QANTAS Media Release

QANTAS 2012/13 FULL YEAR FINANCIAL RESULTS

Highlights:

- Underlying Profit Before Tax[1]: $192 million
- Statutory Profit After Tax: $6 million
- Strategic Qantas Transformation Benefits: $171 million
- Comparable Unit Cost[2] Improvement: 5 per cent
- Positive Net Free Cash Flow: $372 million
- Liquidity: $3.4 billion
- On-market share buyback to continue
- No final dividend declared

SYDNEY, 29 August 2013: The Qantas Group today reported Underlying Profit Before Tax of $192 million, Statutory Profit Before Tax of $17 million and Statutory Profit After Tax of $6 million for the year ended 30 June 2013.

The result demonstrates the progress of the Group's strategy against a challenging backdrop, with high fuel costs, excess capacity in the domestic market and intense competition in the international market.

Qantas Domestic, Jetstar and Qantas Loyalty were all profitable, while Qantas International halved its Underlying EBIT[1] losses.

The Group's comparable unit cost was improved by 5 per cent, reflecting cost reduction and productivity improvements. Qantas Transformation initiatives delivered $171 million of strategic benefits in FY13, and a further $257 million in ongoing cost management to offset annual inflation.

The result reflects a number of positive and negative impacts to Underlying PBT in FY13. Negatives included the Dubai hub transition, the carbon tax, pilot back-pay and additional start-up losses in Jetstar's new ventures in Asia. Positives included the Boeing settlement disclosed at 1H13 and a $134 million change in accounting estimates, applied in the second half, for the recognition of passenger revenue when tickets have passed their scheduled travel date.

Overall, these factors resulted in a net positive impact to Underlying PBT of $40 million.

The Group has strengthened its financial position, with positive net free cash flow of $372 million at 30 June and liquidity of $3.4 billion, comprising $2.8 billion in cash and $630 million in undrawn debt facilities. Gross debt[3] was reduced by $1 billion during the year.

The Group intends to continue the on-market share buyback program of up to $100 million initiated in December 2012.

Net capital expenditure was $1.4 billion in FY13, a reduction of $200 million compared with previous guidance[4]. Planned capital expenditure has been reduced by $300 million to $1.2 billion in FY14 and is

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[1] Underlying Profit Before Tax (PBT) is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar Group, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT as net finance costs are managed centrally. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT. For a reconciliation of Underlying PBT to Statutory PBT and further explanations of non-statutory measures, refer to the Review of Operations, attached as an appendix.

[2] Net Underlying Unit Cost is the primary measure of unit cost used by the Qantas Group. It is measured as Underlying PBT less passenger revenue and fuel per ASK. Comparable unit cost is also provided as a measure of net underlying unit cost adjusted to aid comparability between reporting periods. Comparable unit cost is calculated as Net Underlying Unit Cost adjusted for the impact of industrial action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance, carbon tax (2012/2013) and movements in average sector length.

[3] Net financing cashflows excluding share buyback.

expected to be $1.5 billion in FY15. After a period of accelerated fleet renewal, the Group's average scheduled passenger fleet age is now 7.9 years – the lowest since privatisation.

With fleet renewal substantially complete, the Group has moved into a period of lower capital expenditure. However, investment continues to improve the customer experience and operational efficiency.

CEO Commentary

Qantas Group CEO Alan Joyce said the level of activity and achievement across the Group over the past 12 months had been immense.

"We have launched a global partnership with Emirates - shifting our hub for Europe flights to Dubai - maintained our strong domestic market position with the Qantas-Jetstar dual brand strategy, continued building Jetstar in Asia, and achieved another record result with Qantas Loyalty[5]," Mr Joyce said.

"The market is very tough. But we are focused on the elements we can control. We have Australia's leading airlines and loyalty business – and we have a clear strategy to build an even stronger business for the future."

In the domestic market, Qantas and Jetstar retained the Group's profit-maximising 65 per cent share.

"Over the 12 months, the domestic market grew at its fastest rate in the past eight years," Mr Joyce said. "We responded to aggressive levels of competitor capacity growth, with the Group's domestic operations holding our strong position and contributing more than $450 million to Underlying EBIT.

"Our financial position has been strengthened by the actions we have taken over past 12 months: reducing debt, extending our maturity profile and taking a prudent approach to capital expenditure.

"We have also continued our policy of selling non-core assets where appropriate. During the year we sold our stake in StarTrack to Australia Post and our Cairns and Sydney Riverside catering centres to Gate Gourmet - and today we have announced the sale of Qantas Defence Services to Northrop Grumman for a price of $80 million for the business and other related assets.

"Our focus remains on building long term shareholder value. We will continue to be disciplined in managing capital expenditure and costs, while improving the customer experience and engaging our people to provide the best possible service.

"Customer satisfaction is strong across all our businesses and at record levels in Qantas Domestic, Qantas International and Qantas Domestic. This is a tribute to the skill and dedication of our people, and reflects the investment we are making in aircraft, training and technology."

Qantas Domestic

Qantas Domestic reported Underlying EBIT of $365 million, down 21 per cent – the clear profit leader in a market that saw 8 per cent capacity growth.

"Qantas Domestic is the first choice for Australian business and premium leisure travellers," Mr Joyce said. "We have retained an 84 per cent share of the corporate travel market and won important new accounts.

"We continued to invest in our domestic fleet during FY13, taking delivery of 10 new aircraft and upgrading 15 Boeing 767s with new interiors and iPad entertainment. Today we have unveiled our new A330 interiors, including lie-flat beds in business class, which will operate for both Qantas Domestic and Qantas International.

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[4] Excludes proceeds/payments relating to asset disposals/acquisitions of $308 million in FY13, includes payments for investments in associates.
[5] Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.

“Supporting the resources market and regional Australia remains a priority. We have a clear network advantage in the key resource states of Western Australia and Queensland through Qantas Domestic, including QantasLink and our Network Aviation charter business.

“We have also maintained our significant advantage in on-time performance among major domestic airlines for the fourth consecutive year, outperforming the competition in 10 out of 12 months during FY13.

