Qantas Airways Limited 1H17 Results

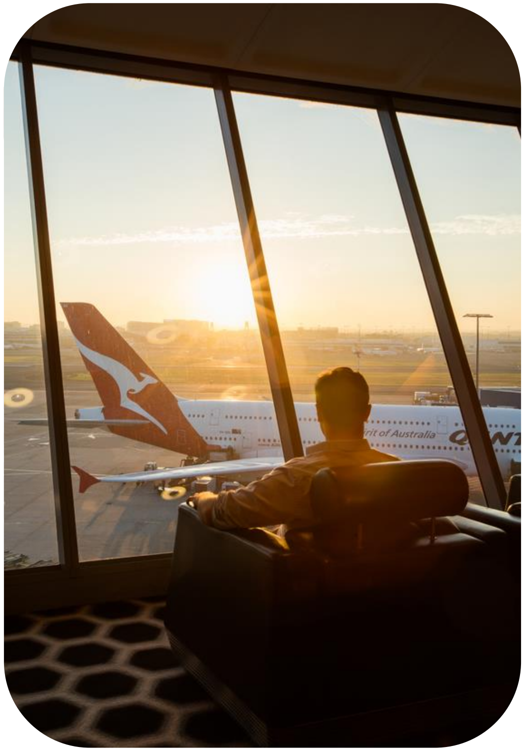
23 February 2017

ASX:QAN
US OTC:QABSY

QANTAS GROUP

Portfolio of Businesses Continues to Deliver Strong Earnings

- **Delivering on our strategy to maximise long-term shareholder value**
  - Underlying Profit Before Tax (PBT) $852m, Statutory PBT $715m
  - Strong Group Return on Invested Capital (ROIC) 21.7%[1], maintaining capital discipline
  - Targeted capacity adjustments; stable margins[2] across Group Domestic[3]
  - Record Jetstar Group earnings[4]
  - Record earnings[4] from Qantas Loyalty[5] provides diversified earnings stream
  - All segments delivering ROIC > WACC[6]
  - Qantas Transformation on track to deliver $2.1b in benefits, $1.9b delivered to date
- **Financial framework providing balance sheet strength and shareholder returns**
  - 7 cents per share dividend, 50% franked
  - Continuing share buy-back with $91m remaining in 2H17
  - Will review potential for further capital management at year end



QANTAS GROUP DELIVERS STRONG RESULT THROUGH DISCIPLINED MANAGEMENT

1. Calculated on a rolling 12 months basis. 2. Operating margin calculated as Underlying EBIT divided by total segment revenue. 3. Includes Qantas Domestic and Jetstar Domestic. 4. Underlying Earnings Before Net Finance Cost and Income Tax Expense (Underlying EBIT). 5. When normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. 6. Weighted Average Cost of Capital calculated on a pre-tax basis.

Integrated Group Portfolio With Leading Market Positions

Domestic Airlines

- Continue to remain highest and second highest margin[1] airlines in the domestic market
- Operating in a structurally advantaged market
- Qantas Transformation Program improves leading position

International Airlines

- Structurally transformed International business
- Alliance partnerships providing expanded network with limited capital investment
- Growth in attractive markets through increased utilisation[2] of existing Group fleet

Freight

- Highest domestic market share[3] and positioned to tap into growing Australia to China freight market

Qantas Loyalty

- Leading loyalty program with 11.6m members
- New Woolworths program launched[4]
- Continued growth through a diverse portfolio

Strong Financial Foundation

- All segments delivering ROIC > 10%
- Balance Sheet strength; investment grade credit rating
- Disciplined capital investment and returns to shareholders

STABLE EARNINGS[5] FROM DOMESTIC AIRLINES & LOYALTY SEGMENTS

1. Operating margin calculated as Underlying EBIT divided by total segment revenue. Domestic market includes Qantas Domestic, Jetstar Domestic, Virgin Australia Domestic and Tigerair Australia. Competitor operating margins calculated using published data. 2. Average block hours per aircraft per day compared to 1H16. 3. BITRE November 2016. 4. Previous program ceased on 31 December 2015. New program launched 31 August 2016. 5. Underlying EBIT.

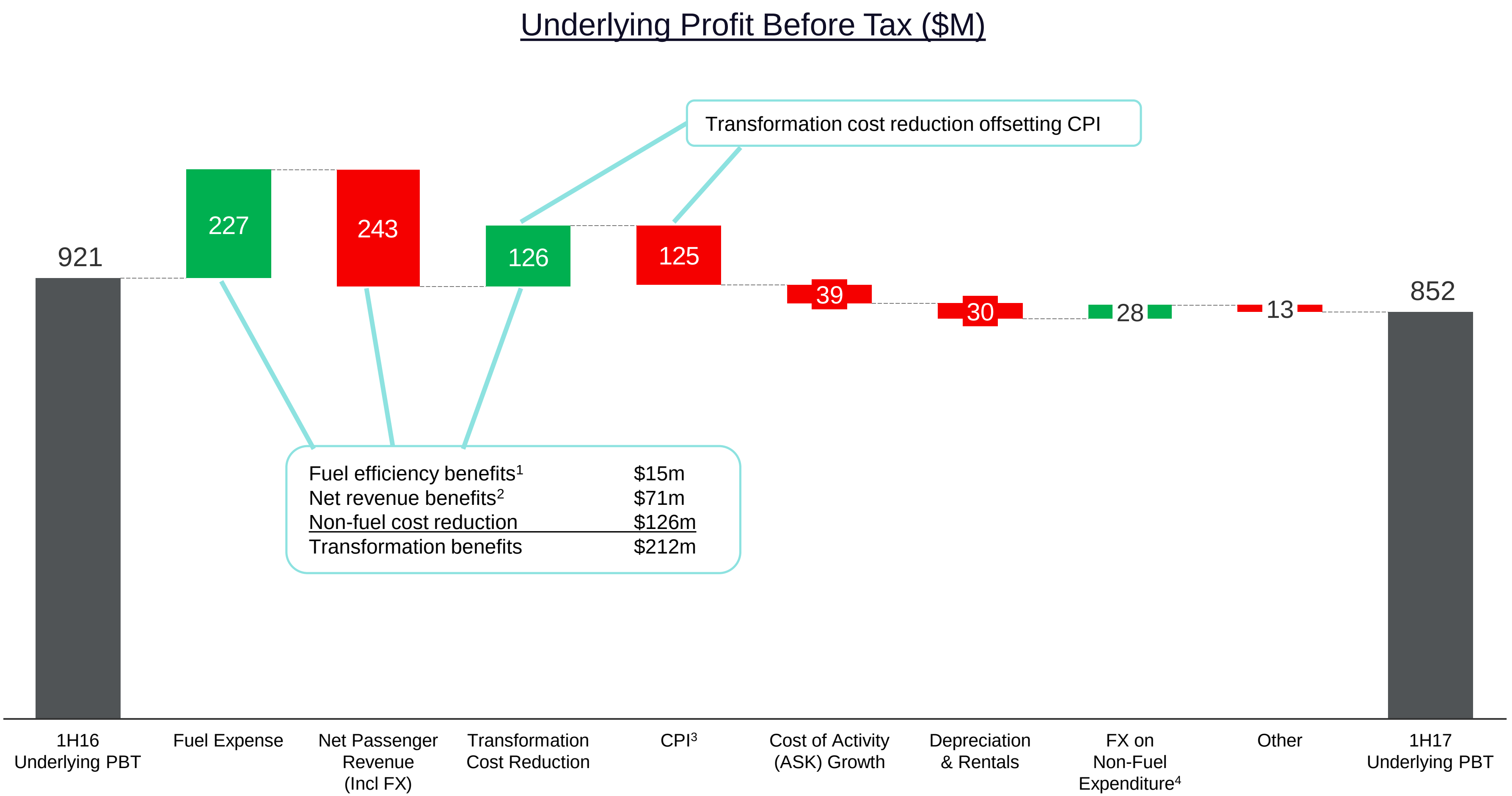
1H17 Key Group Financial Metrics

Underlying PBT[1]	ROIC[2] rolling 12 months	EPS[3]	Cash Flow
$852m Down $69m on 1H16	21.7%	27.3c Down 4.6c on 1H16	$1,173m Operating cash flow $288m Net free cash flow[4]

Unit Revenue[5]	Total Unit Cost[6]	Operating Margin[7]	Traffic/Capacity Growth
-5%	-5%	12% Versus 12% in 1H16	ASKs[8] +1% RPKs[9] +1%

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 1H17 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. For a detailed calculation please see slide 19. Calculated as ROIC EBIT for the 12 months ended 31 December 2016, divided by the 12 months average Invested Capital. 3. Statutory 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 per available seat kilometre (ASK). 7. Group Underlying EBIT divided by Group Total Revenue. 8. Available seat kilometres. Total number of seats available for passengers, multiplied by the number of kilometres flown. 9. Revenue passenger kilometres. Total number of passengers carried, multiplied by the number of kilometres flown.

