Qantas Airways Limited

1H20 Results Supplementary Presentation

20 February 2020

ASX: QAN

US OTC: QABSY

Group Performance

1H20 key Group financial metrics

	1H20	1H19 (Restated)[10]	VLY %[11]	Comments
Underlying Profit Before Tax[1] ($M)	**771**	775	(0.5)	Strong result despite significant headwinds
Underlying Earnings per Share[2] (c)	**34.3**	31.3	9.6	Accretive benefit of share buy-backs
Statutory Profit Before Tax ($M)	**648**	691	(6.2)	1H19 included $88m benefit of gain on the sale of assets and reversal of impairment of an associate
Statutory Earnings per Share (c)	**28.8**	27.9	3.2	Accretive benefit of share buy-backs offset decline in earnings
Rolling 12 month ROIC[3] (%)	**19.6**	19.5	0.1 pts	Continued strong Group ROIC
Revenue ($M)	**9,464**	9,206	2.8	Modest recovery in domestic market in the second quarter
Operating cash flow ($M)	**1,475**	1,435	2.8	Strong 1H20 cashflow despite ~$300m of Australian tax instalments
Net debt[4] ($B)	**5.3**	5.2	(1.9)	Cash outflows for capex and tax skewed to the first half
Unit Revenue[5] (RASK)	**9.19**	8.94	2.8	
Total unit cost[6] (c/ASK)	**8.18**	7.93	(3.2)	
Ex-fuel unit cost[7] (c/ASK)	**5.60**	5.43	(3.1)	(0.7%) after normalising for domestic terminals transfer of ownership and freight revenue
Available Seat Kilometres[8] (ASK) (M)	**76,880**	76,854	–	
Revenue Passenger Kilometres[9] (RPK) (M)	**65,437**	64,958	0.7	

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. All items in the 1H20 Results Presentation are reported on an Underlying basis unless otherwise stated. Refer to slide 5 of this Presentation for a reconciliation of Underlying to Statutory PBT. 2. Underlying Earnings per Share is calculated as Underlying PBT less tax expense (based on the Group's effective tax rate 31.3% (1H19: 33.0%) divided by the weighted average number of shares during the year (consistent with the Statutory Earnings per Share calculation). 3. Return on Invested Capital (ROIC). For a detailed calculation of ROIC please see slide 10. 4. Net debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities. For a detailed calculation of net debt, please see slide 12. 5. Ticketed passenger revenue divided by ASKs. Subject to rounding. 6. Underlying PBT less ticketed passenger revenue per ASK. 7. Underlying PBT less ticketed passenger revenue, fuel and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in FX rates, non-cash impact of discount rate changes on provisions per ASK. 8. Total number of seats available for passengers multiplied by the number of kilometres flown. 9. Total number of passengers carried multiplied by the number of kilometres flown. 10. 1H19 restated for the impact of the adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets. 11. Variance to 1H19. Unfavourable variance shown as negative amount.

Underlying Income Statement summary

$M	1H20	1H19 (Restated)[2]	VLY %[3]	Comments
Net passenger revenue	8,305	8,027	3.5	Group Unit Revenue increase of 2.8%, strong ancillary revenue growth
Net freight revenue	496	525	(5.5)	Weak global demand for freight forwarding due to trade wars
Other revenue	663	654	1.4	
Total Revenue	**9,464**	**9,206**	**2.8**	
Operating expenses excluding fuel	(5,593)	(5,347)	(4.6)	FX impact on non-fuel costs, impact of terminal sales, airport charge increases and costs supporting revenue growth
Fuel	(1,975)	(1,963)	(0.6)	Increase in AUD fuel price offset efficiency improvements
Depreciation and amortisation	(1,006)	(983)	(2.3)	Three additional 787-9 Dreamliners received in 1H20, A380 reconfiguration
Share of net profit of investments accounted for under the equity method	10	3	>100	
Total Expenditure	**(8,564)**	**(8,290)**	**(3.3)**	
Underlying EBIT[1]	**900**	**916**	**(1.7)**	
Net finance costs	(129)	(141)	8.5	
Underlying PBT	**771**	**775**	**(0.5)**	

1. Underlying Earnings Before Net Finance Cost and Income Tax Expense (Underlying EBIT). 2. 1H19 restated for the impact of the adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets. 3. Unfavourable variance shown as negative amount.

Reconciliation to Underlying PBT

$M	1H20			1H19 (Restated)[2]		
	Statutory	Other items not included in Underlying PBT	Underlying[1]	Statutory	Other items not included in Underlying PBT	Underlying[1]
Net passenger revenue	8,305	–	8,305	8,027	–	8,027
Net freight revenue	496	–	496	525	–	525
Other revenue	663	–	663	654	–	654
Total Revenue	**9,464**	**–**	**9,464**	**9,206**	**–**	**9,206**
Manpower and staff related	(2,212)	34	(2,178)	(2,205)	37	(2,168)
Aircraft operating variable	(2,262)	–	(2,262)	(1,992)	2	(1,990)
Fuel	(1,975)	–	(1,975)	(1,963)	–	(1,963)
Depreciation and amortisation	(1,025)	19	(1,006)	(1,025)	42	(983)
Share of net profit of investments accounted for under the equity method	10	-	10	3	-	3
Other	(1,223)	70	(1,153)	(1,192)	3	(1,189)
Total Expenditure	**(8,687)**	**123**	**(8,564)**	**(8,374)**	**84**	**(8,290)**
EBIT	**777**	**123**	**900**	**832**	**84**	**916**
Net finance costs	(129)	–	(129)	(141)	–	(141)
PBT	**648**	**123**	**771**	**691**	**84**	**775**

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. All items in the 1H20 Results Presentation are reported on an Underlying basis unless otherwise stated. 2. 1H19 restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets.

