

QANTAS GROUP CEO'S ADDRESS – 2017 FULL YEAR RESULTS

25 AUGUST 2017

Good morning.

I'm pleased to announce that Qantas has reported the second-highest result in its history for the 2017 financial year – an underlying profit before tax of \$1.4 billion.

Customer satisfaction and employee engagement are at record levels. We're delivering significant value to our shareholders. And, because we're in a strong position, we have some exciting announcements about what's next for the Qantas Group.

SEGMENT PERFORMANCE

First, let me briefly take you through how the key parts of our business performed.

Our domestic business got stronger, with growth in the business and leisure segments more than offsetting a continued decline in resources.

Combined, Qantas and Jetstar now have around 90 per cent of the domestic profit pool and a widening margin advantage over their competitors. This made it another record year for Group Domestic.

Qantas International came under continued pressure from excess capacity in the market, but these forces eased later in the year and the airline delivered the second highest result in its history.

The Jetstar Group delivered its second highest result as well, with strong performance from domestic and international flights, as well as another net profit from its operations in Asia.

Qantas Freight remained profitable but saw a decline due to very tough conditions in the international cargo market.

And Qantas Loyalty posted another record profit, driven by new and existing partners in the traditional Frequent Flyer business, plus earnings from new businesses like health insurance.

TURNAROUND COMPLETE

These results mark the completion of our three year turnaround program – the ambitious \$2 billion initiative we started in 2014 to make the Qantas Group sustainably profitable.

In that time, we've tackled some difficult structural issues, become a lot more efficient and kept improving the customer experience.

It's fair to say those efforts have well-and-truly paid off.

And the great thing is what this now means for the future of the Qantas Group.

REWARDING OUR PEOPLE, SHAREHOLDERS AND CUSTOMERS

People

In the short and medium term, it means rewarding our people, shareholders and customers.

Our people will receive a \$2,500 bonus to recognise their exceptional efforts in delivering the turnaround.

This is the third bonus we've paid in as many years, and it brings the total amount set aside for non-executive bonuses to more than \$220m.

There are 30,000 people who work in the Qantas Group, and they care deeply about this company. I want to thank them for their dedication and hard work – including their incredible commitment to safety before everything else.

Shareholders

For our shareholders, they will receive up to \$500 million from this result – made up of an unfranked dividend of 7 cents per share worth \$127 million and another buyback worth up to \$373 million.

This brings the total shareholder return since the start of the turnaround to \$9 billion, including appreciation in the share price.

We're very pleased to have rewarded the confidence of our shareholders. And it's worth noting that in FY17 Qantas was the top performing company on the ASX100.

Customers

We're also pleased to reward our customers by continuing to invest in better product and service.

The first Qantas Dreamliner is taking shape on the Boeing production line and we're in countdown mode for its October arrival.

Today, we announce several more improvements to the customer experience.

Our existing fleet of Airbus A380s will receive a major cabin upgrade from 2019 onwards.

There will be fewer Economy seats and more premium seats.

In Business Class, we'll install the latest version of our Business Suites – the ones called "mini First Class" by our frequent flyers.

We'll increase the size of the Premium Economy cabin and fit our all-new seat for this class – the same one that will debut on the Dreamliner later this year.

We're completely refurbishing First Class to make the seats more comfortable and installing bigger entertainment screens. Economy will be upgraded with better cushions and improved inflight entertainment.

And we're overhauling the lounge space at the front of the upper deck, reconfiguring this part of the aircraft to create more room for customers to relax.

The A380 project is a significant investment in an aircraft that will operate on key long-haul routes for many years to come.

We've worked with Airbus to use cabin space more effectively. And by adding more premium seats, we're improving the overall economics of the aircraft.

We're also rebuilding our domestic lounges in Melbourne to create more seating and more dining options.

The new Melbourne lounges will join what's already under construction at both ends of the landmark Perth-London route next year, and follows on from our impressive new lounges in Brisbane.

Our investment in free inflight Wi-Fi will ramp up from September, as we finish what has been a successful trial and move to an accelerated rollout to our domestic A330s and 737s.

Jetstar is adding new routes to its network, like Melbourne to Ho Chi Minh and Adelaide to Hobart. Jetstar also started a refresh of its A320s cabins. And it keeps delivering on its mission of more low fares. In the past year, 24 million seats were sold on Jetstar for less than \$100.

TRANSFORMATION CONTINUES

Aviation is a competitive business. We take nothing for granted and we have no intention of being complacent.

That's why we're taking the energy and focus from the turnaround, and putting it into continuous improvement.

We have a clear program to deliver \$400 million in benefits every year, and it's already started.

We will keep investing in training our people. On operational excellence. On improving every part of our customer's journey. On having the right aircraft on the right route. On simply being more efficient.

NEW FRONTIERS

It's this approach that has created a strong foundation for Qantas. And it gives us the platform to think more broadly about the future – particularly as we move towards our centenary.

Throughout our almost-100 year history, new frontiers have always been pivotal to Qantas' success – and, in some part, to Australia's success.

We went from outback mail runs in the 1920s, to now carrying 50 million people a year. From a small domestic network, to flying to every continent. From stopping seven times on the way to London in 1947 to stopping just once by the 1990s.

From next year, we'll be flying direct from Perth to London.

So the time is right to set ourselves a new challenge. To chase a new frontier.

We want to offer direct flights to Europe not only from Perth but from the eastern states as well.

That's why I'm pleased to announce that Qantas will challenge Boeing and Airbus to deliver an aircraft capable of flying regular direct services like Sydney-London, Brisbane-Paris and Melbourne-New York non-stop with a full payload by 2022.

This is a last frontier in global aviation.

The antidote to the tyranny of distance.

And a revolution for air travel in Australia.

A direct flight would cut up to four hours of travel time off a journey to London.

Removing the need to stop mid-way means your journey is uninterrupted. Less chance for delays on the ground; more time watching movies and sleeping. And a faster trip door to door.

I have written to the CEOs of Boeing and Airbus to extend the challenge to them.

Both manufacturers are developing aircraft that can almost do the job – the Boeing 777X and the Airbus A350ULR. We believe advances in the next few years will close the gap, and Qantas has the unique operational experience to be the airline that helps make it happen.

This would be one of the most strategically important aircraft orders in the history of Qantas.

But there is a lot of work to scope this fully. And we're calling it Project Sunrise – a nod to the legendary Double Sunrise flights operated by Qantas across the Indian Ocean during World War 2. They remained airborne long enough to see two sunrises in what was an incredible feat of endurance given the technology of the day.

This is the kind of pioneering spirit that the national carrier is built on. And it's the kind of spirit that we want to take us forward.

Thank you.