

A STRONG, SUSTAINABLE FUTURE

QANTAS NOTICE OF MEETING 2015



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Qantas Share Registry

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CHAIRMAN'S LETTER TO SHAREHOLDERS

28 August 2015

Dear Shareholder

On behalf of the Board of Directors, I invite you to the 2015 Annual General Meeting (AGM) of Qantas Airways Limited (Qantas) to be held on Friday 23 October 2015 at 11am in the Riverside Theatre at the Perth Convention and Exhibition Centre.

The AGM is an important event for Qantas and provides shareholders with an opportunity to receive an update on Qantas' performance during the year, to ask questions of the Board and Management as well as Qantas' Auditor, and to vote on items of business before the AGM.

Enclosed is the 2015 Notice of Meeting, together with the Proxy Form and AGM Question Form. A map of the AGM venue detailing parking and public transport information is also enclosed for your convenience.

If you are attending the AGM, please bring your personalised Proxy Form with you. This will allow Qantas' Share Registry to promptly register your attendance.

If you are unable to attend the AGM, you can:

- Lodge a proxy vote or appoint a proxy to attend and vote on your behalf at the AGM by completing the enclosed Proxy Form and returning it to Qantas' Share Registry in the enclosed reply paid envelope or by lodging your vote online via qantas.com.au/travel/airlines/investors-annual-meetings/global/en;
- Submit questions to me or to Qantas' Auditor by completing the enclosed AGM Question Form and returning it to Qantas' Share Registry; and
- Follow a live webcast of the AGM proceedings via qantas.com.au/travel/airlines/investors-annual-meetings/global/en.

Following conclusion of the AGM, you are welcome to join the Board and Management for light refreshments.

The Board and I look forward to seeing you at the AGM and we thank you for your continued support.

Yours faithfully



Leigh Clifford
Chairman

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting (AGM) of Qantas Airways Limited ABN 16 009 661 901 (Qantas) will be held:

Date: Friday 23 October 2015

Time: 11am

Venue: Riverside Theatre
Perth Convention and Exhibition Centre
21 Mounts Bay Road
Cloisters Square, Perth, Western Australia 6850

Please refer to the enclosed map.

Shareholders who are unable to attend the AGM and who have access to the Internet will be able to access a live webcast of the AGM on the Qantas website at qantas.com.au/travel/airlines/investors-annual-meetings/global/en.

ITEMS OF BUSINESS

1. CONSIDERATION OF REPORTS

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of Qantas Airways Limited for the financial year ended 30 June 2015.

2. ELECTION OF DIRECTORS

2.1 Leigh Clifford

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That Leigh Clifford, a Non-Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-Executive Director of Qantas Airways Limited."

2.2 William Meaney

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That William Meaney, a Non-Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-Executive Director of Qantas Airways Limited."

2.3 Paul Rayner

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That Paul Rayner, a Non-Executive Director retiring in accordance with the Constitution, being eligible, is re-elected as a Non-Executive Director of Qantas Airways Limited."

2.4 Todd Sampson

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That Todd Sampson, a Non-Executive Director appointed by the Directors on 25 February 2015 pursuant to clause 6.5(a) of the Constitution, retiring in accordance with the Constitution, being eligible, is elected as a Non-Executive Director of Qantas Airways Limited."

3. PARTICIPATION OF THE CHIEF EXECUTIVE OFFICER, ALAN JOYCE, IN THE LONG TERM INCENTIVE PLAN

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That Alan Joyce, the Chief Executive Officer of Qantas Airways Limited, is permitted to participate in the Qantas Long Term Incentive Plan as contemplated by the Explanatory Notes accompanying the 2015 Notice of Meeting."

4. REMUNERATION REPORT

To consider and, if considered appropriate, pass the following Advisory Resolution:

"That the Remuneration Report for the year ended 30 June 2015 (set out in the Directors' Report) is adopted."

5. RETURN OF CAPITAL

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That, conditional on the passing of the resolution proposed in Item 6 (Share Consolidation), approval is given for the share capital of Qantas to be reduced by approximately \$505 million, to be effected by Qantas paying each shareholder (as at the record date of 4pm AEDT on Thursday 29 October 2015) the amount of 23 cents for each share held at that time."

6. SHARE CONSOLIDATION

To consider and, if considered appropriate, pass the following Ordinary Resolution:

"That, conditional on the passing of the resolution proposed in Item 5 (Return of Capital to Shareholders), with effect from 30 October 2015, the share capital of Qantas will be consolidated through the conversion of each share into 0.939 of a share, and that any resulting fractions of a share held by a shareholder be rounded up to the next whole number of shares."

By Order of the Board



Andrew Finch
Company Secretary
28 August 2015

EXPLANATORY NOTES

1. CONSIDERATION OF REPORTS

The Financial Report, the Directors' Report and the Independent Auditor's Report for the year ended 30 June 2015 (which are contained in the Annual Report 2015) will be presented for consideration.

A printed copy of the Annual Report 2015, or an email advising that the Annual Report 2015 is available on the Qantas website at qantas.com.au/travel/airlines/investors-annual-reports/global/en, has been sent to each shareholder who has requested it.

Following the Consideration of Reports, the Chairman will give shareholders a reasonable opportunity to ask questions about, or comment upon, the management of Qantas.

