

# Financial Framework

Qantas' Financial Framework continues to guide how we create value for our shareholders. Our overarching goal is to achieve maintainable earnings-per-share growth through the cycle, and in turn deliver total shareholder returns in the top quartile of global airline peers and the ASX100.

The three core objectives of the Framework are:

- Maintaining an optimal capital structure that minimises the Group's cost of capital.
- Achieving return on invested capital (ROIC) above 10 per cent through the cycle.
- Growing invested capital with disciplined investment, returning any surplus to shareholders.

Our performance against each of these objectives in 2016/17 is outlined below.

## Optimal Capital Structure

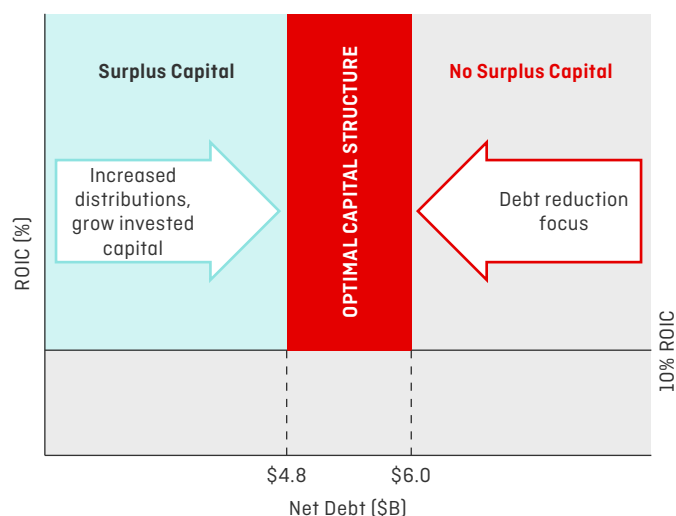
In 2016/17 the Group further strengthened its capital position through sustained positive free cash flow. Net debt fell by \$434 million to \$5.2 billion compared to the prior year, which is at the lower end of the target range. More than 60 per cent of the Group's fleet is now debt-free, representing an unencumbered asset base of around US\$3.8 billion.

Short-term liquidity remains strong at \$1.8 billion of cash, plus another \$1 billion in undrawn facilities.

## Improving Return on Invested Capital

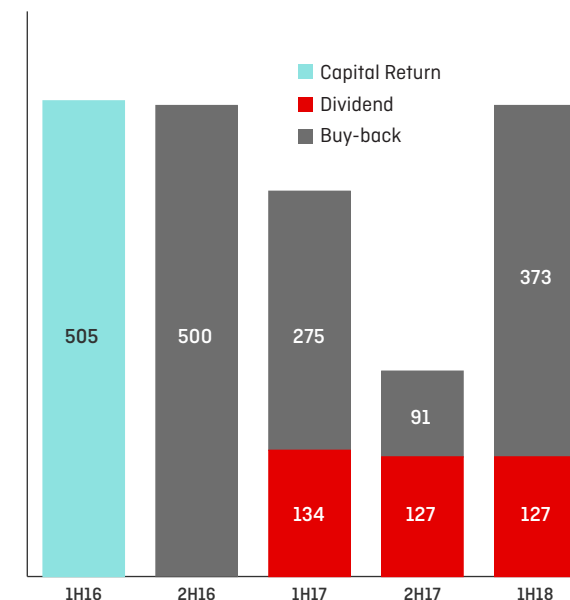
All parts of the Group delivered a return above their weighted average cost of capital. As a whole, the Group achieved a 12-month return on invested capital of 20.1 per cent. This is supported by disciplined capacity management and improved fleet utilisation across Qantas and Jetstar, as well as new businesses within Qantas Loyalty providing new revenue streams.

Another \$470 million in transformation benefits were delivered in 2016/17, completing the three year program and outperforming the \$2 billion target by \$125 million.



> Where debt is within the target range and surplus capital exists, it will be returned to shareholders.

## Track Record of Delivering Shareholder Returns (\$M)



## Shareholder Returns

In 2016/17 a total of \$627 million was distributed to shareholders through an on-market share buy-back and ordinary dividends.

In August 2017, the Directors declared an unfranked final dividend of 7 cents per share and announced a further on-market share buy-back of up to \$373 million. Once this latest buy-back is completed, the number of Qantas shares is expected to have been reduced by more than 20 per cent since October 2015.