Revenue detail

Net passenger revenue up 3%

- Group Unit Revenue increased 2.8%
  - Group Domestic[1] Unit Revenue increased 0.5%
  - Group International[2] Unit Revenue increased 4.8%
- Group capacity flat, disciplined capacity management in high fuel environment
- Net Revenue transformation benefits of $56m

Net freight revenue down 6%

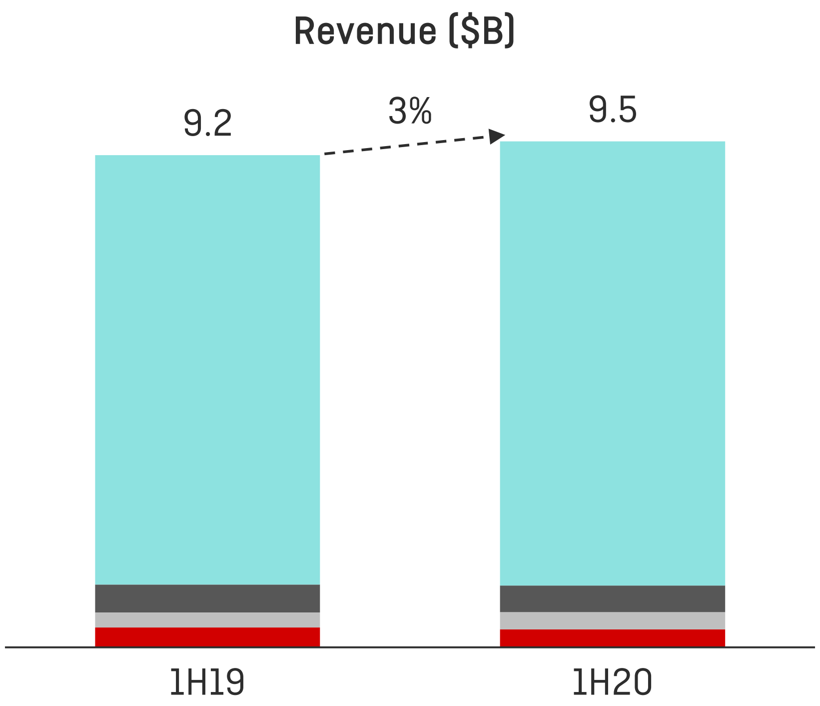
- Driven by softening in global demand due to USA/China trade war

Frequent flyer redemption, marketing, store and other revenue up 16%

- Increased redemptions in the core Loyalty business
- Increased points issuances from partners
- Growth in New Businesses

Revenue from other sources down 9%

- Decrease in third party service revenue following sale of the catering business
- Partially offset by increase in other revenue sources, loss of other revenue from terminal sales (e.g. retail, advertising, valet etc)



	1H19		1H20
RPKs (m)	64,958	0.7%	65,437
ASKs (m)	76,854	–	76,880

1. Includes Qantas Domestic and Jetstar Domestic. 2. Group International includes Qantas International, Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals) and Jetstar Asia (Singapore).

Expenditure detail

Fuel up 1%

- Impact of low AUD
- Lower USD jet fuel prices
- Offset by fuel efficiency initiatives and lower activity related consumption

Manpower and staff-related flat

- Increased flying and non-flying activity
- Offset by reduction following sale of the catering business

Aircraft operating variable (AOV) costs up 14%

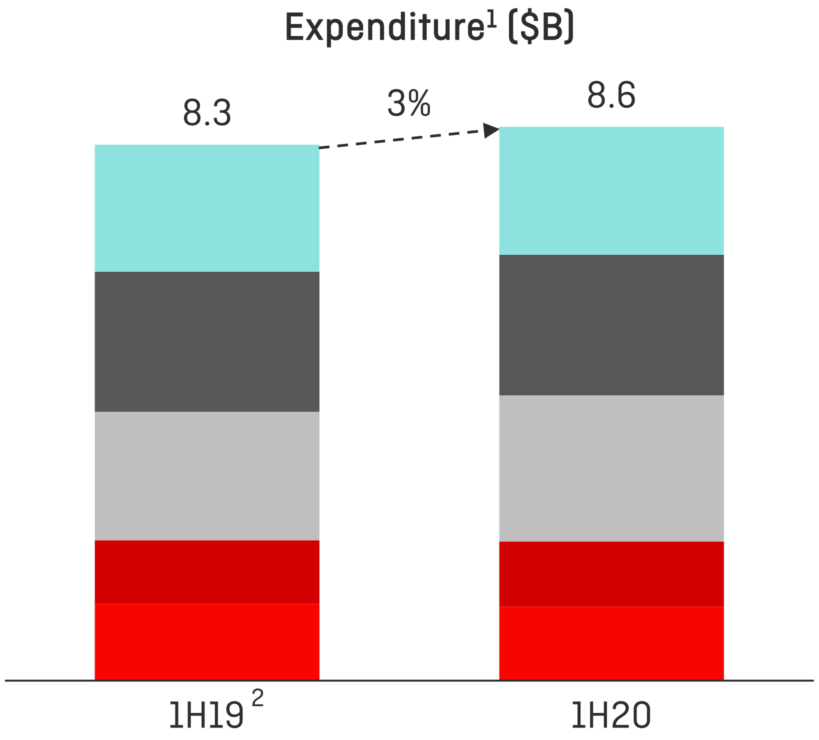
- Impact of network changes, fleet transition and increased passengers
- Impact of low AUD
- CPI partially offset by Transformation benefits
- Increase from transition to new catering contract from in-house
- Increase in airport charges and taxes; includes impact of domestic terminal sales

Depreciation and amortisation up 2%

- 787-9 aircraft additions, investment in Wi-Fi and aircraft reconfigurations
- Investment in lounges and technology

Other expenditure down 4%

- Property costs transferred to AOV due to sale of domestic terminals



	1H19		1H20
Passengers ('000)	28,500	1.3%	28,876
ASKs (m)	76,854	–	76,880

1. All expenditure is presented on an Underlying basis which excludes other items not included in Underlying PBT. 2. 1H19 restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets.