The Chairman will also provide shareholders a reasonable opportunity to ask the Auditor questions relating to:

- the conduct of the audit;
- the preparation and content of the Independent Auditor's Report;
- the accounting policies adopted by Qantas in relation to the preparation of the financial statements; and
- the independence of the Auditor.

The Chairman will also give the Auditor a reasonable opportunity to answer written questions submitted by shareholders relating to the content of the Independent Auditor's Report or the conduct of the audit. A list of written questions to the Auditor submitted by shareholders, if any, will be made available to shareholders at the start of the AGM and any written answers tabled by the Auditor at the AGM will be made available as soon as practicable.

2. ELECTION OF DIRECTORS

2.1 Leigh Clifford

Leigh Clifford retires by rotation and, being eligible, offers himself for re-election as an Independent Non-Executive Director.

Mr Clifford was appointed to the Qantas Board in August 2007 and as Chairman in November 2007.

He is Chairman of the Nominations Committee.

Mr Clifford is a Director of Bechtel Group Inc and Chairman of Bechtel Australia Pty Ltd, the Murdoch Childrens Research Institute and the National Gallery of Victoria Foundation. He is a Senior Advisor to Kohlberg Kravis Roberts & Co and a Member of the Council of Trustees of the National Gallery of Victoria. Mr Clifford was previously a Director of Barclays Bank plc and Freeport-McMoRan Inc.

Mr Clifford was Chief Executive of Rio Tinto from 2000 to 2007. He retired from the Board of Rio Tinto in 2007 after serving as a Director of Rio Tinto plc and Rio Tinto Limited for 13 and 12 years respectively. His executive and board career with Rio Tinto spanned some 37 years, in Australia and overseas.

The Board believes that Mr Clifford provides effective leadership to the Board through his extensive strategic, operational and management experience and brings considerable strength to the Board and its deliberations generally.

Mr Clifford says, "It is a privilege to serve as a Director of Qantas. I look forward to contributing to Qantas' ongoing success".

The Directors (with Mr Clifford abstaining) recommend that you vote in favour of this Ordinary Resolution.

2.2 William Meaney

William Meaney retires by rotation and, being eligible, offers himself for re-election as an Independent Non-Executive Director.

William Meaney was appointed to the Qantas Board in February 2012.

He is a Member of the Safety, Health, Environment and Security Committee and the Remuneration Committee.

Mr Meaney is the President and Chief Executive Officer of Iron Mountain Inc. He is a Member of the Asia Business Council and also serves as Trustee of Carnegie Mellon University and Rensselaer Polytechnic Institute.

Mr Meaney was formerly the Chief Executive Officer of the Zuellig Group and a Director of moksha8 Pharmaceuticals Inc. He was also the Managing Director and Chief Commercial Officer of Swiss International Airlines and Executive Vice President of South African Airways responsible for sales, alliances and network management.

Prior to these roles, Mr Meaney spent 11 years providing strategic advisory services at Genhro Management Consultancy as the Founder and Managing Director, and as a Principal with Strategic Planning Associates.

Mr Meaney holds United States, Swiss and Irish citizenships.

The Board believes that Mr Meaney's aviation, management and international experience adds significant benefit to the deliberations of the Board, Remuneration Committee and Safety, Health, Environment and Security Committee.

Mr Meaney says, "I am honoured to serve as an Independent Non-Executive Director of Qantas. I look forward to continuing to apply my skills and experience for the benefit of Qantas, its shareholders and stakeholders".

The Directors (with Mr Meaney abstaining) recommend that you vote in favour of this Ordinary Resolution.

2.3 Paul Rayner

Paul Rayner retires by rotation and, being eligible, offers himself for re-election as an Independent Non-Executive Director.

Paul Rayner was appointed to the Qantas Board in July 2008.

He is Chairman of the Remuneration Committee and a Member of the Nominations Committee.

Mr Rayner is Chairman of Treasury Wine Estates Limited, a Director of Boral Limited and Chairman of its Audit Committee, and a Director of the Murdoch Childrens Research Institute.

Mr Rayner was formerly a Director of Centrica plc from 2004 to 2014 and Chairman of its Audit Committee from 2004 to 2013.

From 2002 to 2008, Mr Rayner was Finance Director of British American Tobacco plc based in London. Mr Rayner joined Rothmans Holdings Limited in 1991 as its Chief Financial Officer and held other senior executive positions within the Group, including Chief Operating Officer of British American Tobacco Australasia Limited from 1999 to 2001.

Previously Mr Rayner worked for 17 years in various finance and project roles with General Electric, Rank Industries and the Elders IXL Group.

EXPLANATORY NOTES CONTINUED

The Board believes that Mr Rayner's significant financial, operational and international experience, together with his experience as a professional director, enables him to make a considerable contribution to the Board, Remuneration Committee and Nominations Committee.

Mr Rayner says, "It is a privilege to serve as a Director of Qantas. I believe my skills in consumer marketing and finance, together with my extensive international business experience, enable me to bring a balanced perspective to the Board's deliberations for the benefit of all shareholders".

The Directors (with Mr Rayner abstaining) recommend that you vote in favour of this Ordinary Resolution.