1H17 Profit Bridge



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. Company estimate, including wage and other inflation. 4. Excluding FX on net passenger revenue and fuel.

Segment Results

Integrated Group Portfolio Weighted to Domestic Australia

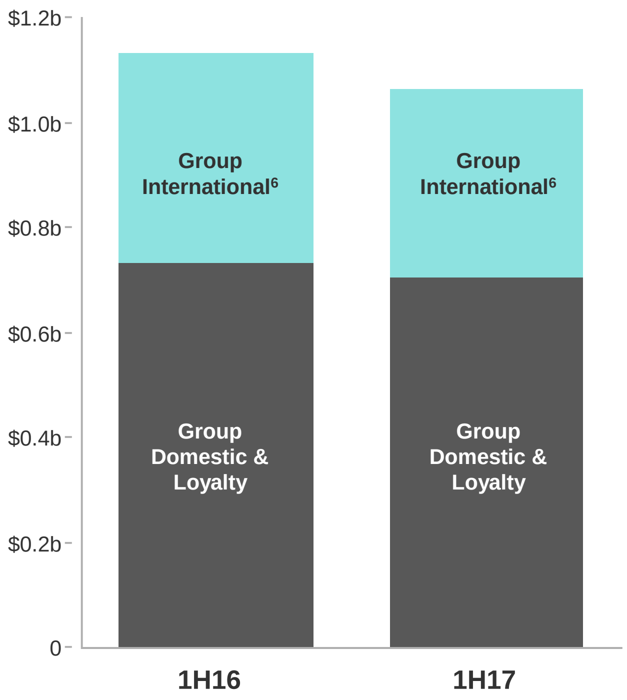
Stable performance from Group Domestic airlines and Loyalty

- Strong and growing margin advantage at Qantas and Jetstar vs competitors[1]
- Continued evolution of dual brand strategy
- Loyalty business successfully navigating changes in financial services landscape

Group International airlines earnings mixed in highly competitive revenue environment

- Qantas International delivering ROIC > 10% with cost base transformation
- Qantas Transformation Program providing margin advantage vs key regional competitors[2]
- First and second largest[3] outbound carriers from Australia
- B787-8 Dreamliner providing step-change in efficiency at Jetstar
- Network focused on strategically advantaged markets; >70% of capacity to Asia & US[4]

Operating Segment EBIT[5]



DOMESTIC AIRLINES & LOYALTY SEGMENTS UNDERPIN GROUP EARNINGS[5]

1. Operating Margin is defined as Underlying EBIT divided by total revenue. Competitor refers to Virgin Australia Domestic and Tigerair Australia. 2. Refers to Qantas International compared to Singapore Airlines and Cathay Pacific. 3. Source: BITRE, based on the number of flights for the 12 months to November 2016. 4. >70% of the total ASKs for Qantas International, Jetstar International and Jetstar Asia in 1H17. 5. Underlying EBIT. 6. Group International include Qantas International, Freight, Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals), Jetstar Asia (Singapore) and the contributions from Jetstar Japan and Jetstar Pacific.

Qantas Domestic

- Underlying EBIT of $371m
- Improving passenger revenue trend
  - 1Q17 Unit Revenue down 3% with demand affected by negative GDP, federal election and resource markets
  - 2Q17 Unit Revenue flat with strong East Coast performance and moderating decline in resources revenue
- Maintained Operating Margin[1]
  - Non-resources capacity flat with growth on strong business and leisure markets offsetting East-West[2] capacity moderation
  - Resource capacity reduction of 13%, right sized to smaller aircraft to ensure margin protection
- Record customer advocacy[3]
  - 86% on time performance[4], maintained relative competitive position
  - New domestic business lounge opening in Brisbane March 2017, with new Qantas Club following in 4Q17
  - In flight Wi-Fi rollout on Qantas Domestic from March 2017

		1H17	1H16	VLY %[6]
Revenue	$M	2,916	3,007	(3.0)
Underlying EBIT	$M	371	387	(4)
Operating Margin[1]	%	12.7	12.9	(0.2)pts
ASKs	M	18,254	18,536	(1.5)
Seat factor[5]	%	77.3	76.5	0.8pts

PROACTIVE CAPACITY MANAGEMENT TO MAINTAIN STABLE OPERATING MARGIN

1. Operating margin calculated as Underlying EBIT divided by total segment revenue. 2. Flying from the Australian east cost to west coast and vice versa. 3. Customer Advocacy measured as Net Promoter Score (NPS) for 1H17 compared to historical 1H NPS. Based on Qantas internal reporting. 4. On time performance (OTP) of Qantas Domestic Mainline (excluding QantasLink) operations. Measured as departures within 15 minutes of schedule departure time. Source: BITRE. 5. RPKs divided by ASKs. 6. Variance to last year.

Qantas International

- Underlying EBIT of $208m
  - 8.9% Unit Revenue[1] decline as competitive pressures intensified offsetting fuel benefits (11% competitor capacity growth in 1H17[2])
  - Ex-fuel Unit Cost[3] improvement of 1%
  - Transformation Program delivered >$750m benefits to date
- Leveraging existing assets in response to shifting demand through flexible allocation of Group fleet
  - Growth[4] achieved through redeployment of aircraft, 1.5% increase in aircraft utilisation[5]
  - Additional services into Asia (Hong Kong, Singapore, Manila, Jakarta, Denpasar), commencement of new routes (MEL-NRT[6] from December 2016), and continued seasonal services (Vancouver)
- Record customer advocacy[7]
  - Brisbane International lounge completed in October 2016 and London lounge due for completion in 2017
- B787-9 deliveries from October 2017 will enable new network opportunities and cost efficiencies; B787-9 Dreamliner premium economy seat announced

		1H17	1H16	VLY %
Revenue	$M	2,841	2,953	(3.8)
Underlying EBIT	$M	208	270	(23)
Operating Margin	%	7.3	9.1	(1.8)pts
ASKs	M	32,756	31,492	4.0
Seat factor	%	81.3	83.3	(2.0)pts

CONTINUE TO DELIVER ROIC > WACC DESPITE CHALLENGING INTERNATIONAL MARKET CONDITIONS

1. Calculated as ticketed passenger revenue per ASK including FX (8.2% decline excluding FX). 2. Based on BITRE and published schedules as at January 2017 (excl. Qantas Group). 3. Ex-fuel Unit Cost is measured as Underlying EBIT excluding ticketed passenger revenue and fuel, adjusted for net codeshare commissions, the impact of changes in FX rates, discount rates and other actuarial assumptions, and average sector length per ASK. 4. Based on ASKs. 5. Average block hours per aircraft per day compared to 1H16. 6. Melbourne-Narita. 7. Measured as Net Promoter Score (NPS). Based on Qantas internal reporting.