“Customer satisfaction with Qantas Domestic has been at record levels throughout the year.”

Qantas International

Qantas International reported an Underlying EBIT loss of $246 million in FY13, halving its losses compared with FY12. The business achieved an improvement in comparable unit cost[6] of 5 per cent, reflecting a $148 million benefit from strategic Qantas Transformation initiatives, and is now free cash flow positive.

“We have made considerable progress with our turnaround plan for Qantas International and we remain on track towards our target for the business to return to profit in FY15,” Mr Joyce said. “This progress has come in a tough competitive environment with high fuel costs and rapid capacity growth from competitors.”

“The Qantas-Emirates partnership gives the Group a strengthened position on routes to Europe, the Middle East and North Africa, via the global hub of Dubai. Bookings have been very positive, running at about twice the level of Qantas’ previous codeshare arrangements for flights to Europe. However, while the early signs are very promising, much of the partnership will be bedded down during FY14 – and we expect full benefits to flow from FY15.

“The partnership has also allowed us to strengthen our network in Asia and over the Tasman. We have reworked our schedule on services between Australia and Asia to provide better connections to the region’s major hubs, and expanded our alliance with China Eastern – part of a long-term strategy for the world’s biggest aviation market.

“Our services to North and South America continue to perform well, and we see good prospects for our partnerships with American Airlines and LATAM in those markets.

“We have reduced Qantas International’s cost base by 5 per cent, having withdrawn from loss-making routes, retired ageing aircraft and completed the reconfiguration of nine Boeing 747s and all 12 of our A380s, resulting in improved fleet economics.

“Customers have welcomed the Emirates partnership, upgraded aircraft and our new premium lounge in Singapore.

“Qantas International’s record customer satisfaction ratings are a great endorsement of our strategy, but we cannot be complacent. The international market remains intensely competitive, as the response to the Emirates partnership has shown – with market capacity growth of 5 per cent in FY13. Our focus remains squarely on making Qantas International a competitive and sustainable business that can ultimately grow again.”

Jetstar

Jetstar reported Underlying EBIT of $138 million, down 32 per cent, reflecting the competitive domestic market and additional start-up losses in Jetstar Japan and Jetstar Hong Kong.

“Jetstar continues to generate strong earnings for the Group through our domestic dual-brand strategy and successful ancillary revenue model,” Mr Joyce said. “At the same time, we are building Jetstar in Asia, positioning the brand for future success across the region.”

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[6] Comparable Unit Cost is net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement, changing in estimate of passenger revenue received in advance (2012/2013), carbon tax (2012/2013) ,and movements in average sector length.

"In FY13 Jetstar carried its 100 millionth passenger and took delivery of its 100th aircraft, a remarkable achievement for an airline that began operations in 2004. It has been named the best low-cost carrier in the Asia-Pacific region and the second-best in the world. In FY13 we saw significant improvements in customer satisfaction across all Jetstar airlines, including some record results.

"Jetstar Japan was launched in July 2012 and is off to a strong start, having carried over 2 million passengers since launch, grown to 13 aircraft in just 13 months and earned some of the highest customer satisfaction ratings anywhere on the Jetstar network. The business has huge growth potential, with low cost carriers accounting for just 5 per cent of a market that is six times the size of Australia. It is also likely to benefit from recent consolidation in the market.

"We continue to work through the regulatory approval for Jetstar Hong Kong. Our third major shareholder, Shun Tak Holdings, joined the Qantas Group and China Eastern in June 2013, and we are working to support the Jetstar Hong Kong team as they seek regulatory approval by the end of 2013. Last week Jetstar Hong Kong reached an important milestone, with formal gazettal by Hong Kong's Air Transport Licensing Authority.

"With ACCC approval for coordination between the Jetstar businesses received earlier this year, we are building the scale necessary for long-term success in Asia."

Qantas Loyalty

Qantas Loyalty reported Underlying EBIT of $260 million, up 13 per cent – another record result[7] and the business' fourth consecutive year of double-digit growth. It achieved record customer satisfaction in FY13.

"The Qantas Frequent Flyer program is vital to the Group," Mr Joyce said. "It is a leading loyalty business and a strong, stable source of revenue."

"During the year Qantas Frequent Flyer reached 9.4 million members and we are targeting 10 million during FY14.

"The new Emirates partnership has greatly increased the options and benefits available to members, driving a 50 per cent increase in redemptions on partner airlines in the final quarter of FY13. We have also opened up better opportunities for members to earn and redeem points on the Jetstar network.

"Yesterday we officially launched our next-generation loyalty card featuring Qantas Cash, which enables members to withdraw money and make purchases, as well as providing access to the usual Frequent Flyer member benefits. And we continue to generate new revenue streams for Qantas Loyalty through partnerships in the fast-growing loyalty services market.

"Qantas Loyalty's success reflects the strength of the Group's airline businesses, and it will remain at the core of our strategy, delivering sustainable earnings growth over the coming years."

Freight

Qantas Freight reported Underlying EBIT of $36 million, down 20 per cent on FY12, driven by a decrease in international capacity and the sale of StarTrack.

"Our domestic freight business was fundamentally restructured in FY13, with the sale of our stake in Star Track and the acquisition of Australian air Express (AaE)," Mr Joyce said.

"While freight market conditions are challenging, the steps we took during FY13 will strengthen our position both domestically and internationally.

[7] Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.

"The integration of AaE into Qantas Freight – expected to be complete in 1H14 – will create Australia's leading independent air freight provider. Internationally, Qantas Freight will benefit from a partnership with Emirates' SkyCargo division."

Outlook

The operating environment for the Qantas Group in 1H14 remains challenging and volatile.

Group capacity is expected to increase by 1-2 per cent in 1H14 compared with 1H13. Group domestic capacity is expected to increase by 1.5-2.5 per cent in 1H14 compared with 1H13, while maintaining flexibility.

