

# Chairman's Report

The Qantas Group posted the second highest profit in its long history for 2016/17. This follows on from the record profit the prior year and comes despite some challenges in our international markets that have pushed some of our global peers into losses.

The result coincides with the successful completion of the Qantas Transformation Program. This three year initiative delivered \$2.1 billion in benefits and achieved our goal of putting the Group in a more stable financial position, enabling us to remain sustainably profitable through the economic cycle.

## Benefits of the turnaround

The turnaround of Qantas over the past few years has been remarkable. It's a testament to the strategy executed by Alan Joyce and his Management team, and to the 30,000 people working across the Group to make it better every day.

These efforts have delivered significant benefits for our shareholders and customers. Since the start of transformation, the Group has generated \$3.5 billion in cumulative underlying profit and returned more than \$9 billion to shareholders through buy-backs, dividends and share price appreciation. Qantas was the top performing company on the ASX100 in 2016/17.

Customers have benefited from our continued investment in better product and service, from new aircraft to new lounges.

Our people have also shared in the benefits. As part of our financial results, we announced a Turnaround Bonus of \$2,500 for 25,000 non-executive staff. This is the third bonus in as many years for our frontline employees, worth a cumulative total of more than \$220 million.

## Drivers of performance

Beyond Transformation, the drivers of the Group's performance in 2016/17 remained its diversified portfolio.

In the domestic aviation market, Qantas and Jetstar combined had around 90 per cent of the profit pool from just over 60 per cent of the market share. This outperformance was achieved by the competitive strength of the network we offer, record levels of customer satisfaction and a constant focus on cost control.

Internationally, we increased our focus on Asia as the fastest growing aviation market in the world. The Group now has more than 50 per cent of its capacity directed towards Asia in response to the strong demand we're seeing in the region.

Qantas Loyalty continued to expand into new enterprises using the common currency of

Qantas Points. This is opening up new revenue streams in a range of segments, including financial services, health insurance and online retail.

Underpinning the Group's performance is our continued commitment to safety. Operational safety remained strong. However, we didn't meet all our targets on occupational safety. This will continue to be an area of focus in the year ahead.

## Board developments

I was pleased to announce Richard Goyder AO will join the Board as a Non-Executive Director from November 2017, pending shareholder approval at the Annual General Meeting. Richard has worked for many years at the highest levels of Australian business and his experience will be a significant asset to the Qantas Board.

## Looking ahead

Our forward strategy is shaped by the four global forces that we believe will influence our operating environment into the future — the growth of Asia, big data, shifting customer expectations and the implications of resource constraints like energy. The Annual Review maps out some of the ways we are responding to these trends.



Discipline towards our Financial Framework remains key. This means balancing our capital expenditure with returning surplus funds to shareholders and keeping debt within our target range. Maintaining strong free cash flow is critical. We are targeting an average of \$400 million in benefits per year as part of our ongoing Transformation to help achieve this.

This will keep the Qantas Group on a path of sustainable, profitable growth.

## Leigh Clifford AO