Jetstar Group

- Record half year Underlying EBIT of $275m
  - Highest margin domestic airline[1]
  - Controllable Ex-fuel Unit Cost[2] flat
- Record half year earnings[3] for Jetstar International[4], with B787-8 efficiencies and strong revenue performance in core markets
- Jetstar in Asia[5] portfolio continues to improve performance
  - Increased profitability[3] of Jetstar Japan, largest LCC[6] in market[7]
  - Jetstar Asia (Singapore) performing well in highly competitive market
  - Aggressive market growth in Vietnam undermines Jetstar Pacific performance
- Continuing investment in customer
  - Comprehensive service training delivered to more than 2,700 people, rolling out network wide
  - Launch of small business product[8] designed to meet price driven customer needs

		1H17	1H16	VLY %
Revenue[9]	$M	1,859	1,913	(2.8)
Underlying EBIT	$M	275	262	5
Operating Margin	%	14.8	13.7	1.1pts
ASKs	M	24,722	24,622	0.4
Seat factor	%	83.3	82.2	1.1pts

STRENGTHENING LEADING LOW FARES POSITION IN AUSTRALIA, STRATEGIC GROWTH ACROSS ASIA-PACIFIC

1. Operating margin calculated as Underlying EBIT divided by total segment revenue. Domestic airlines includes Qantas Domestic, Virgin Australia Domestic and Tigerair Australia. Competitor operating margins calculated using published data. 2. Controllable Ex-fuel Unit Cost is measured as total Underlying expenses excluding fuel and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in FX rates, average sector length, Jetstar branded airline costs and charter revenue per ASK. 3. Underlying EBIT. 4. Includes Jetstar International Australian operations, Jetstar New Zealand (including Jetstar Regionals). 5. Includes Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific. 6. Low Cost Carrier. 7. Measured as percentage of market share. Source: Diio. 8. FlexiBiz. 9. Revenue consolidated by the Qantas Group, does not include Jetstar associates.

Qantas Loyalty

- Record first half Underlying EBIT of $181m, 3% up on 1H16
  - New Woolworths program launched[1]; slow 1Q17 with significant trend in uptake from 2Q17
  - QFF[2] credit card issuance outperforming market[3]
  - Qantas Cash market share growth[4] to 17%
  - Growing contribution from diversified businesses
- Record customer advocacy[5]
  - Strong points earn for customers through new Woolworths program – average member earn 2x previous proposition
  - 13 new partners e.g. Airbnb, Jaguar Land Rover, Caltex; 12% growth in International classic flight redemptions
  - Launched Qantas Business Rewards – simplified proposition, >130,000 SME's and >40 partners
- Launch of Qantas Assure Life, adding to Qantas Assure Health offering, diversifying non-cyclical earnings streams
- Accelerating investment in new businesses driving growth and innovation – next venture 4Q17

		1H17	1H16	VLY %
Revenue	$M	743	734	1.2
Underlying EBIT	$M	181	176	3
Operating Margin	%	24.4	24.0	0.4pts
QFF Members	M	11.6	11.2	3.7

STRENGTHENING CORE QFF PROGRAM, CONTINUED DIVERSIFICATION OF EARNINGS

1. Previous program ceased on 31 December 2015. New program launched 31 August 2016. 2. Qantas Frequent Flyer. 3. Based on number of personal credit card accounts with interest free periods; market growth calculated excluding Qantas' contribution to market, based on December 2016 compared to June 2016; Source: RBA credit and card charges statistics. 4. Based on Qantas internal reporting. Share of the Australian prepaid travel card market (based on spend) for 1H17. 5. Measured as Net Promoter Score (NPS). Based on Qantas internal reporting.

Qantas Freight

- Underlying EBIT of $27m
  - International markets remain challenged with significant levels of wide body capacity impacting yields
    - Market conditions are showing signs of stabilisation[1]
  - Transformation remains a key driver of sustainable earnings
- Over 80% Domestic market share[2]; dedicated freighter operations for Australia Post Group successfully launched July 2016

		1H17	1H16	VLY %
Revenue	$M	482	525	(8.2)
Underlying EBIT	$M	27	38	(29)
Operating Margin	%	5.6	7.2	(1.6)pts
International Capacity[4]	B	1.7	1.7	2.4
International Load[5]	%	54.7	54.8	(0.1)pts

- Contract executed with Van Milk to fly fresh milk to Ningbo China on dedicated 767F services.
  - Positioned to tap into the growing Australia to China freight market
- 9 point improvement in customer advocacy[3] with customer feedback driving new innovation
  - New online booking platform for transportation of pets

RESILIENT FREIGHT PERFORMANCE IN CHALLENGING GLOBAL CARGO MARKETS

1. Source: IATA Cargo Chartbook Quarter 3 2016; www.iata.org. 2. BITRE as at November 2016. 3. Measured as Net Promoter Score (NPS). Average 1H17 compared to 6 months average at January 2016. Based on Qantas internal reporting. 4. Capacity measured as international available freight tonne kilometres (AFTK). 5. Measured as international revenue freight tonne kilometres divided by international available freight tonne kilometres.

Financial Framework

Financial Framework Aligned with Shareholder Objectives

1. Maintaining an Optimal Capital Structure	2. ROIC > WACC[2] Through the Cycle	3. Disciplined Allocation of Capital
✓	✓	✓
Minimise cost of capital by targeting a net debt range of $4.8b to $6.0b[1]	**Deliver ROIC > 10%[3] through the cycle**	**Grow invested capital with disciplined investment, return surplus capital**
(See slides 16 to 18)	(See slides 19 to 21)	(See slides 22 and 23)

MAINTAINABLE EPS[4] GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE[5]

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 2016 Annual Report, with reference to the 2016-2018 LTIP.

Externally Recognised Financial Framework

S&P Global Ratings – 24 August 2016

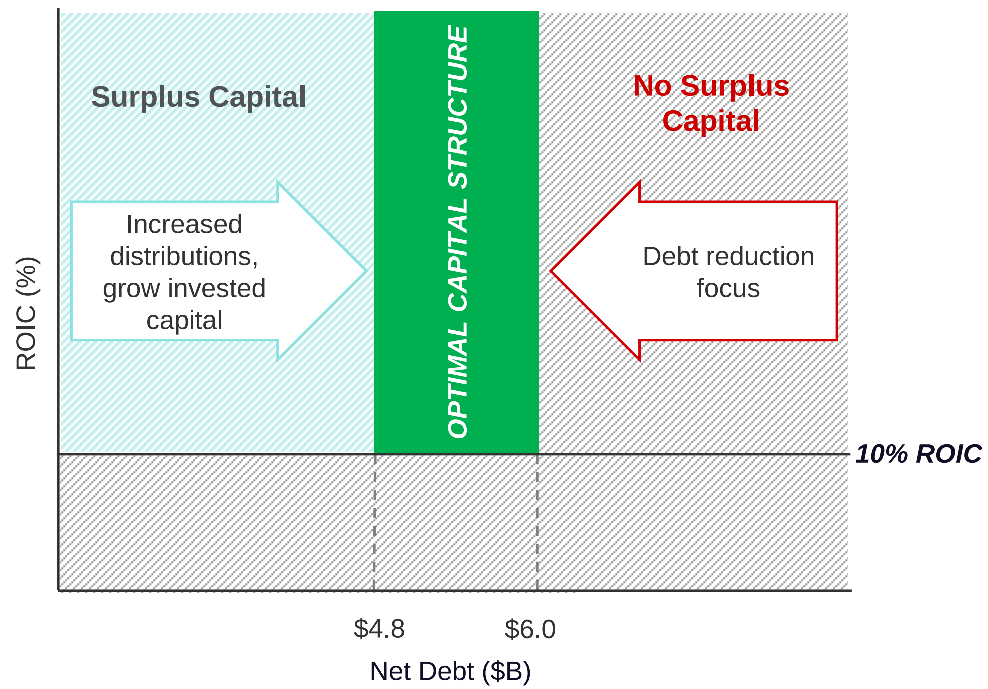
"Underpinning the credit rating is the airline's prudent financial policy framework that we view favorably against Australian corporate and global industry peers'. In our opinion, this framework appropriately balances the interests of shareholders and creditors in a manner that is consistent with an investment-grade rating."

