

Melbourne, 24 August 2011

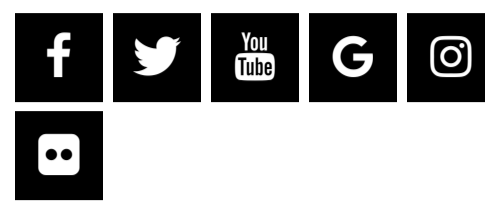


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Qantas reports strong full-year profit in challenging conditions

**Social media****Latest news**[08 Dec 2025 - Jetstar to launch Australia's only low-cost direct flights to Sri Lanka, with fares from just \\$315*](#)**HIGHLIGHTS:**

- Underlying Profit Before Tax: \$552 million, up 46 per cent
- Revenue: \$14.9 billion, up 8 per cent
- Operating cash flow: \$1.8 billion, up 32 per cent
- Earnings growth in all segments
- Result achieved despite \$224 million impact of natural disasters
- Statutory Profit Before Tax: \$323 million, up 81 per cent
- No final dividend declared

The Qantas Group today announced Underlying Profit Before Tax (Underlying PBT) of \$552 million for the financial year ending 30 June 2011.

Qantas Chief Executive Officer Alan Joyce said the result was achieved despite a number of challenges facing the Qantas Group and the global aviation industry.

"This result reflects the strength of the Qantas Group's portfolio and is our best performance since the global financial crisis" Mr Joyce said.

"We achieved the result while overcoming significant external and operational factors, including a series of natural disasters, a 28 per cent increase in average fuel prices and an underperforming international business.

"We are pleased to report improved earnings for Qantas Domestic and Qantas Freight and record results for Jetstar and Qantas Frequent Flyer. Given the aviation sector's inherent volatility, the flexibility to generate revenue from different parts of the business and different market sectors is a major strength for the Group.

"But it is important to put the result in context. The Group's planned capital expenditure over the next two years exceeds \$5 billion. Fuel prices are expected to remain high and there is considerable uncertainty in the global economy.

"Qantas International reported a loss of over \$200 million in FY11 on invested capital of over \$5 billion, an unacceptable return. Continuing down this path would be unsustainable.

"Last week we announced a five-year plan to turn the international business around. We will reduce investment in underperforming business areas and direct capital towards growth opportunities.

"We will continue to focus on improving the customer experience, develop a stronger and broader alliance network and increase our focus on the world's fastest growing aviation region: Asia. Our intention is that in five years time Qantas Airlines – domestic and international combined – will exceed its cost of capital on a sustainable basis."

Segment performance

All segments of the Qantas Group improved their earnings in FY11.

"Qantas Airlines recorded Underlying EBIT of \$228 million, compared with \$67 million in FY10," Mr Joyce said.

"Qantas remains the most profitable domestic airline, offsetting the losses in the international business. During FY11 we strengthened our business travel credentials with new aircraft and new airport infrastructure while the acquisition of the WA-based charter airline Network Aviation increased our presence in regional Australia.

"Jetstar generated record Underlying EBIT of \$169 million, up 29 per cent on the previous financial year. It is now an established, successful low-cost brand serving 17 countries and 56 destinations. The launch of Jetstar Japan, an exciting new venture between the Qantas Group, Japan Airlines and Mitsubishi, will consolidate its leadership position in the Asia-Pacific low-cost travel market.

"Qantas Frequent Flyer increased Underlying EBIT to \$342 million, also a record result. It is Australia's leading loyalty program and during FY11 continued to add new partners and launch new initiatives to improve benefits for its eight million members.

"Underlying EBIT for Qantas Freight Enterprises was up 48 per cent to \$62 million in a year which saw a number of important initiatives for the business, including the addition of a new freighter aircraft dedicated to trans-Tasman operations."

Impact of natural disasters / weather events

A series of natural disasters and major weather events had a total financial impact of \$224 million on the Qantas Group in FY11. These included severe flooding and Cyclones Carlos and Yasi in Queensland, the Christchurch earthquake, the earthquake and tsunami in Japan and the Chilean volcanic ash cloud.

"Natural disasters and weather disruptions are an unavoidable reality for the aviation industry," Mr Joyce said.

"However, the frequency and severity of disruptions seen in FY11 was unprecedented. Throughout these events, safety and the interests of our passengers were our top priorities. Thanks to the operational resilience we have developed as a business, we were able to respond effectively and recover quickly on each occasion."

Grounding of A380 Fleet / Rolls-Royce settlement

The uncontained failure of a Rolls-Royce Trent 900 engine on a Qantas A380 in November 2010 resulted in the temporary grounding of Qantas' A380 fleet. In June 2011, Qantas announced a \$95 million settlement with Rolls-Royce in relation to the disruption incurred as a result of the incident.

"This was a serious incident but Qantas and Rolls-Royce worked closely together to identify the cause and address the concerns it raised," Mr Joyce said.

"The matter is now settled and we look forward to continuing the successful relationship we have had with Rolls-Royce over many years."

Outlook

The general operating environment is challenging and extremely volatile. At this stage, yield in the first half of FY12 is expected to be higher than the first half of FY11. The Group expects to increase capacity in the first half of FY12 by 8 per cent compared to the first half of FY11, while maintaining flexibility.

As at 22 August 2011, underlying fuel costs for the first half of FY12 are estimated to increase by circa \$500 million from \$1.7 billion to circa \$2.2 billion due to higher forward market jet fuel prices and increased flying. Fuel surcharges, fare increases and hedging are being used to mitigate the impact of fuel price rises but are unlikely to fully offset the cost increase.

The FY11 result included a change in estimates for Frequent Flyer accounting, with a total favourable impact of \$172 million¹ (Qantas Frequent Flyer \$140 million, Group Eliminations \$32 million). The adjustment in the first half of FY12 to Group Eliminations is expected to be less than \$5 million with no further impact in future periods.

With a high degree of volatility and uncertainty in global economic conditions, fuel prices, foreign exchange rates and the industrial relations environment, as well as a major transformational change agenda underway, it is not possible to provide profit guidance at this time.

1 The total favourable impact for the first half of FY11 was \$89 million.

Dividend

The Group will continue to actively manage capital to support measured growth, manage the business in uncertain times and maintain an investment grade credit rating, and will review the potential for dividends in the future in that context.

About Jetstar

About Jetstar Group

Jetstar first took to the skies in 2004 and has since flown more than 350 million customers across an extensive international and domestic network. The Jetstar Group is made up of Jetstar Airways (subsidiary of the Qantas Group) in Australia and New Zealand, Jetstar Asia in Singapore, and Jetstar Japan in Japan. A leading low-fares airline, Jetstar is committed to offering everyday low fares to enable more people to fly to more places, more often. As one of Asia Pacific's fastest-growing airline brands, Jetstar was voted Best Low-Cost Airline in Asia Pacific in 2021 and was recognized for its excellent flight safety records and services when listed on the "2022 World's Top 10 LCC" released by Airline Ratings.

