



Media Release



QANTAS ANNOUNCES FURTHER CAPACITY CUTS AND PROFIT FORECAST

SYDNEY, 25 November 2008: Qantas said today it would further cut capacity as the global financial crisis continued to affect passenger demand.

The Chief Executive Officer of Qantas, Mr Geoff Dixon, said that in addition to capacity cuts announced earlier this year, Qantas would reduce capacity equivalent to grounding 10 aircraft.

“By taking this action now we will have the flexibility to switch growth back on as soon as market conditions improve.

“We are in unpredictable times and the international business market, in particular, has slowed,” he said.

Mr Dixon said that as a result of the slower demand Qantas now expected its profit before tax for the 2008/09 financial year to be around \$500 million.

“This figure is within the current range of analysts forecasts.”

Mr Dixon said the current economic downturn had principally affected Qantas’ mainline international operations.

“Qantas’ domestic operations, Jetstar, Qantas Frequent Flyer and Qantas Freight all continue to perform well.

“This highlights the value of the Group’s segmentation strategy. In particular, our two-brand strategy with Jetstar and Qantas is giving us the flexibility to better manage changes in the market.”

Mr Dixon said Qantas would manage the capacity cuts by:

- not taking up the planned lease of two A330-200 aircraft;
- changing the flying patterns of existing aircraft to free up the equivalent of six B747-400s, three B767-300s and one A320-200 aircraft between now and mid-2010; and
- halt all planned domestic market growth for Qantas and Jetstar.

“Our actual flying in the next six months will be four per cent below the equivalent period in 2008,” he said.

He also said Qantas would not be increasing its previously announced reduction of 1,500 jobs.

“We will, however, be seeking further efficiencies by implementing an accelerated leave program.”

The Chief Executive Officer Designate of Qantas, Mr Alan Joyce, said that while Qantas had benefited from the recent fall in fuel prices, this had been offset by the global slowdown and reduced demand since September.

“Our fuel bill for 2008/09 will still be \$750 million higher than last year,” he said.

“We have undertaken significant fuel price and foreign exchange hedging to protect against the current market volatility.

“Our forecast fuel exposure in 2008/09 is currently 97 per cent hedged at a worst-case crude oil hedge rate of US\$106 per barrel, including option premium.

“At current fuel prices we have an 86 per cent participation in falling fuel prices for the remainder of the year.”

Mr Joyce said Qantas also:

- continued to maintain a strong liquidity position in terms of cash and stand-by facilities;
- would seek further profitable flying opportunities, such as the non-stop Sydney-Buenos Aires services which commenced yesterday; and
- take delivery of a further two A380 aircraft in December and commence A380 services to London via Singapore in January.

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Media Enquiries: Belinda de Rome T: 02 9691 3762