Cash flow

$M	1H20	1H19 (Restated)[2]	VLY %[3]
Operating cash flows	1,475	1,435	2.8
Investing cash flows (excluding aircraft operating lease refinancing)	(1,262)	(1,036)	(22)
Net free cash flow[1]	**213**	**399**	**(47)**
Aircraft operating lease refinancing	–	(88)	>100
Financing cash flows	(624)	(513)	(22)
Cash at beginning of year	2,157	1,694	27
Effects of FX on cash	(1)	2	(>100)
Cash at end of year	**1,745**	**1,494**	**17**

- Stable Statutory EBITDA[4] trend; Quality of earnings remains strong
- Operating cash flow variance to 1H19 related to timing differences
  - Temporary working capital shifts between 1H19 and 1H20
  - Lower option premium spend in 1H20
  - ~$300m increase in tax instalments paid in 1H20
- Investing cash flows skewed to first half
  - 3 x 787-9 deliveries in 1H20

1. Cash from operating activities less net cash used in investing activities (excluding aircraft operating lease refinancing). 2. 1H19 restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets. 3. Unfavourable variance shown as negative amount. 4. Earnings before income tax expense, net finance costs, depreciation and amortisation.

Invested Capital calculation

$M	Dec 19	Dec 18[3]
Receivables (current and non-current)	1,084	1,063
Inventories	379	367
Other assets (current and non-current)	607	648
Investments accounted for under the equity method	222	185
Property, plant and equipment	13,097	13,082
Intangible assets	1,263	1,161
Assets classified as held for sale	16	1
Payables	(2,358)	(2,291)
Provisions (current and non-current)	(1,449)	(1,271)
Revenue received in advance (current and non-current)	(5,763)	(5,519)
Capitalised aircraft leased assets[1]	1,369	1,433
Invested Capital	**8,467**	**8,859**
Average Invested Capital[2]	**8,387**	**8,782**

- Increase in provisions primarily due to impact of declining discount rates
- Increase in revenue received in advance due to increases in the value of forward bookings and unredeemed frequent flyer revenue

1. For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies with the calculated depreciation expense known as notional depreciation. The carrying value (AUD market value less accumulated notional depreciation) is reported within Invested Capital as capitalised aircraft leased assets. Where leased aircraft were classified as Finance Leases under the previous accounting standard (AASB 117), the capitalised amount and notional depreciation for ROIC is consistent with the recognised accounting values. 2. Equal to the 12 months average of monthly Invested Capital. 3. Restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets.

ROIC calculation

$M	12 mths to Dec 19	12 mths to Dec 18
Underlying PBT[1]	1,322	1,381
Add back: Underlying net finance costs	270	236
Add back: Non-cancellable aircraft operating lease rentals[1]	–	131
Add back: Lease depreciation under AASB 16	370	179
Less: Notional depreciation[2]	(109)	(117)
Less: Cash expenses for non-aircraft leases	(206)	(94)
ROIC EBIT	**1,647**	**1,716**

$M	As at 31 Dec 19	As at 31 Dec 18
Net working capital[3]	(7,500)	(7,003)
Fixed assets[4]	14,598	14,429
Capitalised aircraft leased assets[2]	1,369	1,433
Invested Capital	**8,467**	**8,859**
Average Invested Capital[5]	**8,387**	**8,782**
Return on Invested Capital (%)	**19.6**	**19.5**

1. The period 1 January 2018 to 30 June 2018 has not been restated. 1H19 and 2H19 restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets. 2. For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies with the calculated depreciation expense known as notional depreciation. The carrying value (AUD market value less accumulated notional depreciation) is reported within Invested Capital as capitalised aircraft leased assets. Where leased aircraft were classified as Finance Leases under the previous accounting standard (AASB 117), the capitalised amount and notional depreciation for ROIC is consistent with the recognised accounting values. 3. Net working capital is the net total of the following items disclosed in the Group's Consolidated Balance Sheet: receivables, inventories and other assets reduced by payables, provisions, revenue received in advance and liabilities classified as held for sale. 4. Fixed assets is the sum of the following items disclosed in the Group's Consolidated Balance Sheet: investments accounted for under the equity method, property, plant and equipment, intangible assets, and assets classified as held for sale. 5. Equal to the 12 months average of monthly Invested Capital.

Net debt target range

- Net debt target range = 2.0x – 2.5x ROIC EBITDAR where EBITDAR achieves a fixed 10% ROIC
- At current average Invested Capital of $8.4b, optimal net debt range is **$5.1b to $6.3b**
- Targeting net debt to be within the range on a **forward looking** basis

	$b	
Invested Capital	8.4	Average Invested Capital for the 12 months to December 2019
10% ROIC EBIT	0.8	Invested Capital x 10%
plus rolling 12 month ROIC depreciation[1]	1.7	Includes notional depreciation on aircraft operating leases
EBITDA where ROIC = 10%	2.5	
Net debt at 2.0x EBITDA where ROIC = 10%	5.1	**Net debt target range**[2]
Net debt at 2.5x EBITDA where ROIC = 10%	6.3	

Group leverage target consistent with investment grade credit metrics

1. Equal to the ROIC depreciation for the 12 months to 31 December 2019 and includes Group depreciation and amortisation, and notional depreciation on leased aircraft. 2. The appropriate level of net debt reflects the Qantas Group's size, measured by Invested Capital and is premised on maintaining ROIC above 10%.