2.4 Todd Sampson

Todd Sampson was appointed by the Directors as an Independent Non-Executive Director on 25 February 2015 pursuant to clause 6.5(a) of the Qantas Constitution, which allows the Board to appoint a Director to fill a casual vacancy or as an addition to the existing Directors. Mr Sampson retires as required by clause 6.5(b) of the Qantas Constitution and, being eligible, offers himself for election as an Independent Non-Executive Director.

Mr Sampson is a Member of the Qantas Remuneration Committee.

He has been the National CEO of the Leo Burnett Group since 2008 and also sits on the board of Fairfax Media.

Mr Sampson has almost 20 years experience across marketing, communication, new media and digital transformation. He has held senior leadership and strategy roles for a number of leading communication companies in Australia and overseas, including as Managing Partner for D'Arcy, Strategy Director for The Campaign Palace and Head of Strategy for DDB Needham Worldwide.

The Board believes Mr Sampson's significant marketing and management experience enables him to make a valuable contribution to the Board and the Remuneration Committee.

Mr Sampson says, "I am honoured to serve as an Independent Non-Executive Director of the Qantas Board. I look forward to continuing to apply my extensive marketing and management skills and experience for the benefit of Qantas, its shareholders and stakeholders".

The Directors (with Mr Sampson abstaining) recommend that you vote in favour of this Ordinary Resolution.

3. PARTICIPATION OF THE CHIEF EXECUTIVE OFFICER, ALAN JOYCE, IN THE LONG TERM INCENTIVE PLAN

The approval of shareholders is sought to permit the Chief Executive Officer (CEO) to participate in the 2016–2018 Long Term Incentive Plan (LTIP) for FY2016 (2015 Grant).

Under ASX Listing Rule 10.15B, shareholder approval is not required where the CEO acquires securities under an employee equity incentive plan and those securities are acquired on-market.

While it is the Board's current intention that any shares that may be awarded to the CEO will be purchased on-market, shareholder approval of Mr Joyce's participation in the 2015 Grant is being sought regardless.

The LTIP reward opportunity for the CEO for FY2016 has been set at 80 per cent of Fixed Annual Remuneration (FAR). In setting this target, the Board makes reference to external benchmark market data, including comparable roles in other listed Australian companies and international airlines. The primary benchmark is a revenue-based peer group of other ASX 100 companies. The Board believes that this is an appropriate benchmark as it is the comparator group that best mirrors the size, complexity and challenges of managing Qantas' business. It is also the peer group with which Qantas competes for executive talent.

An overview of the 2015 Grant to Mr Joyce is set out below. Further details of Mr Joyce's remuneration package are set out in the Remuneration Report on pages 28 to 46 of the Annual Report 2015.

Maximum Entitlement under 2015 Grant

Subject to shareholder approval, Mr Joyce will be granted 947,000 Performance Rights (Rights) under the 2015 Grant.

At the end of the three year performance period for the 2015 Grant (Performance Period), performance conditions (Performance Conditions) and service conditions (Service Conditions) for the 2015 Grant are tested.

If the Performance Conditions and Service Conditions are fully achieved, the Rights vest and convert to Qantas shares on a one-for-one basis. If the Performance Conditions are not achieved, the Rights lapse.

The Performance Conditions and Service Conditions are detailed below.

The number of Rights to be granted to Mr Joyce has been calculated as follows:

$$947,000 \text{ Rights} = \frac{(\$2,125,000 \times 80\%)}{\$1.795 \text{ per Right}}$$

Where:

- \$2,125,000 is Mr Joyce's FAR for FY2016;
- 80 per cent is the 'at target' percentage of FAR determined by the Board for Mr Joyce's 2015 Grant; and
- \$1.795 is the fair value of each Right as at 30 June 2015.

The fair value of each Right was determined from a valuation performed by PricewaterhouseCoopers, in accordance with AASB 2: Share-based Payments as at 30 June 2015 (being the last day before commencement of the Performance Period). The fair value calculation reflects the possibility that the performance hurdles applicable to the 2015 Grant may not be met and is discounted for the estimated value of dividends forgone during the vesting period.

EXPLANATORY NOTES CONTINUED

Grant Date of Rights

If shareholder approval is obtained, the Rights will be granted to Mr Joyce no later than 30 days after the date of the AGM.

Performance Period

The Performance Period commenced on 1 July 2015 and ends on 30 June 2018.

Performance Conditions

Qantas' financial framework targets top quartile total shareholder return (TSR) performance relative to ASX 100 companies and global airline peers and therefore relative TSR performance against these groups has been chosen as the performance measure for the LTIP.

a) Companies with ordinary shares included in the S&P/ASX 100 Index (ASX100)

Up to one-half of the total number of Rights granted to the CEO may vest based on the relative growth in the TSR of Qantas in comparison to the ASX 100 as follows:

Qantas TSR performance compared to the ASX 100	Satisfaction of performance hurdle
0 to 49th percentile	Nil
50th to 74th percentile	Linear scale: 50% to 99% satisfied
75th to 100th percentile	100% satisfied

b) Basket of Global Listed Airlines

Up to one-half of the total number of Rights granted to the CEO may vest based on the relative growth in the TSR of Qantas in comparison to the basket of global listed airlines (Global Listed Airlines) selected by the Board as follows:

Qantas TSR performance compared to the Global Listed Airlines	Satisfaction of performance hurdle
0 to 49th percentile	Nil
50th to 74th percentile	Linear scale: 50% to 99% satisfied
75th to 100th percentile	100% satisfied

The Global Listed Airlines peer group has been selected with regard to the level of government involvement, representation of Qantas' key markets, both full service and value based carriers, and continuing financial performance:

- Air Asia
- Air France / KLM
- Air New Zealand
- All Nippon Airways
- American Airlines
- British Airways / Iberia (International Airlines Group)
- Cathay Pacific
- Delta Airlines
- Easyjet
- Japan Airlines
- LATAM Airlines Group
- Lufthansa
- Ryanair
- Singapore Airlines
- Southwest Airlines
- Tiger Airways
- United Continental
- Virgin Australia

Service Conditions

If the Performance Conditions are satisfied, the portion of the Rights that vest will be based on Mr Joyce's service during the Performance Period. Unless the Board determines otherwise, there will be a pro-rated reduction in the number of Rights that will vest if Mr Joyce works less than full time hours during the Performance Period, or if Mr Joyce works less than the full three year Performance Period, or if Mr Joyce takes a period of leave without pay of 30 days or more during the Performance Period.

Price on Grant or Vesting

No amount will be payable in respect of the Grant or upon vesting of the Rights.

Further Trading Restrictions

Any shares allocated on vesting of the Rights will be subject to the Qantas Employee Share Trading Policy, but not to any other trading restrictions.

Cessation of Employment

Mr Joyce will forfeit any Rights which have not vested if he ceases employment with the Qantas Group.

In limited circumstances (for example, retirement, redundancy, death or total and permanent disablement), Mr Joyce may receive a deferred cash payment at the end of the Performance Period. Any such payment will be determined with regard to the value of the Rights which would have vested had they not lapsed and:

- the part of the Performance Period that Mr Joyce served prior to ceasing employment; and
- the degree to which the Performance Conditions have been achieved.

The Board retains discretion to determine otherwise in appropriate circumstances, which may include leaving some or all of the Rights on foot, or for some or all of the Rights to vest on cessation of employment having regard to the portion of the Performance Period that has elapsed and the degree to which the Performance Conditions have been achieved.

Other Information

Mr Joyce is the only Qantas Director who is eligible to participate in Qantas' equity incentive plans. Mr Joyce was granted 3,248,000 Rights under the 2015-2017 LTIP, following shareholder approval at the 2014 AGM. These Rights are subject to performance hurdles which will be tested as at 30 June 2017. These Rights were provided at no cost to Mr Joyce.

Voting on Ordinary Resolution 3

Key Management Personnel (KMP) means Directors of Qantas and those persons having authority and responsibility for planning, directing and controlling the activities of Qantas, directly or indirectly. KMP or their closely related parties cannot cast a vote as a proxy for a shareholder entitled to cast a vote, if the proxy is not directed how to vote, on Ordinary Resolution 3 unless:

- the KMP is the Chairman of the Meeting; and
- the appointment of the Chairman as proxy expressly authorises him to exercise the proxy in accordance with a direction to vote as he decides, even though Ordinary Resolution 3 is connected directly with the remuneration of a KMP.

EXPLANATORY NOTES CONTINUED

Qantas will disregard any votes cast on Ordinary Resolution 3 by or on behalf of Mr Joyce and his associates, except if the votes are cast as a proxy for a shareholder entitled to cast a vote, in accordance with the directions on the Proxy Form.

The Directors (with Mr Joyce abstaining) recommend that you vote in favour of this Ordinary Resolution.

4. REMUNERATION REPORT

The 2015 Remuneration Report is contained in the Directors' Report set out at pages 28 to 46 of the 2015 Qantas Annual Report.

The 2015 Remuneration Report:

- explains Qantas' executive remuneration philosophy and objectives and the link between the remuneration of employees and Qantas' performance;
- sets out remuneration details for each Director and for each named Executive; and
- makes clear that the basis for remunerating Non-Executive Directors is distinct from the basis for remunerating Executives, including Executive Directors.

The Chairman will give shareholders a reasonable opportunity to ask questions about, or comment upon, the 2015 Remuneration Report.

An Advisory Resolution that the 2015 Remuneration Report is adopted will then be put to a shareholder vote.

Voting on Advisory Resolution

Qantas will disregard any votes cast on this Advisory Resolution by or on behalf of a KMP whose remuneration is detailed in the Remuneration Report and their closely related parties, except if the votes are cast as a proxy for a shareholder entitled to cast a vote in accordance with the voting directions on the Proxy Form.

However, the Chairman of the Meeting may vote an undirected proxy as they decide on this Advisory Resolution if the proxy appointment expressly authorises the Chairman to exercise the proxy, even though this Advisory Resolution is connected directly with the remuneration of a KMP.

The Directors recommend that you vote in favour of this Advisory Resolution.

5. & 6. PROPOSED CAPITAL MANAGEMENT INITIATIVE

On 20 August 2015, Qantas announced that the Board proposes to undertake a capital management initiative for Qantas shareholders, comprising a distribution to shareholders of 23 cents per share and a related share consolidation, subject to the passing of the resolutions in Item 5 (Return of Capital to Shareholders) and Item 6 (Share Consolidation).

