

Qantas Airways Limited

FY14 Results

28 August 2014



Overview

Immediate priorities, long-term competitiveness

- Deterioration in FY14 earnings from sustained revenue pressure, record fuel cost
 - \$566m yield and load factor decline from capacity growth ahead of demand
 - \$253m increase in fuel cost from lower AUD
- Operating cash flow \$1.1b, debt reduction under way
- Clear strategy in place to drive earnings recovery, deleverage balance sheet and build long-term shareholder value
 - Accelerated \$2b Qantas Transformation program, strong momentum into FY15
 - Targeted investment in customer to maintain brand, yield premium
 - Return to Underlying PBT in 1H15¹
- Structural Review outcomes provide future optionality
 - New corporate entity for Qantas International increases potential for investment
- Non-cash fleet impairment resulting from change to Group organisational structure

1. Assumes no material worsening in competitive environment, including global economic conditions, market capacity growth, fuel prices and FX rates. See outlook statement on slide 37.

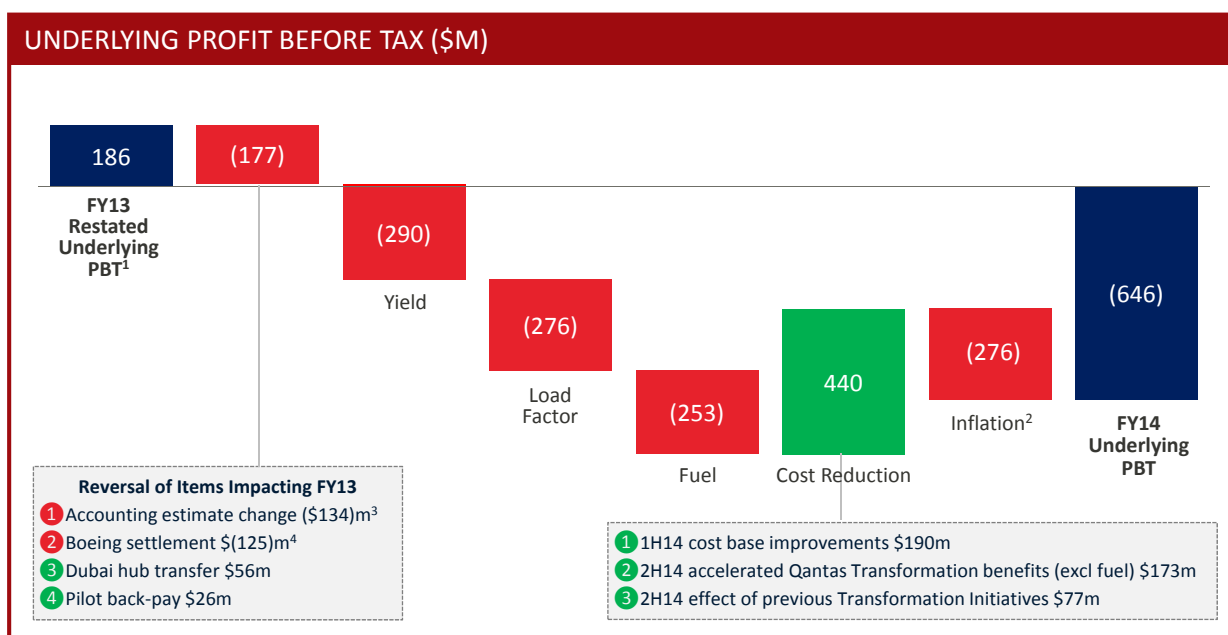
FY14 Financial Results

- FY14 Underlying PBT¹ loss of \$646m; Statutory Loss After Tax \$2.8b
 - Cost reduction of \$440m in Underlying PBT result including \$204m from accelerated Qantas Transformation program in 2H14
 - Transformation costs, \$2.6b non-cash fleet impairment impacting statutory result
- Comparable unit cost² improvement accelerating: 4% in 2H14 vs 2% in 1H14
- Total liquidity increased to \$3.6b³ including \$3b cash
- Neutral net free cash flow⁴ result despite fleet investment, Transformation costs
- No final dividend declared

KEY GROUP FINANCIAL METRICS	FY14	FY13	VLY ⁵
Revenue (\$M)	15,352	15,902	↓ 3.5%
Yield excluding FX (c/RPK)	10.02	10.29	↓ 2.6%
Comparable Unit Cost ² (c/ASK)	5.00	5.15	↓ 2.9%
Net free cash flow ⁴ (\$M)	0	372	

1. Underlying Profit Before Tax (PBT) is a non-statutory measure and is the primary reporting measure used by the Qantas Group's 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 Group. All line items in the FY14 Results Presentation are reported on an Underlying basis. Refer to Supplementary Slide 4 for a reconciliation of Underlying to Statutory PBT. 2. Comparable unit cost is calculated as Underlying PBT less passenger revenue and fuel per ASK adjusted for the impact of Boeing settlement (FY13), change in accounting estimate for passenger revenue received in advance (FY13), changes in FX rates, share of net loss of investments accounted for using the equity method and movements in average sector length. Refer to Supplementary Slide 9 for further detail. 3. Includes cash and cash equivalents and \$630m undrawn revolver facility at 30 June 2014. 4. Net free cash flow is operating cash flows less investing cash flows. Net free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders. 5. Variance to last year. Favourable variances are reported in green.

FY14 Financial Results



1. FY13 has been restated for the impact of the mandatory application of the revised Accounting Standard AASB 119: Employee Benefits. 2. Company estimate including wage and other cost inflation and the impact of bond rate fluctuations on the valuation of provisions (\$45m), less CPI offset measures. 3. FY13 Change in estimate for passenger revenue received in advance to align the Group's revenue recognition and liability measurement estimates more appropriately with ticket terms and conditions and historic experience. 4. Settlement income received following the restructure of the Group's Boeing 787 aircraft delivery schedule in FY13.

