Media Release

QANTAS REPORTS STRONG FULL-YEAR PROFIT IN CHALLENGING CONDITIONS

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

SYDNEY, 24 August 2011: 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 million[1] (Qantas Frequent Flyer $140 million, Group Eliminations $32 million). The adjustment in the

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

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.

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.

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APPENDIX

Explanation of Results (Extracted from Appendix 4E)

Highlights of the 2011 result include:

- Underlying Profit Before Tax[2] up 46 per cent and operating cash flows up by 32 per cent
- Result achieved despite $224 million financial impact of natural disasters
- Earnings growth across all operating segments:
  - Record profit results for Jetstar and Qantas Frequent Flyer
  - Improved results in Qantas, despite significant losses in Qantas International
  - 48 per cent growth in Qantas Freight
- Strong revenue growth of 8 per cent achieved through improvement in yield and growth in capacity across the Group
- Statutory Profit After Tax up 115 per cent to $249 million

Underlying PBT Up 46 Per Cent

The Qantas Group reported an Underlying PBT of $552 million for the year ended 30 June 2011, an increase of 46 per cent on the prior year result of $377 million.

The result was achieved through improvements in earnings across all operating segments and despite the $224 million financial impact of natural disasters and over $200 million of ongoing losses in Qantas International.

Group Underlying Income Statement Summary

	2011 $M	2010 $M	Change $M	Change %
Net passenger revenue	12,042	10,938	1,104	10
Net freight revenue	842	821	21	3
Other	2,010	2,013	(3)	(0)
Revenue	**14,894**	13,772	1,122	8
Operating expenses	12,435	11,577	858	7
Depreciation and amortisation	1,249	1,200	49	4
Non-cancellable operating lease rentals	566	527	39	7
Expenses	**14,250**	13,304	946	7
Underlying EBIT	**644**	468	176	38
Underlying net finance costs	(92)	(91)	(1)	1
Underlying PBT	**552**	377	175	46

Impact of natural disasters and Rolls-Royce engine failure

The Group's result was achieved while overcoming significant external and operational challenges during the year. Qantas has demonstrated its commitment to safety and its operational resilience in responding to these challenges. However the frequency and severity of events in 2011 compared to previous years has resulted in a material unfavourable impact on the Group's results.

There were several significant weather events and natural disasters during the year. Lost revenues and customer care costs net of variable cost savings resulted in a total unfavourable financial impact of $224 million. This included disruptions caused by ash from the Chilean volcano, the earthquake and tsunami in Japan, the earthquake in Christchurch, the Queensland floods and Cyclones Yasi and Carlos.

[2] Underlying PBT is the primary reporting measure used by Management and the Board to assess the financial performance of the Group. All line items are adjusted to reflect the underlying result. Refer to the Statutory Result section of the Appendix for a reconciliation of Underlying PBT to Statutory PBT

2011 results include the financial impact of the Rolls-Royce engine failure on Qantas Flight 32 and the subsequent temporary grounding of the Airbus A380 fleet. The results also include the settlement agreed with Rolls-Royce ($95 million) which offsets the direct financial losses incurred.

Earnings Growth in All Operating Segments

All operating segments have improved contributions to Underlying PBT, delivering strong growth compared to the prior year and demonstrating the strategic advantage provided by the Group's portfolio of brands. Continuing growth of Jetstar and Qantas Frequent Flyer has been rewarded with both delivering record results.

Segment Performance Summary

	2011 $M	2010 $M	Change $M	Change %
Qantas	228	67	161	240
Jetstar	169	131	38	29
Qantas Frequent Flyer	342	328	14	4
Qantas Freight	62	42	20	48
Jetset Travelworld Group[1]	3	14	(11)	(79)
Corporate/Eliminations	(160)	(114)	(46)	40
Underlying EBIT	**644**	468	176	38
Net finance costs	(92)	(91)	(1)	1
Underlying PBT	**552**	377	175	46

[1] Jetset Travelworld Group ceased to be a standalone operating segment from 1 October 2010 following its merger with Stella Travel Services and deconsolidation from the Qantas Group. From 1 October 2010, the equity accounted result of the Group's investment in Jetset Travelworld Group is included in the Qantas segment.

Continuing Yield Recovery and Growth

The Group delivered an improved revenue performance during the year, driven by improvements in yield and growth in capacity in both Qantas and Jetstar. Total revenue increased 8 per cent from $13,772 million to $14,894 million, despite the impact of disruptions during the year.