The proposed capital management initiative is comprised of:

- a return of approximately \$505 million of share capital (to be effected by Qantas paying each shareholder 23 cents per share held), to be paid on 6 November 2015; and
- an equal and proportionate share consolidation, relating to the return of capital, through the conversion of each share into 0.939 shares.

The return of capital (Item 5) and the share consolidation (Item 6) both form part of Qantas' capital management initiative and are connected. As such, each item is conditional on the approval of the other item, such that if one resolution fails, the other resolution will also fail. Shareholders should therefore consider Item 5 and Item 6 and the relevant disclosures together.

Qantas intends seeking a Class Ruling from the Australian Tax Office (ATO) to confirm Qantas' understanding of the likely income tax consequences for shareholders who are tax residents of Australia. It is expected that there should be no immediate tax liability relating to the return of capital for most shareholders who are tax residents of Australia who hold their shares on capital account (the tax cost base of shares will instead be reduced and will defer tax payable by shareholders until they dispose of the shares unless no cost base exists, in which case the cash receipt will be assessable).

A copy of any ATO Class Ruling will be published after payment of the capital return and will be made available on qantas.com.au/travel/airlines/investors-annual-meetings/global/en.

5.1 The purpose of the capital management initiative

The purpose of the proposed capital management initiative is to return a portion of genuine surplus capital equitably and efficiently to shareholders and to ensure that Qantas achieves its optimal capital structure (one that minimises its cost of capital).

Qantas' financial framework includes active management of its balance sheet to provide satisfactory returns to shareholders, whilst maintaining flexibility to pursue growth opportunities and ensuring credit metrics are maintained. A significant improvement in Qantas' capital position has enabled the capital management initiative to be undertaken, while maintaining balance sheet flexibility.

In FY2009, Qantas raised approximately \$760 million of capital from shareholders, via a capital raising (comprised of an institutional placement and a retail placement of Qantas shares) and the dividend reinvestment plan. Since 2009, Qantas has maintained high levels of cash liquidity, reflecting the challenges presented by a number of factors during that time, including the global financial crisis and slow recovery in global demand and a challenging operating environment. Over the course of FY2015, the operating environment has improved significantly and the balance sheet has been strengthened with approximately \$1 billion of debt repaid. Qantas has therefore identified that it now has excess cash liquidity and cash holdings.

EXPLANATORY NOTES CONTINUED

The capital management initiative demonstrates Qantas' commitment to efficient capital management and its focus on providing a satisfactory return to all shareholders.

The combination of the return of capital and share consolidation will enable Qantas to provide an earnings per share (EPS) outcome similar to that which would result from a share buy-back, endeavouring to ensure that all shareholders receive an equal cash distribution per share.

5.2 How the capital management initiative works and its effect on Qantas

If the proposed capital management initiative is approved, Qantas shareholders will receive 23 cents per share as a cash distribution (collectively totalling approximately \$505 million) and the related share consolidation will take effect from 30 October 2015 and result in the reduction in the number of Qantas shares on issue from approximately 2,196 million to approximately 2,062 million (representing a 6.1 per cent reduction in the number of shares on issue).

The capital management initiative will be funded by Qantas' surplus capital and will reduce Qantas' cash balance by the amount of capital returned (\$505 million).

In determining whether to propose the capital management initiative, the Directors reviewed Qantas' assets, liabilities and expected cash flows and satisfied themselves as to Qantas' solvency and ability to pay its creditors following the capital management initiative. In the Board's view, the capital management initiative:

- is fair and reasonable to shareholders as a whole;
- will not materially impact key credit metrics Qantas targets as part of the Group's broader financial and capital allocation framework nor will it have a material impact on Qantas' ability to fund new investments which are consistent with its growth strategy; and
- will not materially prejudice Qantas' ability to pay its creditors.

No adverse tax consequences are expected to arise for Qantas and the level of Qantas' franking credits will remain unchanged as a result of the capital management initiative.

5.3 Why return excess capital via a Return of Capital and Share Consolidation, compared with other options

Qantas evaluated various options for returning excess capital to shareholders and determined that a capital return, combined with a share consolidation, was the optimal mechanism because:

- due to the amount of the capital proposed to be returned (\$505 million), compared with an on market share buy-back which could take up to 9 months to complete, a capital return is immediate;
- a capital return preserves flexibility for distributions in the future;
- a capital return applies to all shareholders equally and shareholders' proportionate interests in the company remain unchanged; and
- a share consolidation is likely to have a more significant positive EPS impact compared with an on-market buy-back (because the consolidation is based on the share price prior to announcement of the capital management initiative).

5.4 Item 5 – Return of Capital to Shareholders

If the proposed capital management initiative is approved, Qantas shareholders will receive 23 cents per share as a cash distribution (collectively totalling approximately \$505 million).

