A Transformed Qantas Group, Sustainable Performance

• **Delivering against our strategy in FY16 to maximise long-term shareholder value**
  - Group Domestic EBIT\(^1\) up 30% with enhanced dual brand coordination
  - Building a resilient Qantas International; 4% ex-fuel unit cost reduction\(^2\)
  - Diversification of earnings with 8 years of double-digit growth at Qantas Loyalty\(^3\)
  - Developing a pan-Asia brand at Jetstar; $85m improvement in Asia profitability\(^4\)
  - Record levels of customer advocacy\(^5\) and people engagement

• **Qantas Transformation underpinning maintainable earnings uplift**
  - FY16 milestones exceeded, total program benefits raised to $2.1b from $2b
  - Revenue growth of 2% driven by increased aircraft utilisation

• **Financial framework providing balance sheet strength and shareholder returns**
  - Optimal capital structure; debt position within target range
  - $500m capital management announced including resumption of dividends

---

1. Underlying EBIT of Qantas Domestic and Jetstar Domestic compared to FY15. 2. Ex-fuel unit cost is calculated as Underlying PBT less ticketed passenger revenue and fuel, adjusted for changes in: employee provision discount rate and other assumptions, foreign exchange rates and block codeshare flying agreements per ASK. 3. When normalised for changed in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. 4. Includes Jetstar Asia (Singapore) and share of EBIT for Jetstar Japan and Jetstar Pacific compared to FY15. 5. Record NPS achieved at Qantas Domestic, Qantas International and Qantas Loyalty.
Record Result Achieved in Mixed Global Trading Conditions

- **FY16 Domestic environment stable in non-resources sectors**
  - Lower AUD, inbound tourism supporting domestic traffic growth
  - Resources-related traffic and revenue down compared to FY15
  - General demand weakness seen in 4Q16

- **FY16 International environment competitive with capacity & pricing**
  - Increased industry capacity growth with higher operating margins
  - Industry-wide pricing activity passing on a portion of fuel benefit
  - Geopolitical uncertainty impacting northern hemisphere travel
  - Qantas and Jetstar capacity growth focused on higher demand markets in Asia

GROUP FY16 MARGIN EXPANSION WITH UNIT COST\(^1\) IMPROVEMENT GREATER THAN UNIT REVENUE\(^2\) DECLINE

---

1. Calculated as Underlying PBT less ticketed passenger revenue per available seat kilometre (ASK). 2. Calculated as ticketed passenger revenue per available seat kilometre (ASK). 3. Calculated as the variance in total fuel expense less the unit revenue decline in FY16 compare to FY15.
 FY16 Key Group Financial Metrics

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 FY16 Results Presentation are reported on an Underlying basis. Refer to Supplementary slide 6 for a reconciliation of Underlying to Statutory PBT. 2. Return on invested capital. Calculated as ROIC EBIT for the 12 months ended 30 June 2016 divided by the average Invested Capital for the period 1 July 2015 to 30 June 2016. For a detailed calculation please see slide 17. 3. Earnings per share. 4. Net cash from operating activities less net cash used in investing activities (excluding aircraft operating lease refinancing). 5. Ticketed passenger revenue per available seat kilometre (ASK). 6. Underlying PBT less ticketed passenger revenue and fuel, adjusted for changes in: employee provision discount rate and other assumptions, foreign exchange rates, share of net profit/(loss) of investments accounted for under the equity method and block codeshare flying agreements per ASK. The adjustment for foreign exchange rates is made to the comparative year to enable comparability. 7. Ex-fuel unit cost is calculated as Underlying PBT less ticketed passenger revenue and fuel, adjusted for changes in: employee provision discount rate and other assumptions, foreign exchange rates, share of net profit/(loss) of investments accounted for under the equity method and block codeshare flying agreements per ASK. The adjustment for foreign exchange rates is made to the comparative year to enable comparability. 8. Available seat kilometres. Total number of seats available for passengers multiplied by the number of kilometres flown. 9. Revenue seat kilometres. Total number of passengers carried multiplied by the number of kilometres flown.
FY16 Profit Bridge

Underlying Profit Before Tax ($M)

- Fuel efficiency benefits $51m
- Non-fuel cost reduction $400m
- Net revenue benefits $106m
- Transformation Benefits $557m

1. Includes reduction in consumption from fuel efficiency and reduction in into-plane costs following Transformation initiatives.
2. Revenue benefits less incremental costs associated with that benefit including costs of increased activity where related to a Transformation initiative.
3. Relates to the decrease in Underlying PBT as a result of employee provision discount rate and other assumption changes.
4. Company estimate including wage and other inflation less CPI offset measures.
5. Excluding FX on passenger revenue and fuel.
Segment Results
Integrated Group Portfolio Weighted to Domestic Australia

**Domestic Australia Airlines**
- Leading network, product and brand position in concentrated market
- Dual brand coordination for EBIT share in excess of capacity share
- Strong margin advantage at Qantas and Jetstar vs competitors¹

**Qantas Loyalty**
- Leading Loyalty business with 11.4m members
- Highly cash generative, non-cyclical earnings profile
- Growth strategy providing diversification of earnings

