



QANTAS GROUP FY16 RESULTS – CEO ADDRESS

**ALAN JOYCE
SYDNEY, 24 AUGUST 2016**

INTRODUCTION

I'm pleased to report that the Qantas Group achieved a record result in financial year 2016.

Our underlying profit before tax was \$1.53 billion - up almost 60 per cent on last year.

There are a lot of great numbers in our announcement today.

But it's worth putting really simply.

This is the best result in the 95 year history of Qantas – and the best result in Australian aviation history, full stop.

It's a performance that delivers dividends for our customers, our shareholders and the employees who've worked so hard to make it happen.

SUMMARY OF FY16

Qantas Domestic, Qantas International, Jetstar and Qantas Loyalty all had record results and increased their margins in financial year 2016.

Combined earnings across Qantas and Jetstar's domestic operations reached \$820 million, an improvement of 30 per cent on last year.

That shows the strength of the Group's dual brand model, even in mixed market conditions with the ongoing economic transition.

It's a unique advantage that we've built up over many years - and we maximised that advantage in financial year 2016.

We held the clear leading position in the corporate, SME and leisure markets.

Both Qantas and Jetstar achieved margin growth.

Qantas cut the cost gap to our competitor.

And, as a result, the Group's share of the domestic profit pool was well above our share of domestic capacity.

Combined earnings from international flying more than doubled to reach \$722 million.

Qantas International alone achieved underlying EBIT of \$512 million.

That's a turnaround of more than \$1 billion compared with 2014 - a marked improvement.

Jetstar International also had a strong year, driven by profitable growth on its core Asia-Pacific markets.

And the Jetstar airlines based in Asia improved their performance by \$85 million.

That includes a first full year profit for Jetstar Japan - which has today announced the next phase of its growth strategy, with plans to grow from 20 to 28 aircraft over the next three years.

Qantas Loyalty had another very good year, with around 45 per cent of its earnings growth coming from new ventures.

And Qantas Freight had a solid year in a tough cargo market.

The key to this result was the benefits each business segment has seen from transformation.

In total, our transformation program has now unlocked \$1.66 billion in permanent cost and revenue benefits.

We also continue to benefit from lower global fuel prices, with a gain of \$664 million secured by the Group's effective hedging positions.

REWARDING OUR PEOPLE

This result belongs to the Qantas Group's amazing people.

Not only have they helped deliver a record performance. They've also earned record satisfaction from our customers.

Their outstanding contribution deserves recognition.

And so I'm delighted to announce a Record Results Bonus for around 25,000 of our people - \$3,000 for full time employees and \$2,500 for part time employees.

Combined with last year's special cash payment, it means we have set aside a total of more than \$160 million in benefits for non-executive employees in just over a year.

RETURNS TO SHAREHOLDERS

I'm also pleased to confirm the next phase of returns for our shareholders.

Over the past 12 months, we've completed a \$505 million capital return and a \$500 million share buy-back.

We announced this morning that we plan to distribute a further \$500 million of surplus capital to shareholders, including a fully-franked dividend of 7 cents per share, totalling \$134 million.

This is the first dividend Qantas has paid since 2009.

The remainder of the distribution will come from an on-market share buy-back of up to \$366 million.

INVESTING FOR CUSTOMERS

Of course, a record performance means we can keep investing for our customers. And there are some really exciting projects in the pipeline.

We've already committed to fast, free Wi-Fi on our domestic 737 and A330 aircraft, starting with a technology trial at the end of this year and then a full roll out from 2017.

The technology we've chosen delivers speeds up to 10 times faster than conventional on-board Wi-Fi – and that will give our passengers a lot of options in how they spend their time on a flight.

To help demonstrate the potential, I'm pleased to say that we're exploring a partnership with Cricket Australia to live stream cricket on board the aircraft involved in our technology trial this summer.

A flight from Sydney to Perth should be enough time to catch an entire match of 20/20, which is fitting when you're flying on the Spirit of Australia.

Live cricket is just one of the content partnerships we're looking at. And it's in addition to the streaming services you'll be able to access just as you do on the ground.

I'm also pleased to announce that we're in the final stages of scoping Wi-Fi for our QantasLink fleet of 717s, F100s and turboprops, as well as our international fleet.

There are over 200 Qantas aircraft and some complex technical issues to work through – so it's a big job.

But our plan is to provide Wi-Fi to all our customers as soon as we can, and we'll be providing more detail after the domestic trial.

NEXT GENERATION FLEET

There's also a huge amount of preparation underway for the arrival of the Qantas 787 next year.

Our first aircraft is still about 15 months away, but I'm delighted to say that Dreamliner flights on our existing network will be on sale before Christmas.

And shortly after that, we'll be announcing other international destinations that this state-of-the-art aircraft will fly to.

The Dreamliner doesn't just extend our range - it also changes what's possible for our customers.

The aircraft is full of inbuilt features to keep you comfortable on a long flight - like better air quality, less noise and more natural light.

We want to take this to the next level. And so we're working with a range of specialists to create the best Dreamliner experience on the market – from a team of world-leading designers, including Marc Newson, to university sleep experts.

We'll have a lot more to say between now and the first aircraft arriving – but customers should expect the best in class on every part of the Qantas Dreamliner.

- Luxury suites in business class.
- Economy seats with more room and better entertainment options.
- And a revolutionary premium economy that is streets ahead of anything else out there.

So, watch this space over the coming months.

OUTLOOK & CONCLUSION

The record results we're announcing today show that the national carrier is stronger than ever before. But we must never be complacent.

The domestic and international markets are still mixed, with ongoing softness in the resources sector. And oil prices, currency movements and the global economy all remain volatile.

In this environment, our Group strategy and transformation are our best assets.

We have the ability to grow in strong markets and reduce our exposure to weak markets by carefully managing our network and fleet. And by cutting costs and locking in the benefits of cheaper fuel, we can offset any weakness in revenue through good margins.

We're confident in our ability to navigate through all market conditions in the short term. And we're hugely excited about our opportunities over the longer term.