

ALAN JOYCE
QANTAS HALF YEAR RESULTS
SYDNEY, 23 FEBRUARY 2016

I'm very pleased to announce a record first-half performance for the Qantas Group.

The Group has reported an underlying profit before tax of \$921 million, up from \$367 million in the first half last year.

Our statutory profit before tax was \$983 million, up from \$289 million last year.

This makes our 2015 calendar-year performance the best in the national carrier's 95-year history.

Every segment of the Group has contributed strongly to today's result, with each reporting a rate of return above our cost of capital.

Qantas Domestic, Jetstar and Qantas Loyalty all achieved record results in the half. And combined earnings between Qantas Domestic and Jetstar Domestic rose more than 90 per cent to a record \$556 million, as we continue to evolve the dual brand strategy.

Strong cash generation was another highlight, with operating cash flow of \$1.4 billion – almost double the prior half year – and free cash flow of \$770 million.

This gives us a solid platform to invest in the future.

I'd now like to briefly touch on some elements that make up this result, before outlining our plans to invest for our customers and our people, as well as reward our shareholders.

SEGMENT SUMMARY

Starting with Qantas International...

The lower Australian dollar is driving an inbound tourism surge, and our smarter approach to aircraft utilisation has enabled Qantas International to respond with more capacity, especially on strong Asian and North American routes.

Our performance has also been bolstered by our three cornerstone partnerships – with American Airlines, China Eastern, and Emirates.

Combined with cost control, these factors helped Qantas International achieve underlying earnings of \$270 million – that's a four-fold improvement.

Considering the position Qantas International was in just a few years ago, this turnaround is remarkable.

Qantas Domestic continues to re-balance capacity from the resource sector towards east coast business and premium leisure markets. Its underlying earnings were up 70 per cent to \$387 million.

The Jetstar Group reported record underlying earnings of \$262 million, an improvement of \$181 million.

This was driven by a strong revenue performance in the Australian market and helped by a profit from the Jetstar Group in Asia – including a first profit for Jetstar Japan.

To show you just **how** good Jetstar's performance was - this half year profit is bigger than its best ever full year result.

Qantas and Jetstar are expanding margins through revenue growth and cost reductions.

But they're also offering great value for travellers.

Qantas Group domestic fares are on average 20 to 25 per cent lower today than a decade ago, in real terms.

Some Qantas international fares are more than 50 per cent cheaper.

And a massive 70 per cent of Jetstar passengers today travel for less than \$150 dollars.

Our airlines are complemented by Qantas Loyalty, which posted a record result in the half. We're especially pleased with the performance of growth ventures like Qantas Cash.

TRANSFORMATION PROGRAM

So today's record result reflects a stronger, leaner, more agile Qantas.

We are securing greater benefits from lower fuel prices than our competitors because of our disciplined approach to hedging.

The Group's fuel bill was \$448 million lower in the first half, relative to last year.

However, the real engine of our structural improvement is our \$2 billion transformation program — the biggest step change for Qantas since it was privatised.

The Group unlocked \$261 million in cost and revenue benefits in the first half, meaning \$1.36 billion in total transformation benefits have been realised since 2014. *\$1.36 billion.*

We expect to unlock a total of \$450 million in transformation benefits over the full year.

And we will continue our momentum to deliver the full \$2 billion in benefits that we have targeted by the end of financial year 2017.

I'm extremely proud of all our people for driving this program.

Without their buy-in, it simply could not have happened.

And without transformation, today's profit result would not have been possible.

Their hard work and commitment are the reason we look forward with such confidence today.

INVESTING FOR THE FUTURE – OUR CUSTOMERS

Turning to the next steps for the Qantas Group.

The aviation industry is intensely competitive and there will always be external volatility.

To build long-term growth and sustainable returns, we will continue our disciplined approach to cost control and capital expenditure.

But we must also keep investing in the things that grow revenue and enhance shareholder value.

Because while our transformation program has allowed us to save significant costs, it's never been a simple cost cutting agenda.

All along, we've kept investing in our aircraft, our product, and our service.

This has enabled us to earn record customer satisfaction, and maintain our lead in key markets.

And we're always looking for new ways to deliver more.

Over the past three years we have launched new premium lounges in Singapore, Hong Kong, and Los Angeles.

In Australia we have opened or improved facilities in Perth, Darwin, Hobart and many regional ports - with Brisbane to follow this year.

This morning I can announce a fresh jewel in the crown – a new premium lounge at London's Heathrow Airport in the first quarter of 2017.

Its views of the airfield and luxurious facilities will make it a fitting addition to one of our most important destinations.

Closer to home, a long-standing ambition for Qantas has been to offer the convenience of fast, on-board wi-fi.

Well, today we have the technology to make it happen.

This morning I can confirm Qantas will partner with global technology company ViaSat and tap into the potential of the National Broadband Network to introduce an industry-leading wi-fi service across its domestic fleet.

On-board trials will begin late this year and a full roll-out across all domestic passenger services will follow in 2017. We will also be looking at options for our international and regional fleets.

The challenge of providing on-board wi-fi in a country as vast as Australia can't be underestimated.

We have experimented with on-board connectivity in the past, including on our A380s.

But with this new technology we can deliver speeds in the air that people usually expect on the ground.

So this doesn't just mean being able to check emails and Facebook on a flight from Melbourne to Brisbane.

It means streaming your favourite TV show or movie from Sydney to Perth.

Or watching an entire cricket or rugby or football game in real time.

It will be *that* fast.

INVESTING FOR THE FUTURE – OUR PEOPLE

As we invest to make service even better, we continue to renew our Group fleet.

Qantas International's transition to the new Boeing 787-9 Dreamliner is on track to start in late 2017.

And the introduction of the 787-9 means I have the pleasure today of announcing plans for a pilot recruitment program.

The 787-9 creates the opportunity to promote current Qantas pilots as well as new positions that we'll fill through external recruitment.

In total, Qantas will recruit around 170 new pilots between now and the end of 2019.

The unrivalled global reputation of Qantas flight crew is part of our DNA – and applicants who meet the Qantas standard will be joining the world's most respected pilot group.

REWARDING OUR SHAREHOLDERS

It's fantastic that Qantas can continue to invest strategically in our customers and in our people.

And the strength of our performance also means we can continue to reward our shareholders for their confidence in our business.

For this reason, Qantas has today announced an on-market share buy-back of up to \$500 million.

Our strategy is explicitly designed to build long-term shareholder value, so it's great to be able to add to last year's capital return with this buy-back.

The Board will again assess our capital structure at the full year and determine whether, and how, to distribute any additional surplus capital then.

CONCLUSION

Today's result — and the initiatives we have announced for the future — reflect a fit, forward-focused business.

We have much more to do.

But we have taken another stride toward a strong, healthy, and sustainable Qantas for the long term.

And we are excited about the opportunities ahead - for our customers, our people and our shareholders.