**International Airlines**
- Diversified revenue mix through full service and low fares brands
- Network focused on advantaged markets; >70% capacity to Asia & US⁴
- Focus on minimising volatility in more cyclical part of portfolio
  - Restructured cost base at Qantas International
  - B787 Dreamliner providing step-change in efficiency at Jetstar, at Qantas International from FY18
  - Shifting network & schedule in line with demand
  - Airline partnerships extending network, growing revenue without increase in invested capital

---

¹ Operating Margin is defined as Underlying EBIT divided by total revenue. Competitor refers to Virgin Australia and Tigerair. ² Underlying EBIT in FY16. ³ Jetstar International includes international Australian operations, Jetstar New Zealand (including Jetstar Regionals), Jetstar Asia (Singapore) and the contributions from Jetstar Japan and Jetstar Pacific. ⁴ >70% of the total ASKs for Qantas International, Jetstar International and Jetstar Asia in FY16. ⁵ Qantas Domestic, Jetstar Domestic, Qantas Loyalty and Freight Underlying EBIT as a percentage of the Qantas Group’s Total Underlying EBIT of operating segments.
Qantas Domestic

- Record EBIT\(^1\) of $578m
  - Strong cost control with ex-fuel unit cost\(^2\) improvement of 1%
  - Revenue decreased 2% with capacity reduction of 1%, tougher 2H16 trading environment and resources downturn
  - FY16 unit revenue flat\(^3\), ex-resources sector unit revenue +1%
- Qantas Transformation delivering utilisation increase of 2%\(^4\)
- Shifting aircraft, lowering gauge in response to two-speed Australian economy
  - Resource-related passenger revenue down $121m\(^5\), reduction in charter activity
- Record on-time performance with increase to 89.7% from 88.3% in FY15\(^6\)
- Record customer advocacy (NPS) result\(^7\) with investment in B737 and A330 cabin upgrades
  - 15 x A330-200 and 54 x B737 reconfigurations completed\(^8\)

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY15</th>
<th>VLY %(^11)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$M</td>
<td>5,710</td>
<td>5,828</td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>$M</td>
<td>578</td>
<td>480</td>
</tr>
<tr>
<td>Operating Margin(^9)</td>
<td>%</td>
<td>10.1</td>
<td>8.2</td>
</tr>
<tr>
<td>ASKs</td>
<td>M</td>
<td>36,260</td>
<td>36,638</td>
</tr>
<tr>
<td>Seat factor(^10)</td>
<td>%</td>
<td>75.2</td>
<td>74.2</td>
</tr>
</tbody>
</table>

**STRONG IMPROVEMENT IN KEY OPERATIONAL METRICS OF OTP\(^6\), UTILISATION\(^4\), SEAT FACTOR\(^10\) AND NPS\(^7\)**

1. Underlying EBIT. 2. Ex-fuel unit cost is calculated as Underlying PBT less ticketed passenger revenue and fuel, adjusted for changes in: employee provision discount rate and other assumptions, foreign exchange rates per ASK. 3. Ticketed passenger revenue per ASK compared to FY15. 4. Average block hours per aircraft per day compared to FY15. 5. RPT (regular public transport) resources routes revenue compared to FY15. 6. On time performance (OTP) of Qantas Mainline (excluding QantasLink) operations. Measured as departures within 15 minutes of scheduled departure time. Source: BITRE. 7. Average FY16 Net Promoter Score, based on internal Qantas reporting. 8. As at 24 August 2016. 9. Operating margin calculated as Underlying EBIT divided by total segment revenue. 10. RPKs divided by ASKs. 11. Variance to last year.
Qantas International

- **Record EBIT**\(^1\) of $512m
  - Revenue rose 5% with improved seat factor on higher capacity
  - 2H16 unit revenue\(^2\) decreased 5% amid competitive market pricing resulting in full year unit revenue decrease of 1%
  - Ex-fuel unit cost improvement of 4%\(^3\)
- **Transformation delivering efficient growth; utilisation increase of 5%\(^4\)**
- Flexible allocation of Group fleet in response to shifting demand
  - Additional services to high growth markets in Asia
  - Increased seasonal services and dynamic scheduling to optimise revenue
- Broadening network, strengthening offshore distribution with American Airlines\(^5\) & China Eastern partnerships
- **Record customer advocacy result**\(^6\) with continued investment in product & service
  - All 10 International A330-300 cabin reconfigurations completed

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY15</th>
<th>VLY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>$M</td>
<td>512</td>
<td>267</td>
</tr>
<tr>
<td>Operating Margin(^7)</td>
<td>%</td>
<td>8.9</td>
<td>4.9</td>
</tr>
<tr>
<td>ASKs</td>
<td>M</td>
<td>63,599</td>
<td>59,263</td>
</tr>
<tr>
<td>Seat factor</td>
<td>%</td>
<td>81.7</td>
<td>81.5</td>
</tr>
</tbody>
</table>

1. Underlying EBIT. 2 Calculated as ticketed passenger revenue per ASK. 3. Ex-fuel unit cost is calculated as Underlying PBT less ticketed passenger revenue and fuel, adjusted for changes in: employee provision discount rate and other assumptions, foreign exchange rates and block codeshare flying agreements per ASK. 4. Calculated as average block hours per aircraft per day. Compared to FY15. 5. American Airlines partnership is subject to regulatory approval. 6. Average FY16 Net Promoter Score, based on internal Qantas reporting. 7. Operating margin calculated as Underlying EBIT divided by total segment revenue.
Jetstar Group