Net debt

$M	1H20	FY19 (Restated)[4]	VLY $M[5]
Current interest-bearing liabilities on balance sheet	619	610	(9)
Non-current interest-bearing liabilities on balance sheet	4,767	4,527	(240)
Cash at end of period	(1,745)	(2,157)	(412)
Net on Balance Sheet Debt[1]	**3,641**	**2,980**	**(661)**
Capitalised aircraft lease liabilities[2]	1,632	1,730	98
Net Debt[3]	**5,273**	**4,710**	**(563)**

- Borrowings of $425m from $A Medium-Term Note
- Repayment of $189m secured amortising debt
- Reduction in cash at end of period includes three 787-9 deliveries cash purchased
- Decrease in capitalised aircraft lease liabilities reflects scheduled principal lease payments
- Lease principal repayments of $100m

1. Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents. 2. Capitalised aircraft lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft lease liability denominated in foreign currency is translated at the long-term exchange rate. 3. Net debt under the Group's Financial Framework includes net on balance sheet debt and capitalised aircraft lease liabilities. 4. Restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets. Finance leases previously recognised in interest-bearing liabilities are reclassed to lease liabilities in the statutory accounts and capitalised aircraft lease liabilities in the Group's Financial Framework. 5. Unfavourable variance shown as negative amounts.

Net debt movement

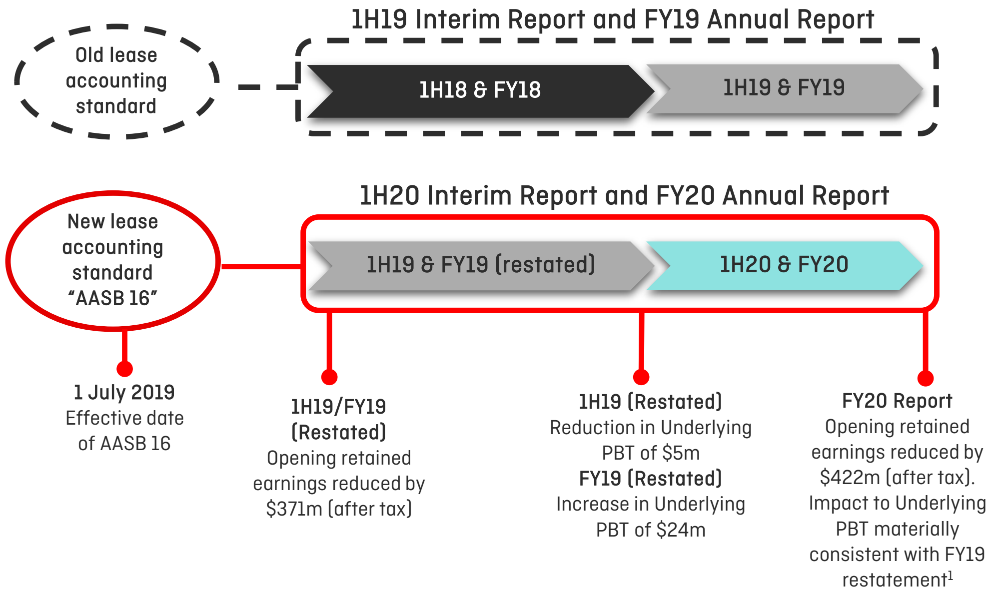
$M	1H20	1H19 (Restated)[1]
Opening Net Debt (30 June)	**(4,710)**	**(4,903)**
Net cash from operating activities	1,475	1,435
Less: Lease principal repayments	(205)	(187)
Add: Principal portion of aircraft lease rentals	100	90
Funds From Operations	**1,370**	**1,338**
Net cash from investing activities	(1,262)	(1,124)
Aircraft operating lease refinancing	–	88
Net Capex	**(1,262)**	**(1,036)**
Dividend paid to shareholders	(204)	(168)
Payments for share buy-back	(443)	(332)
Shareholder Distributions	**(647)**	**(500)**
Payment for treasury shares	(5)	(56)
FX revaluations and other fair value movements	(19)	(30)
Closing Net Debt (31 December)	**(5,273)**	**(5,187)**

- The Financial Framework considers aircraft leases as part of net debt
  - Aircraft leases are recognised in net debt at fair value
  - Principal portions of rentals are treated as debt reduction
  - Purchase of aircraft leases are treated as refinancing
  - Commencing (or returning) aircraft leases are treated as capital acquisitions / borrowings (or capital disposals / repayments)
  - AASB 16 *Leases* was adopted at 1 July 2019 and applied retrospectively. Under AASB 16, leases are recognised on the balance sheet and measured as the present value of future lease payments. This differs to the fair value at recognition approach under the Financial Framework
  - The adoption of AASB 16 does not change the Financial Framework that guides the Group's capital decisions

1. 1H19 restated for changes associated with the first time adoption of AASB 16 and the September 2019 IFRIC decision in relation to the accounting treatment of fair value hedges of foreign currency risk on non-financial assets.

Impact of AASB 16 adoption from 1 July 2019

The adoption of AASB 16 in 1H20 using the full retrospective approach required restatement of the 1H19 and FY19 result for comparative purposes. There is a net decrease in opening retained earnings as a result of retrospectively applying AASB 16 and the IFRIC Fair Value hedging agenda decision on Fair Value Hedges to prior periods



The main changes from existing accounting standards to the new requirements under AASB 16 are

Changes in balance sheet presentation – AASB 16 applies a similar accounting to finance leases under the previous standards, i.e. leases will be recognised on the balance sheet as depreciable assets and interest-bearing liabilities (for leases greater than 12 months and non-low value)

Changes in income statement presentation and timing – Previously operating leases were expensed on a straight-line basis. Under AASB 16, the lease expense will be split into interest and depreciation, impacting the measurement of EBIT. Similar to a mortgage, the interest expense will be higher at the start and lower towards the end of a lease.

