

# Media & ASX Release

**ALAN JOYCE - CEO, QANTAS GROUP  
QANTAS FIRST HALF RESULT  
SYDNEY, 23 FEBRUARY 2017**

I'm pleased to report that Qantas made an Underlying Profit Before Tax of \$852 million in the first half - above the guidance range we provided last October.

This result confirms that Qantas is one of the best performing airline groups in the world.

And it means that we can keep rewarding our shareholders, investing for customers, and building an exciting future for the national carrier.

Before I share some highlights of our performance, I want to thank our people, right across the Qantas Group.

Their hard work and commitment are the reason we're announcing another excellent result today.

## **Strong Group Performance**

Three years ago, when we launched our \$2 billion Qantas Transformation program, we wanted to make the Qantas Group a strong, sustainable business.

A business that could generate returns through the cycle - in good times, but also in tougher conditions.

Our first half performance shows that we continue to deliver on that promise.

In the international market, conditions are challenging.

As travellers are very much aware, cheaper oil has led to strong capacity growth on international routes - pushing fares down and impacting all major airlines.

Qantas International isn't immune from that impact.

And not surprisingly, its profit is down on last year's record levels.

However, the work we've done to transform our international business means we are still delivering a much better margin than our main competitors. And that transformation will continue, with more initiatives in the pipeline - including long haul fleet renewal.

Where Qantas International has added capacity, it's been directed to Asian markets where demand is strong.

Asia was also a bright spot for Jetstar.

Jetstar's international operations had a strong result off the back of growing demand between Australia and places like Indonesia and Thailand.



And the Jetstar airlines in Japan and Singapore improved their performance again.

The Jetstar Group overall reported another record half year profit, helped by a strong domestic performance.

Our domestic and loyalty businesses continue to represent the bulk of our earnings. And they continue to perform very strongly.

For both Qantas and Jetstar, domestic conditions improved after a relatively weak first quarter, where GDP growth dipped into the negative.

Our combined domestic earnings across the two brands were well over \$500 million in six months.

Qantas Domestic met its goal of closing the cost gap against its major competitor to within 5 per cent.

And both Qantas Domestic and Jetstar increased their margin advantage.

That's an outstanding performance by any measure, and it reflects the strength of the dual brand strategy.

Revenue from resources sector travel has been falling for several years, and that continued in the first half. But the rate of decline is slowing - and we expect the market to be stable by financial year 2019.

Qantas Domestic continues to hold a clear lead in the corporate market and is growing in the SME market.

Jetstar leads in the budget leisure market.

And our disciplined approach to capacity will continue to underpin our margin advantage.

Qantas Loyalty reported another record result, with increased revenue from new ventures and frequent flyer members up to 11.6 million.

Overall revenue growth was slower, as customers migrated to our new arrangements with Woolworths – but the partnership has now ramped up.

Loyalty turns 30 years old this year. And with new ventures like insurance, plus our traditional Frequent Flyer program, it's a unique asset in our portfolio.

### **Ongoing Transformation**

So, this is a strong Group performance - and one that reflects the impact of transformation in every part of our business.

We unlocked another \$212 million of transformation in benefits in the first half. We've now unlocked \$1.9 billion in total benefits since 2014. And we are on track to hit our target of \$2.1 billion by June this year.

Over the past three years, we've seen a quantum shift in our cost base.

And we've changed the way we work.



Transformation is now embedded in our business - and it will remain vital to our success.

Starting next financial year, we'll be targeting an annual average of \$400 million in cost and revenue benefits to make sure we have a sustainable business for the long term.

We're focused on continuous improvement. Driving cost and revenue benefits from new technology and more efficient operations. And making sure that we hold and strengthen our competitive position in the market.

Put it all together, and it's clear that our strategy to build a balanced and resilient portfolio is on track.

And that's great news for shareholders.

### **Returns for Shareholders**

For the past two years, our Group performance and sound financial position have meant returns for investors.

We confirmed today that we'll distribute another \$219 million to shareholders this half.

That includes a 7 cents per share dividend, 50 per cent franked, plus the remaining \$91 million of the buy-back we announced last August.

Once these initiatives are complete, we'll have reduced the number of Qantas shares by approximately 18 per cent and returned over \$1.6 billion to shareholders since 2015 - with a clear framework for more.

Where we have surplus capital, our intention is to pay a dividend every six months. To the extent we have further surplus, we will also look at other capital management initiatives.

### **Investing for Customers**

As well as our strong financial performance, we're really proud to have earned record satisfaction from our customers.

We want the experience of flying with Qantas to be the best in the world.

And so we're investing across the board - from inflight service to lounges and training.

But what we're most excited about is our investment in game-changing technology and aircraft.

### **Game Changers**

First on the agenda is fast and free Wi-Fi on board.

This is next generation technology that will support a level of connectivity that's 10 times faster than the typical in-flight Wi-Fi. Speeds similar to what you'd expect on the ground. Fast enough to stream Netflix and Foxtel; to shop online; to email.

This month we've flown a number of test flights, which showed we're on track to deliver a fantastic service to our customers when the first commercial flight takes off in the next few weeks.



Our second flagship investment is the Qantas Dreamliner - our next generation long haul aircraft.

The Dreamliner changes what's possible for Qantas.

It opens up world-first routes like Perth to London.

And because it's going to fly those long sectors, we're making sure it's the most comfortable Qantas aircraft yet.

Today we're unveiling the Premium Economy experience for the Dreamliner.

We're proud of every cabin on the aircraft.

But we believe our new Premium Economy is a quantum leap forward.

It's a design that no other airline has access to.

It's been re-engineered to give our customers more personal space. A more comfortable recline. Better lighting. And storage for mobile devices.

Our design team has done a superb job. And we're confident that this seat will set the gold standard for the industry.

The Qantas culture of innovation is that we don't just go for incremental improvements - we aim to shape the future.

With these game-changing developments, that's exactly what we're doing.

## **Outlook**

Turning to the second half, our Group portfolio means we're well-placed relative to the rest of the industry.

Domestically, we expect Qantas and Jetstar to keep performing strongly. Qantas Loyalty is expected to return to double digit growth. And that combination will continue to give us a sustainable earnings core, supported by improving consumer confidence.

Internationally, the market will remain challenging - but we expect the revenue trend we saw in the first half to moderate.

We'll be bedding down the capacity increases we've already announced, using our existing fleet in high-growth Asian markets. And we'll be focusing on maintaining our margin advantage over the competition.

At a Group level, we will continue to manage volatility with careful fuel hedging and ongoing cost control.

And in the second half and beyond, we're going to keep investing to strengthen our business. Create world-class experiences for our customers. Innovate with new technology. And build a bright future for the national carrier as one of the world's best airlines.