- Record EBIT\(^1\) of $452 million
  - Jetstar Domestic EBIT\(^1\) up 62% to $242m, leveraging brand & network advantage
  - Strong Jetstar International profit\(^1\) with B787-8 efficiencies and growth in core Asia-Pacific markets
  - Ex-fuel unit cost\(^2\) reduction of 3%
  - Operating margin\(^3\) up 5.8pts to 12.4%
- Jetstar Airlines in Asia\(^4\) delivering $85m improvement in profitability\(^1\)
  - Jetstar Japan maiden full year profit\(^1\)
  - Jetstar Asia profit\(^1\) increased in highly competitive LCC\(^5\) market
- Innovative service and sales investment to drive customer advocacy and ancillary revenue growth
  - Customer service training; re-design of jetstar.com; data-driven ancillary product offering
- Successful launch of New Zealand regional operations

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY15</th>
<th>VLY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue(^6)</td>
<td>$M</td>
<td>3,636</td>
<td>3,464</td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>$M</td>
<td>452</td>
<td>230</td>
</tr>
<tr>
<td>Operating Margin(^3)</td>
<td>%</td>
<td>12.4</td>
<td>6.6</td>
</tr>
<tr>
<td>ASKs</td>
<td>M</td>
<td>48,832</td>
<td>46,386</td>
</tr>
<tr>
<td>Seat factor</td>
<td>%</td>
<td>81.5</td>
<td>79.9</td>
</tr>
</tbody>
</table>

1. Underlying EBIT. 2. Controllable unit cost excludes Jetstar New Zealand Regionals which commenced in December 2015, and is calculated as Underlying expenses less fuel, adjusted for changes in foreign exchange rates, share of net profit/(loss) of investments accounted for under the equity method, charter revenue and changes in sector length per ASK. 3. Operating margin calculated as Underlying EBIT divided by total segment revenue. 4. Includes Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific. 5. Low Cost Carrier. 6. Revenue consolidated by the Qantas Group, does not include Jetstar associates.
Qantas Loyalty

- Record EBIT\(^1\) of $346m
  - Revenue up 7%; strong margins\(^2\) maintained
  - 3.8% growth in QFF\(^3\) co-branded credit cards, outpacing industry\(^4\)
  - Continued growth of core QFF coalition
  - 44% of revenue growth from businesses other than QFF
- Member growth, high levels of engagement
  - Record customer advocacy\(^5\) after program enhancements
- New Woolworths proposition announced
  - Better member earn than previous program; expanded category reach
- New ventures announced, scaling existing adjacent businesses
  - Qantas Assure on target to deliver 2-3% market share\(^6\) with a differentiated offering
  - Investment in Data Republic – Australia’s first secure public data exchange platform

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY15</th>
<th>VLY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$1,454</td>
<td>1,362</td>
<td>6.7</td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>$346</td>
<td>315</td>
<td>9.8</td>
</tr>
<tr>
<td>Operating Margin(^2)</td>
<td>%</td>
<td>23.8</td>
<td>23.1</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>$M</td>
<td>56</td>
<td>108</td>
</tr>
<tr>
<td>Growth(^7)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>QFF Members</td>
<td>M</td>
<td>11.4</td>
<td>10.8</td>
</tr>
</tbody>
</table>

1. Underlying EBIT. 2. Operating margin calculated as Underlying EBIT divided by total segment revenue. 3. Qantas Frequent Flyer. 4. Based on number of personal credit card accounts with interest free periods; growth comparison for 12 months to June 2016; RBA credit and card charges statistics. 5. Average FY16 Net Promoter Score, based on internal Qantas reporting. 6. Target based on revenue within its first five years of operation. 7. Deferred revenue growth from 1 July 2015 to 30 June 2016 and 1 July 2014 to 30 June 2015 respectively.
Qantas Freight

- EBIT\(^1\) of $64m
  - Earnings decline in line with guidance at FY15
  - Revenue performance reflecting flat cargo demand against a 6% global freight capacity increase\(^2\)
  - Conclusion of Australian air Express legacy agreements in FY15
- Australia’s largest air freight customers; Australia Post & Toll Group
- Delivering on strategic objectives as yields remain under pressure
  - Integrated ground to air operations
  - Continued cost reduction through Transformation
  - Developing growth opportunities into China through tactical freight deployments to Zhengzhou and Chongqing
  - Agile scheduling to adapt to changing markets – e.g. new freighter stop-off into Dallas

### RESILIENT FREIGHT PERFORMANCE IN CHALLENGING GLOBAL CARGO MARKETS

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY15</th>
<th>VLY %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue $M</td>
<td>982</td>
<td>1,067</td>
<td>(8.0)</td>
</tr>
<tr>
<td>Underlying EBIT $M</td>
<td>64</td>
<td>114</td>
<td>(44)</td>
</tr>
<tr>
<td>Operating Margin(^3) %</td>
<td>6.5</td>
<td>10.7</td>
<td>(4.2)pts</td>
</tr>
<tr>
<td>International Capacity B</td>
<td>3.3</td>
<td>3.2</td>
<td>4.7</td>
</tr>
<tr>
<td>International Load(^5) %</td>
<td>53.4</td>
<td>57.0</td>
<td>(3.6)pts</td>
</tr>
</tbody>
</table>

