

easyJet

Partnership Proposal

Phases & Timetable

Thursday, December 2, 2004

Partnership Overview

maxJet proposes a staged linkage to minimize risk.

maxJet plans to commence low-fare, value-based service between New York's JFK and London Stansted no later than May 15, 2005. Currently completing final certification, maxJet operates a single Boeing 767-238ER and has a firm option to take two additional B767-238ERs in February and March 2005. The first three aircraft are configured with 60 Premium Economy seats and 123 Standard Economy seats.

Consistent with a low-fare structure, maxJet's product combines basic seating options with a wide range of optional, extra-cost services including high-caliber meals, entertainment, and airport lounges. maxJet's fares will range from US\$100-\$300 one-way in Standard Economy (with heavily discounted middle seats available year-round) to US\$400-\$800 in Premium Economy.

Overall Objectives

maxJet proposes a sales and marketing partnership with easyJet.

A partnership between easyJet (U2) and maxJet (MY) would commence in the Spring of 2005 with a three-phase build-out.

- 1) Awareness.** maxJet will build the Web-based infrastructure for cross-selling. MY will offer U2 destinations on its Web site from the start, bringing U2 new US-originating customers. U2 will deploy banner ads to build awareness of U2/MY connections.
- 2) Endorsement.** MY and U2 will develop a joint discount program (we suggest 5%) and promote connections with co-branded marketing, primarily through indirect channels (billboards, print, etc.).
- 3) Referrals and Bundling.** MY and U2 will link their Web front-ends to each inventory system. Referrals will now be seamless and consistent with each brand. In the bundling phase, each will cross-sell buy-on-board product, car and hotel affiliates, etc.

U2 and MY will both benefit from increased traffic and network scope. MY's initial listing of U2 destinations on its site will benefit both parties by drawing new traffic into local markets. U2 will spread its brand name in the US while applying pressure to British Airways.

maxJet has suggested a sequence of steps to implement this partnership that would benefit both maxJet and easyJet while limiting risk. Given our objective of remaining independent and viable, each phase balances new, incremental traffic with the costs of integration and potential liability.

Overview of Timetable & Steps

maxJet would prefer a timetable that develops cross-selling capabilities in 2005, reserving bells-and-whistles until success is demonstrated in 2006 and beyond.

January 2005	<p>“Summit” meeting with key managers.</p> <p><i>Evaluate</i> (1) launch of MY Web site with U2 destinations and (2) objectives, controls and methodologies for measuring the effectiveness of the partnership. Begin testing the MY Web site interface to allow customers to book U2 seats through the MY site using existing U2 infrastructure.</p>
February 2005	<p>Launch MY Web site with easyJet’s destinations from STN listed as origins and destinations for MY service.</p> <p><i>Code basic MY link.</i> The MY site will use XML protocols to interface directly with U2’s Web site, not U2’s back-end reservations system.</p> <p><i>Between February and May 2005.</i> Debug links and Web site integration in preparation for launch of service no later than May 15. Develop concepts for banner advertisements and define direct marketing activities if appropriate. Legal meetings to ensure contracts of carriage remain distinct and separate; develop materials for customers to describe relevant airline liability.</p>
May 2005	<p>Begin Awareness phase on start of MY service JFK-STN.</p> <p><i>Joint PR.</i> U2 participates in publicity events as appropriate in the United States, developing its brand in the core US market.</p> <p><i>U2 and MY commence direct marketing.</i> Banner advertisements, direct email campaigns, designed to stimulate traffic.</p> <p><i>MY completes implementation of online U2 bookings.</i> Link between sites allows passengers to book travel on U2 through MY site through basic interface.</p> <p><i>No joint customer service.</i> Passengers are advised at booking about change procedures for each airline’s sites or call centers.</p> <p><i>Limited schedule coordination.</i> U2 and MY investigate fine-tuning departure and arrival times such that jointly-marketed U2/MY options minimize connecting time. Schedule adjustments determined in principle before June 2005 slot conference for Winter 2005-2006.</p>
August 2005	<p>Begin Endorsement phase on MY start of JFK-LTN service.</p> <p>With system growth, indirect marketing becomes cost-effective.</p> <p><i>U2 and MY begin joint advertising.</i> Bookings continue through MY site, avoiding U2 technology changes.</p>

U2 and MY measure “take up” by both US and EU passengers. Based on O&D data for connecting passengers, determine the next cities for implementing connections.