Underlying Income Statement Summary

\$M	FY14 ¹	FY13 ^{1,2}	VLY %	
Net passenger revenue	13,242	13,673	(3.2)	Sustained aggressive competitor activity, weak domestic demand impacting yield and load; FY13 includes impact of change in accounting estimate for passenger revenue \$134m
Net freight revenue	955	935	2.1	Consolidation of Australian air Express ³ ; reduced international capacity
Other revenue	1,155	1,294	(10.7)	FY13 Boeing settlement \$125m and reduced contract work revenue offset by growth in Qantas Frequent Flyer redemption and marketing revenue
Revenue	15,352	15,902	(3.5)	
Operating expenses (excluding fuel)	9,354	9,318	(0.4)	Qantas Transformation benefits offset by cost base inflation, 1.3% Group capacity growth, unfavourable impact of FX on AOV ⁴ costs
Fuel	4,496	4,243	(6.0)	11% deterioration in AUD/USD rate and 1.3% Group capacity growth partially offset by 1% reduction in average USD fuel price, 3% improvement in fuel efficiency ⁵ per ASK and benefits of hedging program
Depreciation and amortisation	1,422	1,450	1.9	Aircraft retirements
Non-cancellable aircraft operating lease rentals	520	525	1.0	
Underlying EBIT	(440)	366	>(100)	
Net finance costs	(206)	(180)	(14.4)	Reduction in interest income due to lower rates, reduced capitalised interest, offset by a reduction in interest expense
Underlying PBT¹	(646)	186	>(100)	

1. All line items presented on an Underlying basis. Refer to Supplementary Slide 4 for a reconciliation of Underlying PBT to Statutory PBT. 2. FY13 has been restated for the impact of the mandatory application of the revised Accounting Standard AASB 119: Employee Benefits. 3. Following acquisition in November 2012. 4. Aircraft Operating Variable. 5. Fuel efficiency measured as litres per Available Seat Kilometre (ASK) adjusted for movements in average sector length. 5

Other Items Not Included in Underlying PBT¹

\$M	FY14	FY13	
Impairment of Qantas International CGU ²	2,560	-	Change to Qantas' CGU for impairment testing resulted in write-down to Qantas International fleet. Impairment results in Qantas International aircraft cost base being more reflective of current market value. Historic carrying cost of aircraft purchased at AUD/USD average rate of \$US0.68.
AASB 139 mark-to-market movements relating to other reporting periods	(72)	(32)	
Redundancies, restructuring and other transformation	428	118	Redundancy and restructuring costs relating to workforce changes as part of the accelerated Qantas Transformation program
Fleet restructuring	394	90	Majority non-cash impairment due to accelerated aircraft retirement, and fleet restructure following detailed review of Qantas' fleet and network. B767: \$183m, B747: \$109m, A332: \$50m, A320: \$34m, Regionals: \$13m, B734: \$5m
Impairment of goodwill and other intangibles	9	24	Impairment of IT assets
Net gain on disposal of investment	(62)	(30)	Profit on sale of Qantas Defence Services
Net impairment of investments	50	(2)	Impairment of investment in Helloworld
B787-8 introduction costs	14	-	
Other	9	7	
Total Items not included in Underlying PBT	3,330	175	

1. Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period. Items not included in Underlying PBT primarily result from major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business. 2. Cash Generating Unit. 6

Cash Flow and Debt Position

SUMMARISED CASH FLOW			
\$M	FY14	FY13	VLY %
Cash generated from operations	1,432	1,541	(7)
Other operating cash flows ¹	(363)	(124)	>(100)
Investing cash flows	(1,069)	(1,045)	(2)
Free cash flow (Net Operating & Investing)	0	372	>(100)
Financing cash flows	173	(953)	
Net change in cash held	173	(581)	
Effects of FX on cash	(1)	12	
Cash at end of period	3,001	2,829	6

Resilient operating cash generation in very challenging operating environment. FY13 included credit from Boeing settlement

Cash costs primarily due to redundancy payments from accelerated Qantas Transformation program. Prior year includes inflow from StarTrack dividend (\$138m)

Investment in fleet and product offset by sale of non-core assets (Qantas Defence Services and Brisbane Domestic Terminal Lease)

Includes refinancing activity designed to significantly extend the Group's debt maturity profile with retirement of a further \$450 million unsecured debt in August 2014

DEBT POSITION AND GEARING			
	FY14	FY13 ⁴	VLY%
Net debt including operating leases liability ² (\$M)	4,751	4,847	2
Gearing ratio ³	62:38	46:54	(16)pts

\$96m reduction after neutral free cash flow, reduction in operating lease liability

Driven by one-off costs associated with Qantas Transformation and impairment to Qantas International CGU

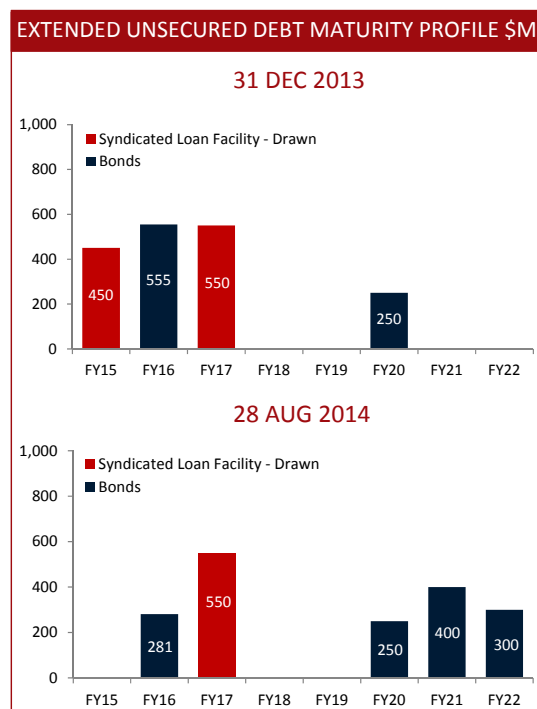
1. Includes total of cash payments to employees for redundancies, interest received, interest paid, dividends received from investments in entities accounted for using the equity method, and income taxes paid. 2. Net debt includes interest-bearing liabilities and the fair value of hedges related to debt less cash, cash equivalents and aircraft security deposits. Operating lease liability is the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet. This operating lease liability has been calculated in accordance with Standard and Poor's methodology using an assumed interest rate of seven per cent. 3. Gearing ratio is net debt including operating lease liability to net debt including operating lease liability and equity (excluding hedge reserve). The gearing ratio is used by Management to represent the Qantas Group's debt obligation including obligations under operating leases. 4. 2H13 restated for the impact of the mandatory application of the revised accounting standard AASB119: Employee Benefits.

