Media Release

QANTAS

QANTAS PROFIT UPDATE

SYDNEY, 28 November 2011: The Qantas Group expects to report underlying profit before tax (Underlying PBT) for the six months ending 31 December 2011 in the range of $140 million to $190 million, despite period on period increases in fuel costs and the impact of industrial action which together total over $650 million.

Qantas Chief Executive Officer Alan Joyce said the forecast result underlined the strength of the Qantas Group's strategy and portfolio of businesses, and would be achieved despite a number of challenges.

The impact of extensive industrial action taken by the Australian Licenced Aircraft Engineers Association (ALAEA), the Transport Workers Union (TWU) and the Australian International Pilots Association (AIPA), and the subsequent grounding of the Qantas domestic and international fleet, is estimated to have had an unfavourable financial impact of $194 million in the first half of FY12.

This financial impact includes:

- industrial action prior to the grounding: $68 million
- impact of the grounding (net of cost savings) including lost revenues, refunds and accommodation over three days: $70 million
- impact on forward bookings of the union campaigns: $27 million
- customer recovery initiatives in response to industrial action and grounding: $29 million

Mr Joyce said that, it would have been unsustainable for the business to continue to manage ongoing and escalating union action – which would have resulted in significant forward revenue loss, increased costs for the business and destroyed customer loyalty.

"Had the union industrial campaigns continued the impact on the business would have grown to $85 million a month," Mr Joyce said.

"However, since the termination of industrial action by Fair Work Australia we have seen customers return to Qantas.

"We can now provide absolute certainty for our passengers and this has led to a strong and quick recovery in forward bookings. Domestic bookings, including from corporate accounts, have recovered particularly well and are now back to normal levels.

"International bookings for the period up to January have also recovered, but at a slower rate because of the longer lead times associated with international travel. Forward bookings for international travel in the second half of the financial year are now in line with normal trends.

"After a very difficult period we are now back to normal operations thanks to the continued support and loyalty of our customers and employees."

In addition to the impact of industrial action, the Group's first half performance reflects a challenging operating environment, with uncertainty in global economic conditions, elevated fuel prices and volatile foreign exchange rates.

The outlook for the first half includes the following expectations:

- Yield (excluding foreign exchange) in the first half of FY12 is expected to be between 3 per cent and 5 per cent higher than in the first half of FY11.
- Capacity in the first half of FY12 is expected to increase by between 4 per cent and 6 per cent compared with the first half of FY11. The first half of FY11 included a reduction in capacity as a result of the grounding of Qantas' A380 fleet following a Rolls-Royce engine failure.
- As at November 2011, underlying fuel costs for the first half of FY12 are expected to increase by around $0.45 billion, from $1.7 billion to $2.2 billion, due to higher market jet fuel prices and increased flying. Fuel surcharges, fare increases and hedging are being used to mitigate the impact of fuel price increases but will not fully offset the costs.

The outlook for the second half of FY12 remains volatile and given the uncertainty in global economic condition, fuel prices and foreign exchange rates, it is not possible to provide further guidance at this time.

Overall, the Qantas Group's balance sheet remains strong, with significant flexibility to manage fleet capital in the short-to-medium term and a robust cash balance currently in excess of $3.3 billion.

Issued by Qantas Corporate Communication (Q5343)
Media Enquiries: M: 0418 210 005 E: qantasmedia@qantas.com.au