Underlying fuel costs for the Group are expected to be approximately $2.34 billion in 1H14 at current market rates, which is approximately $160 million higher compared with 1H13.[8]

No Group profit guidance is provided at this time due to the high degree of volatility and uncertainty in the competitive environment, global economic conditions, fuel prices and foreign exchange rates.

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[8] As at 28 August 2013, excludes carbon tax.

EXPLANATION OF RESULTS

The Qantas Group reported an improved Underlying PBT[9] of $192 million for the year ended 30 June 2013, up $97 million on last year. Statutory Profit Before Tax (Statutory PBT) is up $366 million to $17 million and Statutory Profit After Tax is up $250 million to $6 million.

Highlights of the full-year result include:

- Underlying PBT $192 million in challenging market conditions
  - Significant net underlying unit cost improvement[10]
  - Resilient Group Domestic earnings despite yield pressure
  - Steady improvement in Qantas International
  - Record result for Qantas Loyalty[11]

- Delivering on strategic priorities
  - Strengthening Group Domestic position
  - Enhancing alliances, launch of Emirates partnership
  - Qantas Transformation delivering benefits
  - Growing Qantas Loyalty
  - Building Jetstar in Asia

- Securing the future with financial discipline
  - Positive net free cash flow[12] of $372 million
  - Significant debt reduction
  - Prudent capital management
  - Strong liquidity position

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9 Underlying Profit Before Tax (PBT) is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar Group, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT as net finance costs are managed centrally. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT. Refer to page 19 for a reconciliation of Underlying PBT to Statutory PBT.

10 Net Underlying Unit Cost is the primary measure of unit cost used by the Qantas Group. It is measured as Underlying PBT less passenger revenue and fuel per ASK. Comparable unit cost is also provided as a measure of net underlying unit cost adjusted to aid comparability between reporting periods. Comparable unit cost is calculated as Net Underlying Unit Cost adjusted for the impact of industrial action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance, carbon tax (2012/2013) and movements in average sector length.

11 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. The Qantas Frequent Flyer segment was renamed Qantas Loyalty during the year.

12 Net free cash flow – Operating cash flows less investing cash flows. Net free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.

Explanation of Results (continued)

Underlying PBT

The Qantas Group Underlying PBT increased to $192 million in challenging market conditions. The result was underpinned by a significant improvement in net underlying unit cost[10] and reflects the Group's delivery of its strategic priorities.

Group Underlying Income Statement Summary		June 2013	June 2012	Change	% Change
Net passenger revenue[13]	$M	13,673	13,625	48	-
Net freight revenue[14]	$M	935	903	32	4
Other revenue[13,14]	$M	1,294	1,196	98	8
Revenue	$M	**15,902**	**15,724**	**178**	**1**
Operating expenses (excluding fuel)[15]	$M	(9,273)	(9,200)	(73)	(1)
Share of net (loss)/profit of associates and jointly controlled entities	$M	(39)	3	(42)	>(100)
Fuel[15]	$M	(4,243)	(4,329)	86	2
Depreciation and amortisation	$M	(1,450)	(1,384)	(66)	(5)
Non-cancellable aircraft operating lease rentals	$M	(525)	(549)	24	4
Expenses	$M	**(15,530)**	**(15,459)**	**(71)**	**-**
Underlying EBIT[16]	$M	**372**	**265**	**107**	**40**
Net finance costs[15]	$M	(180)	(170)	(10)	(6)
Underlying PBT	$M	**192**	**95**	**97**	**102**

Operating statistics		June 2013	June 2012	Change	% Change
Available Seat Kilometres (ASK)[17]	M	139,909	139,423	486	-
Revenue Passenger Kilometres (RPK)[18]	M	110,905	111,692	(787)	(1)
Passengers Carried	000	48,276	46,708	1,568	3
Revenue Seat Factor[19]	%	79.3	80.1	(0.8)	(1)
Yield (excluding FX)[20]	c/RPK	10.33	10.58	(0.25)	(2)
Net Underlying Unit Cost[10]	c/ASK	4.99	5.30	0.31	6
Comparable Unit Cost[21]	c/ASK	4.97	5.23	0.26	5

13 Net passenger revenue has been adjusted in 2012/2013 to include associated ancillary passenger revenue, passenger service fees, charter revenue and lease revenue from codeshare previously reported as Other revenue. 2011/2012 net passenger revenue and other revenue has been reclassified accordingly. These items remain excluded from the calculation of yield.

14 Net Freight revenue has been adjusted in 2012/2013 to include lease revenue from codeshare previously reported as other revenue. 2011/2012 net freight revenue and other revenue has been reclassified accordingly.

15 Underlying operating expenses (excluding fuel), fuel and net finance costs differ from equivalent statutory expenses due to items excluded from Underlying PBT, such as adjustments for impacts of AASB 139 which relate to other reporting periods and other items identified by Management. Refer to page 19 for a reconciliation of Underlying PBT to Statutory PBT.

16 Underlying Earning Before Net Finance Costs and Tax (EBIT) is the primary reporting measure for all segments except Corporate/Unallocated.

17 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.

18 RPK – total number of passengers carried, multiplied by the number of kilometres flown.

19 Revenue Seat factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.

20 Yield (excluding FX) – Passenger revenue excluding FX, divided by RPKs.

21 Comparable Unit Cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance (2012/2013), carbon tax (2012/2013) and movements in average sector length.

Explanation of Results (continued)

Revenue growth of one per cent was achieved despite a tough operating environment. A decline in yield was driven by excess domestic market capacity, a mixed economic environment and aggressive competitive responses to the Qantas and Emirates partnership and Jetstar's Asian strategy. Competition has been particularly aggressive in the Asia-Pacific as the region's relative economic strength and the high Australian dollar have attracted foreign carriers looking to improve yield and leverage cost advantages. However this was offset by growth in other revenue streams. Qantas Loyalty delivered continued growth in members and revenue to achieve another record result[11]. Jetstar further improved its ancillary revenues per passenger, on top of nine per cent growth in passenger numbers.