1. Underlying EBIT. 2. Source: Air Freight Monthly Analysis (June 2016), www.iata.org. 3. Operating Margin calculated as Underlying EBIT divided by total segment revenue. 4. Capacity measured as international available freight tonne kilometres. 5. Measured as international revenue freight tonne kilometres divided by international available freight tonne kilometres.
Financial Framework
1. Maintaining an Optimal Capital Structure

   Minimise cost of capital by targeting a net debt range of $4.8 to $6.0b

2. ROIC > WACC Through the Cycle

   Deliver ROIC > 10% through the cycle

3. Disciplined Allocation of Capital

   Grow invested capital with disciplined investment, return surplus capital

---

**MAINTAINABLE EPS GROWTH OVER THE CYCLE**

---

**TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE**

---

1. Based on current invested capital of ~9b. 2. Weighted Average Cost of Capital, calculated on a pre-tax basis. 3. Target of 10% ROIC allows ROIC to be greater than pre-tax WACC through the cycle. 4. Earnings Per Share. 5. Target Total Shareholder Returns within the top quartile of the ASX100 and global listed airline peer group as stated in the 2015 Annual Report, with reference to the 2015-2017 LTIP.
Maintaining an Optimal Capital Structure

- Financial framework targets optimal capital structure
- Target net debt range between $4.8b and $6.0b
  - Based on current invested capital of ~$9b
  - FY16 net debt $5.6b
- Distributions sized to remain within target debt range on a forward basis
- Consistent with investment grade credit metrics
  - FFO / net debt: 52%\(^2\)
  - Gross debt / adjusted EBITDA: 2.5x\(^3\)

**Preserves Financial Strength, Lowers Cost of Capital and Enhances Shareholder Value**

---

1. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group’s Financial Framework. Capitalised aircraft operating lease liability is 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. 2. Funds From Operations / net debt. Management’s estimate based on Standard and Poor’s methodology. 3. Gross debt / adjusted Earning Before Interest, Tax, Depreciation and Amortisation. Management’s estimate based on Moody’s methodology.
Maintaining an Optimal Capital Structure

- Strong capital position
  - Minimal refinancing risk
  - Diverse funding sources
  - No financial covenants
- Investment grade credit rating
- Short term liquidity in excess of requirements
  - Cash of $2.0b¹
  - Undrawn facilities of $1b
- Significant unencumbered asset base
  - Valued at >US$3.9b²
  - 54% of Group fleet³

Net Debt Profile FY12 to FY16 ($B)⁴

Debt Maturity Profile as at 30 June 2016 ($M)⁵

STRICT FINANCIAL POSITION, CONTINUING TO OPTIMISE LIQUIDITY MIX

1. Includes cash and cash equivalents as at 30 June 2016. 2. Based on AVAC market values. 3. Based on number of aircraft as at FY16. 4. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group’s Financial Framework. Capitalised aircraft operating lease liability is 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 operating lease liability denominated in foreign currency is translated at the long-term exchange rate. 5. Cash debt maturity profile excluding operating leases.
Delivering ROIC >10% Through the Cycle

- ROIC of 22.7% up from 16.2% in FY15
  - Above threshold of ROIC > 10%
  - Invested capital lower with disciplined capex
- All segments continue to deliver ROIC > WACC
- Achieving greater returns from existing assets
  - Efficient allocation of capital
  - Increased fleet utilisation
  - Revenue and cost benefits through Qantas Transformation program

<table>
<thead>
<tr>
<th>$M</th>
<th>FY16</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying PBT</td>
<td>1,532</td>
<td>975</td>
</tr>
<tr>
<td>Add back: Underlying net finance costs</td>
<td>219</td>
<td>258</td>
</tr>
<tr>
<td>Add back: Non-cancellable aircraft operating lease rentals</td>
<td>461</td>
<td>495</td>
</tr>
<tr>
<td>Less: Notional depreciation¹</td>
<td>(203)</td>
<td>(252)</td>
</tr>
<tr>
<td><strong>ROIC EBIT</strong></td>
<td><strong>2,009</strong></td>
<td><strong>1,476</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>$M</th>
<th>FY16</th>
<th>FY15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net working capital²</td>
<td>(6,701)</td>
<td>(6,198)</td>
</tr>
<tr>
<td>Fixed assets³</td>
<td>12,793</td>
<td>11,788</td>
</tr>
<tr>
<td>Capitalised operating leased aircraft¹</td>
<td>2,288</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Invested Capital</strong></td>
<td>8,380</td>
<td>8,690</td>
</tr>
<tr>
<td><strong>Average Invested Capital⁴</strong></td>
<td>8,857</td>
<td>9,091</td>
</tr>
<tr>
<td><strong>Return on Invested Capital (%)</strong></td>
<td>22.7</td>
<td>16.2</td>
</tr>
</tbody>
</table>