Changes in cash flow presentation of lease expenses – Previously lease expenses were included within operating cash outflows. Under AASB 16, the principal portion of the lease cash flows will be included in financing activities and the interest portion will be included in operating cash flows (consistent with the presentation of other interest payments)

Foreign currency leases – Lease liabilities are recognised in their underlying currency. Non-AUD lease liabilities (primarily USD), will be remeasured each reporting date, creating volatility in the balance sheet and income statement. From 1 July 2019 the Group will manage this accounting volatility via cash flow hedge relationships as part of its risk management strategy

Revised definition of a lease – Certain contracts not previously accounted for as a lease are accounted for under the new lease accounting standard

Investment in Associates – AASB 16 has also been applied when determining the Group's share of profit of associates. Largest impact in associate airlines due to USD denominated aircraft leases

No change to Financial Framework as a result of adoption of AASB 16

1. Estimated impact subject to changes in FX rates, interest rates and leases in place compared to FY19.

Impact of AASB 16 on financial statement presentation

The adoption of AASB 16 has a number of impacts on financial statement metrics with general impacts outlined below.

	Metric	New Lease standard	Comments
Income Statement	Statutory EBIT	↑	Higher EBIT under AASB 16 as Interest on Leases excluded
	Statutory PBT	↕	Varies depending on where the Group is in the lease term. Lower PBT early in the lease. Higher PBT later in the lease
Balance Sheet	Right of use assets	↑	AASB 16 recognises new lease assets and lease liabilities for operating leases. At the start and at the end of a lease, these amounts are equal, however they have different profiles during the term, resulting in a retained earnings impact
	Leases and other related liabilities	↑	
	Equity	↓	Reduction due to lease liabilities being greater than lease assets
Cash Flow	Operating Cash Flows	↑	Lower outflows as principal portion of rentals moved to Financing Cash Flows
	Investing Cash Flows	=	No change (initial lease recognition = non-cash entry)
	Financing Cash Flows	↓	Higher outflows due to principal repayments of lease liabilities
	Cash	=	No change

AASB 16 and IFRIC fair value hedge restatement impact – Income Statement

$M	1H19				FY19			
	6 months ended 31 Dec 2018 (Reported)	AASB 16 Remeasurements	IFRIC Fair Value Hedges	6 months ended 31 Dec 2018 (Restated)	12 months ended 30 Jun 2019 (Reported)	AASB 16 Remeasurements	IFRIC Fair Value Hedges	12 months ended 30 Jun 2019 (Restated)
Net passenger revenue	8,027	-	-	8,027	15,696	-	-	15,696
Net freight revenue	525	-	-	525	971	-	-	971
Other revenue	654	-	-	654	1,299	-	-	1,299
Total Revenue and other income	**9,206**	**-**	**-**	**9,206**	**17,966**	**-**	**-**	**17,966**
Operating expenses (excl fuel)	5,436	(89)	-	5,347	10,786	(187)	-	10,599
Fuel	1,963	-	-	1,963	3,846	-	-	3,846
Depreciation and amortisation	814	173	(4)	983	1,605	340	(9)	1,936
Non-cancellable aircraft operating lease rentals	135	(135)	-	-	264	(264)	-	-
Share of net profit/(loss) of investments accounted for under the equity method	(13)	10	-	(3)	(22)	(1)	-	(23)
Underlying Total Expenditure	**8,335**	**(41)**	**(4)**	**8,290**	**16,479**	**(112)**	**(9)**	**16,358**
Underlying EBIT	**871**	**41**	**4**	**916**	**1,487**	**112**	**9**	**1,608**
Net finance costs	(91)	(50)	-	(141)	(185)	(97)	-	(282)
Underlying PBT	**780**	**(9)**	**4**	**775**	**1,302**	**15**	**9**	**1,326**
Items outside underlying	(45)	(17)	(22)	(84)	(37)	(47)	(50)	(134)
Statutory PBT	**735**	**(26)**	**(18)**	**691**	**1,265**	**(32)**	**(41)**	**1,192**

Impact of AASB 16 adoption from 1 July 2019

Impact on Underlying PBT

Decrease in 'Non-cancellable aircraft lease rentals' and 'Operating expenses' – Operating lease payments for aircraft, property and equipment, no longer recognised under AASB 16. Replaced with depreciation and interest

Increase in 'Depreciation and Amortisation' – Right of use asset created on balance sheet under AASB 16 and depreciated over lease term

Increase in 'Net Finance Costs' – Lease liability created on balance sheet under AASB 16. Interest expense is recognised in profit and loss and liability reduced by lease payments

Impact on items outside Underlying PBT

Net gain on disposal of catering business – Applying AASB 16 to the Group's Catering business prior to disposal reduced the net assets disposed and increased the gain on sale recognised outside of Underlying PBT

Unrealised FX movements from IFRIC Agenda Decision transition and AASB 16 adoption – Group's accounting hedge designations in place from 1 July 2019 (adoption date). FX movements in FY19, while economically hedged under Group's risk management policy, were not designated hedges under AASB 9 and therefore unrealised movements were recognised immediately in the income statement. Recognised outside of Underlying PBT in restated 1H19, FY19 to ensure comparability

Group Operational Information

Fleet strategic priorities

Qantas Group fleet strategy

Right aircraft

Right route

Maintain flexibility

Maintain competitiveness

Current priorities

Renewal

- Grow 787-9 Dreamliner fleet to 14 aircraft
- All 747s retired by end of 2020
- Ordered 18 x A321LR NEOs to replace A320 aircraft and provide flexibility
- Now have options for up to 36 x A321 XLRs and increased NEO family order by 10 to 109[1] aircraft
- Selected A350-1000 as preferred aircraft for Project Sunrise

Refurbishment

- A380 refurbishment program to be completed by end of 2020
- Wi-Fi fit out substantially complete
- Interior refresh of 45 Turboprop regional aircraft
- Additional A320 aircraft transferred to QantasLink to service intra WA resources market