Net passenger revenue includes a $134 million[22] benefit that follows a review of key judgements and estimates for tickets which have passed the ticketed travel date. This change aligns the timing of Group revenue recognition and the measurement of revenue received in advance with ticket terms and conditions and historic experience. Charter revenue almost doubled reflecting Qantas' market leading charter proposition.

Net freight revenue increased following the acquisition of Australian air Express in November 2012, offset by reductions in capacity as a result of the Qantas International network changes.

Other revenue includes a $125 million settlement following the restructuring of the Group's Boeing 787 deliveries. This amount has been equally apportioned to Qantas International, Qantas Domestic and Jetstar Group. The additional revenue was partially offset by a reduction in third party contract revenue due to the sale of catering centres.

Qantas Group Net underlying unit cost[10] improved six per cent. Comparable unit cost[21] improved five per cent despite the $56 million impact of the European hub transfer from Singapore to Dubai, a $31 million increase in losses resulting from the start-up of Jetstar-branded airlines in Asia and $26 million back-pay following finalisation of the work place agreement for long-haul pilots. The unit cost improvement reflects the benefit of Qantas Transformation delivering results, successful growth in Jetstar and the control of costs across the business. The introduction of the carbon tax drove up operating expenses by $106 million.

Fuel costs reduced two per cent on prior year. This was driven by fleet modernisation and reconfiguration initiatives completed during the year. The average fuel price remained high, in line with prior year.

The increase in net finance costs was driven by the full-year impact of the fleet renewal program[23].

Segment Performance Summary		**June 2013**	**June 2012**	**Change**	**% Change**
Qantas Domestic	$M	365	463	(98)	(21)
Qantas International	$M	(246)	(484)	238	49
Qantas Loyalty[24]	$M	260	231	29	13
Qantas Freight	$M	36	45	(9)	(20)
Qantas Brands Eliminations	$M	3	(6)	9	>100
Qantas Brands	**$M**	**418**	**249**	**169**	**68**
Jetstar Group	$M	138	203	(65)	(32)
Corporate/Unallocated	$M	(185)	(191)	6	3
Eliminations	$M	1	4	(3)	(75)
Underlying EBIT	$M	**372**	**265**	**107**	**40**
Net Finance Costs	$M	(180)	(170)	(10)	(6)
Underlying PBT	$M	**192**	**95**	**97**	**102**

All operating segments delivered profitable results, with the exception of Qantas International. The benefits from Qantas Transformation initiatives drove a steady improvement in the Qantas International Underlying EBIT toward a return to

[22] The net passenger revenue benefit of $134 million is represented by $80 million for Qantas Domestic and $54 million for Qantas International.
[23] The fleet renewal program was substantially completed in 2011/2012.
[24] The Qantas Frequent Flyer segment was renamed Qantas Loyalty during the year.

Explanation of Results (continued)

profit by 2014/2015. The Qantas and Emirates partnership announced in September 2012 and launched on 31 March 2013, will deliver substantial benefits. The Underlying EBIT result includes a $56 million adverse impact associated with transitioning Qantas' European hub to Dubai.

Qantas Domestic reported a resilient Underlying EBIT of $365 million despite intense competition and excess market capacity impacting yield and load. The Qantas Domestic result includes $77 million of carbon tax. Qantas Domestic achieved superior on-time performance[25] for the fourth consecutive year and remains the domestic airline of choice for the corporate market supported by continuing network and product enhancements.

Jetstar achieved a seven per cent increase in revenue while advancing its strategy of growth in Asia. Jetstar's full-year Underlying EBIT of $138 million reflects the impact of domestic competitive pressures, $29 million of carbon tax and $50 million in associate start-up losses to position Jetstar for success in Asia through its Jetstar-branded airlines in Jetstar Japan, Jetstar Hong Kong and Jetstar Pacific.

Overall, the Qantas Group's domestic operations contributed more than $450 million to Underlying EBIT.

Qantas Loyalty achieved a record[26] full-year Underlying EBIT of $260 million, a 13 per cent improvement on last year. Partner expansion and new award and redemption opportunities have driven program membership up nine per cent, to 9.4 million members in 2012/2013, targeting 10 million members by June 2014.

Qantas Freight Underlying EBIT of $36 million was down $9 million on last year. This was driven by reductions in Qantas International capacity, weaker domestic market conditions and the sale of StarTrack. Qantas Freight restructured its domestic business through the sale of StarTrack and the acquisition and integration of Australian air Express.

Delivering on strategic priorities

The Group's objective is to deliver sustainable returns to shareholders by leveraging its portfolio of leading airline brands and loyalty program while being the first choice for customers in the markets we serve.

STRATEGIC PRIORITIES	
GROUP DOMESTIC Dual brand (Qantas, Jetstar)	• Best for business, premium leisure and price-sensitive customers • Most extensive network; profit maximising 65% market share • Maintain margin advantage
QANTAS INTERNATIONAL Clear path to return to profit	• Significant cost base transformation; improved fleet economics • Strengthening alliances; network optimisation • World-class customer offering
QANTAS LOYALTY Leading loyalty business	• Deepen customer and partner engagement • Driving strong growth with minimal capital • Continued innovation; new revenue streams
JETSTAR IN ASIA Well positioned in growing market	• Strategic local partners • Highly recognised brand • Leveraging low-cost model to realise potential
STRONG FINANCIAL DISCIPLINE	• Positive net free cash flow on a full year basis; debt reduction • Unit cost improvement • Prudent capital expenditure • Investment grade credit rating

The Qantas Group has made significant progress in delivering on its strategic priorities during the year.

25 Source: BITRE July 2009-June 2013

26 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.

- Strengthening the Group's domestic position
- Enhancing alliances, launch of Emirates partnership
- Qantas Transformation delivering benefits
- Growing Qantas Loyalty
- Building Jetstar in Asia

Strengthening the Group's domestic position

The Group has maintained its leading network advantage through its profit maximising 65% domestic market share. The dual brand strategy of Qantas and Jetstar is working effectively to provide the right product and a margin advantage across the business, premium leisure and price-sensitive markets.

Enhancing alliances, launch of Emirates partnership

Qantas' world leading airline partnership with Emirates was successfully launched on 31 March 2013.