Net passenger revenue increased by 10 per cent. Yield (excluding foreign exchange (FX) movements) increased by 6 per cent, reflecting a gradual but ongoing improvement in market conditions across the Group. International yield improved by 8 per cent and Domestic yield improved by 3 per cent.

Capacity increased 7 per cent following the expansion of the Group's fleet by 29 aircraft to 283 at 30 June 2011. This includes the significant growth of the Jetstar business and the acquisition of Network Aviation Group.

The Group's revenue performance has been supported by maintaining the Group's profit maximising domestic capacity share of 65 per cent, achieving industry leading on-time performance, and a continuing focus on improving product offering, customer experience and customer satisfaction. This performance is also reflected in Qantas Frequent Flyer's robust growth in members, program partners and member engagement.

Operating Statistics

		2011	2010	Change	%Change
Available Seat Kilometres (ASKs)[1]	M	**133,281**	124,717	8,564	7
Revenue Passenger Kilometres (RPKs)[2]	M	**106,759**	100,727	6,032	6
Passenger numbers	'000	**44,456**	41,428	3,028	7
Seat factor	%	**80.1**	80.8	(0.7)	(1)
Yield (excluding FX)	c/RPK	**10.94**	10.34	0.60	6
Net Underlying Unit Cost[3]	c/ASK	**5.60**	5.55	0.05	1
Comparable Net Underlying Unit Cost[4]	c/ASK	**5.52**	5.55	(0.03)	(1)

1 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown
2 RPK – total number of paying passengers carried, multiplied by the number of kilometres flown
3 Net Underlying Unit Cost – Underlying PBT less passenger revenue, fuel and Frequent Flyer change in accounting estimate per ASK
4 Comparable Net Underlying Unit Cost – Net Underlying Unit Cost adjusted for the impact of 2010/2011 natural disasters and adjusted for changes in average sector length

Total expenses for 2010/11 were $14,250 million, an increase of 7 per cent from the prior year. Cost increases were broadly in line with the Group's capacity growth of 7 per cent, but overall net underlying unit cost performance was impacted by natural disaster disruptions. Adjusting for these disruptions and changes in average sector length, Comparable net underlying unit cost improved 1 per cent from 2010.

Fuel costs increased by 12 per cent, driven by growth in activity and increases in fuel prices that have escalated through the second half of the year. Fuel hedging and participation in favourable FX movements significantly mitigated the 28 per cent increase in average USD fuel prices in FY11.

Capital Expenditure Supported by Strong Balance Sheet and Operating Cash Flows

Operating cash flows grew to $1,782 million, an increase of 32 per cent on the prior year result of $1,351 million. This reflects the Group's growth in earnings and improvements in working capital.

The Group invested $2.4 billion in capital expenditure during the year. This includes the purchase of 15 aircraft, progress payments on future deliveries, and continued investment in customer product and infrastructure.

Qantas Group cash was $3,496 million at 30 June 2011, a decrease of $208 million from 30 June 2010. This reflects the use of cash to fund a number of aircraft purchases and the deconsolidation of $100 million of cash held in Jetset Travelworld Group.

Cash flow summary

	2011 $M	2010 $M	Change $M	Change %
Cash at beginning	3,704	3,617	87	2
Operating cash flow	**1,782**	1,351	431	32
Investing cash flow	(2,478)	(1,645)	(833)	51
Financing cash flow	508	381	127	33
Effect of foreign exchange on cash	(20)	-	(20)	(100)
Cash at year end	**3,496**	3,704	(208)	(6)

The Group's balance sheet, operating cash flows and capital position remain strong. A conservative approach to capital management and strengthening Operating cash flows provide ongoing flexibility to support capital expenditure and other funding requirements, while supporting an investment grade credit rating. At 30 June 2011, the Group's gearing ratio[3] was 53 per cent.

Debt and Gearing Analysis

		2011	2010	Change	%Change
Net debt[1]	$M	2,971	2,236	735	33
Net debt including off balance sheet debt[2]	$M	6,970	6,197	773	12
Equity (excluding hedge reserves)	$M	6,071	5,896	175	3
Net debt to net debt and equity ratio[3]		53 : 47	51 : 49		4

[1] Includes fair value of hedges related to debt and aircraft security deposits
[2] Includes non-cancellable operating leases. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and are not consistent with the disclosure requirements of AASB117: Leases
[3] Gearing ratio is net debt to net debt and equity (including balance sheet debt from operating leases excluding hedge reserves)

Fleet

The Qantas Group remains committed to a fleet strategy that supports its objectives of two strong complementary brands and provides for long term fleet renewal, simplification and growth, whilst retaining significant flexibility.

