QANTAS
Spirit of Australia

ASX and Media Release

QANTAS GROUP TRADING UPDATE – FIRST QUARTER FY18

- Qantas Group expecting 1H18 Underlying Profit Before Tax[1] of $900 million to $950 million
- First quarter Group Revenue – $4.19 billion up 5.1 per cent versus prior corresponding period
- Some toughening in trading conditions expected in second half (fuel costs, international capacity growth)

SYDNEY, 26 October 2017: The Qantas Group today announced preliminary trading data for the first quarter of financial year 2018, with an increase in total revenue as trading conditions in both the domestic and international markets improved compared to the first quarter of financial year 2017.

Group revenue for the three month period ending 30 September 2017 increased 5.1 per cent to $4.19 billion compared to revenue of $3.98 billion in the first quarter of financial year 2017. Consistent with guidance provided at the Group's 2017 full-year results, Unit Revenue (RASK)[2] in the quarter increased by 3.1 per cent compared to the prior corresponding period.

As expected, Unit Revenue for Group Domestic (comprising Qantas Domestic and Jetstar Domestic) increased 8.0 per cent compared to the prior corresponding period. The domestic demand environment improved due to stabilisation of conditions in the resources market and the impact in the prior year of the subdued demand overhang from the 2016 Federal Election. Proactive capacity management continued, with Group Domestic capacity down 2.7 per cent including continued right-sizing in the resources market.

Conditions in the international market eased slightly with the Unit Revenue for Group International (comprising Qantas International, Jetstar International and Jetstar Asia in Singapore) increasing by 0.2 per cent in the face of a 3 per cent increase in competitor capacity.

OUTLOOK

The Qantas Group expects to report an Underlying Profit Before Tax in the range of $900 million to $950 million for the first six months of financial year 2018. This compares to an Underlying Profit Before Tax of $852 million in the first half of financial year 2017.

Key assumptions and expectations are:

- Total Group capacity to increase by 2-3 per cent in the first half of financial year 2018[3].
- Group Domestic capacity to decrease by 2-3 per cent in the first half of financial year 2018[3] and decrease by 1 per cent in the second half compared to the same period last year, as right sizing in key markets continues.

[1] Underlying PBT is a non-statutory measure and is the primary reporting measure used by the chief operating decision-making bodies (being the Chief Executive Officer, Group Management Committee and the Board of Directors) for the purpose of assessing the performance of the Qantas Group.
[2] Unit revenue (RASK) is calculated as ticketed passenger revenue per ASK.
[3] Compared to prior corresponding period.

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- The Unit Revenue growth in Domestic is expected to slow in the second half of financial year 2018 due to the strong performance in the prior corresponding period.
- Group International capacity to increase by around 5 per cent in the first half of financial year 2018[3] and 3 per cent in the second half[3] due to previously announced network changes targeting growing Asian markets.
- International competitor capacity growth of around 3 per cent is expected in the first half and 6-7 per cent in the second half.
- At current forward market AUD prices, the Group's first half fuel cost is expected to be $1.55 billion. That compares to a $1.49 billion underlying fuel cost in the first half of financial year 2017.
- Based on a Brent forward market price of A$74 per barrel for the remainder of financial year 2018, the Group's full year fuel cost is expected to be $3.21 billion[4] compared with $3.04 billion for financial year 2017, impacting second half earnings.

The guidance and expectations set out above are subject to no material and unexpected worsening in operating conditions or material unforeseen adverse events and do not include the impact of bond rate movements on the valuation of provisions since 30 June 2017.

BUY-BACK UPDATE

On 25 August, Qantas announced it would buy-back up to $373 million of shares. Up to 23 October 2017, the company had completed $150 million of the buy-back, acquiring 24,868,118 shares.

The total number of shares on issue after cancellation of shares acquired up to 23 October 2017 is 1,783,358,259. This represents an 18.8 per cent reduction in shares on issue since 1 July 2015.

COMMENTARY FROM QANTAS GROUP CEO ALAN JOYCE

"We're pleased to see continued strong performance across our portfolio of flying and loyalty businesses in what is a mixed market.

"The domestic market is healthy but remains very competitive. The high rate of revenue growth we've seen so far this year is likely to slow when compared with what was a strong second half last year.