The partnership delivers on Qantas' outstanding customer product offering and enables Qantas to provide its customers with 98 weekly services between Australia and Dubai. Dubai's 24 hour hub provides seamless connections to over 175 destinations worldwide for Qantas customers. This has enabled the exit of loss making routes and the restructure of the Asian network.

The Qantas and Emirates partnership continues to expand with joint network bookings across the trans-Tasman available from August 2013. Together, we will operate around 130 services per week from Auckland, Christchurch, Wellington and Queenstown to Australian east coast cities – then onwards to more than 65 destinations in the Middle East, North Africa and Europe.

With increased dedicated capacity to Singapore and Hong Kong, enabling more same-day connectivity across Asia, Qantas International is well placed to better service the Asian market – the world's fastest growing aviation market. Ongoing enhancement to the Asian code shares, including the expansion of the China Eastern partnership, will also deliver improved connectivity and reach into Asia.

The gateway strategy extends beyond the Emirates Partnership and Asia:

- Daily flying into Dallas Fort Worth, with connections to American Airlines US domestic network.
- Ongoing discussions with LATAM to strengthen Santiago as the gateway to South America, with TAM joining **one**world in 2014.
- Reaffirming our partnership with South African Airways, opening up southern Africa via Johannesburg.

Qantas Transformation delivering benefits

Qantas Transformation initiatives delivered benefits to Underlying EBIT of $428 million in 2012/2013. This is made up of $171 million from strategic initiatives and additional benefits of $257 million through operational initiatives to offset the impact of inflation and improve unit cost.

The Qantas Transformation strategic initiatives delivered in 2012/2013 include:

- The exit of loss making routes.
- The completion of the reconfiguration program[27] to improve product quality, consistency and fleet economics of 12 A380-800 and nine B747-400 aircraft.
- The consolidation of engineering and catering facilities.

The Qantas Transformation is expected to deliver cumulative strategic benefits to Underlying EBIT of $300 million in 2013/2014. The aim is for Qantas International to be profitable in 2014/2015 and Qantas Brands to sustainably achieve cost of capital in the long-term.

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[27] Last aircraft completed in July 2013.

Growing Qantas Loyalty

Qantas Loyalty is generating its next wave of growth through the launch of Qantas Cash, loyalty services, the Qantas Frequent Flyer Toolbar and continues to leverage its existing loyalty program expertise through management of new client programs.

Building Jetstar in Asia

Jetstar has positioned its highly recognised brand to benefit from growth opportunities in the Asian market with the successful launch of Jetstar Japan, the development of Jetstar Hong Kong[28] and the completion of Jetstar Pacific's fleet renewal[29]. In March 2013 the Australian Competition and Consumer Commission granted approval to coordinate networks between the Asian-based Jetstar-branded airlines.

Jetstar Japan successfully launched in July 2012 with investors Mitsubishi, Japan Airlines and Century Tokyo Leasing Corporation. Since launch, it has carried 2 million passengers and is now the largest domestic low-cost carrier operating in Japan[30]. The fleet has grown to 13 aircraft and is expected to grow to 24 aircraft in the short to medium term. All of Jetstar Japan's aircraft have been sourced by Qantas, demonstrating the flexibility of the Group's fleet plan in supporting the Asian strategy.

Jetstar Hong Kong's application for regulatory approval is underway with China Eastern Airlines and the new local investor Shun Tak Holdings. The airline has built up a local management team, started pilot and cabin crew recruitment as well as advanced its Air Operators Certificate application. Regulatory approval is expected by end of calendar year 2013[28]. The airline is planned to grow up to 18 aircraft within the medium term.

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28 Subject to regulatory approval.

29 Completed fleet transformation replacing its 737-400 fleet with A320-200 aircraft 18 January 2013.

30 Based on fleet size and domestic ASKs as at 22 August 2013, compared to Peach and Air Asia Japan.

Explanation of Results (continued)

Material Business Risks[31]

The aviation industry is subject to a number of inherent risks. These include, but are not limited to, exposure to changes in economic conditions, significant aviation incidents, changes in government regulations, fuel and foreign exchange volatility and other exogenous events such as natural disasters, war or epidemic.

Qantas is subject to a number of specific business risks which may impact the achievement of the Group's strategy and financial prospects:

- **Competitive intensity -** Excess market capacity impacts industry profitability
  - Australia's liberal aviation policy settings coupled with the strength of the Australian economy relative to global economic weakness and the strong Australian dollar has attracted more offshore competitors to the Australian international aviation market including state sponsored airlines. Qantas is responding by building key strategic partnerships and maintaining a strong focus on improving the cost base through the transformation agenda. Qantas continues to leverage its considerable fleet flexibility to appropriately manage the international network.
  - The Australian domestic aviation market has attracted increased competition in recent years. The resulting intensity of competition and risk of continued capacity growth in excess of demand is being mitigated by Qantas maintaining the 65% profit maximising domestic market share and executing Qantas Group's dual brand strategy. This strategy leverages Qantas Domestic (including QantasLink) to serve business and premium leisure customers and Jetstar to serve price sensitive customers. Qantas Domestic is improving its cost base through its transformation initiatives and fleet renewal while Jetstar is working to maintain its low-cost leadership position.

- **Jetstar-branded airlines in Asia -** The Jetstar-branded airlines being established across Asia (Jetstar Japan and Jetstar Hong Kong) are in the start-up phase. The inherent risk associated with start-up operations, including obtaining necessary regulatory approvals, is being mitigated through selection of strong local partners, leveraging their strength in each market and sharing risk through appropriate equity structures.

Qantas mitigates the potential impact of risk on the Group's financial prospects by maintaining a strong capital base to maintain creditor confidence, sustain future development of the business and maximise shareholder value. Qantas targets a capital structure consistent with an investment grade credit rating while maintaining adequate liquidity. The Group maintains access to a broad range of capital sources and the capacity to manage capital expenditure through a flexible fleet order book and processes to strategically prioritise investments and divest non-core assets.