Capital Management and Treasury

Boosted liquidity, extended debt maturity profile

- Cash \$3b¹ plus \$630m undrawn facilities
- ~35% of total passenger fleet debt free
 - 31 new unencumbered aircraft since FY10
 - 7 unencumbered aircraft added in FY14
 - 15 mid-life aircraft became debt free in FY14
- Young average fleet age 7.7 years²
- Near-term refinancing risk materially reduced
- Majority of FY15 fuel price risk is hedged³
 - Protected against material deterioration from 1H14 fuel cost
 - Significant participation to lower fuel prices

1H15 EXPOSURE ⁴	% HEDGED
Fuel costs	94%
Operating foreign exchange	78%



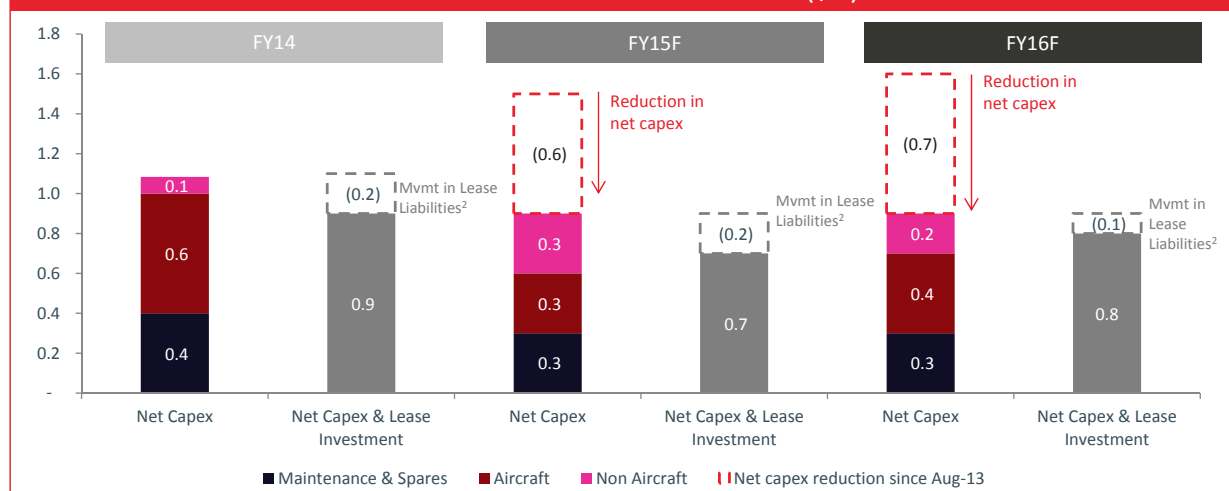
1. Includes cash and cash equivalents as at 30 June 2014. 2. Average fleet age of the Group's scheduled passenger fleet based on manufacturing date as at 30 June 2014. 3. As at 20 August 2014. 4. As at 20 August 2014, for the remainder of 1H15.

Group Capex Aligned with Financial Performance

Supporting positive free cash flow from FY15 onward

- Restructure of Group fleet order, prioritising completion of simplification
- FY14 Net Capex¹ & Lease Investment² \$874m vs May-14 guidance of \$0.8b³
 - FY15 Net Capex & Lease investment reduced to \$0.7b vs May-14 guidance of \$0.8b
- Flexibility to adjust capex further; FY16 average fleet age⁴ forecast ~8yrs

FY15-16 NET CAPEX¹ & LEASE INVESTMENT² REDUCTIONS (\$B) SINCE AUG-13



1. Equal to investing cash flows. 2. Movement in on and off balance sheet lease debt including the movement in operating lease liabilities (calculated as the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet) and non-cash investing activities. 3. Due to delayed receipts for aircraft assigned to non-consolidated businesses, received in July 2014. 4. Average fleet age of the Group's scheduled passenger fleet based on manufacturing date.

FY14 Segment Results



Qantas Domestic

- Underlying EBIT \$30m¹
 - Demand below market capacity growth
 - Continued pricing pressure
 - Resources, Government sectors weaker
 - Unfavourable fuel cost \$68m
- Pace of Transformation accelerating
 - FY comparable unit cost² improvement 3%; 1H14 improvement 1%
 - Fleet renewal improving economics, progress closing unit cost gap to competitor³
- Continued investment in customer, staff training, to maintain yield premium
 - Retained >80% of corporate accounts by revenue⁴
 - Leading on-time performance (OTP) 5th year running⁵, 18 months to Jun-14⁶
 - Record NPS⁷, customer satisfaction levels⁸

		FY14	FY13	VLY %
Revenue	\$M	5,848	6,218	(6.0)
Underlying EBIT	\$M	30	365	(91.8)
ASKs	M	37,824	37,354	1.3
Seat factor	%	73.3	75.9	(2.6)pts

1. Prior year underlying EBIT included Boeing settlements (\$42m) and the change in FY13 accounting estimate for passenger revenue received in advance (\$80m). Without these items prior year underlying EBIT would be \$243m. 2. Comparable Unit Cost is calculated as Underlying EBIT less passenger revenue and fuel per ASK, adjusted for the impact of the Boeing settlement (FY13), change in accounting estimate for passenger revenue received in advance (FY13), change in FX rates and movements in average sector length. 3. Based on QAD FY14 result and market estimates for Virgin Australia Domestic FY14 result. 4. Versus FY13. 5. Monthly BITRE data July2009- June 2014. 6. Monthly BITRE data January 2013- June 2014. 7. Net Promoter Score. 8. FY14 highest yearly average on record. **11**

Qantas International

- Underlying EBIT loss of \$497¹m
 - Revenue negatively impacted by competitor capacity growth of 9.5%²
 - Unfavourable fuel price & FX of \$142m, \$93m net increase after activity, efficiency
- Strong comparable unit cost improvement of 4%³ as legacy cost base addressed
 - 9% improvement achieved over 2 years
 - 6% increase in asset utilisation
 - Ongoing network optimisation; increased seasonal flying on key routes
- Continued investment in customer; gateway lounges, food & beverage, staff training
 - Record customer advocacy: 10pts NPS increase over 2 years
- Expansion of key airline partnerships: Emirates, China Southern, China Eastern, LAN

		FY14	FY13	VLY %
Revenue	\$M	5,297	5,496	(3.6)
Underlying EBIT	\$M	(497)	(246)	>(100)
ASKs	M	59,173	58,825	0.6
Seat factor	%	79.6	81.6	(2.0)pts

1. Prior year Underlying EBIT included Boeing settlements (\$42m) and the change in FY13 accounting estimate for passenger revenue received in advance (\$54m). Without these items prior year Underlying EBIT would be \$(342)m. 2. BITRE (excl. Qantas Group; Qantas modelled for June 2014). 3. Comparable Unit Cost is calculated as Underlying EBIT less passenger revenue and fuel per ASK, adjusted for the impact of the Boeing settlement (FY13), change in accounting estimate for passenger revenue received in advance (FY13), change in FX rates and movements in average sector length. **12**

Jetstar Group

- Underlying EBIT loss of \$116¹m
 - Domestic Australia remained profitable
- Variance on FY13 driven by:
 - Unfavourable fuel cost \$86m
 - Yield decline from capacity oversupply in Australia, South East Asia (\$113m)
 - Associate losses up \$20m, totalling \$70m with rapid expansion of Jetstar Japan
 - Jetstar Asia (Singapore) loss of \$40m driven by dramatic yield decline across market
- LCC² business fundamentals remain strong
 - 2% controllable unit cost improvement³
 - Introduction of B787 delivering efficiencies and enhanced customer experience
 - Record customer advocacy levels in Domestic and International Australia