March 2006

Begin Referrals phase. Develop links between front-end Web sites and partner’s back-end reservations systems, improving capabilities and scalability. Requires technology development at U2 that may already be underway.

U2 adds MY destinations to its Web site. New York appears on the U2 destination list, along with other MY cities. This joint listing should happen before 2006 if success metrics are met in earlier phases.

U2 begins selling MY services from its site. The U2 Web site connects directly to the MY reservations system, allowing U2 passengers to build connecting itineraries without transferring to the MY site.

U2 offers double-connect options to US partners. Web cross-links permit automated display of partner connections from JFK to cities in the US. Determine high-yield cities and make available.

U2 and MY coordinate and cross-sell ancillary services. U2 offers add-ons to MY tickets on its site; MY offers add-on and affiliate services on U2.

U2 and MY implement Internet-based customer service. Inventory links permit routing changes, etc. from either site. Passengers are advised of special Web pages where they can request changes.

June 2006

Begin Bundling phase. Bundling commences when MY has built sufficient scale (frequencies, US and EU destinations) to permit new points of collaboration.

New focus cities. U2 and MY duplicate connecting strategy used at STN and LTN at SXF, GVA and others. Cities chosen first by point-to-point potential for each network, then by partner’s strategic objectives.

New products. U2 and MY use their Web sites to cross-sell holiday, parking, car rental, hotel, credit card, and other affiliate agreements.

Customer service integration. Specific teams in call centers are advised about change procedures for partner airlines. Potential integration of each customer service system with partner’s inventory.

maxJet believes that defining criteria for success will be important, to give us each the same expectations and to judge the benefits of the partnership. Sharing our objectives for the partnership will ensure that our measurement and control systems orient us towards increasing traffic, building market recognition and market share, and insulating our independent networks from legacy competition.

Partnership Objectives & Returns

What does easyJet get from a partnership with maxJet?

Legacy Insulation. The U2/MY combination protects U2's network as much as it fortifies MY's network, because the partnership frustrates legacies' ability to cross-subsidize loss-making regional operations with high-margin international fares.

Alone, MY can only impact fares from New York to London, just as easyJet can only impact fares from London to Geneva, Toulouse, etc. This means BA can charge high fares for connecting itineraries and subsidize predatory JFK-LHR or LHR-GVA fares for local-market passengers.

Together, U2 and MY can offer low-fare last-minute travel from New York to dozens of cities in Europe, cutting into British Airways' and other legacies' core high-margin traffic. Alone, each airline is subject to predatory pricing on key routes. Together, U2/MY make that predatory behavior more difficult to be effective.

In addition to frustrating legacy cross-subsidization, a partnership makes additional frequencies possible, especially during peak morning and evening windows. While these new frequencies would be dependent upon some coordination between the two carriers, the incremental service will make both U2 and MY more attractive to local business passengers

Brand Reach. easyJet has already established a powerful brand in the UK and Europe, but is relatively unknown in the United States. maxJet will generate significant PR and marketing coverage in the United States during its launch and expansion. By partnering with maxJet, easyJet will be mentioned in the press coverage as well. Positioning U2 as a painless way to commute through Europe will be an important part of MY's marketing message to business travelers, since it addresses the legacy airlines' short-haul strength inside of Europe.

Differentiation. easyJet becomes a global brand through an MY partnership – it offers transatlantic destinations and its name and marketing messages cross oceans, all without taking on the operational risk of IATA interlining or running transatlantic flights alone. In an increasingly competitive environment with Ryanair, Air Berlin, other LCCs and of course legacies, starting a loose alliance of LCCs differentiates U2.

Low Risk. easyJet does not disrupt its current model. Each step of the partnership evolves after success of previous phase.

Incremental Traffic. MY brings a pool of passengers traveling from New York to points in Europe who would connect in London. Together we have already discussed how a last-minute fare from New York to European cities would be far cheaper on MY/U2 than on a legacy airline. maxJet believes incremental traffic will be skewed to last-minute passengers, who will be among the most profitable for easyJet.

Equity. We recognize that an early-stage partnership with maxJet carries risk for easyJet, and we are prepared to reward easyJet's risk with upside participation. The form of equity participation would be contingent on several factors, including (1) defined success metrics, (2) foreign ownership rules, (3) easyJet's financial or in-kind investment in the partnership, and (4) exclusivity.

What does maxJet want from a partnership with easyJet?