Investment plan maintains fleet competitiveness in every market served

1. 109 includes order for 18 x A321LR NEOs

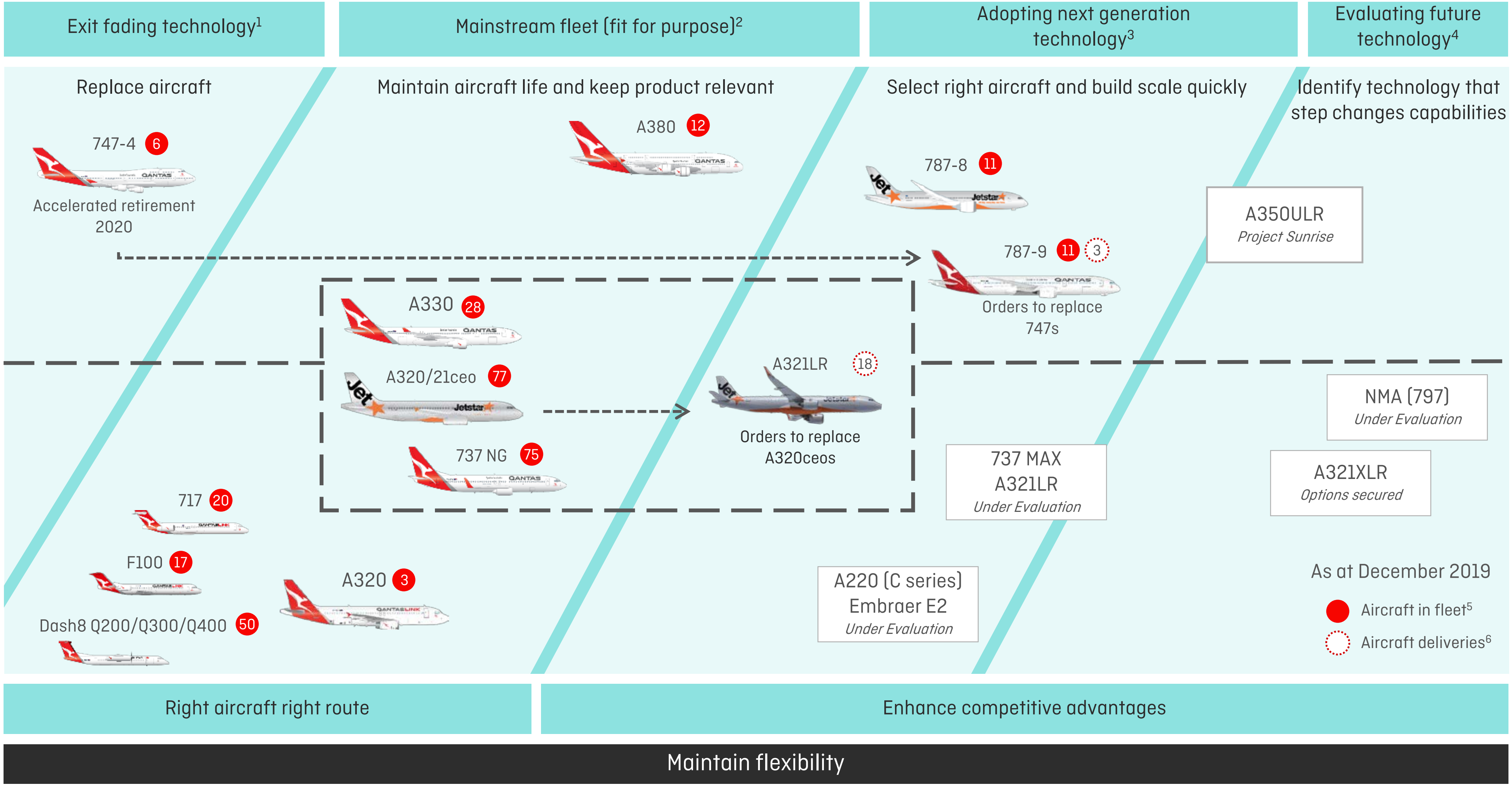
Fleet as at 31 December 2019

Aircraft Type	1H20	FY19	Change
A380-800	12	12	–
747-400[1]	–	1	(1)
747-400ER	6	6	–
A330-200	18	18	–
A330-300	10	10	–
737-800NG	75	75	–
787-9[2]	11	8	3
Total Qantas	**132**	**130**	**2**
717-200	20	20	–
Q200/Q300[3,4]	19	14	5
Q400	31	31	–
F100	17	17	–
A320-200[5]	3	2	1
Total QantasLink	**90**	**84**	**6**
Q300[3]	–	5	(5)
A320-200[5,6]	69	70	(1)
A321-200	8	8	–
787-8	11	11	–
Total Jetstar	**88**	**94**	**(6)**
737-300SF	4	4	–
737-400SF	1	1	–
767-300SF	1	1	–
Total Freight[7]	**6**	**6**	**–**
Total Group	**316**	**314**	**2**

- Group fleet[8] of 316 aircraft as at 31 December 2019. Movements in 1H20 include:
  - Three 787-9 additions
  - One 747-400 disposal
  - Five Q300 and one A320-200 transferred from Jetstar to QantasLink

1. Includes disposal of one B747-400 aircraft VH-OJU sold in October 2019. 2. Includes three new B787-9 aircraft delivered during 1H20. 3. Five Q300 aircraft previously operated by Jetstar New Zealand Regionals have been returned to QantasLink in December 2019. 4. Three Q300 aircraft are classified as held for sale as at 31 December 2019. 5. One A320-200 aircraft was transferred from Jetstar to QantasLink in September 2019. 6. Includes Jetstar Asia (Singapore) fleet (18 X A320), excludes Jetstar Pacific (Vietnam) and Jetstar Japan. 7. Qantas Group wet leases two 747-800 freighter aircraft and four BAe146 freighter aircraft (not included in the table). 8. Includes purchased and leased aircraft.