Moody's Investors Service – 24 August 2016

"A key support factor for Qantas' Baa3 credit profile is its financial framework which is publicly articulated and stands out among corporate peers."

Maintaining an Optimal Capital Structure

- Financial framework targets optimal capital structure
- Target net debt[1] range between $4.8b and $6.0b
  - Based on current invested capital of ~$9b
- 1H17 net debt $5.97b
  - Capital expenditure weighted to first half
- Distributions sized to remain within target debt range on a forward basis
- Investment grade credit rating



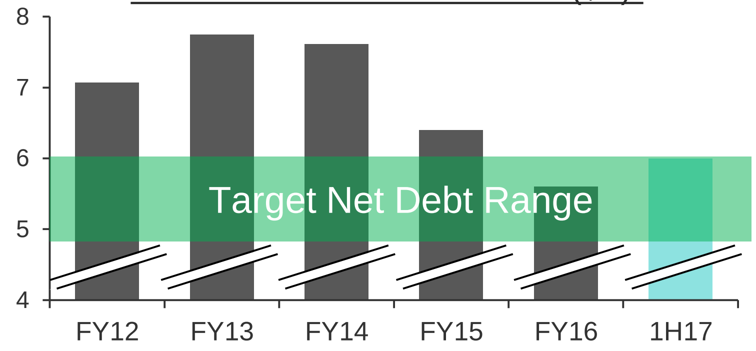
PRESERVES FINANCIAL STRENGTH, LOWERS COST OF CAPITAL AND ENHANCES SHAREHOLDER VALUE

1. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at the long-term exchange rate.

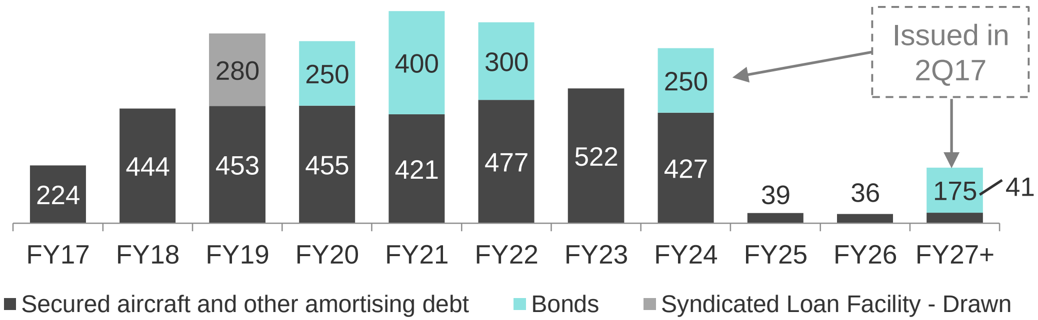
Maintaining an Optimal Capital Structure

- Extended maturity profile with $425m bonds issuance
  - Access to 10 year tenor
  - No financial covenants
- Strong short term liquidity
  - Cash of $1.7b[1]
  - Undrawn facilities of $1b
- Significant unencumbered asset base
  - Valued at >US$3.8b[2]
  - 58% of Group fleet[3]

Net Debt Profile FY12 to 1H17 ($B)[4]



Debt Maturity Profile as at 31 December 2016 ($M)[5]



STRONG FINANCIAL POSITION, CONTINUING TO OPTIMISE LIQUIDITY MIX

1. Includes cash and cash equivalents as at 31 December 2016. 2. Based on AVAC market values. 3. Based on number of aircraft as at 31 December 2016. 4. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at the long-term exchange rate. 5. Cash debt maturity profile excluding operating leases.

Maintaining an Optimal Capital Structure

Strengthening

Optimising

2H15 **Debt reduction**

- >$1b debt repaid

1H16 **Achieving investment grade metrics**

- Regained Investment Grade credit rating
- Further $750m reduction in net debt in FY16

2H16 **Optimising liquidity and reducing cost of debt**

- Refinanced 38[1] operating leases to unencumbered owned aircraft
  - Reduced surplus cash and cost of carry
  - Reduced relatively expensive USD leases

1H17 **Extending tenor, reducing refinancing risk**

- $425m bond issuance
  - Low coupon[2]
  - Long tenor – 7 and 10 year tranches

Notwithstanding recent long term tenor issuance, ongoing savings of >$100m p.a. in net cash financing costs

CONTINUING TO EXTEND TENOR TO REDUCE REFINANCING RISK WHILE DECREASING COST OF NET DEBT

1. Represents total number of refinanced operating leases in FY16 and 1H17. 2. A$250m with a semi-annual coupon of 4.40% per annum, maturing in October 2023, and A$175m with a semi-annual coupon of 4.75% per annum, maturing in October 2026.

Delivering ROIC >10% Through the Cycle

- Rolling 12 months ROIC of 21.7%
- All segments continue to deliver ROIC > WACC
- Leveraging existing assets
  - Efficient allocation of capital
  - Increased fleet utilisation
  - Revenue and cost benefits through Qantas Transformation Program

$M	12 mths to Dec 16	12 mths to Dec 15
Underlying EBIT	1,669	1,764
Add back: Non-cancellable aircraft operating lease rentals	399	508
Less: Notional depreciation[1]	(177)	(234)
ROIC EBIT	**1,891**	**2,038**

$M	As at Dec 16	As at Dec 15
Net working capital[2]	(6,178)	(6,225)
Fixed assets[3]	13,376	12,696
Capitalised operating leased aircraft[1]	2,112	2,537
Invested Capital	**9,310**	**9,008**
Average Invested Capital[4]	**8,708**	**8,936**
Return on Invested Capital (%)	**21.7**	**22.8**

1. For calculating ROIC, capitalised operating leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated in accordance with the Group's accounting policies with the calculated depreciation expense known as notional depreciation. The carrying value (AUD market value less accumulated notional depreciation) is reported within Invested Capital as capitalised 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, provisions and revenue received in advance. 3. Fixed assets is the sum of the following items disclosed in the Group's Consolidated Balance Sheet: investments accounted for under the equity method, property, plant and equipment, intangible assets, and asset classified as held for sale. 4. Equal to the 12 months average of monthly Invested Capital.

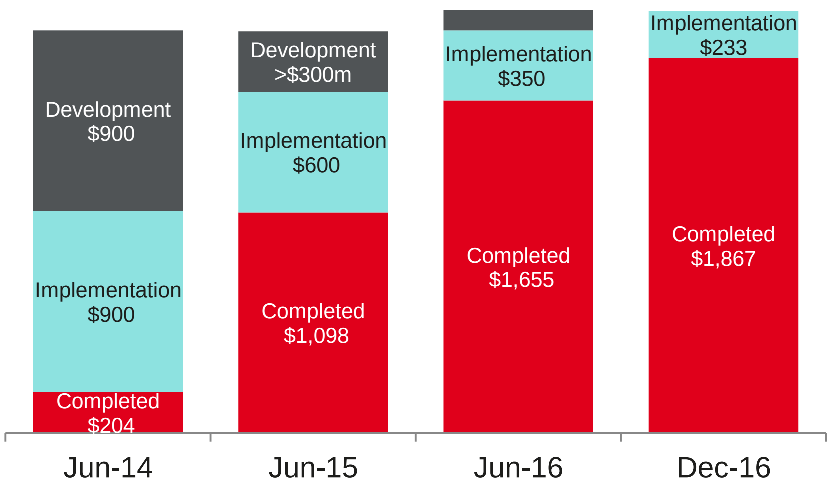
Delivering ROIC >10% Through the Cycle

Continued delivery of business transformation

Qantas Transformation Program on target to achieve $2.1b by end FY17, $1.9b achieved to date