In addition, due to the size and complexity of the operations Qantas is also exposed to a number of other risks that may impact the Group:

- **Industrial relations** - The risk of industrial action relating to Qantas' collective agreements with its employees is being mitigated through continuous stakeholder and employee engagement initiatives. The success of these programs is reflected through improving employee engagement scores.
- **Continuity of critical systems -** Qantas operations depend on the continuous functioning of a number of information technology and communication services. Qantas has an extensive control and management framework to reduce the likelihood of outages, ensure early detection and to mitigate the impact.

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[31] An expanded discussion of material business risks has been provided following the introduction of ASIC Regulatory Guide 247 on Presentation of an Operating and Financial Review in March 2013.

Explanation of Results (continued)

Securing the future with financial discipline

- Positive net free cash flow[32] of $372 million
- Significant debt reduction
- Prudent capital management
- Strong liquidity position

Cash Flow Summary		June 2013	June 2012	Change	% Change
Operating cash flows	$M	1,417	1,810	(393)	(22)
Investing cash flows	$M	(1,045)	(2,282)	1,237	54
Net free cash flow[32]	$M	***372***	***(472)***	**844**	***>100***
Financing cash flows	$M	(953)	370	(1,323)	>100
Effect of foreign exchange on cash	$M	12	4	8	>100
Cash at period end	$M	**2,829**	**3,398**	**(569)**	(17)

Qantas has strengthened its financial position during the period. Positive net free cash flows and an ongoing strong liquidity position supported an eight per cent reduction in net on balance sheet debt and continuing on-market share buy-back. Over $1.8 billion of debt and related hedging was repaid or refinanced during the year.

Positive net free cash flow of $372 million was achieved for the period. This is the third consecutive half year of positive net free cash flow and reflects the Group's continued focus on maintaining an investment grade credit rating[33] by strengthening the balance sheet through disciplined capital management.

Qantas invested $1.3 billion in its customer product and fleet during the year. Six new unencumbered aircraft were added to the fleet (three B737-800s and three A320-200s). In addition, several non-core assets were sold, including the Group's interest in StarTrack and the Sydney Riverside and Cairns catering facilities.

The Group continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changing market conditions and remain positioned for sustainable growth.

The Group finished the period with a strong liquidity position including $2.8 billion in cash and $630 million in undrawn standby and revolving facilities. Qantas' debt maturity profile was further extended during the period. The Group's syndicated loan facility was refinanced and oversubscriptions were taken up increasing the facility to $550 million. In addition the Group issued $250 million of unsecured fixed rate notes with a maturity in 2020, with the proceeds being used to repay existing shorter-term debt.

Debt and Gearing Analysis		June 2013	June 2012	Change	% Change
Net on balance sheet debt[34]	$M	3,226	3,507	281	8
Net Debt including operating lease liabilities[35]	$M	4,819	5,367	548	10
Adjusted Equity[36]	$M	5,654	5,559	95	2
Gearing Ratio[37]		46:54	49:51	3pts	6

32 Net free cash flow – Operating cash flows less investing cash flows. Net free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.

33 Qantas is investment grade rated by both Moody's (Baa2) and Standard & Poor's (BBB-).

34 Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt less cash, cash equivalents and aircraft security deposits.

35 Net debt including operating lease liabilities includes net on balance sheet debt and off balance sheet aircraft operating lease liabilities. Operating lease liabilities are measured as the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet. This operating lease liability has been calculated in accordance with Standard and Poor's methodology using an assumed interest rate of nine per cent.

36 Adjusted equity includes Equity adjusted to exclude hedge reserves, defined benefit superannuation prepayments (net of deferred tax) and to include any vested benefit surplus / deficit of defined benefit superannuation plans (net of deferred tax).

37 Gearing Ratio is net debt including operating lease liability to net debt including operating lease liability and adjusted equity. The gearing ratio is used by management to represent the Qantas Group's debt obligation including obligations under operating leases.

Explanation of Results (continued)

Fleet

The Qantas Group remains committed to a fleet strategy that provides for long-term fleet renewal, simplification and disciplined growth. The fleet strategy is designed to support the strategic objectives of the Group's two flying brands, whilst retaining significant flexibility to respond to changes in market conditions.

At 30 June 2013, the Qantas Group fleet, including Jetstar Asia, Qantas Freight and Network Aviation, comprised 312 aircraft. During 2012/2013 the Group purchased 17 aircraft (including four purchased ex-lease) and leased 11 aircraft:

- Qantas – seven B737-800s (owned), one A330-200 (leased), three Bombardier Q400s (owned) and four B767-300s (purchased ex-lease).
- Jetstar (including Jetstar Asia) – 13 A320-200s (three owned and 10 leased).

The Group removed 20 aircraft from service during the year including nine lease returns. This included five B747-400s, three B767-300s, six B737-400s and six A320-200s.

The Qantas Group's scheduled passenger fleet average age is now 7.9 years, the lowest average age since privatisation. The benefits of fleet investment include improved customer satisfaction, environmental outcomes, improving yields, operational efficiencies and cost reductions.

Explanation of Results (continued)

Qantas Domestic

- Clear profit leader in the domestic market
- Strengthening domestic market position despite challenging competitive environment
- Superior on-time performance
- Record levels of consistent customer satisfaction
- Enhancing regional and charter offering

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	6,218	6,063	155	3
Revenue Seat Factor	%	75.9	77.7	(1.8) pts	(2)
Underlying EBIT	$M	365	463	(98)	(21)

Qantas Domestic Underlying EBIT of $365 million for the year ended 30 June 2013 was $98 million down from the prior year.

The reduction in Underlying EBIT was driven by the introduction of the carbon tax and capacity growth in the Australian domestic market of eight per cent[38], exceeding market demand. This challenging competitive environment resulted in reduced loads and weaker yields.

Qantas Domestic's comparable unit cost[39] improved three per cent on last year. Cost savings included transformation benefits associated with the consolidation of the Tullamarine Heavy Maintenance base into the Brisbane facility, consolidation of engineering support functions, improved fleet economics, rationalisation of catering facilities and other program initiatives.