The Qantas fleet is ‘fit for purpose’

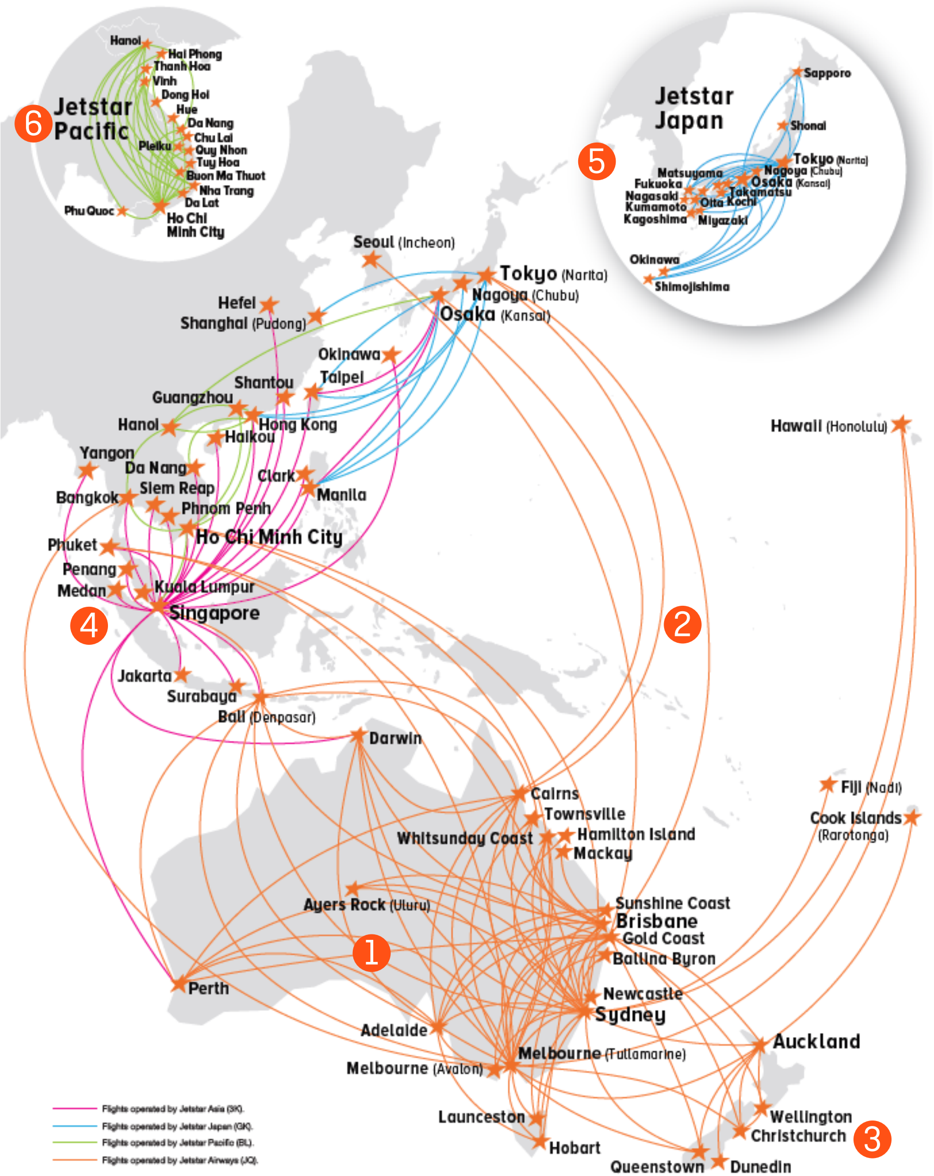


1. Aircraft planned for retirement from Qantas fleet. 2. Aircraft widely operated by global peers and regional competitors as at Dec 2019. 3. Aircraft with industry-leading technology, and greater fuel efficiency and range flexibility than mainstream technology. 4. Aircraft under production not yet in commercial operation or aircraft under development as at Dec 2019. 5. As at Dec 2019. 6. Represents aircraft orders with confirmed delivery date by 2022 at time of publication. Qantas has 39 purchase options for 787 aircraft, and an existing order of 109 A320 aircraft beginning with 18 A321LRs from 2020, including options for up to 36 A321XLRs. Remaining delivery dates yet to be determined.

Supplementary Segment Information

Jetstar Group

Business	Ownership[1]	Launch	Aircraft[2]
1 Jetstar Australia	100%	2004	52 x A320s/A321s
2 Jetstar International	100%	2006	11 x 787-8s
3 Jetstar New Zealand[3]	100%	2009	7 x A320s
4 Jetstar Asia (Singapore)	49%	2004	18 x A320s
5 Jetstar Japan	33%	2012	25 x A320s
6 Jetstar Pacific (Vietnam)[4]	30%	2008	18 x A320s/A321s



1. Based on voting rights. 2. Represents operational fleet (includes aircraft subleased for Jetstar operations, excludes subleased aircraft to external parties). 3. Includes Jetstar Trans-Tasman services commenced in 2005 and Jetstar New Zealand (Domestic) services commenced in 2009, Jetstar New Zealand (Regional) business exited September 2019. 4. Jetstar Pacific (Vietnam) rebranded in 2008.