- Qantas Transformation has significantly altered the cost base of the Group since implemented in FY14
  - Ex-fuel expenditure reduced by 9%[1]
- $212m of Transformation benefits in 1H17
  - Cost reduction[2] $141m
  - Net revenue benefits[3] $71m
- Maintaining focus on cost reduction
- Transformation culture embedded, targets beyond FY17 will be set to sustainably achieve ROIC > WACC

Qantas Transformation Pipeline ($M)



TRANSFORMATION CULTURE EMBEDDED, BEYOND FY17 TARGETING AVERAGE ANNUAL NET BENEFITS[4] OF $400M TO ENSURE QANTAS REMAINS COMPETITIVE

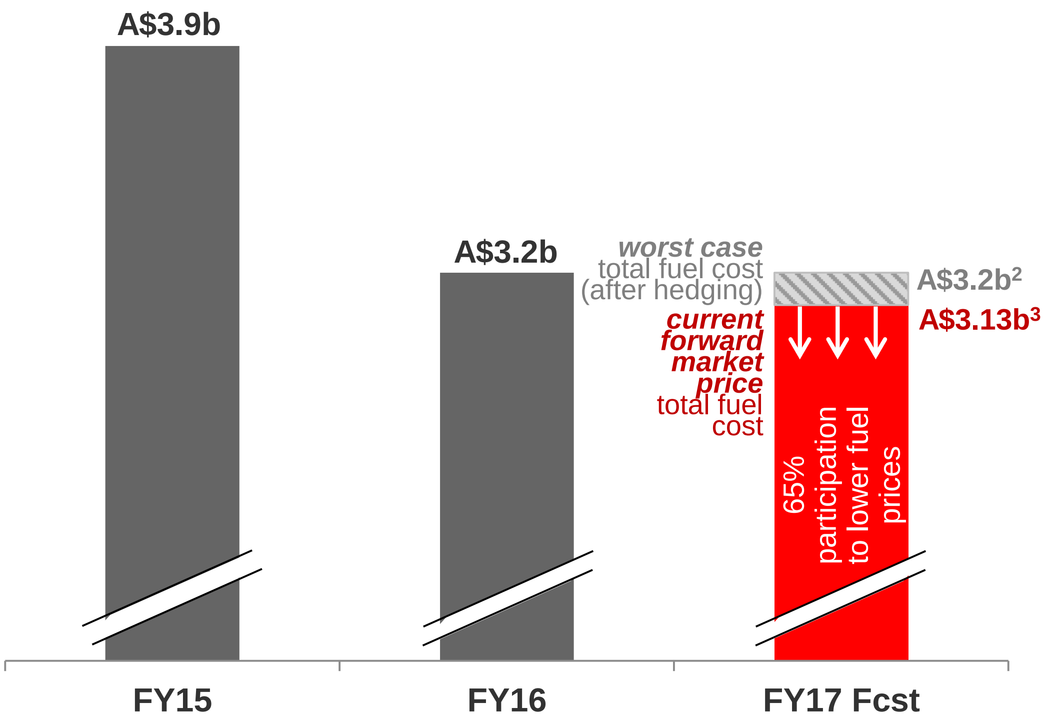
1. Includes Underlying operating expenses (excluding fuel), depreciation and amortisation (excluding depreciation reduction from Qantas International non-cash fleet impairment) and non-cancellable aircraft operating lease rentals, adjusted for movements in FX rates and capacity. 1H17 vs 1H14. 2. Includes fuel efficiency benefits of $15m and non-fuel benefits of $126m. 3. Revenue benefits less incremental costs associated with that benefit including costs of increased activity where related to a Transformation initiative. 4. Non-fuel cost, revenue and fuel efficiency.

Delivering ROIC >10% Through the Cycle

Protecting ROIC through disciplined hedging program

- 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 65% participation to favourable price movements
- Hedging for FY18 underway, consistent with Qantas' long term approach

Hedging & Fuel Cost Outlook[1] ($B)
Inclusive of Option Premium

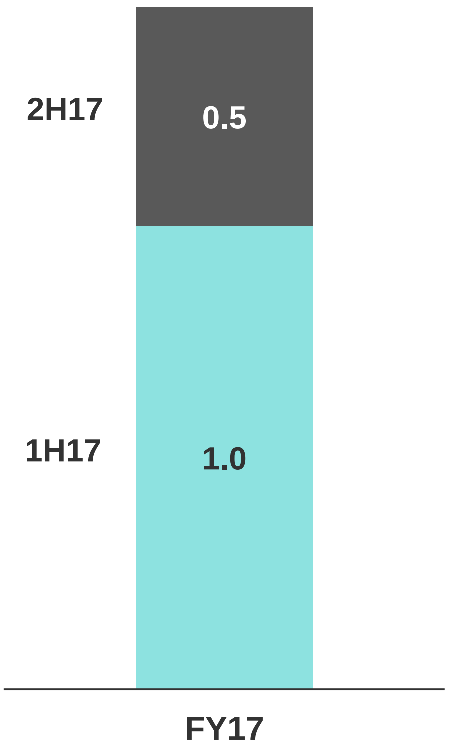


1. As at 22 February 2017. 2. Worst case total fuel cost based on the addition of separate 2-standard deviation uncorrelated moves in Brent forward market prices to U$64/bbl and AUD/USD rate at 0.74, for the remainder of FY17. 3. Current forward market price total fuel cost based on a Brent forward market price of A$74/bbl for remainder of FY17.

Disciplined Capital Expenditure

- FY17 net capital expenditure[1] skewed to first half ($1.0b 1H17, $0.5b 2H17)
- Maintaining full year net capex guidance at $1.5b
- Exercising fleet flexibility and our disciplined approach to capital management
  - Will defer A320neo introduction at Jetstar until FY19
- Continuous cost improvement and focus on operational efficiency beyond FY17
  - B787-9 at Qantas International from FY18

Net Capital Expenditure Profile ($B)



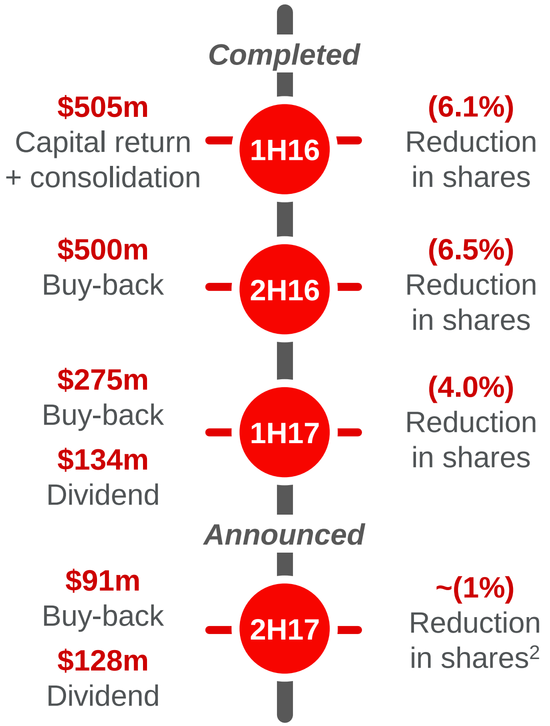
NET CAPITAL EXPENDITURE FOR FY17 OF $1.5B

1. Equal to investing cash flows, excluding aircraft operating lease refinancing adjusted for the notional value of operating lease aircraft disposals/acquisitions.

Shareholder Distributions

- Interim dividend of 7 cents per share declared
  - 50% franked, record date 8 March 2017, payment date 10 April 2017
  - Conduit foreign income credits available for foreign shareholders
- Completed $275m of $366m share buy-back management announced in August 2016
  - Average price paid $3.16 per share
  - $91m to be completed in 2H17
  - Will review potential for further capital management at year end
- Where there is surplus capital available, the Qantas Group intends to distribute a dividend every 6 months, in conjunction with share buy-backs, special dividends or a capital return should additional surplus exist
- Future dividends will be unfranked until tax payments resume
  - Carried forward tax losses of $1.1 billion as at 31 December 2016

Shareholder Distributions and Issued Shares[1]



$1.633b capital management with ~18% reduction in issued shares

WHERE THERE IS SURPLUS CAPITAL THE GROUP INTENDS TO DISTRIBUTE A DIVIDEND PER HALF

1. Reduction in shares calculated against balance as at 1 July 2015. 2. Indicative reduction in shares calculated using the closing price on 21 February 2017 of $3.48.

