MEDIA RELEASE

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Jetstar and AirAsia form world first alliance

In a world first for low cost airlines, Jetstar and AirAsia announced today they would form a new alliance that would reduce costs, pool expertise and ultimately result in cheaper fares for both carriers.

The alliance brings together the Asia Pacific's two leading low cost, low fare carriers and will focus on a range of major cost reduction opportunities and potential savings – to the benefit of customers throughout the region.

Key to the agreement is a proposed joint specification for the next generation of narrow body aircraft, that will best meet the needs of the low fare customer of the future. Both airline groups will also investigate opportunities for the joint procurement of aircraft.

Qantas Airways Chief Executive Officer Alan Joyce, Jetstar Chief Executive Officer Bruce Buchanan and AirAsia Group Chief Executive Officer Datuk Seri Tony Fernandes finalised the agreement in Sydney today.

Qantas Airways Chief Executive Officer, Mr Alan Joyce, said the historic non-equity alliance would give Jetstar and AirAsia a natural advantage in one of the world's most competitive aviation markets.

"Jetstar and AirAsia offer unmatched reach in the Asia Pacific region, with more routes and lower fares than their main competitors, and this new alliance will enable them to maximise that scale," Mr Joyce said.

"Just as both carriers have pioneered the development of the low cost, long haul airline model, today's announcement breaks the mould of traditional airline alliances and establishes a new model for achieving reduced costs and increased efficiency.

"The aviation market in Asia is a growth market, and has proven resilient over the past 12 months, despite the tough operating environment, with significant growth in passenger numbers forecast in the region.

"This partnership will ensure that both airlines can capitalise on these growth opportunities."

The agreement includes the development of cooperation in areas such as:

- **Future fleet specification –** both carriers will investigate opportunities for joint procurement of the next generation of narrow body aircraft. A collective goal is to achieve cost reductions in terms of order volume and influencing design specification to deliver more efficient, low cost operations;
- **Airport passenger and ramp handling services** – developing cooperative arrangements for the provision of passenger and ground handling in Australia and within Asia at overlapping airports by leveraging scale;
- **Shared aircraft parts and 'pooling'** – pooling inventory arrangements for aircraft components and spare parts;
- **Procurement** – Joint procurement, with a focus on engineering and maintenance supplies and services, with Jetstar maintaining its existing use of and commitment to Australian facilities; and

- **Passenger disruption arrangements** – reciprocal arrangements for passenger management (i.e. support for passenger disruptions and recovery onto the other airline's service) across both the AirAsia and Jetstar flying networks.

Jetstar Chief Executive Officer, Mr Bruce Buchanan, said the cooperative approach was a result of the two organisations' strong focus on costs.

"Jetstar and AirAsia are passionate about offering consistently low fares," Mr Buchanan said.

"Year on year, Jetstar is reducing its controllable costs by up to five per cent annually. This agreement will enable a further step-change in our cost position and ensure sustainable low fares.

"In coming years Jetstar and AirAsia want to work with manufacturers on the next generation aircraft to ensure it best meets our business requirements."

AirAsia Group CEO Datuk Seri Tony Fernandes hailed the agreement as another step in the airline's strategy to maintain its global leadership as the lowest-cost airline operator.

"AirAsia strongly believes the strategic tie-up will help the airline maintain its position as the lowest-cost airline in the world despite rising costs associated with the fledgling global economic recovery," Mr Fernandes said.

"It is key for us to keep our costs as low as possible. This is what enables us to provide the low, low fares that our guests have enjoyed, and will continue to enjoy."

Mr Fernandes said a common aircraft type specification in terms of the next generation narrow body offering should be proactively pursued by both airlines because of the many efficiencies it would bring.

"With joint purchasing power it means that we can potentially work with airline manufacturers on the right configuration and design of an aircraft specifically for AirAsia and that best suits our operational needs for the future," Mr Fernandes said.

"A strategic arrangement with Jetstar focussed on investigation of operational synergies is a logical development for us. AirAsia and Jetstar share the same philosophy of low cost, low fares and high quality customer service.

"There is clear sense in finding the right cost solution for a range of airline and associated services which support AirAsia's expanding route network."

The two largest airlines in the Asia Pacific in revenue terms, Jetstar and AirAsia jointly earned nearly AUD3 billion in revenues in the 2009 financial year.

*** These arrangements are, where required, subject to regulatory approval.**

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Backgrounder

About Jetstar
Jetstar is the Qantas Group's low cost airline brand. Jetstar is a wholly owned subsidiary of the Qantas Group yet has separate management to Qantas. Based in Melbourne, Jetstar commenced operations on 25 May 2004 and is both the world's largest low-cost, long haul carrier and the largest value based carrier in Asia in revenue terms. The airline has carried over 50 million passengers since its inception.

The Jetstar Brands comprise Jetstar domestic operations in Australia and New Zealand, Jetstar international services from Australia and Express Ground Handling in Australia. The Qantas Group has a 49 per cent holding in Jetstar Asia / Valuair (based in Singapore), and a 27 per cent position in Jetstar Pacific in Vietnam.

Jetstar is an integral part of the Qantas Group's future two-brand growth strategy which focuses on operating the world's leading premium (Qantas Airways) and low fares airlines.

The Jetstar Group currently operates a total fleet of 60 aircraft comprising 48 A320 family aircraft (34 A320s and 5 A321s operated by Jetstar Australia, 8 operated by Jetstar Asia and 1 by Jetstar Pacific) and 7 A330-200 long haul aircraft. An additional 5 B737-400 aircraft operate in Vietnam. Jetstar has future orders and purchase rights for approximately 100 new aircraft.

It operates up to 1900 services each week to more than 50 destinations across Australia, New Zealand and the Asia Pacific.

Jetstar is a multi-award winning airline and was the 2007 *SkyTrax* World's Best Low Cost Carrier. Jetstar.com is one of the Asia Pacific region's most popular travel websites.

About AirAsia and AirAsia X
AirAsia, the largest low-cost carrier in Asia, services the most extensive network with 113 routes covering more than 60 destinations.

In a short 8 years of operations, AirAsia has carried over 75 million guests and grown its fleet from just 2 aircraft to 85. The airline today is proud to be THE ASEAN (Association of Southeast Asian Nations) airline with established operations in Malaysia, Indonesia and Thailand, servicing a network across all ASEAN countries, China, India, Bangladesh and Sri Lanka. AirAsia has the largest destination network and highest flight frequencies in ASEAN. AirAsia was awarded the 2009 World's Best Low Cost Airline in the Annual World Airline Survey by *SkyTrax*.

AirAsia's operations are further complemented by AirAsia X, its low-cost long haul affiliate carrier that currently flies to destinations in China, Australia, Taiwan, the United Kingdom and Abu Dhabi. The AirAsia Group, as a whole, carried an estimated 25 million guests in 2009. For more information please visit www.airasia.com