

ASX AND MEDIA STATEMENT

9 May 2019

QANTAS GROUP TRADING UPDATE – THIRD QUARTER FY19

- Third quarter revenue up 2.3 per cent to \$4.4 billion versus prior corresponding period¹.
- Comparisons impacted by timing of key holidays shifting significant revenue to fourth quarter.
- Agreement for sale of Melbourne Domestic Terminal reached.

The Qantas Group continued to deliver revenue growth in the third quarter of FY19 as it remains on track to fully offset the impact of significantly higher fuel costs compared with last year.

Total revenue between 1 January and 31 March 2019 grew by 2.3 per cent to \$4.4 billion and Group Unit Revenue² was up by 4 per cent.

This performance was despite a shift in the timing of Easter, which commenced in the third quarter of FY18 but moved wholly into the fourth quarter of FY19. This meant a significant amount of revenue also moved into the fourth quarter, with a favourable alignment between public holidays and school holidays driving very strong leisure travel demand.

Normalising for this shift, Group RASK for the four months from 1 January 2019 grew by approximately 5.5 per cent.

Continued capacity discipline in Group Domestic (down 1 per cent) and Group International (down 1.9 per cent) assisted with yield management and recovery of fuel costs.

Group Domestic Unit Revenue increased by 1.1 per cent, in line with expectations given the Easter timing shift. Ongoing strengthening in the resources market more than offset weakening demand in other parts of the corporate market.

Qantas' overall market share of corporate travel revenue increased by 2.5 percentage points in the quarter to its highest level in three years, despite a net reduction in capacity. Market share of small-to-medium business travel continued to grow, assisted by initiatives from Qantas Loyalty.

Group International Unit Revenue increased by 6.2 per cent, with a particularly robust performance by Qantas International. Network changes drove revenue performance, as did competitor capacity reductions on long haul routes in response to higher fuel costs, which in-turn led to increased market share for Qantas International.

Performance of Jetstar's international services was heavily impacted by the timing of Easter and school holidays, with a significant amount of demand shifting to April. Despite this, Unit Revenue continued to

¹ Adjusted for the impact of AASB 15 for comparative purposes

² Measured by ticketed passenger revenue per available seat kilometre (RASK)



grow. The broader Jetstar Group saw an 8 per cent increase in ancillary revenue per passenger in the third quarter, supported by new luggage options and Club Jetstar membership.

Qantas Loyalty continued to see strong revenue growth from the Frequent Flyer program as well as its other businesses, including Qantas Money and Qantas Insurance. There are several initiatives to be announced in the fourth quarter that will continue to support Loyalty's performance, with earnings growth of 7-10 per cent expected for the second half of FY19.

MELBOURNE TERMINAL

Qantas and Melbourne Airport have reached an agreement for the sale of the airline's domestic terminal.

Qantas has successfully settled the sale of the terminal and secured future access to Terminal 1 for \$355 million, of which \$276 million will be received in cash in this financial year, with the remaining value to be accrued in future periods.

The transaction includes a 10-year access agreement for Terminal 1 with all aeronautical and retail assets transferring to Melbourne Airport. Qantas retains exclusive access to Terminal 1, including lounges, for domestic services. Options to operate some international flights from Terminal 1 outside of peak domestic times will be assessed.

While the proceeds from this sale will be accounted for in FY19, the gain will be excluded from Underlying Profit Before Tax and, as advised at 1H19, contained within the Group's net capital expenditure guidance.

CAPITAL MANAGEMENT UPDATE

The share buyback of up to \$305 million announced in February 2019 was 54 per cent complete as at 6 May 2019, with 29,477,272 shares acquired. This takes the total number of shares on issue after cancellation to 1,596,171,725. Once this latest buyback is finished, Qantas will have bought back an estimated 28 per cent of its stock since 2015, further concentrating returns for shareholders.

A 12 cent per share, fully franked dividend was paid on 28 March. This represented a further \$195 million return.