		FY14	FY13	VLY%
Revenue	\$M	3,222	3,288	(2.0)
Underlying EBIT	\$M	(116)	138	>(100)
ASKs	M	44,718	43,730	2.3
Seat factor	%	77.9	79.1	(1.2)pts

1. Prior year Underlying EBIT included Boeing settlements (\$42m). Without this item prior year Underlying EBIT would be \$96m. 2. Low Cost Carrier. 3. Controllable Unit Cost is calculated as total underlying expenses excluding fuel, carbon tax, Jetstar Group costs and share of net loss of investment accounted for using the equity method, adjusted for change in FX rates and movements in average sector length per ASK. **13**

Qantas Loyalty

- Record Underlying EBIT¹ \$286m, up 10%
- Billings² up 8%, external billings up 10%
- Reached 10.1m million members³
- 6.2 million awards redeemed, up 11%
- 14 new QFF partners driving more ways to earn
- Growth initiatives diversifying customer base and revenue streams
 - Acquire: >35,000⁴ SMEs registered
 - Qantas Cash: >300,000⁴ card activations, \$0.5b⁴ loaded
 - Qantas Golf Club announced
- Record annual NPS⁵
- Launched dedicated digital channel for members and partners: www.qantaspoints.com

		FY14	FY13	VLY %
Underlying EBIT	\$M	286	260	10.0
Billings	\$M	1,306	1,209	8.0
Deferred Revenue Growth ⁶	\$M	68	62	9.7
Members	M	10.1	9.4	7.8

1. Record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. 2. Billings represent point sales to partners. 3. As at 30 June 2014. 4. As at 28 August 2014. 5. Annual NPS equals average of monthly NPS in each financial year. 6. Annual deferred revenue growth from 1 July 2013 and 1 July 2012 respectively. **14**

Qantas Freight

- Underlying EBIT \$24m
 - Earnings lower after sale of StarTrack Express in 1H13¹
 - Challenging freight markets in 1H14
 - Exit of 1 x B747 freighter in Jan-14
 - Unfavourable fuel cost \$6m
- Australian air Express² integration completed
 - Full run-rate benefits from 2H14
- Improving customer proposition
 - Simplified pricing, new product range, faster terminal processes
- Transformation pipeline for FY15 in place
 - Leveraging technology to achieve cost reduction

		FY14	FY13	VLY %
Revenue	\$M	1,084	1,056	2.7
Underlying EBIT	\$M	24	36	(33.3)
Capacity (International AFTKs)	B	3.4	3.7	(8.1)
Load (International)	%	55.1	56.2	(1.1)pts

1. Sale of 50% stake in Star Track Express to Australia Post completed 13 November 2012. 2. Acquisition of 100% of Australia air Express completed 13 November 2012.

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Group Strategy Update & 1H15 Outlook



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Qantas' Guiding Strategic Principles

- Safety is always our first priority
- The first choice for customers in every market we serve
- Maintaining dual-brand strength in domestic market
- Reshaping Qantas International to remain competitive
- Maintaining the Jetstar opportunity in Asia
- Broadening Qantas Loyalty for strong, diversified earnings
- Driving efficiency and productivity

EXECUTING ON OUR STRATEGY TO BUILD LONG-TERM SHAREHOLDER VALUE

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Our People

- Our people are well aware of challenges facing Qantas
 - Clear strategy for recovery outlined and being implemented
- Our people continue to do a great job for our customers
 - Intensive customer service training continues
 - Record customer advocacy¹ and customer satisfaction results across Group
- Scope of change required is difficult, we will continue to work closely with our people
 - Strong internal communications, regular updates from senior management
 - Front-loading of Transformation initiatives to minimise disruption
 - Best practice in helping people transition from the business

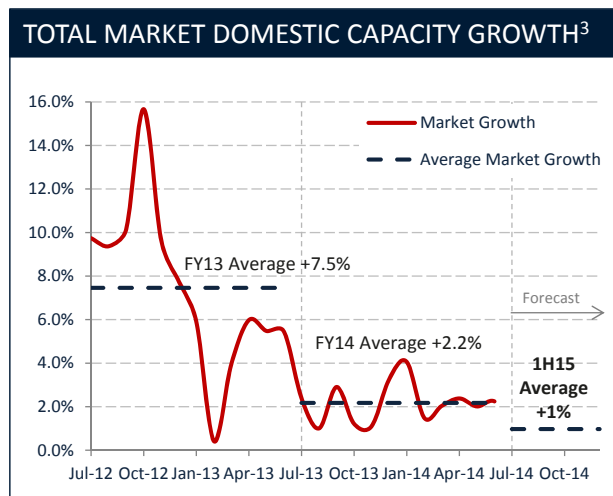
1. FY14 average NPS at record levels.

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Market Conditions – Domestic

Capacity oversupply easing, weak underlying demand

- Business demand mixed
 - Resources sector softening as sites shift from construction to production
 - Corporate and Government account spend control, price sensitivity
- Leisure demand impacted by cautious consumer spending
- Significant capacity moderation after market growth exceeded demand two consecutive years¹
- Qantas Group capacity response to rebalance supply with demand
 - QF Group Domestic 1H15 capacity growth to be flat, maintaining flexibility²
 - Lag effect of oversupply still evident



1. Based on BITRE FY13 and FY14. 2. Qantas retains significant flexibility within its fleet and operational envelopes to respond to market conditions and to maximise our customer proposition. 3. Based on BITRE for FY13, FY14 and company estimates for 1H15.

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Key Actions – Group Domestic

Cost & Revenue initiatives

COST REDUCTION

- Transformation to close Qantas Domestic cost gap to competitor to <5% by FY17¹
- Continued focus to reduce Jetstar's controllable unit costs by 2% yoy
- Driving efficiency of Group Domestic network, schedule and fleet, enabling:
 - Completion of accelerated B767 fleet retirement
 - Optimised widebody and narrowbody requirements to maintain footprint

REVENUE GENERATION

- Maintained core principles of Group Domestic strategy: frequency/network advantage in premium market, scale/network advantage in price-sensitive market
- Refinement of dual-brand deployment across 129 routes, changes on ~20 routes
- New Qantas revenue management system 'PROS' to be implemented mid-2015
- Qantas Domestic focus on SME² market in conjunction with Aquire launch
- Jetstar enhancing digital sales capability to benefit ancillary revenue and yield
- Implemented 1H15 zero Group Domestic capacity growth³
 - Rationalisation of growth on Triangle⁴, East-West, Intra-WA, QLD⁵ markets

1. Total unit cost including fuel. Qantas Domestic unit cost includes QantasLink. Competitor refers to Virgin Australia including mainline domestic and regional operations. 2. Small to Medium Enterprise. 3. Qantas retains significant flexibility within its fleet and operational envelopes to respond to market conditions and to maximise our customer proposition. 4. Triangle: Sydney – Brisbane – Melbourne. 5. Intra-Western Australia, Queensland.

