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The Chairman of The Board

easyJet Airline Company Limited

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cc.   The Board of easyJet plc.

27th of July, 2010 - second letter

Dear Mike

The real background to the Cancellations and punctuality problems

I am writing to set out my frustration at the unacceptable operational state that the Board has allowed easyJet to reach.

easyGroup's solicitors, Bird & Bird, wrote to your solicitors, Herbert Smith, on 19 July 2010 serving a cure notice under the Brand Licence. That letter has been ignored and all I have seen is an easyJet spokesperson allege that no cure notice had been received. easyGroup has therefore written formally repeating the notice separately earlier today.

Press articles and complaints

easyJet's recent flight punctuality statistics, particularly those from Gatwick, have been subject to serious and unfavourable press commentary which appears to be continuing.

The Sunday Times Business section on 18 July 2010 carried the headline article entitled "Revealed: EasyJet less punctual than Air Zimbabwe" in which it says that only 48% of easyJet flights from Gatwick departed on time in June 2010 (on time meaning within 15 minutes of the advertised schedule). The comparison made with Air Zimbabwe, which had a punctuality statistic of 50% indicates the extent to which easyJet's punctuality statistic is completely unacceptable. During the first 6 months of 2010, according to the article, easyJet's punctuality statistic varied between a

maximum of 74.2% and the low point of 48%, during that same period British Airways achieved a maximum of 93.5% punctuality and a minimum of 76%. A copy of this article is enclosed.

The Telegraph website also published an online article on 18 July 2010 with the same story with the headline "easyJet 'less punctual than Air Zimbabwe'". Similarly this article states that data complied by Gatwick (your largest base airport) show that fewer than 48% of your international flights from Gatwick took off on time in June 2010. A print out of this article is enclosed.

On 19 July 2010 the Telegraph has included an article entitled "EasyJet in punctuality blow" on page B4 of its business section. This article again highlights the same embarrassing comparisons with Air Zimbabwe and British Airways. This article also states that "[t]he revelation will stoke the furore about the state of [easyJet's] operations". A copy of this article is enclosed.

Today's Sun includes an article headed "Hols Flights Cut in easyJet Crisis" which again highlights the unfavourable comparison with Air Zimbabwe. In this article Carolyn McCall appears to admit that the crisis is one of easyJet's own making as she is quoted as saying "we have made some decision which may have been "penny wise and pound foolish" – saving a little money to spend a great deal more".

Apart from The Sun, where Carolyn appears to be truthfully accepting that the problem is one of easyJet's own making, the other articles all state that easyJet claims that the poor statistics are due to air traffic control problems, which is said to disproportionately affect easyJet because most of its flights go over affected airspace. I do not accept that this is a true reason. It is clear that it is a result of poor management and staffing. The Sunday Times article also carries a comment from another Gatwick airline that says the air traffic control problems excuse is "nonsense" and the figures indicate a "management and crewing issue".

The real reason there are operational problems

As you will be aware, I have been warning the company for some time that the short term view of a CEO who was on his way out and therefore focussed purely on ensuring his final financial results for the 6 months were optically improved regardless of what that meant for the long term profitability and reputation of the company.

Having laid off staff in the winter in order to save costs, rather than decide in early Spring to operate fewer flights in the Summer in line with the number of crew available, Mr Harrison chose to maintain the illusion of the year on year growth in passenger numbers as being the kpi of success. As we both know he has to find a way of justifying the need to buy more and more Airbuses.

He could have prevented this mess by admitting his mistake and only selling a summer schedule in terms of number of flights per day which was in line the number of crew available and not the 10% year on year growth rates in passengers he was advertising to the City in order to justify his bonuses.

Where was the Board when these critical decisions were being made?

 Why weren't questions raised, other than by me, and as you know, my advice or concerns are rarely heeded? Naturally this mess puts into serious question Harrison's entire fleet plan and the need to buy any more aircraft from Airbus would have to scrutinised properly this time including the validity of the current Airbus contract.

Damage to the brand

The result of the operational mess that the company is in is that it has too few staff to meet the number of flights it has sold. This leads not just to delays but a serious increase in cancellations, seemingly many at the last minute. This is extremely detrimental to the goodwill and reputation of the airline and the brand in particular. Many years of carefully building goodwill is being eroded in a matter of months.

As the owner of this brand I cannot stand by and let this happen. This is why I have served a cure notice demanding easyJet improve its punctuality and cancellation performance.

Rest assured that if the necessary steps are not taken to improve the performance to an acceptable level such that the goodwill and reputation of the easyJet brand can start to be rebuilt, I will not hesitate to terminate the licence.

Regards

Stelios