Building Long-Term Shareholder Value

QANTAS GROUP

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

$522 million — **Group Domestic[1] Underlying EBIT in 1H17, stable margins despite Unit Revenue decline**

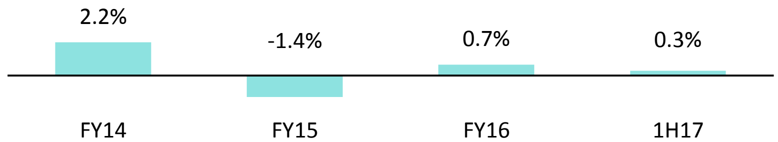
86% — **Underlying EBIT share up 3pts, compared to a capacity share of 62%[2]**

<5% — **Qantas Domestic has closed the cost gap against competitor[3] to within 5%**

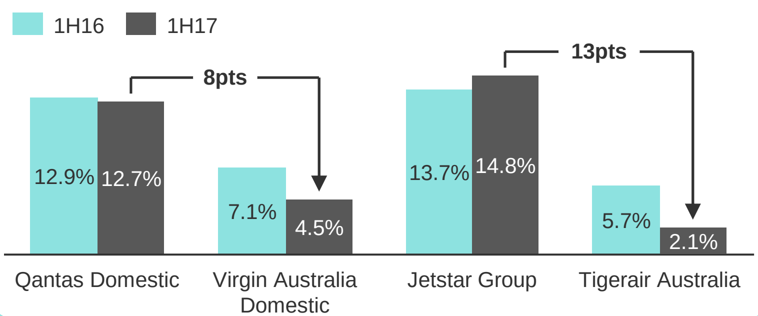
>8pts — **Growing margin advantage at Qantas Domestic and Jetstar over competitors[4]**

+2pts[5] — **Continued strong customer advocacy at Qantas Domestic**

Average Domestic Market Capacity Growth[6]



Both Qantas and Jetstar retain a significant margin advantage over their respective competitors[4]



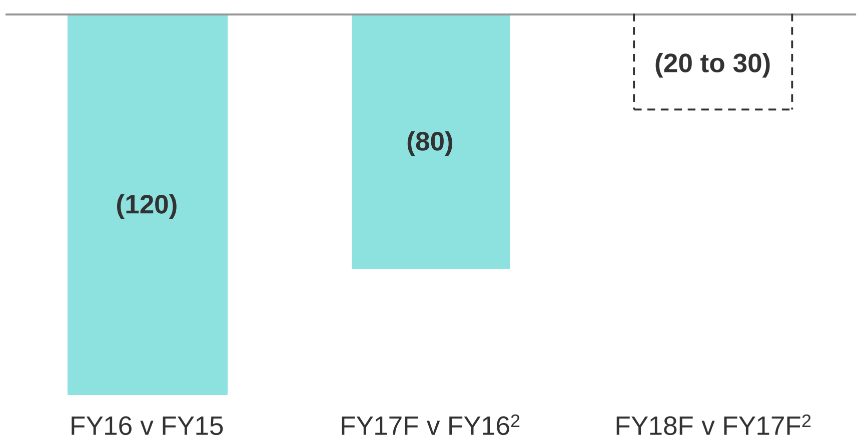
QANTAS GROUP DEPLOYS THE QANTAS AND JETSTAR DUAL BRAND STRATEGY TOWARDS TARGET CUSTOMER SEGMENTS TO MAINTAIN FREQUENCY AND PRODUCT ADVANTAGE AND SUPERIOR MARGINS

1. Includes Qantas Domestic and Jetstar Domestic. 2. Based on BITRE capacity data for 1H17. Total market EBIT includes Qantas Domestic, Jetstar Domestic, Virgin Australia Domestic and Tigerair Australia. 3. Competitor refers to Virgin Australia Domestic. 4. Competitor operating margins calculated using published data. Competitor refers to Virgin Australia Domestic and Tigerair Australia. Calculated as Underlying segment EBIT divided by total segment revenue. 5. Net Promoter Score (NPS) increase compared to 1H16. 6. Compared to prior corresponding period. Source: BITRE.

Resource Demand

Moderating decline in passenger demand and revenue

Qantas Resource Markets Passenger Revenue Decline ($M)



Qantas Resource Market Performance

- Revenue decline of $50m in 1H17[1], with $30m decline expected in 2H17[1]
- Unit Revenue growth forecast for 2H17[2], benefiting from proactive capacity right-sizing
- Continued moderation in revenue decline expected through FY18, stable by FY19[2]
- QLD expected to slightly lag WA in resource market demand stabilisation
- Fleet flexibility to respond to changing demand

STABLISING RESOURCE MARKET CONDITIONS, WITH NO DOWNSIDE IMPACT EXPECTED POST FY18[2]

1. Regular Public Transport (RPT) resources routes ticketed passenger revenue compared to 1H16. 2. FY17, FY18 and FY19 ticketed passenger revenue positions based on internal forecasts.

Improved Competitive Position of Qantas International

Restructured cost base, network and customer offering

Cost

>$800m in Transformation benefits on track to be delivered by FY17

Capacity

Capacity growth of 10% over the last 2 years[1] achieved through increase in utilisation of existing group fleet

Asia

36% of Qantas International capacity devoted to high-growth Asia markets with further increases announced[2]

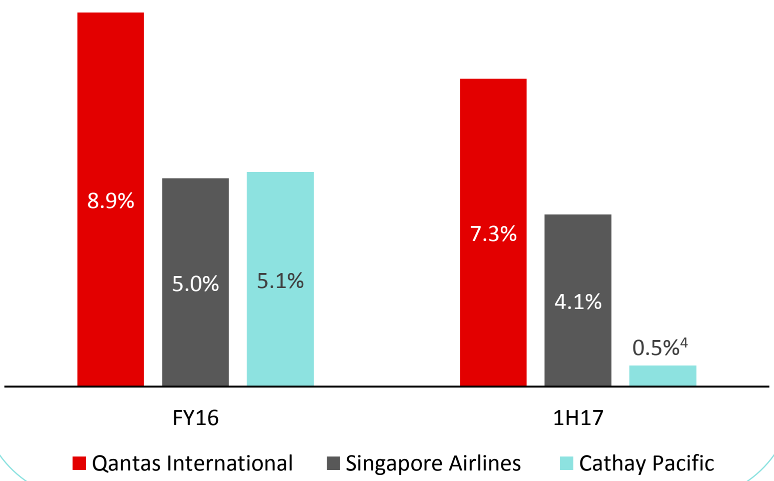
Network

>220 codeshare destinations across the world further enhancing network reach and Group value through alliance partnerships

NPS

+1.3pt[3] increase in customer advocacy continuing record NPS for Qantas International

Qantas International margin performance is strong against key competitors in Asia[4]



1. Calendar year 2016 ASKs compared to 2014. 2. Sydney-Beijing from January 2017; Denpasar service to move to a year-round schedule from March 2017. 3. Average 1H17 Net Promoter Score (NPS) compared to Jul 2016 Net Promoter Score (NPS). 4. Competitor margin calculated using published data. Calculated as EBIT (or equivalent) divided by Total Revenue. Singapore Airlines represents 'Parent Airline Company' as reported in Singapore Airlines' published reports. Cathay Pacific represents Cathay Pacific Group as reported in Cathay Pacific's published reports for FY16. For 1H17, Cathay Pacific Group's margin is based on Bloomberg estimates as at 21 February 2017. For all airlines, FY16 represents the period 1 July 2015 to 30 June 2016, and 1H17 represents the period 1 July 2016 to 31 December 2016.