Key details for the return of capital process, if approved by shareholders, are:

- the record date for determining entitlements to receive the return of capital will be 4pm AEDT on Thursday 29 October 2015 (Record Date);
- the proposed return of capital amounts will be calculated on a pre-consolidated basis and are not eligible to participate in any Dividend Reinvestment Plan;
- payments will be made to eligible shareholders on 6 November 2015 (eligible shareholders being registered holders of Qantas shares as at the Record Date);
- because the terms of the proposed return of capital are the same for all shareholders (with all shareholders receiving 23 cents per share), the proposal is an "equal reduction" of share capital under section 256C of the Corporations Act and may be passed by an ordinary resolution of shareholders at a general meeting; and
- the return of capital is subject to shareholder approval of both Items 5 and 6.

Other important dates for shareholders are included in the timetable on page 10.

EXPLANATORY NOTES CONTINUED

5.5 Item 6 – Share Consolidation

As part of the proposed capital management initiative, Qantas proposes to consolidate its share capital through the conversion of every one Qantas share into 0.939 shares, reflecting the size of the return of capital to shareholders.

The proposed share consolidation will:

- ensure that each shareholder's proportionate interest in Qantas remains unchanged following the payment of the return of capital, subject to rounding up of fractional entitlements to the next whole number of shares; and
- reduce the number of Qantas shares on issue from approximately 2,196 million to approximately 2,062 million (representing a 6.1 per cent reduction in the number of shares on issue).

The proposed share consolidation ratio of 0.939 was calculated by referencing the amount of the return of capital as a proportion of the volume weighted average sale price of Qantas shares traded on the ASX over the consecutive 20 day trading period ending on 18 August 2015, being \$3.77, as follows:

$$(\$3.77 - \$0.23) / \$3.77 = 0.939$$

Key details for the share consolidation process, if approved by shareholders, are:

- the share consolidation will take effect on and from 30 October 2015;
- the share consolidation requires shareholder approval by ordinary resolution and is subject to approval of both Items 5 and 6;
- where the consolidation results in a shareholder having an entitlement to a fraction of a share, that fraction will be rounded to the nearest whole number of shares; and
- the consolidation will not materially change the proportionate interest that each shareholder holds in Qantas. This is because the consolidation ratio applies equally to all shares (subject to rounding).

Other important dates for shareholders are included in the timetable on page 10.

Please note that, if Qantas forms the view that a shareholder has been party to a shareholding splitting or division in an attempt to obtain an advantage from the rounding of fractional entitlements, Qantas will take appropriate action which may include disregarding the splitting or division for the purposes of dealing with fractions.

5.6 Effect of the capital management initiative on Qantas' share price

The return of capital (Item 5) and the share consolidation (Item 6) both form part of Qantas' capital management initiative and are connected. As such, each item is conditional on the approval of the other item and one will not occur without the other.

Shares may trade at a lower price from the 'post return of capital' date than they otherwise may have done if the return of capital was not approved. This would be due to the outflow of funds to shareholders. However, all else being equal, the share consolidation is expected to neutralise the effect of the return of capital on forward EPS expectations and, therefore, similarly neutralise any reduction in the share price specifically relating to the return of capital.

As mentioned above, the combination of the return of capital and share consolidation will enable Qantas to provide an EPS outcome similar to that which would result from a share buy-back, while also ensuring that all shareholders receive an equal cash distribution per share.

5.7 Advantages and Disadvantages of the Capital Management Initiative

The Board considers that the only significant disadvantage of the proposed capital management initiative is that it will reduce Qantas shareholders' equity by the \$505 million returned to shareholders. However, the Board considers that the amount of capital remaining is sufficient for Qantas' requirements.

The advantages of the proposed capital management initiative are:

- all shareholders will receive 23 cents per share and their proportionate interests in the company remain unchanged;
- due to the amount of the capital proposed to be returned, a capital return is immediate (compared with an on-market share buy-back, which could take up to 9 months to complete);
- a capital return applies to all shareholders equally;
- for most shareholders, there should be no immediate tax liability relating to the return of capital. For capital gains tax purposes, the cost base of shares is instead reduced, thereby deferring any tax payable by shareholders until they dispose of the shares;
- the proposed return of capital does not use any franking credits, leaving them available for future distributions; and
- a share consolidation is likely to have a more significant positive EPS impact compared with an on-market buy-back.

EXPLANATORY NOTES CONTINUED

5.8 Payment details for eligible shareholders

If shareholders approve the proposed capital management initiative in Items 5 and 6 and the return of capital is implemented, payments will be made to eligible shareholders on 6 November 2015.

Eligible shareholders are those shareholders who were registered holders of Qantas shares as at the Record Date.

Return of capital payments will be paid:

- For eligible shareholders registered as resident in Australia or New Zealand, by direct credit. Shareholders who have not provided the Qantas share registry (Link Market Services) with their bank account details should complete the Direct Credit Payment Form.
- For eligible shareholders registered as resident outside of Australia or New Zealand, by cheque.
- Direct Credit Payment Forms:
 - have been provided along with this Notice of Meeting; and
 - are available from Qantas' share registry (Link Market Services). For enquiries, please contact Link Market Services on 1800 177 747.

5.9 Tax implications

No adverse tax consequences are expected to arise for Qantas as a result of the proposed capital management initiative.

The following information set out below is general in nature and should not be relied upon as advice.

