

ASX and Media Release

QANTAS GROUP TRADING UPDATE – THIRD QUARTER FY18

Sydney, 2 May 2018

- Quarter Three Group Revenue up 7.5 per cent to \$4.25 billion versus prior corresponding period.
- Expecting a full year record Underlying Profit Before Tax¹ of between \$1.55 billion and \$1.60 billion.
- Six additional Dreamliners ordered for Qantas International and accelerated retirement of remaining 747s by end-2020.

The Qantas Group has announced a strong performance in its trading update for the third quarter of FY18 and confirmed it is on track for a record Underlying Profit Before Tax full year result.

The third quarter follows the Group's record half year result in February and has been underpinned by positive market conditions, capacity discipline and ongoing transformation.

Overall, total revenue for the three month period ending 31 March 2018 was up 7.5 per cent to \$4.25 billion compared with the same period last year, and Group Unit Revenue (RASK)² increased by 6.0 per cent.

Group Domestic³ Unit Revenue increased by 8.0 per cent compared to the prior corresponding period. This reflects strong demand across key markets, including continued recovery of the resources sector and gains within the small-to-medium enterprise segment.

The timing of Easter, which fell partly in the third quarter in FY18 compared with the fourth quarter of FY17, also increased demand for leisure travel compared with the prior corresponding period. Group Domestic capacity decreased by 1.9 per cent.

Group International⁴ Unit Revenue rose by 5.2 per cent. This performance was driven by underlying demand growth and higher load factors, as well as the benefits of ongoing network adjustments to better match demand. Qantas Group International capacity grew by 2.3 per cent while total market capacity grew by 5.0 per cent.

In late March, several important changes to the Qantas International network took effect – the start of the Perth-London route, the switch from Dubai to Singapore as the hub for Qantas' second London service and a renewed partnership with Emirates that has seen Qantas increase its Trans-Tasman

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 financial performance of the Qantas Group.

² Unit revenue (RASK) is calculated as ticketed passenger revenue per ASK.

³ Group Domestic comprises Qantas Domestic and Jetstar Domestic.

⁴ Group International comprises Qantas International, Jetstar International and Jetstar Asia in Singapore.

flying. The customer and financial upside to these changes is significant and will deliver benefits to Qantas International's performance from FY19 onwards.

FLEET UPDATE

The Qantas Group has today announced an order for six additional Boeing 787-9s. This will take Qantas International's Dreamliner fleet to 14 by end of calendar year 2020 and will enable the accelerated retirement of its last six 747s⁵. (See separate release.)

The 787-9 is around 20 per cent more fuel efficient than the 747 and has significantly lower maintenance costs⁶. Combined with the airline's A380s, A330s and 737s, the additional 787s will allow for further utilisation improvements to the Qantas International network.

The first of these additional 787-9s is due to arrive in the first half of FY20. There is no change to capital expenditure guidance for FY18 and FY19.

CAPITAL MANAGEMENT UPDATE

The share buyback of up to \$378 million announced in February 2018 as of 30 April 2018 was 51 per cent complete, with 31,510,682 shares acquired. This takes the total number of shares on issue after cancellation to 1,712,598,089. Once this latest buyback is finished, Qantas will have bought back an estimated 24 per cent of its stock since October 2015, returning significant value to shareholders.

A 7 cent per share unfranked dividend was paid to shareholders on 12 April. This represented a further \$122 million return.

The Board will consider further capital management initiatives in line with the Group's financial framework as part of Full Year results in August 2018.

OUTLOOK

The Qantas Group affirmed its existing outlook for capacity, fuel costs, capital expenditure and transformation benefits in the second half of FY18. Based on these expectations, Qantas anticipates a Full Year Underlying Profit before tax of between \$1.55 billion and \$1.60 billion.

FUEL HEDGING UPDATE (FY19)

As of the end of April 2018, the Group has hedged approximately 70 per cent of its expected fuel costs for FY19 and retains significant participation to falls in oil price. In addition, ongoing transformation as well as capacity and revenue management will help mitigate the impact of higher fuel costs.

⁵ Qantas announced the retirement of its five oldest 747-400s (from a fleet of 11) when it ordered its first eight 787-9s in 2015. The six additional 787-9s announced today will enable the retirement of the remaining six 747-400s.

⁶ 787 cost efficiency measured against the 747 on an ASK basis.

CEO COMMENTARY

Qantas Group CEO Alan Joyce said the third quarter performance showed the company's ability to achieve continued earnings growth, despite the rise in jet fuel costs that all airlines are dealing with, and to reinvest.

"Qantas is on track to deliver another record full year result even though we're facing a \$200 million increase in our total fuel bill in FY18," said Mr Joyce.

"We're seeing solid results from each of our business units, which is a reflection of broadly positive trading conditions and the work we've done to strengthen the Group.

"A large part of our earnings momentum is driven by ongoing investment in customer experience. Improvements to aircraft interiors, rollout of free Wi-Fi, changes to our route network and lounge upgrades are why Qantas and Jetstar have a strong place in the market.