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Market Conditions – International

Competitor capacity growth moderating

- Competitor capacity growth into Australia has significantly outpaced global average:
 - Competitor growth of 44% FY09-FY14, vs global growth of 29%¹
 - FY14 competitor capacity +9.5%²
- 1H15 competitor capacity growth +2.4%³
 - Capacity moderation from most full-service carriers into Australia, including South East Asia (competitor down-gauge) and Middle East
 - Rapid LCC growth continuing: +24%⁴ off low base

FY14 INTERNATIONAL CAPACITY GROWTH²



1H15 INTERNATIONAL CAPACITY GROWTH³



1. Based on BITRE and IATA Carrier Tracker data for industry ASK growth. 2. BITRE (excl. Qantas Group; Qantas modelled for June 2014). 3. OAG Published Flight Schedules as at 1 July 2014 excludes Qantas Group. 4. Diio Mi data for published flight schedules.

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Key Actions – Qantas International & Jetstar International

Cost & Revenue initiatives

COST REDUCTION

- Repositioning QAI¹ legacy cost base – largest beneficiary of Qantas Transformation
- QAI network & fleet optimisation to drive efficiency:
 - Asset utilisation improvement of 6%², further gains with up-gauge of SYD-DFW³ service to A380 from Sep-14
 - Accelerated retirement of non-reconfigured B747
- B787 on new Jetstar International routes delivering unit cost efficiencies

REVENUE GENERATION

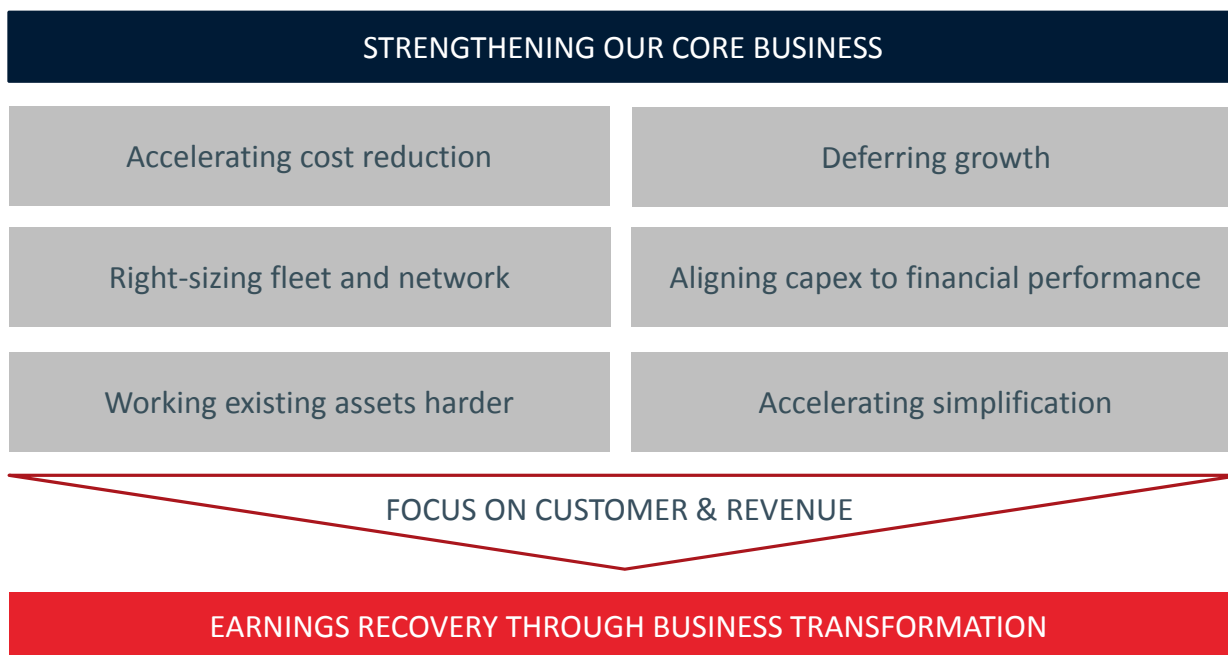
- Defending QAI position on all key corporate and premium markets; growing on markets including US, Japan, South America
- QAI capacity adjustments to routes and seasonal flying to maximise profitability
 - Flex-up during peak demand (HKG, LAX, DFW, SCL, NRT⁴, Tasman)
- New Qantas revenue management system 'PROS' to be implemented mid-2015
- JQI⁵ network restructured to strengthen position on key leisure markets (HNL, DPS, HKT⁶)
- Jetstar enhancing digital sales capability to benefit ancillary revenue and yield

1. Qantas International. 2. Calculated based on average block hours per aircraft vs FY13. 3. Sydney – Dallas Fort-Worth. 4. Hong Kong, Los Angeles, Dallas Fort- Worth, Santiago, Narita. 5. Jetstar International. 6. Honolulu, Bali (Denpasar), Phuket.

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Qantas Transformation

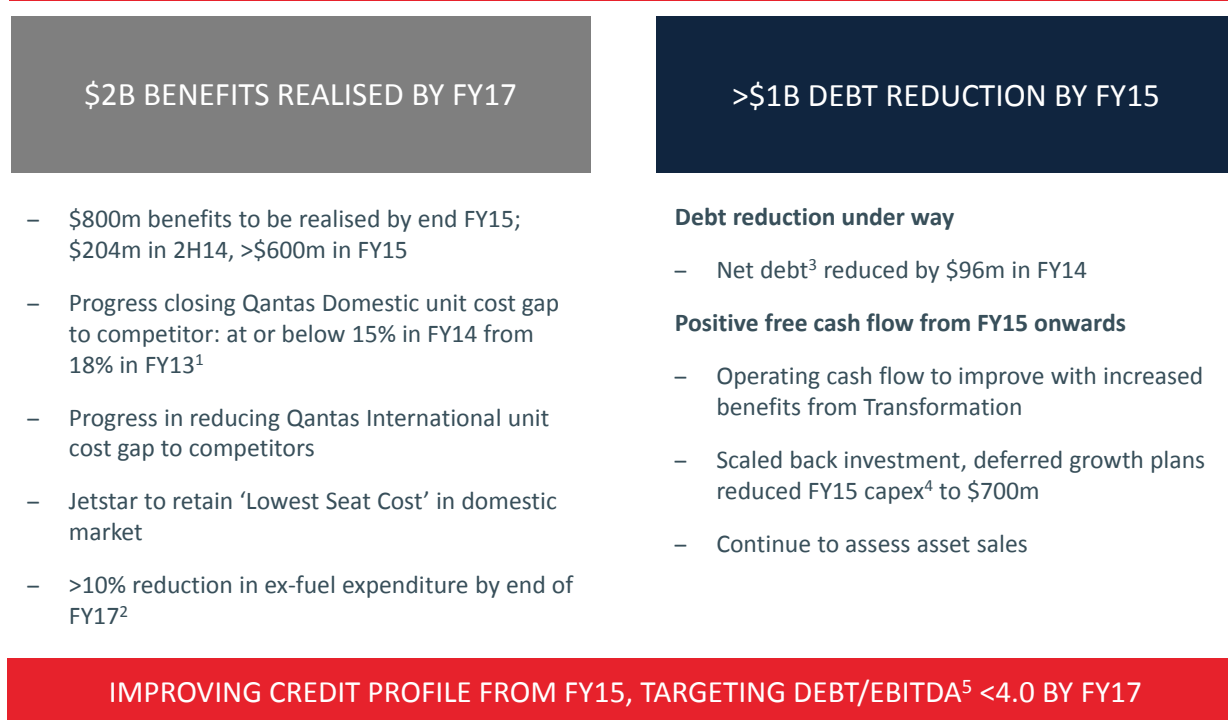
Immediate priorities, long-term competitiveness