Jetstar in Asia[1]

- Adapting the Jetstar network in Asia to take advantage of changing market conditions
  - Jetstar commenced first LCC service directly linking Australia and South Korea with strong early demand[2]. Funded by withdrawal of Zhengzhou, China Charter
  - Jetstar Asia announced launch[3] of services between Singapore and Colombo, Sri Lanka with connectivity to Australia. Funded by withdrawal of Hong Kong services
  - Jetstar Japan launched two new domestic routes (Osaka to Shimojishima, Narita to Shonai)
- Jetstar Japan remains profitable[4] despite impact of Hong Kong protests, increased international competition and natural disasters
  - Retains leading domestic LCC position[5] in growing market[6]
- Jetstar Asia (Singapore) earnings[7] remain challenged[8] due to higher fuel[9], FX and airport charges and taxes
- Jetstar Pacific (Vietnam) improved result[4] in increasingly competitive environment with new carriers aggressively ramping up capacity

Adapting Asian network to maximise opportunities in changing conditions

1. Jetstar operations in Asia includes Jetstar Australia Asian flights, Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific (Vietnam). 2. Flights from the Gold Coast to Seoul commenced in December 2019. 3. Subject to government and regulatory approvals, operational launch from July 2020. 4. Share of Statutory Net Profit. 5. Measured as percentage of market share based on ASKs. Source: Diio Mi. Japanese Low Cost Carrier (LCC) includes Jetstar Japan, Vanilla Air, Peach Aviation, Spring Airlines Japan and Air Asia Japan. 6. Based on passengers. 7. Underlying EBIT. 8. Compared to FY19 restated for changes associated with the first time adoption of AASB 16. 9. Fuel cost includes cost of hedging and FX on fuel.

Diversification and growth at Qantas Loyalty

One of the world's most diverse airline loyalty programs

FREQUENT FLYER / BUSINESS REWARDS

- 5% growth[1] in QFF membership; 26% growth in QBR[2] membership with >280,000 SME members[3]
- >550 Coalition Partners[4]; 18 new QBR partners onboarded
- BP partnership launched 1 February; first phase rollout for QBR[2] members
- Incentivising QFF members to fly carbon neutral, with 10 Qantas Points per $1 spend; 34% increase in member participation[5]

QANTAS INSURANCE

- Car Insurance launched 29 October with a market differentiated proposition, earning points for completing car safety challenges
- >640k wellbeing app downloads and >900b steps taken since launch, also rewarding customers for healthy sleeping, cycling, swimming and health checks
- >$230m in Health and Life Premiums[6] sold since launch; 38% growth in net persons insured[7]; #2 for growth in net persons insured for the past two years[8]

QANTAS MONEY

- >11b points earned across all Premier credit card products[9] since launch
- >$5b loaded on Qantas Travel Money[10] since launch; 10% growth in total card activations to >875k[1]

QANTAS HOTELS

- 30%[7] growth in revenue, from >330k guest bookings across >350k available properties[11]
- Fastest growing non-air redemption channel[12]; expanding holiday offerings for members to earn and redeem more Qantas Points

Leadership in customer advocacy in airline loyalty programs[13]

1.Compared to December 2018. 2. Qantas Business Rewards. 3. As at 31 December 2019. 4. Includes Airline, Retail, Financial Services and Health and Wellness partners. 5. Since offer launch. Source: Qantas internal reporting. 6. Represents annualised premiums for Health joins (full 12 month premiums not factoring in lapses or downgrades) plus net new premium sales for Life Insurance. 7. 1H20 compared to 1H19. 8. Analysis based on Australian Prudential Regulation Authority Operations of Private Health Insurers report for FY17, FY18, FY19. 9. Includes Qantas Premier Everyday; Qantas Premier Platinum; and Qantas Premier Titanium 10. Previously known as Qantas Cash. From launch on 29 August 2013 to 31 December 2019. 11. Bookings made during 1H20. Available properties as at 31 December 2019. 12. Based on Total Points redeemed. 13. Qantas Internal Reporting.

Glossary

Available Seat Kilometres (ASK) – Total number of seats available for passengers, multiplied by the number of kilometres flown

Capital expenditure (Capex) – Net investing cash flows included in the Consolidated Cash Flow Statement (excluding aircraft lease refinancing) and the impact to Invested Capital from acquiring or returning leased aircraft

CPI – Consumer Price Index

EBIT – Earnings before interest and tax

EPS – Earnings per share. Statutory profit after tax divided by the weighted average number of issued shares, rounded to the nearest cent.

Fixed assets - Sum of the following items disclosed in the Group's Consolidated Balance Sheet: investments accounted for under the equity method, property, plant and equipment, intangible assets, and assets classified as held for sale

FX – Foreign exchange

Invested Capital – Net assets (excluding cash, debt, other financial assets and liabilities and tax balances) including capitalised aircraft lease assets

LCC – Low Cost Carrier

Net debt – includes net on balance sheet interest-bearing liabilities and capitalised aircraft lease liabilities

Net free cash flow – Net cash from operating activities less net cash used in investing activities (excluding aircraft lease refinancing)

Net on balance sheet debt – Interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents

Net Working capital – Net total of the following items disclosed in the Group's Consolidated Balance Sheet: receivables, inventories and other assets reduced by payables, provisions, revenue received in advance and liabilities classified as held for sale

NPS – Net promoter score. Customer advocacy measure

Operating Margin – Underlying EBIT divided by Total Revenue

PBT – Profit before tax

QBR – Qantas Business Rewards

QFF – Qantas Frequent Flyer

Return on Invested Capital (ROIC) – ROIC EBIT for the 12 months ended for the reporting period, divided by the 12 months average Invested Capital

Revenue Passenger Kilometre (RPK) – Total number of passengers carried, multiplied by the number of kilometres flown

Seat factor – Revenue passenger kilometres divided by available seat kilometres

SME – Small to medium enterprise

Ticketed passenger revenue – Uplifted passenger revenue included in Net Passenger Revenue

Total Unit Cost – Underlying PBT less ticketed passenger revenue per available seat kilometre (ASK)

Unit Revenue – Ticketed passenger revenue per available seat kilometre (ASK)

WACC – Weighted average cost of capital calculated on a pre-tax basis

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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 20 February 2020, unless otherwise stated. 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
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