1. For calculating ROIC outcomes, capitalised operating leased aircraft are included in the Group’s Invested Capital at the AUD market value of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is 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 known as capitalised operating leased aircraft. 2. 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, revenue received in advance and provisions. 3. Fixed assets is the sum of the following items disclosed in the Group’s Consolidated Balance Sheet, asset classified as held for sale, investments accounted for under the equity method, properly, plant and equipment and intangible assets. 4. Equal to the twelve month average of monthly Invested Capital.
Delivering ROIC >10% Through the Cycle

Continued delivery of business transformation

Qantas Transformation program increased to $2.1b by FY17

- Remaining benefit of $450m to be achieved in FY17

- Qantas Transformation has significantly altered the cost base of the Group since implemented in FY14
  - Ex-fuel expenditure reduced by 9%¹

- $557m of Transformation benefits in FY16
  - Cost reduction² $451m
  - Net revenue benefits³ $106m

- Continuous cost improvement and focus on operational efficiency post FY17
  - B787-9 at Qantas International from FY18
  - A320neo at Jetstar Group from FY18

Qantas Transformation Pipeline ($M)

ON TARGET TO ACHIEVE $2.1B OF TRANSFORMATION BENEFITS BY END FY17

1. Includes Underlying operating expenses (excluding fuel), depreciation and amortisation (excluding depreciation reduction from Qantas International non-cash fleet impairment) and non-cancellable aircraft operating lease rentals, adjusted for movements in FX rates and capacity. FY16 vs annualised 1H14. 2. Includes fuel benefits of $51m. 3. Revenue benefits less incremental costs associated with that benefit including costs of increased activity where related to a Transformation initiative.
Delivering ROIC >10% Through the Cycle
Protecting ROIC through disciplined hedging program

- FY17 fuel cost forecast includes increased consumption relative to FY16
- High level of protection in place for FY17
  - Fuel risk 90% hedged
  - Protection in place against adverse spike in Fuel and FX
  - High proportion of options providing 87% participation to favourable price movements
- Hedging for FY18 underway, consistent with Qantas’ long term approach

Hedging & Fuel Cost Outlook\(^1\) (A$B)
Inclusive of Option Premium

1. As at 23 August 2016. 2. Worst case total fuel cost based on a 2-standard deviation correlated move in Brent forward market prices to US$56/bbl with AUDUSD rate at 0.78, for the remainder of FY17. 3. Current forward market price total fuel cost based on a Brent forward market price of A$67/bbl for remainder of FY17.
Disciplined Capital Allocation

FY16 Sources and Uses
(including off balance sheet leases)

Cash in excess of liquidity requirements used to refinance 29 maturing operating lease aircraft:

- Reduced gross debt and cost of carry, minimal impact to net debt
- Greater fleet and maintenance flexibility
- Reduced exposure to USD lease rentals
- Increased unencumbered assets

Funds from Operations\(^1\) applied to:

- $1.1b debt repayments\(^2\)
- Net capex in line with guidance\(^3\)
- $1b distributed to shareholders in FY16
  - $505m capital return
  - $500m share buy-back

1. Funds from Operations of $3.1b is equal to operating cash flows in the statement of cash flows of $2.8b adjusted for the principal portion of aircraft operating lease rental payments. The principal portion of aircraft operating lease rentals are considered a debt repayment in the Group’s financial framework. After this adjustment, the implied interest portion of lease rental payments continues to be recognised as an outflow in Funds from Operations. 2. Debt reduction of $1.1b refers to repayment of on balance sheet borrowings and capitalised aircraft operating lease liability repayments (excluding cash flow relating to aircraft operating lease refinancing which is disclosed separately). 3. Net capital expenditure of $1b is equal to net investing cash flows included in the Consolidated Cash Flow Statement of $1.1b (excluding aircraft operating lease refinancing) less the impact to invested capital of returning operating lease aircraft. 4. Transfer of title for one aircraft to be completed in 1H17. 5. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group’s Financial Framework.
Resumption of Dividends

• Fully franked final dividend of 7 cents per share declared
  – $134m dividend payment, record date 8 September 2016, payment date 12 October 2016
• Share buy-back of up to $366 million announced
  – Shareholder approval to be sought at the Annual General Meeting on 21 October 2016 to buy back >10% shares on issue within 12 months
• Future dividends will be partially franked or unfranked until tax payments resumed
  – Franking credit balance of $26m after payment of 7c dividend
  – Carried forward tax losses of $1.5 billion as at 30 June 2016
• Where there is surplus capital the Qantas Group will first distribute to shareholders via an ordinary dividend, in conjunction with share buy-backs, special dividends or a capital return should additional surplus exist

1. Indicative reduction in shares calculated using the closing price on 22 August 2016 of $3.43.
Building Long-Term Shareholder Value
Recognising and Responding to Emerging Global Forces

The long-term context

- New Centres of Customer Demand & Geopolitical Influence
- Rapid Digitisation & the Rise of Big Data
- Shifting Customer & Workforce Preferences
- Resource Constraints & Climate Change