Incremental Traffic. MY believes that sufficient traffic exists in the JFK-STN market to build a base for an international point-to-point network. MY has identified over two dozen additional markets in which point-to-point traffic supports non-stop low-fare service, from US cities like Boston, New York, Washington, Orlando, Miami, Los Angeles, and San Francisco to European cities like London, Paris, Berlin, Frankfurt, Düsseldorf, and others.

However, MY is interested in developing connecting links to build incremental traffic and maximize load factors. Because each US and European focus city will overlap with other LCC's networks, MY believes that an additional 20-30 passengers per flight can be attracted with convenient connections to partner carriers. Incremental traffic allows maxJet to upgrade to larger aircraft, reduce per-passenger costs, and add frequencies.

Brand Expansion. MY must advertise to its Premium and Standard local-market passengers in two expensive advertising markets, London and New York. While MY will focus on those core markets, it hopes to enter into strategic relationships where partners advertise the MY service to their core bases, using New York, London and other "bridge" cities as transit points. This brand expansion benefits MY by reaching local-market and connecting passengers.

Legacy Insulation. As presented in the draft white paper and described above, maxJet is concerned that legacy carriers may launch an irrational response. MY is likely to be the only mainstream transatlantic startup for the next several years; other startup business plans are focused on premium traffic only. U2/MY connects New York and other US cities with the widest possible range of business destinations in Europe, shielding both U2/MY.

Credibility. There is no doubt that a partnership with easyJet would boost our credibility in Europe, and impact our ability to attract London-based passengers. This credibility would also feed into our UK-based press coverage.

The combination of incremental traffic, brand expansion, legacy insulation and credibility gives us an important head-start in building our European operation. Because easyJet shares our philosophy for giving customers what they want and forgoing unnecessary extras, we would prefer to work with easyJet over competitors who would require more commonplace IATA-based agreements.

Summary of Each Phase

How would the partnership evolve over time?

PHASE ONE: AWARENESS

Awareness is the first partnership stage. maxJet develops XML-based technology to connect its Web site to easyJet's Web site, allowing passengers to book separate flights on MY and U2 that form a composite itinerary. easyJet provides banner advertisements that make its passengers aware of US travel options.

1. **January 2005:** maxJet and easyJet meet to agree on basic objectives and determine roll-out strategy. Evaluate technology integration requirements and legal requirements for separate contracts of carriage.
2. **January 24-31, 2005:** During maxJet's last proving run from JFK to Stansted around the end of the month, run a test connection to determine what airport requirements might exist. We will simulate a connection at STN to determine accurately the connecting times, signage and security required.
3. **February 2005:** maxJet will start offering easyJet connecting cities on its Web site under "Destinations." U2 and MY will work together to determine optimal booking strategy for these seats – XML-based screen scraping, existing travel manager interfaces, other APIs, etc.
4. **March 2005:** U2 and MY begin development of direct-marketing and Web banner campaigns to notify U2 passengers of MY travel options.
5. **April 2005:** U2 and MY begin joint PR activities to start building "buzz".
6. **May 2005:** MY launches scheduled service JFK-STN. Concurrent with start, U2 launches banner advertisements notifying passengers of MY options. MY also launches a customer care page that contains detailed instructions for MY/U2 passengers about how to change itineraries and receive customer support from each airline, and makes this available to all U2-originating passengers.
7. **July 2005:** MY may launch service to LTN from JFK and other east coast cities. Establish new connecting itineraries over LTN and enter into promotional campaigns in the United States and Europe to draw traffic onto those routes.

Key attributes of Awareness phase:

- Initial phase designed to bring new US-originating passengers to easyJet and drive existing easyJet passengers to maxJet connections.
- Passengers booking travel for JFK-STN on MY and beyond on U2 will receive two tickets, references to two contracts of carriage, and a special email that articulates how to make a connection at STN. Passengers will be responsible for all details of the connection, as well as making changes to tickets on either or both carriers.
- MY will develop the core Web services technology to exchange Web site data without building an interface directly to easyJet's core reservations system. However, if U2

has existing gateways for travel managers and affiliates that is more robust or scalable than screen-scraping, MY would prefer to link directly to those gateways.

- www.flymy.com visitors will be able to book travel on both MY and U2 (via gateway). www.easyjet.com visitors will be able to book travel on U2 and will be referred to www.flymy.com for travel to the United States.
- MY will focus on measuring the click-throughs and captured bookings for passengers originating in Europe, since this will help us judge (1) MY's next European destinations and (2) the financial success of the alliance.