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Qantas Transformation Targets

Driving earnings recovery, deleveraging the balance sheet

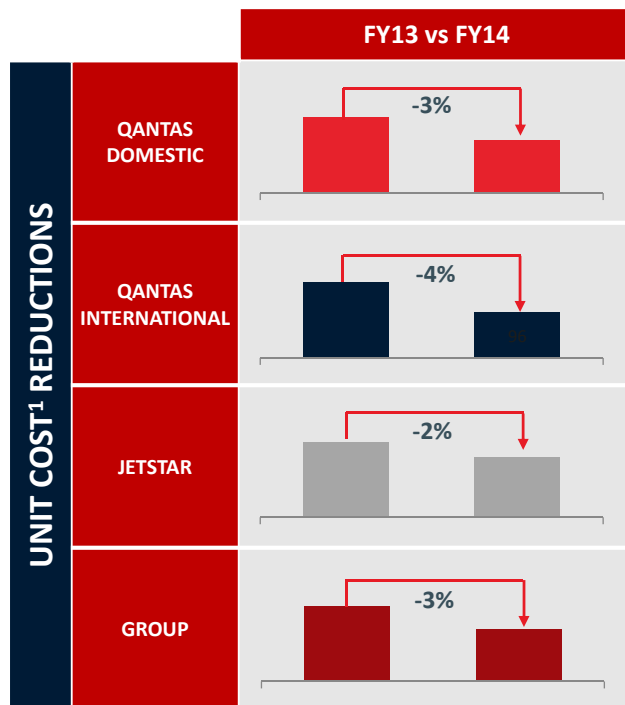


1.Total unit cost including fuel. Qantas Domestic unit cost includes QantasLink. Competitor refers to Virgin Australia including mainline domestic and regional operations. Virgin Australia’s assumed domestic unit cost based on company estimates and FY13 data. 2. Assumes steady FX rates, capacity and average sector length. 3. Net debt including operating lease liabilities vs FY13. 4. Represents Net Capex and lease investment reductions. Net Capex is equal to investing cash flows. Lease investments includes movement in on and off balance sheet lease debt including the movement in operating lease liabilities (calculated as the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet) and non-cash investing activities. 5. Metric calculated based on Moody’s methodology including cash greater than two billion dollars.

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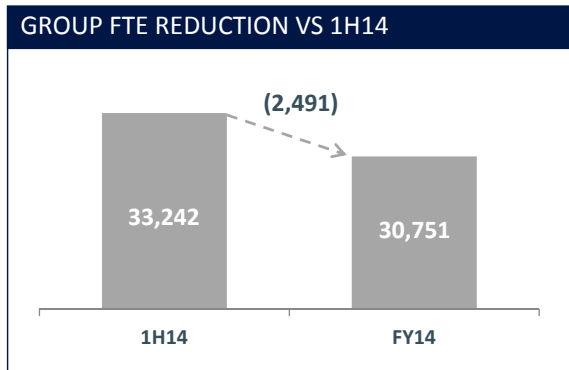
Qantas Transformation

Driving down units costs across Group



Accelerating Group unit cost¹ reduction:
4% in 2H14 vs 2% in 1H14

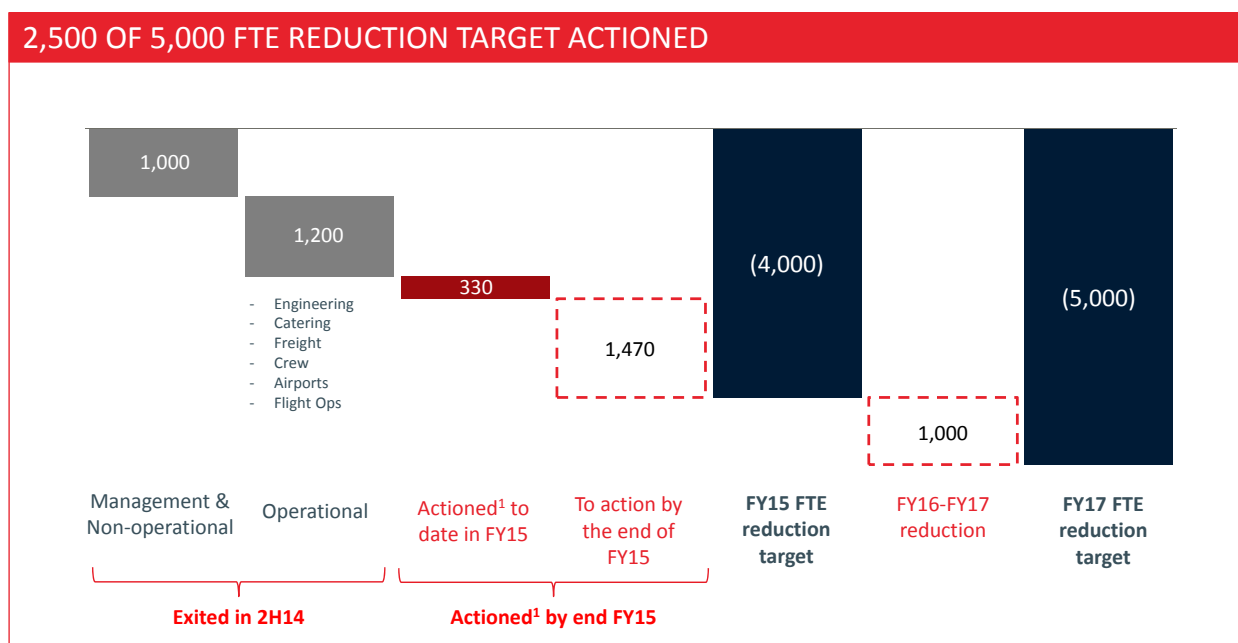
Manpower reduction on target:
7.5% FTE reduction in six months