Clear Strategic Priorities

- Maximising Leading Domestic Position through Dual Brand Strategy
- Building a Resilient & Sustainable Qantas International, Growing Efficiently with Partnerships
- Aligning Qantas & Jetstar with Asia’s Growth
- Investing in Customer, Brand, Data & Digital
- Diversification & Growth at Qantas Loyalty
- Focus on People, Culture & Leadership

Embedding Sustainability Across Qantas Group
Maximising Leading Dual Brand Domestic Position

*Dual brand strategy at the core of group portfolio strength*

**Group domestic underlying EBIT** in FY16, an increase of 30% compared to FY15

**Underlying EBIT share** compared to a capacity share of 62%

**Qantas Domestic** on track to close cost gap to competitor to within 5%

**Margin advantage at Qantas Domestic** over Virgin Australia, increasing from FY15

---

QANTAS TO RETAIN NETWORK, FREQUENCY AND PRODUCT ADVANTAGE FOR REVENUE PREMIUM

JETSTAR TO BUILD ON NETWORK AND SCALE ADVANTAGE, INVESTING IN DIFFERENTIATED LOW FARES OFFERING

1. Includes Qantas Domestic and Jetstar Domestic. 2. Based on published company reports and BITRE capacity data for FY16. Total market EBIT includes Qantas Domestic, Jetstar Domestic, Virgin Domestic and Tigerair Australia. 3. Competitor operating margins calculated using published data. Calculated as Underlying segment EBIT divided by segment revenue.
Building a Resilient & Sustainable Qantas International
Restructured cost base, network and customer offering

- **$1 billion** turnaround in EBIT\(^1\) in two years, underpinned by 17% ex-fuel unit cost reduction since FY12\(^2\)

- **+20%** increase in utilisation\(^3\) since FY12 through scheduling and operational efficiencies

- **+17pts** increase in average NPS\(^4\) from FY12, with FY16 achieving record scores for customer advocacy

- **+69%** increase in codeshare partner uplifts (Qantas passengers on partners) since FY13\(^5\)

- **+57** new destinations served together with our partners since FY13\(^6\)

---

**Legacy cost base addressed through Transformation**
Including retirement of 15 x B747-400 since FY12

**Leveraging new partnerships has allowed reallocation of assets into high-growth Asia markets**

**1. Underlying EBIT. 2. Ex-Fuel Unit Cost calculated as Underlying EBIT less total revenue and fuel, adjusted for changes in foreign exchange rates per ASK. 3. Based on average block hours per aircraft per day. 4. Average FY16 Net Promoter Score compared to FY12, based on internal Qantas reporting. 5. FY16 total uplifts on all codeshare partner compared to FY13. 6. Total destinations serviced by Qantas and partner airlines in FY16 compared to FY13.**
Growing Qantas International Efficiently with Partnerships

Three cornerstone alliances in place

Qantas International, Qantas Domestic and Loyalty benefiting from airline partnerships

- FY16 codeshare partner uplifts (Qantas passengers on partners) have increased by 69% to >2.3m since FY13¹
- FY16 codeshare uplifts (partner airline passengers on Qantas) have increased by 182% to >900,000 since FY13²
- Revenue as a result of our members earning QFF points by flying on partner airlines has double since FY13
- Revenue as a result of partner’s members redeeming loyalty points on Qantas flights has increased by over 50% since FY13

Established partnership with Emirates delivering synergies

2 x daily Australia to London Qantas services supplemented by unrivalled Emirates network offering to Europe, Middle East, North Africa.

New alliances with the right long-term partners

Enabling growth for both brands on AU-China market, benefiting from influx of inbound Chinese tourists to Australia

Growing Trans-Pacific with world’s largest airline, brand and distribution strength on both sides of AU-US market³

AIRLINE ALLIANCES ENHANCING ROIC AT QANTAS INTERNATIONAL AND QANTAS DOMESTIC

¹ FY16 total uplifts on all codeshare partner compared to FY13. ² Includes Domestic and International Qantas operations. ³ American Airlines partnership is subject to regulatory approval.
Aligning Qantas & Jetstar with Asia’s Growth

*Positioning the Group for success in the fastest growing passenger market*

**Qantas International meeting rising premium demand to/from Asia**
- >75% of total capacity growth in FY16 and FY17 deployed to Asia
- Japan: Additional Narita service, recapturing share, growing market
- China: Additional Hong Kong services to slot-constrained airport
- Singapore: Increased frequency from Perth and Melbourne
- Bali: Seasonal services in peak leisure months

**Jetstar continuing to grow network to and within Asia**
- 19 new routes, increasing reach to 51 destinations
- Jetstar Japan growing fleet from 20 to 28 aircraft by 2019
- Jetstar Pacific (Vietnam) fleet growth to 30 aircraft by 2020
- Jetstar Japan and Jetstar Pacific expanding international flying within Asia
- Jetstar Group airlines developing or expanding routes in China
- Expansion of intra-region connectivity with full service carriers

2. >75% of total planned capacity growth in FY17 compared to FY15, based on ASKs.
3. Jetstar Group airlines includes Jetstar Australia and New Zealand operations, Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific compared to FY15.
4. Based on ASKs. Jetstar Group includes Jetstar Australia and New Zealand operations, Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific.
Investing in Customer and Brand