Growing Qantas International Through Alliances

Expanding Qantas code share reach internationally

53 code share destinations in EMEA[1]

Emirates

Continued growth of Emirates partnership including strong Loyalty redemption activity. Joint focus on seamless customer journey and disrupt management

FINNAIR

BRITISH AIRWAYS

61 code share destinations in Asia[2]

中國東方航空 CHINA EASTERN

Growing joint AU-China network: Qantas Sydney-Beijing service from January 2017; new China Eastern services to Kunming, Hangzhou and Wuhan

Jetstar[3]

and 16 other Asia codeshare partners[4]

110 code share destinations in the Americas

American Airlines

Working to re-file joint business application with US DOT[5] in 2H17. Strong partnership remains in place on code share basis

LATAM

and 2 other Americas codeshare partners[6]

BUILDING LONG TERM STRATEGIC PARTNERSHIPS THAT DELIVER VALUE ACROSS QANTAS GROUP

1. Europe, the Middle East and Africa. 2. Asia and south west Pacific. 3. Includes Jetstar Australia, Jetstar Asia (Singapore), and Jetstar Japan. 4. Codeshare partners to destinations in Asia. Includes: JAL, Jet Airways, Bangkok Airways, Vietnam Airlines, China Southern, China Airlines, Asiana, Airnorth, Sri Lankan Airlines, Emirates, Fiji Airways, Solomon Airlines, Air Vanuatu, Air Tahiti Nui, Aircalin and Air Niugini. 5. Department of Transportation. 6. Alaska Airlines and WestJet.

Growing Qantas International Through Alliances

Expanding the QF global code share network

- Improved one-stop proposition from Australia to India, a major growth market
- Expanded code share links to India (additional 56 frequencies per week) facilitating increased selling via Hong Kong, Singapore and Bangkok

- Expanded code share adding new Melbourne-Taipei service from November 2016

- Adding QF code across Jetstar Asia network for enhanced connectivity through Singapore; >550[1] codeshare frequencies per week (up from 237 per week)[2]
- Adding QF code to new Jetstar B787-8 Saigon services from Sydney & Melbourne from May 2017

- New code share with EL AL Israel Airlines[1] to add Tel Aviv to QF network from 1H18, transiting via Hong Kong, Bangkok & Johannesburg. MOU[3] signed February 2017

EXPANDING THE GLOBAL REACH OF THE QANTAS GROUP

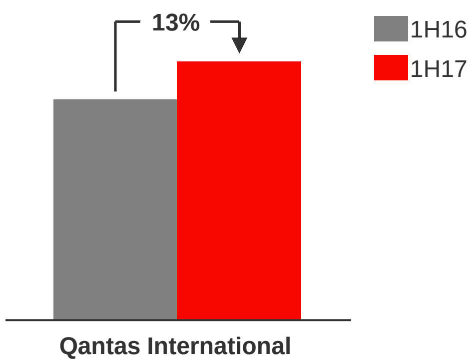
1. Subject to regulatory approval. 2. April 2017 compared to January 2017. 3. Memorandum of understanding.

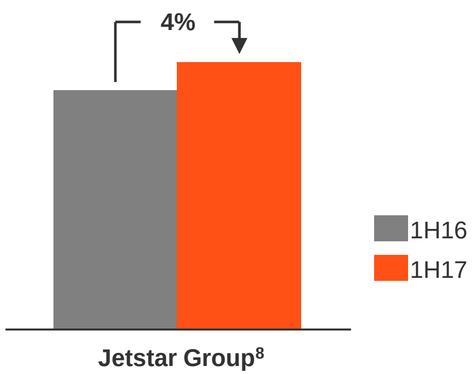
Aligning Qantas & Jetstar with Asia's Growth

Positioning the Group for success in the fastest growing passenger market[1]

- **Qantas International meeting rising premium demand to/from Asia**
  - >90% of total capacity growth in 1H17 deployed to Asia[2]
  - Hong Kong: Double daily Sydney and up-gauge Melbourne (3 per week)
  - Singapore: Increased frequency from Perth and Melbourne
  - Manila: Increased frequency from December 2015
  - Japan: Additional Narita services, recapturing share, growing market
  - Denpasar: All year round service from March 2017
- **Jetstar[3] continuing to grow network to and within Asia**
  - >60% of Jetstar Group destinations in Asia[4]
  - Japan: International capacity up[5]
  - Vietnam: new domestic routes
  - Greater China: launched new services from Vietnam
  - New direct services from Australia to Vietnam[6]

Increased capacity[7] into Asia





1. Source: International Air Transport Association (IATA) 18 October 2016. 2. 1H17 compared to 1H16, based on ASKs. 3. Jetstar Group airlines includes Jetstar Australia and New Zealand operations into Asia, Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific. 4. 51 Asia destinations out of total 82 Jetstar Group destinations. 5. Based on ASKs. 6. Melbourne and Sydney to Vietnam commencing May 2017 subject to government and regulatory approval. 7. Based on ASKs. 8. 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

Fleet and Reconfigurations

- All A330 reconfigurations complete[1]
- Delivery of 2 x A321 aircraft in December 2016 to Jetstar Domestic and 3 x Fokker 100 to Qantas Domestic
- Qantas B787-9 cabin configuration announced

Lounge upgrade program

- New flagship international lounge for London Heathrow in 2017
- New domestic business lounge opening in Brisbane March 2017, with new Qantas Club following in 4Q17

Innovation focused on speed and ease of travel

- Enhanced disruption management for domestic travel
- Digital innovation continuing at Jetstar, driving substantial improvement to customer experience
- Launch of small business product[2] designed to meet price driven customer needs

1. 16 x A330-200 and 10 x A330-300 aircraft which were part of the A330 reconfiguration program. 2. FlexiBiz.

Investing in Data and Digital Innovation

Investment continues to enhance customer experience and grow revenue

Qantas Wi-Fi to be introduced inflight in March 2017

- Step change for customer entertainment experience
- Key addition to digital ecosystem for personalised content and advertising revenue

Re-platforming qantas.com and jetstar.com

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

Enhanced mobile app offerings

- Providing improved customer service and reducing cost to serve across Qantas and Jetstar brands

Integrated data and digital offering

- 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 Wi-Fi onboard

QANTAS' DEPTH OF CUSTOMER DATA AND DIGITAL INNOVATION STRENGTH IS 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

QANTAS CASH

- 19% growth in spend[1]
- ~17% market share[2], +2pts[3]
- >640k cards activated

QANTAS EPIQURE

- Revenue growth of 25%[4]
- Members transacting more frequently; increased basket size[4]
- Margin growth[4] through supply chain efficiencies and scale

QANTAS ASSURE Health Insurance

- Top quartile net customer growth[5]
- Remains on track for 2-3% market share[6]
- New tailored products and ways to earn Qantas Points[7]
- Growing to 11 partnerships

RED PLANET.

- Data assets supporting scalable partnerships[8]
- Industry recognition[9] for marketing effectiveness
- Strong digital media campaign uplift[10]; return on spend of 53:1[11]
- Data Republic provides advantaged data capabilities

Taylor Fry

- Revenue growth of 16%[4]

QANTAS ASSURE Life Insurance

Life insurance partnership with TAL successfully launched

- Creating an industry leading digital customer experience combined with TAL's awarding winning products
- Qantas leads the marketing and manages the Wellness Program
- TAL leads the underwriting, sales, servicing and claims
- Targeting 1-2% market share[6] of Australian direct products

PORTFOLIO OF GROWTH PLAYS IN PIPELINE, TECHNOLOGY DRIVING NEW OPPORTUNITIES

1. Total dollars spent compared to 1H16. 2. Based on Qantas internal reporting. Share of the Australian prepaid travel card market (based on spend) for 1H17. 3. Compared to June 2016. 4. Compared to 1H16. 5. Represents six months to September 2016 based on APRA market statistics. 6. Target based on revenue within 5 years of operation. 7. Including cycling, gym, active kids. 8. Including Australian Premium Exchange (APEX), Nine Entertainment, Fairfax Media. 9. effie Awards for Return on Investment, and Best Use of Data categories. 10. For Qantas Airways. 11. Every dollar of investment in digital marketing has yielded incremental revenue of $53 for 1Q17.