At 30 June 2011, the Qantas Group fleet comprised 283 aircraft. During the year, 24 aircraft (15 purchased and nine leased) were newly entered into service:

- Qantas – four Airbus A380s, one A330-200, five Boeing B737-800s and one Bombardier Q400
- Jetstar, including Jetstar Asia – 10 A320-200s, two A330-200s
- Qantas Freight – one B767-300 Freighter

In addition, the Group added nine aircraft through the acquisition of the Network Aviation Group. This included two Fokker F100s and seven Embraer EMB120 Brasilias.

The Group also retired three owned aircraft (two B737-400s and one B767-300) during the year and returned one leased B747-400.

Qantas Group Aircraft in Service

		2011	2010	Change
Qantas	A380-800	10	6	4
	B747-400	20	21	(1)
	B747-400ER	6	6	-
	A330-200	8	7	1
	A330-300	10	10	-
	B767-300ER	25	26	(1)
	B737-400	19	21	(2)
	B737-800NG	46	41	5
	Fokker F100	2	-	2
	EMB 120	7	-	7
	B717-200	11	11	-
	Q200/Q300	21	21	-
	Q400	22	21	1
	Total	207	191	16
Jetstar[1]	A320-200	56	46	10
	A321-200	6	6	-
	A330-200	9	7	2
	Total	71	59	12
Qantas Freight	B737-300SF	4	4	-
	B767-300	1	-	1
	Total	5	4	1
	Total Group	**283**	254	29

[1] Jetstar fleet includes Jetstar Asia and excludes Jetstar Pacific

Qantas

Qantas' Underlying EBIT was $228 million for the year ended 30 June 2011, an increase of $161 million on the prior year result of $67 million. The result is 240 per cent above the prior year, driven by a 7 per cent increase in total revenue.

		2011	2010	Change	%Change
Total revenue	$M	11,315	10,609	706	7
Seat factor	%	81.0	81.3	(0.3)	(0)
Underlying EBIT	$M	228	67	161	240

Qantas achieved significant improvements in yield on increased capacity (3 per cent). Revenue recovery continued across both international and domestic business.

The result was achieved despite the significant operational and financial challenges of the disruptions to the A380 fleet, weather events and natural disasters during the year. These events impacted scheduling and disrupted thousands of flights between November 2010 and June 2011. The total financial impact of weather events and natural disasters on the Qantas segment was $136 million.

In addition, Qantas faced significant increases in the cost of fuel during the year, which were partially recovered through fare price and fuel surcharge increases.

Qantas Domestic and QantasLink continued to deliver significant contributions to the Qantas Airlines result, with growth in both yield and capacity for the year. QantasLink added fly-in-fly-out charter capability with the acquisition of the Network Aviation Group. This has broadened QantasLink's earnings base and provides an additional channel for profitable growth through exposure to the resources market.

The result also includes the continuing losses of the Qantas International business. Total losses for the year exceeded $200 million, representing an unacceptable return on the $5 billion of capital invested in the business. Management is focused on addressing the performance of Qantas International and executing its strategy to restore competitiveness and profitability.

Investment in product and service

Qantas Airlines continues to invest in customer experience leadership and innovation, whilst maintaining a focus on profitable growth opportunities. Highlights in 2011 for Qantas include:

- Roll-out of faster, smarter check-in technology at all major cities and selected regional airports;
- Delivery of superior on-time performance with domestic market leadership in 10 out of 12 months and for each of the last 3 years;
- Major enhancements to the Qantas Frequent Flyer program including the announcement of "Platinum One" - creating a new level of VIP recognition for Qantas' most frequent flyers, greater ability to earn points, improved upgrade experiences and broader redemption options;
- Launch of direct flights from Sydney to Dallas, delivering unprecedented access between North America and Australia;
- Domestic product relaunch – enhancements to Business Lounges, Qantas Clubs and inflight offering;
- Introduction of new domestic fare structure to provide an improved booking experience to customers with a range of user-friendly and flexible fare options;
- Renewal of 99.5 per cent of corporate accounts and a further 18 per cent growth in new accounts (primarily SMEs); and
- Continued progress of the international fleet reconfiguration program that will see nine B747s upgraded to A380 product standard and the A380 fleet reconfigured over time to meet forecast changes in market demand.

QFuture

QFuture is the key business change program within Qantas, designed to position the airline for profitable growth. It involves transformational change across the airline, with total benefits of $1.5 billion targeted over the three financial years 2010 to 2012 to underpin unit cost reduction and margin improvement.