"There's been a welcome easing of capacity growth in the international market but the indications are that it is likely to pick up pace again in the second half.

"We've announced some significant changes to our international network that leverage our competitive strengths better. We'll rely on Emirates to take our customers through Dubai and on to continental Europe while Qantas focuses on flying to London via Singapore and direct from Perth. Emirates has announced it will be relying on us to pick up some of its Trans Tasman flying so it can focus more on long haul routes. The benefit of all these changes are significant and will start flowing fully through from FY19.

[4] Expected fuel cost at 24 October 2017 based on Brent forward market prices to US$57/bbl with AUDUSD rate at 0.77, for the remainder of FY18. The expected fuel cost assumes long term correlations between oil prices and the Australian Dollar to US dollar exchange rate. Breakdowns in the correlations or increases in refiner margin could further impact the total fuel cost.

"We're making good progress towards our annual target of $400 million in cost and revenue improvements, with the Dreamliner and domestic WI-FI two examples of projects that will make us more efficient and deliver a revenue premium.

"Overall, despite an uptick in fuel costs and the challenges from competitor capacity growth on the international side, the Group remains on track for another strong underlying first half and a successful full year."

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QANTAS AIRWAYS LIMITED
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QUARTERLY MARKET UPDATE
2017/18 QUARTER 1

	Quarter 1		
	2017/18	**2016/17**	**Change**
QANTAS GROUP OPERATIONS			
Passengers Carried ('000)	13,842	13,531	2.3%
Revenue Passenger Kilometres (m)	31,980	30,783	3.9%
Available Seat Kilometres (m)	38,804	38,065	1.9%
Revenue Seat Factor (%)	82.4%	80.9%	1.5 pts
Group Unit Revenue (c/ASK)			3.1%
QANTAS DOMESTIC			
Passengers Carried ('000)	5,684	5,760	(1.3)%
Revenue Passenger Kilometres (m)	6,929	7,093	(2.3)%
Available Seat Kilometres (m)	8,938	9,269	(3.6)%
Revenue Seat Factor (%)	77.5%	76.5%	1.0 pts
JETSTAR DOMESTIC			
Passengers Carried ('000)	3,410	3,323	2.6%
Revenue Passenger Kilometres (m)	3,971	4,002	(0.8)%
Available Seat Kilometres (m)	4,761	4,812	(1.0)%
Revenue Seat Factor (%)	83.4%	83.2%	0.2 pts
GROUP DOMESTIC			
Group Domestic Available Seat Kilometres (m)	13,699	14,081	(2.7)%
Group Domestic Unit Revenue (c/ASK)			8.0%
QANTAS INTERNATIONAL			
Passengers Carried ('000)	2,059	1,858	10.8%
Revenue Passenger Kilometres (m)	14,589	13,491	8.1%
Available Seat Kilometres (m)	17,325	16,441	5.4%
Revenue Seat Factor (%)	84.2%	82.1%	2.2 pts
JETSTAR INTERNATIONAL			
Passengers Carried ('000)	1,620	1,535	5.5%
Revenue Passenger Kilometres (m)	4,904	4,547	7.9%
Available Seat Kilometres (m)	5,826	5,473	6.4%
Revenue Seat Factor (%)	84.2%	83.1%	1.1 pts
JETSTAR ASIA			
Passengers Carried ('000)	1,069	1,055	1.3%
Revenue Passenger Kilometres (m)	1,587	1,650	(3.8)%
Available Seat Kilometres (m)	1,954	2,070	(5.6)%
Revenue Seat Factor (%)	81.3%	79.7%	1.6 pts
GROUP INTERNATIONAL			
Group International Available Seat Kilometres (m)	25,105	23,984	4.7%
Group International Unit Revenue (c/ASK)			0.2%

1. Passenger numbers for the Qantas Group Operations, Qantas Domestic and Qantas International have been restated to align with the current period presentation on a sector basis.

Notes

Any adjustments to preliminary statistics will be included in the year to date results next reporting period. Where figures have been rounded, discrepancies may occur between the sum of the components of items, the total and percentage changes which are derived from figures prior to rounding.

Key

(m): Millions
RPKs: The number of paying passengers carried multiplied by the number of kilometres flown
ASKs: The number of seats available for sale multiplied by the number of kilometres flown.

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