Domestic customer satisfaction and advocacy is at its highest consistent levels and the net promoter score is at its highest level since recording commenced in August 2008. Qantas Domestic was recognised through a number of industry awards:

- 'Best Domestic Airline'[40] four years running
- 'Regional Airline of the Year'[41]
- 'Best Regional Airline'[42]
- 'Best Australian Lounges'[43]

Qantas has achieved superior on time performance for the last four years[44].

Qantas strengthened its customer proposition through investing in a number of customer product enhancements in the year. This included the expansion of in-seat entertainment across the domestic network[45] and completion of the B767-300 fleet refurbishment, including Q-Streaming in-flight entertainment.

Qantas continues to be the clear choice for business travellers and has maintained its corporate market revenue share.

Qantas continues to support the regional market position through QantasLink and Network Aviation services securing significant corporate charter contracts in the year. QantasLink took delivery of three Bombardier Q400 aircraft during the

38 BITRE July 2012 to June 2013
39 Comparable Unit Cost–net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement, change in estimate of passenger revenue received in advance (2012/2013) , carbon tax (2012/2013) and movements in average sector length.
40 Australian Federation of Travel Agents National Industry Awards 2010-2013.
41 Air Transport World Awards 2012.
42 Australian Traveller Magazine Awards 2012.
43 Australian Business Traveller Awards 2012.
44 BITRE July 2010 to June 2013.
45 Twenty B737-800 aircraft delivered by 30 June 2013 including in-seat entertainment. Available on selected routes.

year and announced a further three Bombardier Q400 and five leased B717-200 aircraft to join the network from the second half of 2013.

Qantas International

- Steady improvement in Underlying EBIT
- Qantas Transformation initiatives delivering unit cost improvements
- Successful launch of the Qantas Emirates partnership providing a substantially enhanced customer offering
- Highest customer satisfaction on record[46]

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	5,496	5,770	(274)	(5)
Revenue Seat Factor	%	81.6	82.1	(0.5) pts	(1)
Underlying EBIT	$M	(246)	(484)	238	49

Qantas International Underlying EBIT loss of $(246) million for the year represents a $238 million (or 49 per cent) improvement on the prior year.

The improved result reflects ongoing transformation benefits. Cost saving initiatives include the consolidation of heavy maintenance facilities and the exit of loss making routes (including the Singapore to Frankfurt service) which enabled retirement of older B747-400 aircraft. These combined benefits have delivered a comparable unit cost[47] improvement of five per cent compared to prior year. Productivity and cost benefits have more than offset the impact that increased competition has had on industry wide fares. International market capacity in and out of Australia grew by five per cent[48] during the year.

Significant improvement to Qantas' international product resulted in increased customer advocacy and record customer satisfaction[46]. A range of business inflight customer enhancements were introduced, including the sleeper service, a new menu offering and select on Q-Eat. The launch of the Qantas Emirates partnership coincided with the roll out of chauffeur drive and Dubai connect. The completion of the B747-400 reconfiguration program has also ensured that customer satisfaction on these services is on par with the A380-800 product. The new Singapore premium lounge was opened, offering an enhanced customer experience.

Jetstar

- Strong position in attractive growth markets
- Best low-cost carrier Australia-Pacific[49]
- Continued growth in ancillary revenue per passenger
- Unit cost[50] improvement
- Building a strong brand across Asia
- Leading low-cost technology and customer offering

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	3,288	3,076	212	7
Seat Factor	%	79.1	79.2	(0.1) pts	(0.1)
Underlying EBIT	$M	138	203	(65)	(32)

46 Annual average calendar year customer satisfaction. Qantas started recording customer satisfaction in 2003.
47 Comparable unit cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012) and Boeing settlement (2012/2013), change in estimate of passenger revenue received in advance (2012/2013) and movements in average sector length.
48 BITRE July 2012 to June 2013
49 SKYTRAX Awards 2013 – Jetstar Airways.
50 Unit cost – Jetstar unit cost is measured using controllable unit cost in line with industry benchmarks for low-cost carriers. Controllable unit cost is measured as total expenses excluding fuel per ASK. Expenses relating to carbon tax, Jetstar Asia and Jetstar-branded associates are excluded to aid comparability between reporting periods.

Explanation of Results (continued)

Jetstar Underlying EBIT for year ended 30 June 2013 was $138 million, down $65 million from the prior corresponding period.

The decline in earnings was primarily driven by start-up losses from Jetstar Japan and Jetstar Hong Kong, introduction of the carbon tax and excessive domestic market capacity. Jetstar's revenue growth has been supported by increased capacity (seven per cent) and passengers (nine per cent), coupled with Jetstar's continued focus on ancillary revenue.

Jetstar has been profitable every year since launch and awarded best low-cost carrier in Australia-Pacific[49] for the third consecutive year. Jetstar continued to grow its ancillary revenue per passenger (up five per cent[51]).

Jetstar improved unit cost[50] by three per cent compared to last year retaining its low-cost carrier margin advantage.

Jetstar Asia continues to build a strong brand with 10 per cent passenger growth in an increasingly competitive market. Jetstar Asia delivered its second consecutive year of profitability[52].

Jetstar Pacific has successfully completed its fleet renewal program. It is now flying five A320-200s with an average fleet age of eight years. This has delivered a significant improvement in fleet economics, resulting in unit cost improvement. Jetstar Pacific has planned growth to 15 aircraft by financial year 2016/2017.

Jetstar will be the first low-cost carrier in the Asia-Pacific to fly the B787-8 Dreamliner, with the first flight planned by the end of the 2013 calendar year. There are currently seven A320-200s across the Jetstar-branded airlines fitted with fuel-saving sharklets.