PHASE TWO: ENDORSEMENT

In the second phase, easyJet and maxJet endorse each other's services, expanding direct marketing programs and coordinating departure and arrival times where appropriate to maximize high-yield connecting itineraries.

1. **Summer/Fall 2005:** when appropriate transaction volumes have been achieved to demonstrate return on marketing investment, begin broad direct and indirect marketing campaign to build additional awareness.
2. **Summer/Fall 2005:** Open new channels, including outdoor/billboard and print advertisements.
3. **Summer/Fall 2005:** Extend exclusive discounts to passengers originating from partner's site (perhaps 5% for passengers originating on easyJet site or vice versa).
4. **Winter 2005-2006:** continue marketing campaigns and evaluate additional technology linkages to permit direct MY bookings from the U2 Web site. Evaluate changes in EU law to assess potential liability for disrupted travel in this joint booking scenario.

Key attributes of Endorsement phase:

- Adds marketing campaign to draw new passengers onto both easyJet and maxJet. Marketing will reach out to non-Web passengers, many of whom will not have flown easyJet before. Expanded reach builds market size.
- Success is defined as a significant return on marketing investment. Success can be measured by click-throughs on direct campaigns and postal codes for reservations by new passengers.
- Mutual discounts give passengers incentive to visit partner Web sites first, building awareness of both brands.

PHASE THREE: REFERRALS

In the third phase, easyJet and maxJet Web sites use XML-based Web Services technology to access partner inventory systems through the Web. These connections open direct bookings by MY passengers on U2 and vice versa. They also facilitate on-line itinerary changes and discounted inventory as appropriate.

1. **Early 2006:** MY adapts 2005 functionality for booking U2 travel (via Web site) and improves to faster, more scalable inventory link. Concurrently, U2 Web site introduces direct MY booking functionality as well. Results in the following:
 - a. Ability to sell composite itineraries from either site.
 - b. Ability to sell one's partner destinations as one's own.
 - c. Ability to introduce special discounts (i.e., yield manage) without disrupting existing business models.
 - d. Ability to distribute distressed inventory via connecting markets without undermining yield management strategies in local markets.
 - e. Ability to introduce customer service functionality to change, transfer, or cancel travel on a single Web page.
2. **Spring 2006:** MY and U2 begin cross-selling amenities and other ancillary services through Web site. Same Web-based link for reservations systems also applies to management systems for other products.
3. **Spring 2006:** Direct links also permit first double-connect itineraries across both London and New York. Web links permit U2 to display travel to Denver, Dallas or Chicago via connections in London and New York, all on a single page.
4. **Spring 2006:** MY and U2 coordinate customer services, allowing passengers to call into reservations center and make changes to joint itineraries. Expect passengers would pay a fee for human assistance. Makes the service more friendly to high-yield, last-minute business passengers.
5. **Spring 2006:** plan next focus cities.

Key attributes of Referrals phase:

- While reservations are facilitated through investments in technology, marketing and customer service, passengers are still making two separate reservations on a standard sum-of-locals basis. Continue focus on high-margin, last-minute passengers wanting an alternative to exorbitant legacy fares.
- Referrals are mutual: maxJet sends passengers to easy's network and vice versa.
- Technology integration drives new information flows about where passengers originate and flow. This information can be used to evaluate new focus cities, routes and frequencies.

PHASE FOUR: BUNDLING

In the fourth phase, MY and U2 adapt the Referrals strategy by adding additional services to customers and expanding the model to new focus cities.

1. **Summer 2006:** introduce new transit points between networks, including Geneva and Berlin/Schönefeld. Increase ability for partners to generate profits from commissions on upselling partner ancillary revenues.
2. **Summer 2006:** begin selling bundled holiday packages to smooth out seasonal swings.
3. **Summer 2006:** offer added-cost options for baggage transfer, travel interruption insurance, and other connecting services similar to those offered by IATA carriers. Generate revenue from connecting assistance truly valued by customers while continuing to avoid unnecessary infrastructure investment.

Key attributes of Bundling phase:

- Not the IATA definition of bundling, where the selling carrier assumes the contract of carriage responsibility and invests in unneeded transfer infrastructure.
- Continued development of technology infrastructure that facilitates information exchange without driving ongoing costs.
- Development of new focus cities expands the model to other transit points where point-to-point services can overlap.