The Board will consider further capital management initiatives in line with the Group's financial framework as part of the Full Year results announcement in August 2019.

ADDITIONAL DEVELOPMENTS

Key developments across the Group since 1 January 2019 include:

- Retirement of another 747, leaving eight in the fleet; an additional 747 is due for retirement by the end of FY19.
- Announcement of Sydney-San Francisco as the next Qantas Dreamliner route from December 2019, replacing the less fuel efficient 747 currently used.



- Signing of a three year wet-lease with Atlas Air to upgrade the two existing 747-400 freighters operated for [Qantas Freight](#) with two 747-8F aircraft from July 2019³. These will deliver 20 per cent more carrying capacity and better operating efficiency.
- Announcement of a [new Jetstar route](#) from Gold Coast to Seoul, Korea and a new Qantas seasonal route from Sydney to Sapporo, Japan, starting in December 2019.
- Start of new Qantas routes including Sydney-Bendigo, Adelaide-Uluru, Darwin-Uluru, Cairns-Port Moresby and Sydney-Fiji in response to market demand.
- Release of a [report card](#) on 12 months of the Perth-London route, which has maintained an average load factor of over 90 per cent and the highest satisfaction rating on the Qantas International network.
- Changes to the [Group Management Committee](#), including Chief Financial Officer and Qantas International CEO roles.
- A world-first '[zero waste](#)' flight as part of testing the on-board products required to reach the Group's goal of reducing waste to landfill by 75 per cent by 2021.

CEO COMMENTARY

Qantas Group CEO Alan Joyce said the third quarter FY19 figures showed the national carrier remained in a fundamentally strong position.

“The Group continues to perform well, with strength in key parts of our portfolio helping to hedge against headwinds in other areas.

“Internationally, the outlook is positive and continues to improve. The long-term fleet and network changes we've made are delivering revenue growth, and total market capacity in the fourth quarter is contracting in response to higher fuel prices.

“Domestically, demand is mixed. The resources sector continues to grow and we're capitalising on that with a lot of extra flying in Western Australia and Queensland. Leisure demand was very strong over Easter and is holding up well, and we're pleased with our growing share of the corporate and small business segments.

“We're seeing increased softness in parts of the domestic corporate market for May and June, particularly financial services, telecommunications and some areas of construction. Growth is also slowing in the small business market. We'll have a better sense of how temporary this is after the Federal Election, which always has a dampening impact on travel demand.

“Overall, we expect the Group to achieve a record level of revenue this financial year and strong cash flow as we continue to deliver for shareholders, customers and our people.”

Referring to the terminal sale and lease agreement with Melbourne Airport, Mr Joyce said: “It's great that Melbourne Airport was prepared to take a commercially rational approach to make this deal possible.

³ Subject to regulatory approval.



“Unfortunately, the current system doesn’t have an independent arbitrator for airports that aren’t commercially rational, which creates a stalemate around these critical pieces of infrastructure. That’s why we’re continuing to argue for regulatory change.”