Qantas Loyalty

- Record[53] Underlying EBIT of $260 million, up 13 per cent on the prior year
- Member growth of nine per cent to 9.4 million members
- 5.6 million awards redeemed, up 10 per cent
- Billings up to $1.2 billion
- Qantas Cash launching
- Net promoter score at record high[54]

		June 2013	June 2012	Change	% Change
Members	M	9.4	8.6	0.8	9
Awards Redeemed	M	5.6	5.1	0.5	10
Underlying EBIT	$M	260	231	29	13

Qantas Loyalty achieved another record[53] result with a 13 per cent improvement in Underlying EBIT to $260 million. This has been driven by strong billings, record member engagement[54] and continued member growth to 9.4 million members.

Redemptions grew 10 per cent driven by a 33 per cent increase in store awards due to Auto Rewards and new redemption options. New options include charitable redemptions to UNICEF, David Jones Gift Cards, digital gift cards (including Myer, JB Hi-Fi, Jetstar, iTunes) and popular additions to the technology range. Redemption margins increased following improvements to supply chain following the Wishlist acquisition.

Qantas Cash was announced in the year and is due to launch in 2013. In addition to faster, smarter check-in, boarding and lounge access, the prepaid multi-currency travel card will give members new ways to earn points and the ability to hold up to nine different currencies on one card.

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51 Jetstar ancillary revenue excluding Jetstar Asia and Jetstar-branded associates.

52 Underlying EBIT contribution to Jetstar Group result.

53 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.

54 Net promoter score is at its highest level since reporting started in 2008.

Explanation of Results (continued)

During the year, Emirates and Malaysian Airlines were welcomed to Qantas' airline partner network. The addition of Emirates gives Qantas frequent flyer members the ability to redeem points for 175 worldwide destinations across the Qantas and Emirates network. Members' tier status is recognised with both airlines when flying on the Qantas-Emirates network and Gold members (or above) have access to global Qantas and Emirates lounges.

Qantas Loyalty expanded its international hotel group partners with the introduction of Jumeirah Hotel Group and Atlantis The Palm Hotel, two of the largest hotel groups in Dubai. New financial card products were launched with David Jones, Westpac and Macquarie Bank.

Qantas Freight

- Increased revenue in a competitive environment
- Acquisition and integration of Australian air Express
- Sale of StarTrack

		June 2013	June 2012	Change	% Change
Total Revenue and Other Income	$M	1,056	1,013	43	4
Revenue Load Factor[55]	%	56.2	53.5	2.7 pts	5
Underlying EBIT	$M	36	45	(9)	(20)

Qantas Freight's Underlying EBIT was $36 million, down $9 million on last year. This was driven by a 11 per cent reduction in international freight capacity, mostly resulting from Qantas International network changes, partially offset by a three per cent international yield improvement[56] and implementation of the Emirates SkyCargo partnership.

In November 2012, Qantas Freight sold its share in StarTrack, resulting in a $30 million gain on sale (reflected in net profit on disposal of investment excluded from Underlying EBIT) and acquired the remaining share of Australian air Express. The integration of Australian air Express is now underway, with expected completion in the 2013/2014 year, delivering significant synergies and creating Australia's leading independent air freight provider. The consolidation of Australian air Express contributed to the increase in revenue in the year.

Reconciliation of Underlying PBT to Statutory PBT

The full-year ended 30 June 2013 Statutory PBT of $17 million is a substantial turnaround from a loss of $349 million in the prior period.

Underlying PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar Group, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT as net finance costs are managed centrally.

[55] Revenue Load Factor – Revenue Freight Tonne Kilometre (RFTK) over Available Freight Tonne Kilometre (AFTK).

[56] International freight revenue per AFTK, excluding FX

Explanation of Results (continued)

Underlying PBT is derived by adjusting Statutory PBT for the impacts of AASB 139 Financial Instruments: Recognition and Measurement (AASB 139) which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

Reconciliation of Underlying to Statutory PBT		June 2013	June 2012	Change	% Change
Underlying PBT	$M	**192**	**95**	**97**	**>100**
Items not included in Underlying PBT					
- AASB 139 mark-to-market movements relating to other reporting periods	$M	32	(46)	78	>100
Items not included in Underlying PBT					
- Net impairment of property, plant and equipment	$M	(86)	(147)	61	41
- Redundancies and restructuring	$M	(118)	(203)	85	42
- Net impairment of investments	$M	2	(19)	21	>100
- Impairment of goodwill and other intangible assets	$M	(24)	(18)	(6)	(33)
- Write down of inventory	$M	(4)	(13)	9	69
- Net profit on disposal of investment	$M	30	-	30	100
- Other	$M	(7)	2	(9)	>(100)
Total items not included in Underlying PBT	**$M**	**(175)**	**(444)**	**269**	**61**
Statutory PBT	**$M**	**17**	**(349)**	**366**	**>100**

AASB 139 mark-to-market movements relating to other reporting periods

All derivative transactions undertaken by the Qantas Group represent economic hedges of underlying risk and exposures. The Qantas Group does not enter into speculative derivative transactions. Notwithstanding this, AASB 139 requires certain mark-to-market movements in derivatives which are classified as 'ineffective' to be recognised immediately in the Consolidated Income Statement. The recognition of derivative valuation movements in reporting periods which differ from the designated transaction causes volatility in statutory profit that does not reflect the hedging nature of these derivatives.

Underlying PBT reports all hedge derivative gains and losses in the same reporting period as the underlying transaction by adjusting the reporting period's statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

All derivative mark-to-market movements which have been excluded from Underlying PBT will be recognised through Underlying PBT in future periods when the underlying transaction occurs.

Other items not included in Underlying PBT

Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business.

Items not included in Underlying PBT in the 2012/2013 year were driven by the Qantas Transformation. Costs include aircraft impairment due to early retirement following strategic network changes, further consolidation of engineering and catering facilities, the integration of Australian air Express offset by the gain on sale of the StarTrack joint venture in October 2012.

Explanation of Results (continued)

ASIC GUIDANCE

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report.

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 and in accordance with the Corporations Act 2001, the Review of Operations is unaudited. The Review of Operations contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2013, which is being audited and is expected to be made available in September 2013.

OTHER INFORMATION

	June 2013 $	**June 2012 $**
Net Tangible Assets per ordinary share	2.34	2.33

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.