"We've also continued to broaden our earning streams with health insurance and financial services under Qantas Loyalty.

"Our strong performance allows us to invest in more Dreamliners, which are a lot more efficient than the 747s they replace and give our customers a better experience. They also open up new network options and will be an important part of our success moving forward," Mr Joyce added.

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QANTAS AIRWAYS LIMITED
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QUARTERLY MARKET UPDATE
2017/18 QUARTER 3

| | Quarter 3 | | | Financial Year to Date | | |
|---|-----------|---------|---------|------------------------|---------|---------|
| | 2017/18 | 2016/17 | Change | 2017/18 | 2016/17 | Change |
| QANTAS GROUP OPERATIONS | | | | | | |
| Passengers Carried ('000) | 13,710 | 13,281 | 3.2% | 41,848 | 40,661 | 2.9% |
| Revenue Passenger Kilometres (m) | 31,617 | 30,192 | 4.7% | 96,129 | 91,540 | 5.0% |
| Available Seat Kilometres (m) | 37,998 | 37,675 | 0.9% | 115,239 | 113,407 | 1.6% |
| Revenue Seat Factor (%) | 83.2% | 80.1% | 3.1 pts | 83.4% | 80.7% | 2.7 pts |
| Group Unit Revenue (c/ASK) | | | 6.0% | | | 4.3% |
| QANTAS DOMESTIC | | | | | | |
| Passengers Carried ('000) | 5,251 | 5,271 | (0.4)% | 16,717 | 16,820 | (0.6)% |
| Revenue Passenger Kilometres (m) | 6,314 | 6,362 | (0.8)% | 20,237 | 20,481 | (1.2)% |
| Available Seat Kilometres (m) | 8,207 | 8,478 | (3.2)% | 25,888 | 26,733 | (3.2)% |
| Revenue Seat Factor (%) | 76.9% | 75.0% | 1.9 pts | 78.2% | 76.6% | 1.6 pts |
| JETSTAR DOMESTIC | | | | | | |
| Passengers Carried ('000) | 3,542 | 3,385 | 4.6% | 10,583 | 10,217 | 3.6% |
| Revenue Passenger Kilometres (m) | 3,957 | 3,788 | 4.5% | 12,204 | 11,867 | 2.8% |
| Available Seat Kilometres (m) | 4,561 | 4,535 | 0.6% | 14,097 | 14,196 | (0.7)% |
| Revenue Seat Factor (%) | 86.8% | 83.5% | 3.3 pts | 86.6% | 83.6% | 3.0 pts |
| GROUP DOMESTIC | | | | | | |
| Group Domestic Available Seat Kilometres (m) | 12,768 | 13,013 | (1.9)% | 39,985 | 40,929 | (2.3)% |
| Group Domestic Unit Revenue (c/ASK) | | | 8.0% | | | 8.0% |
| QANTAS INTERNATIONAL | | | | | | |
| Passengers Carried ('000) | 2,126 | 1,953 | 8.9% | 6,296 | 5,675 | 10.9% |
| Revenue Passenger Kilometres (m) | 14,816 | 13,770 | 7.6% | 44,118 | 40,413 | 9.2% |
| Available Seat Kilometres (m) | 17,646 | 17,094 | 3.2% | 52,360 | 49,850 | 5.0% |
| Revenue Seat Factor (%) | 84.0% | 80.6% | 3.4 pts | 84.3% | 81.1% | 3.2 pts |
| JETSTAR INTERNATIONAL | | | | | | |
| Passengers Carried ('000) | 1,664 | 1,604 | 3.7% | 4,908 | 4,739 | 3.6% |
| Revenue Passenger Kilometres (m) | 4,839 | 4,653 | 4.0% | 14,553 | 13,840 | 5.2% |
| Available Seat Kilometres (m) | 5,570 | 5,589 | (0.3)% | 16,928 | 16,596 | 2.0% |
| Revenue Seat Factor (%) | 86.9% | 83.3% | 3.6 pts | 86.0% | 83.4% | 2.6 pts |
| JETSTAR ASIA | | | | | | |
| Passengers Carried ('000) | 1,127 | 1,067 | 5.6% | 3,344 | 3,210 | 4.2% |
| Revenue Passenger Kilometres (m) | 1,691 | 1,619 | 4.4% | 5,017 | 4,938 | 1.6% |
| Available Seat Kilometres (m) | 2,014 | 1,979 | 1.8% | 5,966 | 6,033 | (1.1)% |
| Revenue Seat Factor (%) | 84.0% | 81.8% | 2.2 pts | 84.1% | 81.8% | 2.3 pts |
| GROUP INTERNATIONAL | | | | | | |
| Group International Available Seat Kilometres (m) | 25,230 | 24,662 | 2.3% | 75,254 | 72,478 | 3.8% |
| Group International Unit Revenue (c/ASK) | | | 5.2% | | | 2.3% |

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.