Media Enquiries: Qantas Media +61 418 210 005 gantasmedia@qantas.com.au



QANTAS AIRWAYS LIMITED
ABN 16 009 661 901
QUARTERLY MARKET UPDATE
2018/19 QUARTER 3

| | Quarter 3 | | | Financial Year to Date | | |
|---|-----------|---------|-----------|------------------------|---------|-----------|
| | 2018/19 | 2017/18 | Change | 2018/19 | 2017/18 | Change |
| QANTAS GROUP OPERATIONS | | | | | | |
| Passengers Carried ('000) | 13,670 | 13,710 | (0.3)% | 42,170 | 41,848 | 0.8% |
| Revenue Passenger Kilometres (m) | 31,290 | 31,617 | (1.0)% | 96,246 | 96,129 | 0.1% |
| Available Seat Kilometres (m) | 37,380 | 37,998 | (1.6)% | 114,234 | 115,239 | (0.9)% |
| Revenue Seat Factor (%) | 83.7% | 83.2% | 0.5 pts | 84.3% | 83.4% | 0.9 pts |
| Group Unit Revenue (c/ASK) | | | 4.0% | | | 5.1% |
| QANTAS DOMESTIC | | | | | | |
| Passengers Carried ('000) | 5,148 | 5,251 | (2.0)% | 16,564 | 16,717 | (0.9)% |
| Revenue Passenger Kilometres (m) | 6,079 | 6,314 | (3.7)% | 19,867 | 20,237 | (1.8)% |
| Available Seat Kilometres (m) | 8,053 | 8,207 | (1.9)% | 25,367 | 25,888 | (2.0)% |
| Revenue Seat Factor (%) | 75.5% | 76.9% | (1.4) pts | 78.3% | 78.2% | 0.1 pts |
| JETSTAR DOMESTIC | | | | | | |
| Passengers Carried ('000) | 3,560 | 3,542 | 0.5% | 10,769 | 10,583 | 1.8% |
| Revenue Passenger Kilometres (m) | 3,998 | 3,957 | 1.0% | 12,508 | 12,204 | 2.5% |
| Available Seat Kilometres (m) | 4,585 | 4,561 | 0.5% | 14,278 | 14,097 | 1.3% |
| Revenue Seat Factor (%) | 87.2% | 86.8% | 0.4 pts | 87.6% | 86.6% | 1.0 pts |
| GROUP DOMESTIC | | | | | | |
| Group Domestic Available Seat Kilometres (m) | 12,638 | 12,768 | (1.0)% | 39,645 | 39,985 | (0.9)% |
| Group Domestic Unit Revenue (c/ASK) | | | 1.1% | | | 4.6% |
| QANTAS INTERNATIONAL | | | | | | |
| Passengers Carried ('000) | 2,224 | 2,126 | 4.6% | 6,652 | 6,296 | 5.7% |
| Revenue Passenger Kilometres (m) | 15,008 | 14,816 | 1.3% | 45,052 | 44,118 | 2.1% |
| Available Seat Kilometres (m) | 17,517 | 17,646 | (0.7)% | 52,668 | 52,360 | 0.6% |
| Revenue Seat Factor (%) | 85.7% | 84.0% | 1.7 pts | 85.5% | 84.3% | 1.2 pts |
| JETSTAR INTERNATIONAL | | | | | | |
| Passengers Carried ('000) | 1,635 | 1,664 | (1.7)% | 4,873 | 4,908 | (0.7)% |
| Revenue Passenger Kilometres (m) | 4,560 | 4,839 | (5.8)% | 13,949 | 14,553 | (4.2)% |
| Available Seat Kilometres (m) | 5,266 | 5,570 | (5.5)% | 16,006 | 16,928 | (5.4)% |
| Revenue Seat Factor (%) | 86.6% | 86.9% | (0.3) pts | 87.1% | 86.0% | 1.1 pts |
| JETSTAR ASIA | | | | | | |
| Passengers Carried ('000) | 1,103 | 1,127 | (2.1)% | 3,312 | 3,344 | (1.0)% |
| Revenue Passenger Kilometres (m) | 1,645 | 1,691 | (2.7)% | 4,870 | 5,017 | (2.9)% |
| Available Seat Kilometres (m) | 1,959 | 2,014 | (2.7)% | 5,915 | 5,966 | (0.9)% |
| Revenue Seat Factor (%) | 84.0% | 84.0% | 0.0 pts | 82.3% | 84.1% | (1.8) pts |
| GROUP INTERNATIONAL | | | | | | |
| Group International Available Seat Kilometres (m) | 24,742 | 25,230 | (1.9)% | 74,589 | 75,254 | (0.9)% |
| Group International Unit Revenue (c/ASK) | | | 6.2% | | | 5.7% |

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. The number of passengers carried is calculated on the basis of origin/destination (ie. one origin/destination journey represents one passenger regardless of the number of stage lengths undertaken).

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