Tax implications for individual shareholders will depend on the circumstances of the particular shareholder. All shareholders should therefore seek their own professional advice in relation to their tax position. Neither Qantas nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders about the tax consequences of the return of capital and/or share consolidation.

Qantas intends seeking an ATO Class Ruling to confirm Qantas' understanding of the likely income tax consequences for shareholders who are tax residents of Australia. Any ATO Class Ruling obtained will be published after payment of the return of capital. It is expected that:

- For shareholders who are tax residents of Australia and who hold their shares on capital account, there should be no immediate tax liability for most shareholders relating to the return of capital (the tax cost base of shares is instead reduced, thereby deferring any tax payable by shareholders until they dispose of the shares unless no cost base exists, in which case the cash receipt will be assessable). We expect that this position will be confirmed in a Class Ruling to be issued by the ATO.
- Shareholders who are not tax residents of Australia should seek specific advice in relation to the tax consequences arising from the return of capital under their own local laws.

Because there will be no change to the proportionate interests held by each shareholder as a result of the share consolidation, no capital gains tax event should occur.

5.10 Rights under Employee Long Term Incentive Plans (LTIP)

The return of capital and share consolidation does not apply to Rights granted to executives under the LTIP.

5.11 No other material information

Other than as set out in this Notice of Meeting (including the Explanatory Notes) and any other information previously disclosed to shareholders, there is no other information that is known to the Directors which may reasonably be expected to be material to the making of a decision by shareholders whether or not to vote in favour of Item 5 (Return of Capital) or Item 6 (Share Consolidation).

TIMELINE FOR PROPOSED CAPITAL RETURN AND SHARE CONSOLIDATION

Thursday 20 August 2015	Capital management initiative (comprised of a return of capital and share consolidation) announced with FY2015 results.
Friday 18 September 2015	Qantas to complete dispatch of the Notice of Meeting for the 2015 Annual General Meeting (AGM) including proposed shareholder resolutions and explanatory notes on the capital management initiative.
Friday 23 October 2015	AGM, at which shareholders approve the capital return and share consolidation.
Monday 26 October 2015	Last day for trading in pre-consolidated shares and on a pre-return of capital basis.
Tuesday 27 October 2015	Commencement of trading in consolidated shares on a deferred settlement basis. Commencement of trading on a post return of capital basis.
Thursday 29 October 2015	Record date for determining entitlement to participate in the capital return (entitlements for the capital return determined with reference to Qantas' pre-consolidation capital). Last day to register transfers of shares on a pre-consolidated basis and on a pre-return of capital basis.
Friday 6 November 2015	Last day for updating the share register. Payment date for the capital return and notices issued to shareholders including: <ul style="list-style-type: none">- confirmation of the number of shares held following the consolidation; and- capital return payment advice.
Monday 9 November 2015	Normal trading resumes.
Thursday 12 November 2015	Settlement of trades conducted on a T+3 basis and the first settlement of on-market trades conducted on a deferred settlement basis.

ASX Trade Note: As the record date for the consolidation and the return of capital is the same date, ASX is not able to disseminate corporate action messages in relation to the return of capital, and therefore trading on ASX Trade will not be tagged XC (ex-return of capital).

INFORMATION FOR SHAREHOLDERS

1. A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Shareholders can appoint a body corporate or an individual as their proxy. A body corporate may appoint an individual as its representative to exercise any of the powers the body may exercise at general meetings of Qantas or in the capacity of a shareholder's proxy at general meetings of Qantas. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body could exercise at a general meeting or in voting on a resolution.
2. A shareholder who is entitled to cast two or more votes may appoint two proxies and may state on the Proxy Form what proportion or number of the shareholder's votes each proxy is being appointed to exercise. If a shareholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, each of the proxies may exercise half the shareholder's votes.
3. If a shareholder has appointed two proxies and if a resolution is to be decided on a show of hands, only the first person named on the Proxy Form may vote. If two Proxy Forms have been completed, the person whose name is earlier in alphabetical sequence may vote.
4. A proxy need not be a shareholder of Qantas.
5. Either the original, facsimile or electronic transmission of the Proxy Form(s) and any Power of Attorney or authority under which the Proxy Form(s) is signed must be received at least 48 hours prior to the AGM (that is, by no later than 2pm AEDT on 21 October 2015) or any adjournment. Any Proxy Form received after this deadline, including at the AGM, will be invalid.
6. A Proxy Form accompanies this Notice of Meeting.
7. Shareholders are encouraged to use the online voting facility that can be accessed on the Qantas website at qantas.com.au/travel/airlines/investors-annual-meetings/global/en to ensure the timely and cost effective receipt of the proxy.
8. Alternatively, you can send your completed and signed Proxy Form by mail in the enclosed reply paid envelope, or by facsimile. Details are shown on the Proxy Form.
9. Additional Proxy Forms will be supplied by Qantas' Share Registry, Link Market Services, on request.
10. If a corporate representative is to attend the AGM on behalf of a corporation, a formal Notice of Appointment must be brought to the AGM.
11. In accordance with Regulation 7.11.37 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the AGM will be the entitlement of that person set out in the register of shareholders as at 7pm (AEDT) on 21 October 2015. Accordingly, transactions registered after that time will be disregarded in determining shareholders entitled to attend and vote at the AGM.
12. If you wish a question to be put to the Chairman or Auditor and you are not able to attend the AGM, please complete the AGM Question Form which accompanies this Notice of Meeting.
13. Either the original or a facsimile transmission of the AGM Question Form must be received at least five business days prior to the AGM (that is, by no later than 5pm (AEDT) on 16 October 2015) or any adjournment. This is to allow time to collate questions and to prepare answers.