1. Group comparable unit cost is calculated as Underlying PBT less passenger revenue and fuel per ASK, adjusted for the impact of the Boeing settlement (FY13), change in accounting estimate for passenger revenue received in advance (FY13), share of net loss of investments accounted for using the equity method, change in FX rates and movements in average sector length. Qantas Domestic and International unit cost is calculated as Underlying EBIT less passenger revenue and fuel per ASK, adjusted for the impact of the Boeing settlement (FY13), change in accounting estimate for passenger revenue received in advance (FY13), change in FX rates and movements in average sector length. Jetstar Groups controllable unit cost is calculated as total underlying expenses excluding fuel, carbon tax, Jetstar Group costs and share of net loss of investment accounted for using the equity method, adjusted for change in FX rates and movements in average sector length per ASK.

Qantas Transformation

Rapid progress against FTE reduction target



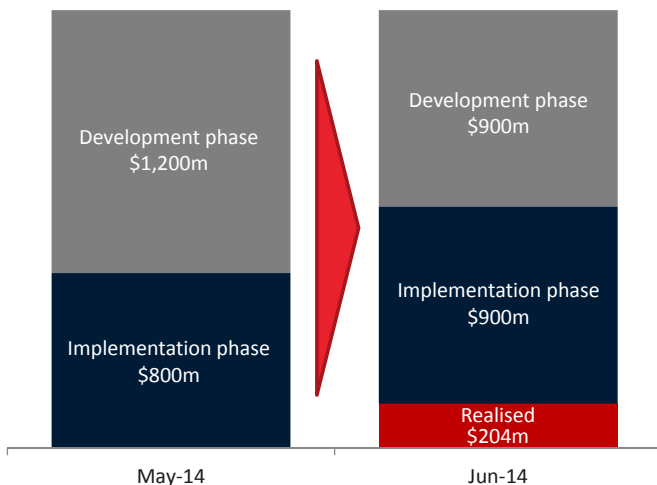
1. Includes FTEs that have exited or received notice by 28 Aug 2014

Qantas Transformation

Moving at pace towards \$2b target

TARGET: >\$600M BENEFITS REALISED IN FY15

\$2b Qantas Transformation Pipeline



- All major initiatives announced in Feb-14 completed or in implementation
- Realised \$204m includes benefits from completed initiatives and phased benefits from initiatives in implementation
- ~\$300m Transformation benefits targeted in 1H15, ~\$300m in 2H15

Qantas Transformation

Strong momentum into FY15, benefits being realised

Outcome	Major Announced Initiatives				
	Right-sizing	Productivity	Consolidation	Technology	Supplier
Benefit (\$m)	600	600	450	200	150
Definition	Fleet, utilisation and network changes	Improving efficiencies and utilisation	Rationalisation of activities to cease costs	Enhancing efficiency with technology	Improved terms with suppliers
Detail of Major Announced initiatives	Domestic fleet utilisation I International network optimisation and fleet utilisation I Accelerated fleet retirement (Domestic & International) I Domestic network optimisation I	Engineering: LMO ¹ changes) I Fuel burn reduction programs I Airport staffing improvement I Jetstar 'Lowest Seat Cost' program I	Head office & management restructure I Engineering: closure of Avalon C Supply Chain: transformation and procurement I Catering: Adelaide closure C	Jetstar B787 roll-out I Freight: Supply chain/ terminal improvement program I Application rationalisation I Next generation check-in I Single point buying model I	Renegotiate commercial contracts across business I Vendor management I IT support and infrastructure I Mascot Campus Consolidation C

C Completed **I** In Implementation

1. Line Maintenance Operations.

Delivering for Customers

'The first choice for our customers in every market we serve'

Fleet and Product

- Continued staff training to deliver personalised service throughout the customer journey and maintain record customer advocacy levels
- A330, B738 reconfigurations at Qantas for 'best in class' domestic and international product
- Expanded, award-winning lounges in our key gateways (LAX, HKG, SIN¹)
- Continued roll-out of B787, new technology at Jetstar to provide leading LCC passenger experience
- Jetstar enhancement of on-board customer proposition including inflight entertainment and the introduction of pre-select food and beverage options
- Qantas Loyalty customer innovation; Qantas Cash, Aquire, Qantas Golf Club



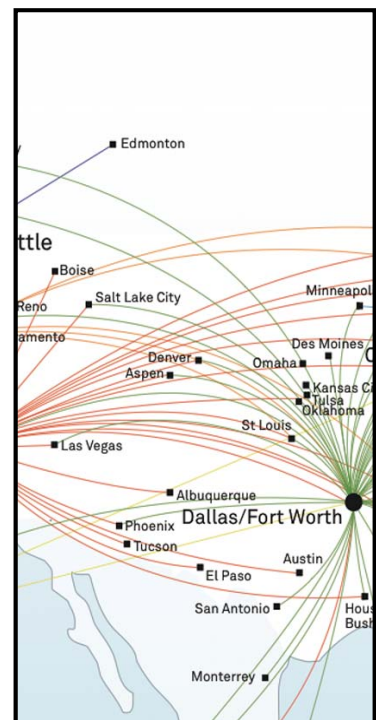
1. Los Angeles, Hong Kong, Singapore.

Delivering for Customers

'The first choice for our customers in every market we serve'

Network

- Expanded airline partnerships increasing Qantas and Jetstar international network reach
- Qantas International network of over 1,200 destinations¹
- Increased seasonal flying and flexing up on priority routes, better matching capacity to customer demand
- Continued strengthening of Jetstar Group's Asia-Pacific network reach and frequencies
- Unrivalled domestic network with increased frequencies on key business routes and commencement of new leisure routes
- Most reliable domestic network with the 18th consecutive month and 5th consecutive year of OTP leadership²