The QFuture program remains on track with $1 billion of benefits achieved in the first two years. $470 million of benefits were achieved in 2011, on top of the $533 million achieved in 2010. The majority of the benefits in 2011 were contributed by cost savings and margin improvement initiatives across the Qantas Commercial, Engineering, Cabin Crew and Procurement business units.

Jetstar

Jetstar achieved a record Underlying EBIT result of $169 million for the year ended 30 June 2011, an increase of $38 million on the prior year result of $131 million. The result is 29 per cent above the prior year, driven by a 19 per cent increase in total revenue and continuing improvements in unit cost.

		2011	2010	Change	%Change
Total revenue	$M	2,613	2,197	416	19
Seat factor	%	77.8	79.2	(1.4)	(2)
Underlying EBIT	$M	169	131	38	29

Jetstar's result reflects the strengthening of its competitive position in the leisure travel market across Asia-Pacific. Both Jetstar and Jetstar Asia have been able to maintain growth in capacity and passengers, while also improving yield.

Jetstar grew overall capacity by 19 per cent in 2011. This includes growth in domestic capacity of 23 per cent, international capacity of 9 per cent and Jetstar Asia of 46 per cent. Overall passenger numbers grew 14 per cent versus the prior year.

Unit Cost (excluding fuel, adjusted for increased sector length and natural disasters) has improved by 3 per cent compared to the prior year.

Jetstar's record result was achieved despite the financial impact of weather events and natural disasters during the year. These impacted several key markets for Jetstar and thousands of customers. The total financial impact on the Jetstar segment was $85 million.

Jetstar is committed to pan-Asian and New Zealand expansion with long and short-haul growth in Singapore and New Zealand. The Jetstar Group is focused on growing its regional presence through intra-Asian expansion and the establishment of new Jetstar affiliates in key strategic locations.

Jetstar has expanded network and distribution channels with new interline and codeshare partners and by leveraging both current and prospective Asian franchise operations.

Investment in Product and Service

While focused on its low fare leadership, Jetstar also continued its investment in innovation, including in the area of airport self-service and the imminent introduction of iPads for in-flight entertainment use.

The Jetstar MasterCard, launched in late 2009, continues to go from strength to strength with over 50,000 cards now on issue. The Jetstar MasterCard remains the best value credit card with a flight reward program in Australia.

The Jetstar.com mobile website allows customers to create new bookings, change existing bookings and check their flight status. Visitor and booking numbers to the mobile version of Jetstar.com are showing strong increases.

In May 2011, Jetstar successfully relaunched its fare product range with new, simple fare options that provide more choice, flexibility and lower fares by allowing customers to select only what they need. Jetstar customers now start with the economy Starter fare (replacing JetSaver Light, JetSaver, JetFlex and JetPlus), then personalise their experience from an expanded range of options.

Qantas Frequent Flyer

Qantas Frequent Flyer achieved a record Underlying EBIT result of $342 million for the year ended 30 June 2011, an increase of $14 million on the prior year result of $328 million.

Qantas Frequent Flyer's 2011 result includes $140 million relating to a prior period change in accounting estimates that is fully recognised in 2011 and will not impact future periods. Normalised for this change, Qantas Frequent Flyer achieved earnings growth of 21 per cent.

		2011	2010	Change	%Change
Members	M	7.9	7.2	0.7	10
Billings	$M	1,042	952	90	9
Underlying EBIT	$M	**342**	328	14	4
Normalisation adjustment	$M	(140)	(161)	21	(13)
Normalised EBIT [1]	$M	**202**	167	35	21

[1] Normalised EBIT is a non-statutory measure which restates redemption revenue to the fair value of awards redeemed (removing the impact of the change in accounting estimate) and recognises the marketing revenue when a point is sold. This creates a comparable basis for the presentation of results.

Qantas Frequent Flyer continued to deliver strong and stable cash earnings and demonstrate its value to the Qantas portfolio of brands. It allowed the Group to participate in the highly valued and growing loyalty sector on a scale that is unique in the airline industry.

Earnings growth has been driven by new products and services with key business partners, capacity increases across the flying businesses and additional revenue from new members. Billings increased by 9 per cent compared to the prior year and membership has increased 10 per cent on the prior year to 7.9 million members as at 30 June 2011.

Investment in Product and Service

Qantas Frequent Flyer's strategy is to continue to grow membership numbers and partners, and to broaden the business into new products and revenue streams. New partners and products announced in the last year include a loyalty alliance with Optus, the launch of the American Express Fee Free Discovery Card and the Woolworths Everyday Rewards Qantas Credit Card, and new online communities such as the epiQure Food and Wine Club.

