



ANNUAL GENERAL MEETING – 21 OCTOBER 2016 CEO'S ADDRESS

Good morning everyone.

Two and a half years ago, we announced our plans to reshape the Qantas Group for a tougher aviation market and a changing economy.

Since then, we've cut costs dramatically. Grown revenue. Become more efficient. Found new sources of profit. Expanded our global network. Adopted new technology. And invested for our customers.

As Leigh said, this transformation has delivered the best result in Qantas' 95-year history.

Qantas today is stronger than ever before - and looking forward to an exciting future.

Recognising Our People

I want to take a moment to recognise our people. The scale and speed of this turnaround just would not have been possible without their skill, commitment and passion.

The Qantas Transformation program is truly a team effort, with more than 250 projects across every part of our Group.

Our people stepped up to drive the change that Qantas needed to secure our future and earn record customer satisfaction.

We've been delighted to recognise their dedication with \$160 million in special bonus payments in the past two years, including a \$75 million Record Result Bonus this year.

Leigh has summed up the Group's record performance last financial year. So let me turn to our next steps.

Continuing to Evolve

First and foremost, Qantas will continue to evolve.

As we outlined in August, we're on track to unlock another \$450 million in cost and revenue benefits this financial year. That will take the total benefits from the program to \$2.1 billion – \$100 million higher than our original target.

But it doesn't mean we're going to stand still come June next year.

The aviation industry rewards innovation and agility. And that's the culture we've been building across the Group.

Our people today are more engaged than ever in finding new, better ways of serving customers and doing business.

And there's a lot in the pipeline.

We're investing for customers, with new lounges opening in Brisbane and London, and super-fast wi-fi being rolled out from late this year.

A new tourism boom is being driven by Asia - with tremendous potential for both Qantas and Jetstar.

Last year, the Jetstar Group's profitability in Asia improved by \$85 million.

And Qantas International has been adding flights and launching new routes into Asian markets - with 75 per cent of its growth last year and this year focused on the region.

That includes new services from Brisbane to Tokyo, Melbourne to Tokyo and the Sydney to Beijing service that we announced just last week. Even in a crowded international market, these are routes we know can generate good returns.

At Qantas Loyalty, we're launching new ventures in sectors where our brand and customer knowledge base is a major advantage - like health insurance.

Most exciting of all, the Qantas 787 Dreamliner is just over a year away. Like other new aircraft types in our history – the Constellation, the 707, the 747, the A380 – the Dreamliner represents a new era and possibilities for Qantas.

We've said the first Dreamliner routes will be on sale before Christmas and you'll be hearing more detail about what to expect from this aircraft before the end of the month.

Securing Sustainable Returns

The Group's broader goal is to deliver sustainable returns so that we can keep creating long term value for you, our shareholders

Our financial framework and integrated portfolio strategy give us solid foundations to keep performing well in what is a challenging environment.

We generate two thirds of our earnings from our strong domestic airlines and loyalty business.

Qantas Domestic, Jetstar Domestic and Qantas Loyalty all continue to perform well.

And internationally, we are taking a long-term view by investing in the growth of markets like Asia.

As we said at our full year results in August, despite the advantages we have, the Qantas Group is not completely immune from the headwinds impacting the industry.

Like most other global carriers, intense competition on international routes means we're seeing air fares below where they were 12 months ago. And the economic transition in Australia and broader geopolitical issues in the Northern Hemisphere continue to have an impact on aviation markets globally.

We said in August that our intention in this environment was to stay disciplined on cost, manage our capacity to match demand, and secure the benefits of cheaper fuel through careful hedging. And at the same time, we said we would continue to invest in securing long term competitive advantages.

That remains the case. And we'll be giving more detail on how we're tracking when we release our first quarterly trading update at the end of this month.

These quarterly updates replace our monthly traffic statistics, and are designed to provide more transparency to our shareholders about how our business is performing.

New Horizons

For any business, responding to the short term is vital.

But setting a clear direction for the long term is just as important.

For 95 years, Qantas has always looked ahead to the next wave of change.

And when we look ahead today, we see many opportunities in the rapid global changes taking place around us.

The ongoing rise of Asia and its aviation market - which is already home to 50 per cent of the Qantas Group's international network.

The digital and big data revolution, which is so important to how we engage our customers - and how they engage us.

The changing expectations of new generations of potential customers and employees.

And the need to respond to climate change with new technologies and approaches.

We believe we have the knowledge and skills to turn these global forces into competitive advantages for our business. Unique experiences for our customers. And great jobs for our people.

So Qantas will always keep evolving. But the role of national carrier remains at the heart of our success.

We're ambitious to keep pushing the boundaries of air travel and opening new frontiers for Australians.

And we're more focused than ever on building a strong, sustainable Qantas for the future.
