Qantas Reaches Commercial Agreement with Rolls-Royce

Sydney, 22 June 2011

Qantas today announced it had reached an agreement with Rolls-Royce plc in relation to the disruption incurred as a result of the QF32 uncontained IP disc failure of a Rolls-Royce Trent 900 engine on 4 November 2010 and the subsequent temporary grounding of Qantas’ entire A380 fleet.

The settlement reached today includes the discontinuance of the legal proceedings initiated by Qantas in the Federal Court of Australia on 2 December 2010.

While the terms of the agreement are confidential, the profit and loss impact of the settlement, which will be recognised in Qantas’ financial results for FY11, is A$95 million.

In its interim report released on 18 May 2011, the Australian Transport Safety Bureau (ATSB) states that "the disc failure was initiated by a manufacturing defect in an oil feed pipe that resulted in a wall thickness reduction". The ATSB’s investigation is ongoing and a final report is expected in mid-2012.

Following the incident, Qantas immediately grounded its A380 fleet in order to carry out a comprehensive engine inspection and replacement program. Qantas and Rolls-Royce worked closely together to address the concerns raised by the incident. Qantas A380 services to London resumed on 27 November 2010. The remainder of the airline’s A380 services (between Australia and Los Angeles) resumed on 16 January 2011.

Qantas and Rolls-Royce have had a long and successful commercial partnership spanning several decades. Qantas looks forward to a continued strong relationship with Rolls-Royce on the basis of the settlement announced today.

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