

QANTAS GROUP 2018 AGM

CEO'S REMARKS – ALAN JOYCE AC

Brisbane, 26 October 2018

- Welcome to all of you in the room and joining us via the webcast.
- I'd like to also acknowledge the Traditional Owners of this area, and pay my respect to their Elders, past, present and emerging.

SEGMENT SUMMARY

- As Leigh mentioned, all key parts of the Qantas Group are performing well.
- Domestically, the dual brand strategy of Qantas and Jetstar mean both are leading in their respective parts of the market.
- Qantas retains its strong position with corporate and premium leisure travellers – which is supported by our investment in customer improvements, like inflight Wi-Fi and better lounges.
- Jetstar continues to deliver low fares to popular leisure destinations. In 2018, it sold 24 million fares, here and overseas, for under \$100.
- Since our last AGM, we've made some important changes to Qantas International that have been positive for customers and our bottom line:
 - We started our direct Perth-London service, which has load factors over 90 per cent and the highest customer satisfaction rating on our entire network;
 - We took delivery of six Dreamliners, with two more to arrive next month and another six on order;
 - We announced accelerated retirement of the 747; and
 - We re-focused on our Singapore hub, both as a gateway to Europe and to elsewhere in Asia.
- Qantas Loyalty continues to grow its earnings through a combination of the traditional Frequent Flyer program and its expansion into new ventures – like health insurance and financial services.

QUARTER ONE TRADING UPDATE

- We re-affirmed the Group's strong performance in the Quarter One trading update, yesterday.
- The figures show that Group revenue was up by more than 6 per cent to reach a record level for the start of the financial year. Looking ahead, the value of our forward bookings is up by 8 per cent.
- This gives us the confidence that we will substantially recover higher fuel costs in FY19 – which for the Group as a whole are now likely to be around \$860 million higher than last year.

- Our ability to manage fuel prices is also helped by a focus on cost control. This year, we're on track to deliver at least another \$400 million in transformation benefits.
- We have fuel-saving strategies like 'single engine taxi' and a new flight planning system that makes better use of jetstreams and tailwinds. To give a practical example of this, we saw a 1000kg fuel saving on a single Sydney to Santiago service, when we compared the flight plans of the new system against the old system. This is where our experience in long haul flying gives us a real advantage.

CONTINUED INVESTMENT

- Cost discipline and strong revenue give us the ability to keep investing in things we know our customers want – and which deliver margin growth to the Group.
- We have announced lounges upgrades for Sydney, Brisbane, Tokyo, Auckland, Hobart and Tamworth. Yesterday, we revealed plans for a new First lounge and expanded Business lounge in Singapore. Next month, we'll cut the ribbon on a new domestic lounge precinct in Melbourne.
- Our Premium Frequent Flyers tell us that our lounges are a key factor in their decision to fly Qantas. These are investments that help set us apart.
- We're finalising the detailed design work on a major cabin upgrade for our A380s. Our turboprops, which fly on regional routes, are having their cabins upgraded as well.
- We're continuing feasibility work on Project Sunrise, which is our 'moonshot' to fly non-stop from the east coast of Australia to London and New York.
- And we're investing in our people, through:
 - Flight training;
 - Customer service training; and
 - the career opportunities that come from a business that's always innovating.

INVESTING IN THE COMMUNITY

- Above all, Qantas continues to invest in Australia.
- As Leigh mentioned, the first of two pilot academy sites will open mid-next year in Toowoomba. It's going to create almost 600 direct and indirect jobs, from construction to trainers and support staff. The knock-on opportunities for local business are huge.
- And it will be a similar story at the second regional academy site, which will be named later this year.
- We know the importance of affordable air travel in regional communities – which is why we've introduced discounts of up to 30 per cent for residents of nine remote towns.
- All Australians have been moved by the devastating impact of drought on much of eastern Australia. As the national carrier, we've pledged up to \$3 million to help drought-affected farmers. Just last weekend, we operated a charity flight to Longreach in Queensland as part of the fundraising.

- And last month, we bought one tonne of strawberries to help growers impacted by the needle scare.
- All of these investments are about giving back to the communities that we're proud to serve. And it also helps build on the high levels of trust people have in the Qantas brand.

CONCLUSION

- In closing, and on behalf of management and the board, I'd like to briefly acknowledge the Chairman for his service.
- Leigh has guided Qantas through some of the biggest challenges in its long history. And he leaves the national carrier in a stronger position than when he joined 11 years ago. His contribution has been tremendous and his support has been constant. We thank him.
- We look forward to working with Richard in the years ahead, who has already been on the Qantas board for a year in addition to his decades of experience in business.
- Thank you.

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