Targeted investment in customer experience

Refresh of A330 and B737 fleet

- All 10 x international A330-300 reconfigurations completed
- 15 x A330-200 reconfigurations completed\(^1\)
- 54 x B737 reconfigurations completed\(^1\)

Major lounge upgrade program

- New flagship international lounge coming for London Heathrow in FY17
- New international lounge, domestic business lounge and domestic Qantas Club in Brisbane, opening from October 2016
- Singapore, Hong Kong, Los Angeles and Perth lounges completed

Innovation focused on speed and ease of travel

- In-flight wi-fi rollout on Qantas Domestic from 2017
- Continued roll out of auto check-in for domestic travellers in FY16, delivering the highest satisfaction of all check-in options\(^2\)
- Qantas B787-9 Dreamliner including luxury business suites, economy seats with more room, better entertainment, and a best in class premium economy

---

Investing in Customer and Brand

*Strong customer and brand metrics*

**Qantas’ Safety Reputation**

98%

98% of Australian flyers believe Qantas is a really safe airline to fly with.

**Qantas Domestic Net Promoter Score**

+5

Qantas Domestic’s Net Promoter Score has increased 5 percentage points since FY15.

**Qantas’ Focus On Products And Service**

73%

73% of Australian flyers believe Qantas is focused on providing the best products and service.

**Qantas Domestic Net Promoter Score Advantage**

+17

Qantas Domestic Net Promoter Score has a 17 point lead to Virgin Australia over FY16.

**Domestic Brand Preference**

70%

70% of Australian flyers prefer to fly with Qantas Group brands.

**Qantas International Net Promoter Score**

+6

Qantas International’s Net Promoter Score has increased 6 percentage points since FY15.

---

1. Source: Brand Tracking Research (House of Brand Group) as at June 2016. 2. Average FY16 Net Promoter Score compared to FY15, based on internal Qantas reporting. 3. Average Qantas Domestic FY16 Net Promoter Score compared to Average Virgin Australia FY16 Net Promoter Score, based on internal Qantas reporting.
Investing in Data and Digital Innovation

Continued investment to enhance customer experience and grow revenue

Qantas.com and Jetstar.com re-platforming

- New capability to personalise website and offers according to customer preferences
- Improved booking flows to assist customer ease of use, drive uptake and revenue growth

Enhanced mobile app offering

- Enhancements to mobile apps across Qantas and Jetstar brands providing improved customer service and reducing cost to serve
- Ability to view real time flight information and access mobile boarding pass

Personalised and integrated digital offering

- Improved cross channel co-ordination and personalisation across digital ecosystem
- More than 70% of Qantas’ marketing media spend in digital channels including the use of Red Planet insourced digital trading capability

QANTAS DEPTH OF CUSTOMER DATA AND DIGITAL INNOVATION STRENGTH ARE A KEY COMPETITIVE ADVANTAGE PUTTING THE GROUP AT THE FOREFRONT TO EMBRACE THE DIGITAL ECONOMY
Diversification and Growth at Qantas Loyalty
One of the world’s most diverse airline loyalty programs

- 25% growth in load\(^1\), $2b loaded since launch\(^2\)
- ~15% market share\(^3\), highest share of a non-banking institution\(^4\)
- Revenue growth of 50%\(^5\)
- 45% growth in QFF members transacting\(^5\)
- Expanded product offering\(^5\)
- Driving Qantas Group marketing efficiencies
- >100k member research panel
- Data Republic – delivering a competitive advantage
- Strengthening Loyalty’s analytical capabilities to drive Group value
- Third party work for diversified revenue

**QANTAS ASSURE.**
Health insurance that rewards, launched March 2016
- Innovative partnership with nib
- Members rewarded with Qantas Points for active lifestyle
- Qantas leads sales, marketing and distribution
- Data-driven customer insights leveraging 11.4m QFF member base
- nib leads product design and pricing
- Model targets equal share of health insurance earnings
- On track for 2-3% market share\(^6\)

PORTFOLIO OF GROWTH PLAYS IN PIPELINE, TECHNOLOGY DRIVING NEW OPPORTUNITIES IN FY17

1. Total dollars loaded compared to FY15. 2. Launched August 2013. 3. Based on Qantas internal reporting. Share of the Australian prepaid travel card market (based on spend) for 2H16. 4. Based on Qantas internal reporting, as at March 2016. 5. Compared to FY15. 6. Target based on revenue within its first five years of operation.
People, Culture & Leadership

Engaging and developing our people for long-term success

Qantas Group engagement at a record 79%, +4pts since 2015

Engagement up across all areas of the Group

Health & Safety

- Improvement in key workplace health and safety metrics
- Mental health strategy, work-life balance service launched

Leadership & Culture

- Refreshed Qantas Group Beliefs
- Employee peer recognition platform ‘ThankQ’, using Qantas Points
- Continuing customer service training across Qantas and Jetstar

Diversity & Inclusion

- Flexible workplace practices ‘Flex@Q’ launched
- Breaking unconscious bias program rolled out
- 34% of senior roles held by women, up from 32% at FY15

Transformation & Change

- $3,000 record result bonus for employees
- Promotion opportunities created through introduction of B787-9s
- 30 workplace agreements closed with 18 month wage freeze – 12 closed during FY16