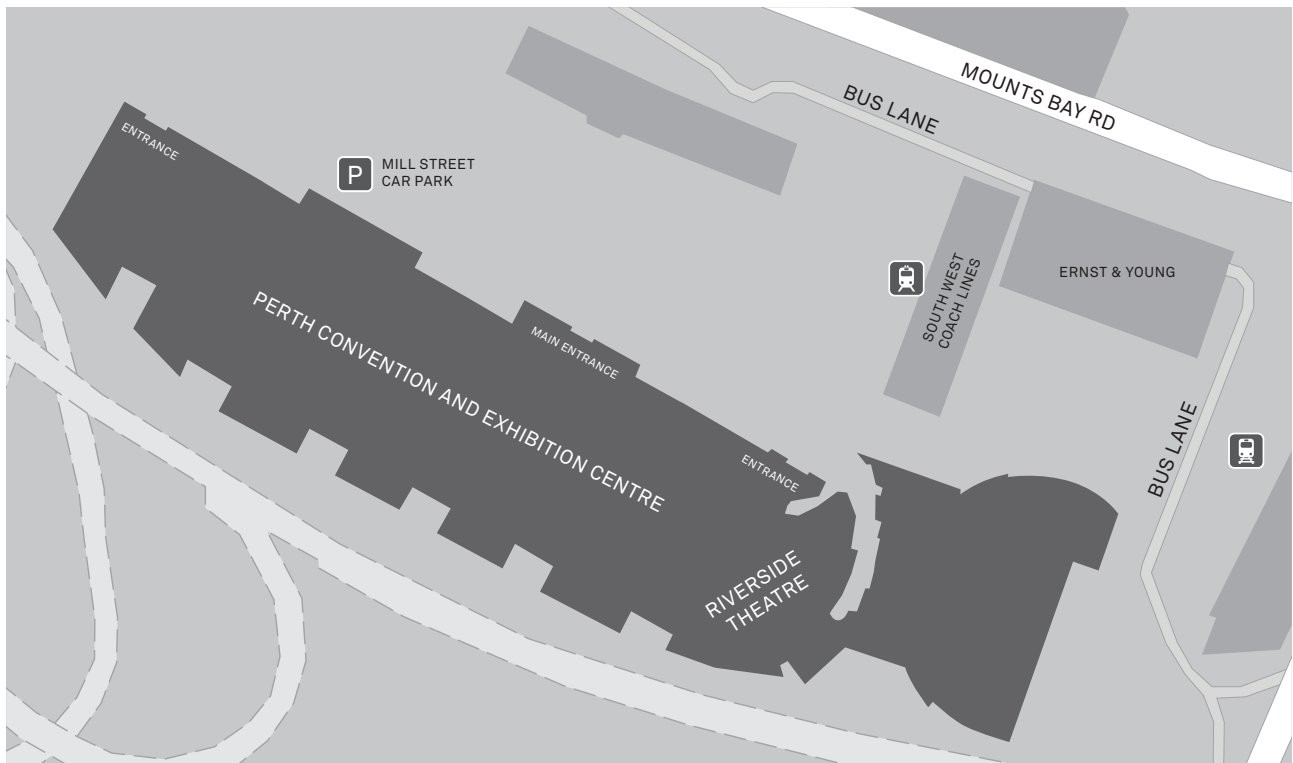
ENCLOSURES

Enclosed is:

- a Proxy Form to be completed if you would like to be represented at the AGM by proxy. Shareholders are encouraged to use the online voting facility that can be accessed on the Qantas website at qantas.com.au/travel/airlines/investors-annual-meetings/global/en to ensure the timely and cost effective receipt of the proxy;
- an AGM Question Form to be completed if you would like a specific question to be addressed by the Chairman or Auditor at the AGM; and
- a reply paid envelope for you to return either or both the Proxy Form and the AGM Question Form.

VENUE MAP

The 2015 Qantas Annual General Meeting will be held in the Riverside Theatre, Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Cloisters Square, Perth, Western Australia 6850.



PUBLIC TRANSPORT AND PARKING INFORMATION



TRAIN

The Esplanade Station is located adjacent to the Convention Centre, which services the Mandurah and Joondalup line. The Perth Underground station and the Perth Central station are located in close proximity.



BUSES

Esplanade Busport is located adjacent to the Perth Convention and Exhibition Centre. Detailed bus, train and ferry timetables can be found at transperth.wa.gov.au.



WALKING

Access is via Mill Street or Mounts Bay Road or the Esplanade Busport overpass.



PARKING

The Centre is serviced by an underground carpark, located directly beneath the Centre and charged at a maximum rate of approximately \$55 for a full day. Entry to the carpark is at 21 Mounts Bay Road and Mitchell Freeway.



ACCESSIBLE PARKING

There are 23 dedicated access car parking bays within the carpark which have access to vertical lifts.