Qantas Frequent Flyer has also recently acquired Wishlist, an established online retailer, broadening opportunities for the business into employee reward and recognition and online retail.

Qantas Freight

Qantas Freight's Underlying EBIT was $62 million for the year ended 30 June 2011, an increase of $20 million on the prior year result of $42 million. The result is 48 per cent above the prior year, driven by a 5 per cent increase in total revenue.

		2011	2010	Change	%Change
Total revenue	$M	1,054	1,007	47	5
Load factor	%	58.6	60.0	(1.4)	(2)
Underlying EBIT	$M	62	42	20	48

Qantas Freight's result reflects growth in capacity and improvements in yield built on the continuing recovery of the airfreight market.

Capacity has increased 3.7 per cent over the prior year, primarily resulting from increased operation of freighter services and the introduction in March 2011 of a larger B767 operating on trans-Tasman routes. Excluding the impact of adverse foreign exchange, underlying yields have improved over the prior year, reflecting better market conditions and increased airfreight activity across the network.

The contributions from the joint venture businesses Australia air Express and Star Track Express also increased during the year reflecting improving trading conditions in the domestic freight market. The results of these businesses are expected to continue to improve following the renewal of Qantas' joint venture agreement with Australia Post and the reconfiguration of the businesses.

Statutory Result

The Qantas Group's Statutory Profit After Tax was $249 million for the year ended 30 June 2011, an increase of $133 million on the prior year result of $116 million.

	2011	2010	Change	%Change
Statutory Profit After Tax	**249**	116	133	115
Addback: Tax expense	74	62	12	19
Statutory PBT	**323**	178	145	81
Addback: Non-recurring items	107	59	48	81
Addback: Ineffectiveness and non-designated derivatives relating to other reporting periods	122	140	(18)	(13)
Underlying PBT	**552**	377	175	46

Statutory Profit After Tax includes ineffectiveness and non-designated derivative losses relating to other reporting periods and non-recurring items.

Non-recurring items are significant items occurring outside the ordinary course of business that are separately disclosed in order to report underlying performance. Non-recurring items included in the 2011 statutory result are:

- Impairments to aircraft following restructuring of fleet plans of $34 million
- Losses on disposal and other transaction costs relating to the Jetset Travelworld Group merger of $29 million
- Profit on the sale of the DPEX Group ($5 million) and Harvey Holidays ($4 million)
- Provisions for freight regulatory fines and third party class actions of $25 million
- Provisions for redundancies and restructuring of $28 million

Events Subsequent to Balance Date

On 16 August 2011, the Group announced the outcome of the strategic review of Qantas International.

The key pillars of the review are:

1. Continuing focus and investment in the customer experience
2. Deepening presence in Asia
3. Deepening and broadening alliance relationships
4. Ongoing underlying business improvement

Significantly, as a result of the review, the Group has announced it will restructure its route network and restructure the Joint Services Agreement with British Airways. As a result, six A380 aircraft will be deferred by between five and six years and will deliver from 2018/2019 to coincide with the retirement of the last B747 aircraft. In addition, four B747 aircraft will be retired earlier than previously planned.

The Group also announced that it would establish a premium airline based in Asia.

Whilst the financial impact is still being finalised, it is anticipated that Non-Recurring expenditure of between $350 million and $450 million will be incurred with less than half of this resulting in cash outflows in the period.

On 16 August 2011, the Group announced the purchase of between 106 and 110 A320 aircraft with 194 purchase rights and options.

Included in the 110 aircraft are 32 “classic” A320 aircraft and 78 A320neo, being Airbus’ new engine option for the A320 family to enter service in 2015. It incorporates latest generation engines and large “Sharklet” wing tip devices, which together will deliver 15 per cent in fuel and CO2 emission savings.

Eight of the A320 aircraft will be allocated to the new airline based in Asia.

In addition, the Group announced that it had reached agreement with Japan Airlines and Mitsubishi to establish a low cost carrier based in Japan in 2012. The new venture will be known as Jetstar Japan. Whilst each partner will have equal voting rights, the Qantas Group will have 42 per cent economic interest. As such the business will be accounted for as an Investment in Associates using the equity accounting method. Of the 32 A320s purchased, 24 will be allocated to this venture and will not be funded by the Qantas Group. Qantas’ equity investment in this business is expected to total approximately $64 million over 3 years.

The net effect on capital expenditure in 2011/2012 of deferring six A380 aircraft (and associated refund of pre-delivery payments), and the sign on fees and pre-delivery payments expected in 2011/2012 as a result of the purchase agreement is a net reduction in the Group’s capital expenditure of approximately $45 million.