1. Including all partners. 2. Source: BITRE Jan13-Jun14.

Measuring Progress Scorecard to FY17

		Target		PROGRESS TO DATE As at 28 Aug 2014
		Metric	Timeframe	
ACHIEVING OUR TARGETS	ACCELERATED TRANSFORMATION BENEFITS	\$2b gross benefits	FY17	2H14 realised benefits = \$204m Initiatives in implementation phase = \$900m
		>10% ex-fuel expenditure reduction ¹		
	DELEVERAGE BALANCE SHEET	5,000 FTE reduction	FY17	2,500 FTEs actioned ²
		>\$1b debt reduction	FY15	\$96m reduction in net debt ³ achieved in FY14
	CASH FLOW	Debt / EBITDA ⁴ <4.0x	FY17	Debt / EBITDA ⁴ to peak FY14
		Positive free cash flow	FY15 onwards	FY14 free cash flow neutral FY15 & FY16 capex ⁵ reduced by \$1.3b
	FLEET SIMPLIFICATION	11 fleet types to 7	FY16	2 x B747 retired since Dec-13 5 x B767 retired since Dec-13 All B734s (3) retired since Dec-13
	CUSTOMER & BRAND	Customer satisfaction (6 month rolling average): Improving / Stable / Declining	Ongoing	'Stable' at record levels
		Most on-time domestic carrier: Qantas Domestic	Ongoing	OTP leader 18 out of 18 months (Jan-13 to Jun-14)

1. Assumes steady FX rates, capacity and sector length. 2. Includes FTEs that have exited or received notice. 3. Net debt includes interest-bearing liabilities, operating lease liabilities and the fair value of hedges related to debt less cash, cash equivalents and aircraft security deposits. Operating lease liability is the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet. This operating lease liability has been calculated in accordance with Standard and Poor's methodology using an assumed interest rate of seven per cent. 4. Metric calculated based on Moody's methodology including cash greater than two billion dollars. 5. Equal to investing cash flows.

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Structural Review Outcomes Overview

Comprehensive Group structural review announced Dec-13 now complete. Outcomes from review both structural and strategic for future direction of Qantas Group:

1. Non-core assets identified and valued, including terminals, land and property holdings. Continue to assess opportunities to sell, with proceeds to repay debt.
2. Detailed assessment of potential for Qantas Loyalty minority sale. After careful consideration, decision made that Qantas Loyalty continues to offer major profitable growth opportunities and no justification for partial sale.
3. No new Jetstar ventures established while Group focused on Transformation. Substantial value exists across Jetstar Group Airlines, to be realised over time.
4. Following partial repeal of *Qantas Sale Act*¹ foreign ownership limits², new holding structure and corporate entity to be established for Qantas International. New structure increases potential for future external investment, and creates long-term options for Qantas International to participate in partnership and consolidation opportunities. Change to Group organisational structure resulted in write-down of Qantas International fleet.

1. Qantas Sale Act 1992. 2. The removal of 25% and 35% foreign airline ownership limitations.

Structural Review Outcomes

Creating future optionality for Qantas International

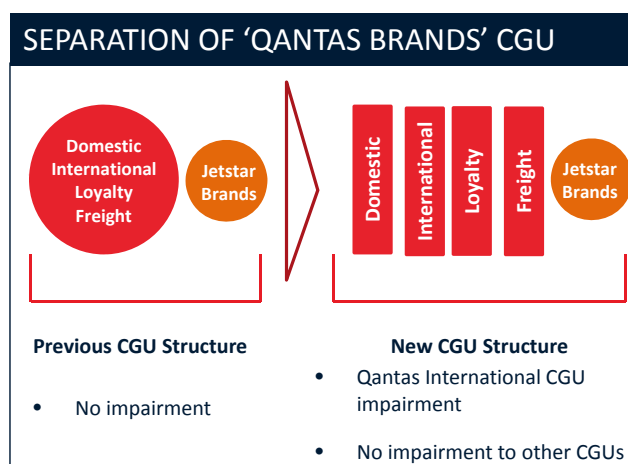
- *Qantas Sale Act* foreign ownership restrictions a long-standing barrier to Qantas' participation in industry consolidation at Group level
- Partial repeal of 25%, 35% foreign airline ownership caps removes a substantial barrier to consolidation that was unique to Qantas
- Board approval for new holding structure and corporate entity to be created for Qantas International
- New structure increases potential for future external investment, and creates long-term options for Qantas International to participate in partnership and consolidation opportunities.
- Builds upon existing segmentation of Qantas International and Qantas Domestic at management and financial performance reporting levels since 2012. No impact on operations, network or staff
- Change to Group structure ➡ Accounting standards require change to Qantas' CGU for impairment testing ➡ Write-down of Qantas International fleet

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Structural Review Outcomes

Impact on Qantas International asset values

- Accounting standards require change to Qantas' CGU for impairment testing
- Existing 'Qantas Brands' CGU split into four separate CGUs
- Strong surpluses in Loyalty, Qantas Domestic, Freight and Jetstar
- \$2.6b write-down in QAI CGU
- Historic carrying cost of aircraft purchased at AUD/USD average rate of \$US0.68
- Impairment results in QAI aircraft cost base more reflective of current market value
- Non-cash impairment; no change to cash flow forecasts
- QAI depreciation expense \$200m p.a. lower as a result of impairment



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Outlook

- The Group's 1H15 operating environment is stabilising though still challenging:
 - Soft underlying domestic demand expected to continue
 - Moderating domestic and international market capacity growth
 - Yield and load factors expected to stabilise
- Current Group operating expectations:
 - Group capacity to increase by ~1% in 1H15 compared to 1H14
 - Group domestic capacity growth in 1H15 to be flat compared to 1H14
 - 1H15 underlying fuel costs expected to be in line with 1H14¹
- The Group expects to return to an Underlying Profit Before Tax in 1H15. Assumes no material worsening in the competitive environment, including global economic conditions, market capacity growth, fuel prices and FX rates, or material adverse external events.

1. As at 20 August 2014, excluding carbon tax.

Summary

- Strengthened core competitive advantages through tough FY14 operating environment
- Operating environment is stabilising, capacity moderation in major markets
- Strategy to drive earnings recovery through Cost, Customer & Revenue initiatives
- Accelerated Qantas Transformation has strong momentum into FY15
- Capital structure being strengthened with positive free cash flow to repay debt
- Organisational structure aligned to strategy, creating option for future investment
- Asset base appropriately valued, reduced depreciation expense
- Group expects to return to Underlying Profit Before Tax in 1H15¹

1. Assumes no material worsening in competitive environment, including global economic conditions, market capacity growth, fuel prices and FX rates, or material adverse external events.

Disclaimer & ASIC Guidance

This Presentation has been prepared by Qantas Airways Limited (ABN 16 009 661 901) (Qantas).

Summary information

This Presentation contains summary information about Qantas and its subsidiaries (Qantas Group) and their activities current as at 28 August 2014. The information in this Presentation does not purport to be complete. It should be read in conjunction with the Qantas Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

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Financial data

All dollar values are in Australian dollars (A\$) and financial data is presented within the twelve months ended 30 June 2014 unless otherwise stated.

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In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Qantas is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards. In line with previous years, this Presentation is unaudited. Notwithstanding this, the Presentation contains disclosures which are extracted or derived from the Consolidated Financial Report for the year ended 30 June 2014 which is being audited by the Group's Independent Auditor and is expected to be made available in September 2014.

