice of sandwich + - cold and hot beverages + cheese sandwich only	- ice cream (summer) or cookie (winter) - cold and hot beverages
Alicante, Athens, Bucharest, Copenhagen, Dublin, Istanbul, Lisbon, Madrid, Malaga, Stockholm, Thessaloniki, Valencia	- heated bakery item like "pain au chocolat" and yogurt - cold and hot beverages	- hot snack like "calzone" - cold and hot beverages	- ice cream (summer) or cookie (winter) - cold and hot beverages

Inflight meals



As a full-service airline, SN Brussels Airlines does everything it can to ensure you have a comfortable and pleasant flight. The food and drink on SN aircraft are therefore provided free of charge to all passengers in all classes, from Best Buy to Business Class, on short-haul and long-haul flights.

European flights

Economy Class:

During European flights, you can enjoy the concept of Brussels Bistro. Depending on the time of day and the duration of the flight, SN Brussels Airlines serves a hot breakfast, hot meals and original snacks and salads in Economy class. Vegetables with dips, pizzas, couscous, chicken and fusili pasta are a few examples of items from the wide selection offered in the Brussels Bistro menu.

WHAT FUTURE FOR BUSINESS CLASS WITHIN EUROPE?

- Most traditional airlines retain business class
Needed for long-haul feeder traffic
High yields possible for small extra costs
BA introduces cheaper upgrades off-peak
BA investigating 2-2 configuration
Need to keep quick change layout
- Aer Lingus has gone all economy
as have most non-flag carriers
(bmi varies by route: 'dogs dinner')

CHANGES IN AIRCRAFT SCHEDULING AND UTILISATION

OLD 2002

Gatwick 0700 Edinburgh 0830
Edinburgh 0910 Gatwick 1035
Gatwick 1130 Glasgow 1300
Glasgow 1345 Gatwick 1515
Gatwick 1605 Edinburgh 1735
Edinburgh 1815 Gatwick 1945
Gatwick 2025 Glasgow 2150
10:20 utilisation
7 sectors
14:50 start to finish of day
average turnaround 45 min

NEW 2005

Gatwick 0625 Edinburgh 0750
Edinburgh 0825 Gatwick 0950
Gatwick 1025 Glasgow 1155
Glasgow 1225 Gatwick 1350
Gatwick 1445 Manchester 1545
Manchester 1615 Gatwick 1715
Gatwick 1750 Newcastle 1900
Newcastle 1930 Gatwick 2045
Gatwick 2120 Glasgow 2240
11:30 utilisation
9 sectors
16:15 start to finish of day
average turnaround 35 min

SET UP A LOW-COST SUBSIDIARY

- Track record poor in US, mixed in Europe

BA: go (Stansted and non-BA regions - sold off)

SAS: snowflake (merged back into mainline)

Lufthansa: german wings (defensive measure?)

KLM: transavia (leisure routes)

LOT: central wings (non-core services)

bmi: bmibaby (regions now extended to mainline)

Air Malta: fare4u (branding of no-frills, red-eye flights)

- Franchises may provide best of both worlds (e.g. GB Airways) but difficult to transfer existing routes

CONCLUSIONS

- Financial recovery for airlines such as BA, Lufthansa, Air France/KLM, Iberia, Aer Lingus
- Apart from Ryanair, low-cost airlines are not doing significantly better
- Some of the newcomers have failed e.g. EUJet, Volare, Air Polonia; Virgin Express is taken over by SN Brussels
- Carriers such as Air France have not felt full impact of low-cost carrier onslaught
- Protection from long-haul and dominance of major hub airports
- easyJet and Ryanair have many new aircraft on order

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