Qantas Group Engagement

- 2011: 71%
- 2012: 68%
- 2013: 75%
- 2015: 75%
- 2016: 79%

1. For non-executive employees who have agreed to the 18 month wages freeze, $3,000 for full-time employees, $2,500 for part-time employees. It is anticipated that the non-recurring cost of up to $75m will be recognised in the Group’s FY17 result, outside of underlying earnings.
Energy and Emissions
Making real, measurable change wherever our footprint extends

Fuel Efficiency

- Centralised Group fuel optimisation program
- GE analytics partnership reducing in-flight fuel burn
- Over 120 other initiatives targeting 1.5% average annual efficiency improvement from 2009 to 2020

Future Planet Offset Program

- Innovative offset partnership for customers and business partners
- World's largest airline offset program – 14% growth in FY16
- Supporting economic development of indigenous communities in Australia and Asia-Pacific

Policy and Partnerships

- Adoption of industry commitment to carbon neutral growth from 2020
- Working with ICAO¹, IATA² and Australian Government on global market-based measure for aviation emissions
- Tesla innovation partnership launched in April 2016

¹. International Civil Aviation Authority. ². International Air Transport Association.
Outlook
1H17 Outlook – Domestic & International Operating Environment

- 1H17 planned Group capacity growth of 2-3%, driven by increased aircraft utilisation
  - Group Domestic capacity expected to be flat to a decrease of 1%
  - Group International capacity expected to increase by ~4%
- Planning for mixed domestic and international operating environment to continue
  - Unit revenue to be below 1H16 with competitive industry pricing, resources sector weakness
  - Offset by total unit cost improvement from Qantas Transformation and lower fuel cost
- Short-term outlook remains subject to variable factors including oil price movements, foreign exchange movements and global market conditions

Qantas Group CEO Alan Joyce said:

“The Qantas Group expects to continue its strong financial performance in the first half of financial year 2017 in a more competitive revenue environment. We are focused on preserving high operating margins through the delivery of Qantas Transformation, careful capacity management, and the benefit of low fuel prices locked in through our hedging.

“The long-term outlook for the Group is positive, with clear strategic priorities and a robust financial framework to deliver for our customers, our people and our shareholders.”
FY17 Group Outlook

- Current Group operating expectations:
  - FY17 underlying fuel cost expected to be no more than $3.2b\(^1\), $3.1b\(^2\) at current forward AUD prices
  - FY17 depreciation and amortisation expense expected to be ~$150m higher than FY16
  - FY17 lease expense expected to be ~$100m lower than FY16
  - FY17 Transformation benefits (cost, fuel efficiency and revenue) expected to be $450m
  - FY17 net capital expenditure\(^3\) expected to be $1.5b\(^3\)

- Having regard to industry and economic dynamics, no Group profit guidance is provided at this time

- From FY17 the Qantas Group will enhance market disclosure by reporting first quarter and third quarter trading updates, released in October and April. Quarterly trading updates will incorporate traffic statistics and unit revenue (RASK) performance, and introduce actual revenue performance for the quarter at a Group level. Quarterly trading updates will replace monthly traffic statistics.

---

1. Worst case total fuel cost as at 23 August 2016. Based on a 2-standard deviation correlated move in Brent forward market prices to A$56/bbl with AUDUSD rate at 0.78, for the remainder of FY17. 2. Current forward market price total fuel cost based on a Brent forward market price of A$67/bbl for remainder of FY17. As at 23 August 2016. 3. Equal to investing cash flows, excluding aircraft operating lease refinancing adjusted for the notional value of operating lease aircraft disposals/acquisitions.
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 24 August 2016, 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.

Not financial product advice
This Presentation is for information purposes only and is not financial product or investment advice or a recommendation to acquire Qantas shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice appropriate to their jurisdiction. Qantas is not licensed to provide financial product advice in respect of Qantas shares. Cooling off rights do not apply to the acquisition of Qantas shares.

Not tax 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.

Financial data
All dollar values are in Australian dollars (A$) and financial data is presented within the twelve months ended 30 June 2016 unless otherwise stated.

Future performance
Forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

An investment in Qantas shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Qantas Group, including possible delays in repayment and loss of income and principal invested. Qantas does not guarantee any particular rate of return or the performance of the Qantas Group nor does it guarantee the repayment of capital from Qantas or any particular tax treatment. Persons should have regard to the risks outlined in this Presentation.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this Presentation. To the maximum extent permitted by law, none of Qantas, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising out of fault or negligence, for any loss arising from the use of the information contained in this Presentation. In particular, no representation or warranty, express or implied is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Presentation nor is any obligation assumed to update such information. Such forecasts, prospects or returns are by their nature subject to significant uncertainties and contingencies. Before making an investment decision, you should consider, with or without the assistance of a financial adviser, whether an investment is appropriate in light of your particular investment needs, objectives and financial circumstances.

Past performance
Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Not an offer
This Presentation is not, and should not be considered, an offer or an invitation to acquire Qantas shares or any other financial products.

ASIC GUIDANCE
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 2016 which is being audited by the Group’s Independent Auditor and is expected to be made available in September 2016.