People, Culture & Leadership

Engaging and developing our people for long-term success

Continued focus on connecting with, engaging and developing our people

Health & Safety

- Front-line "Safety Partnership Program" designed to drive improvement in Workplace Health Safety
- Focus on mental health and work-life balance continued

Leadership & Culture

- Focus on recognising our people across the Group
- Continuing customer service training across Qantas and Jetstar
- Continuing to embed Group beliefs

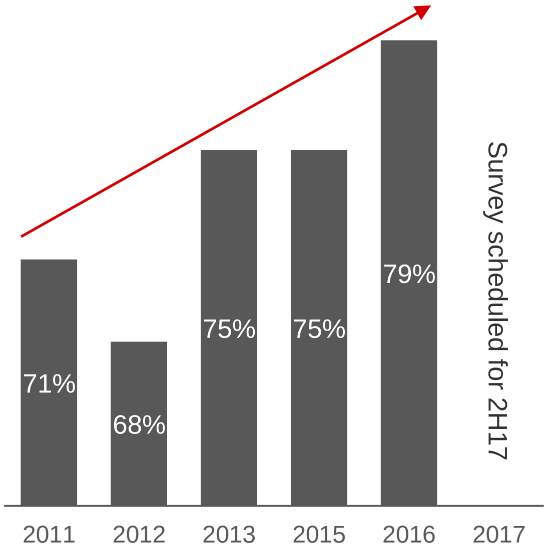
Diversity & Inclusion

- Embedding breaking unconscious bias program
- Launched Domestic & Family Violence Policy, incl additional paid leave
- Launched employee networks – Women's and LGBTI networks

Transformation & Change

- 38 workplace agreements closed with 18 month wage freeze – 8 closed during 1H17
- Promotion opportunities created through introduction of B787-9s

Qantas Group Engagement



Energy and Emissions

Making real, measurable change wherever our footprint extends

Climate change and resource constraints are one of four global forces most relevant to the creation and protection of long term value. As a major consumer of fossil fuels, reducing energy use and emissions is a strategic priority.

Meeting Three Emissions Reduction Goals

Emissions Reduction Goals

Target		Levers
Metric	Timeframe	
1.5% average p.a. fuel efficiency improvement from 2009 to 2020	By 2020	Scheduled fleet renewal and integrated fuel optimisation program
Stabilise net industry emissions from 2020 with carbon neutral growth	From 2020	Ongoing fleet renewal and fuel optimisation, carbon offsets and aviation biofuel
Reduction in net industry emissions to 50% of 2005 levels by 2050	By 2050	Aviation biofuel and new aircraft and engine technologies

Our ongoing approach to *Measure, Reduce, Offset, Influence*

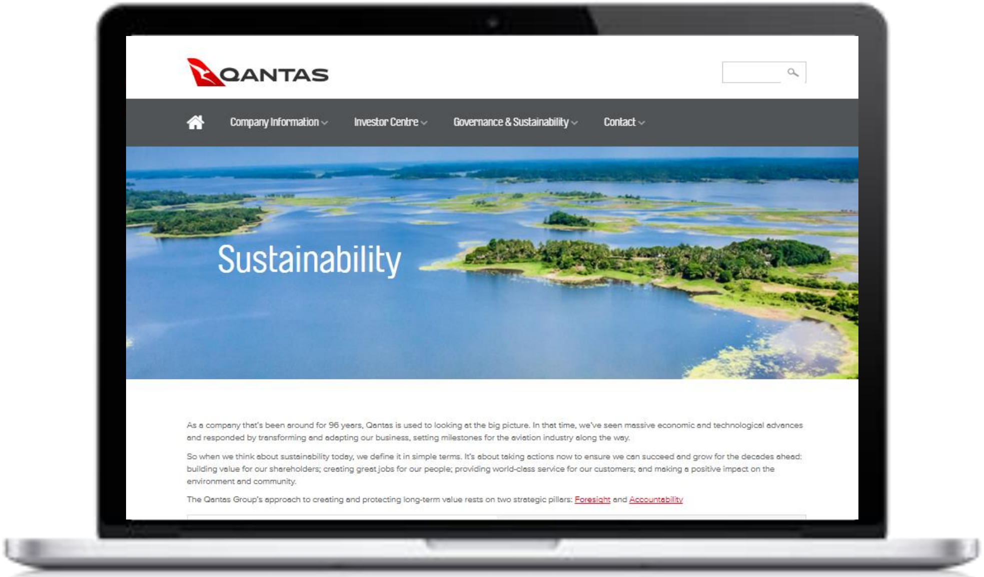
- State-of-the art analytics system providing detailed insight into flight operations and fuel optimisation
- $15m in fuel optimisation benefits realised in 1H17
- Continued decrease in fuel and emissions intensity
- Celebrating 10 years of offsetting with world's largest airline offset program (and largest low cost carrier program)[1]
- Partnership with Harvard STAR Lab[2] delivering insights into consumer sustainability preferences
- Supporting design of ICAO[3] post-2020 emissions compliance scheme agreed by 191 countries in October 2016

1. Based on annual benchmarking against publicly available information. 2. Harvard Sustainability Transparency, Accountability and Responsibility Lab for Behavioural Economics. 3. International Civil Aviation Organisation.

A Materiality Approach to Sustainability

Acting now to ensure we can succeed and grow for the decades ahead

- Responding to material risks and opportunities to create and protect long-term shareholder value
  - Embedding global forces into Group risk assessment at Board and management level
- Enhancing disclosure of non-financial value drivers
  - Signatory to United Nations Global Compact from February 2017, the world's largest corporate sustainability initiative
  - Recognised for industry leadership in Carbon Disclosure Project's 2016 'Climate A List'
  - 2016 Supply Chain 'Climate A List'
- New Sustainability Portal bringing together two pillars of Qantas Group sustainability strategy; **Foresight** and **Accountability**
  - http://investor.qantas.com/sustainability



Outlook

2H17 Outlook – Domestic & International Operating Environment

- 2H17 planned Group capacity to increase by 1 - 2%[1]
- Group Domestic capacity expected to decrease by ~2%[1]
  - Unit Revenue expected to increase[1] in 2H17 despite continued softness in resources
  - Resource sector revenue expected to be down ~$30m[2] in 2H17 vs 2H16
- Group International capacity expected to increase by ~3%[1] driven by impact of previously announced changes (e.g. Beijing and Melbourne-Narita), using existing Group fleet to target growing Asia markets
  - Unit Revenue declined 7% in 1H17[3], with this trend expected to moderate in 2H17 on 6% competitor capacity growth[1]
- Loyalty expected to return to double digit growth in 2H17 with full six month contribution from Woolworths
- Short-term outlook remains subject to variable factors including oil price movements, foreign exchange movements and global market conditions

1. Compared to 2H16. 2. Ticketed Passenger Revenue. 3. Compared to 1H16

FY17 Group Outlook

- Current Group operating expectations:
  - FY17 Underlying fuel cost expected to be no more than $3.2b[1], $3.13b[2] at current forward AUD prices
  - FY17 depreciation and amortisation expense expected to be ~$170m higher than FY16
  - FY17 non-cancellable aircraft operating lease rentals expected to be ~$100m lower than FY16
  - FY17 Transformation benefits (cost, fuel efficiency and revenue) expected to be ~$450m
  - FY17 inflation impact on expenditure forecast to be ~$250m
  - FY17 net capital expenditure[3] expected to be $1.5b ($1.0b in 1H17)
- Having regard to industry and economic dynamics, no Group profit guidance is provided at this time

1. Worst case total fuel cost based on the addition of separate 2-standard deviation uncorrelated moves in Brent forward market prices to U$64/bbl and AUD/USD rate at 0.74, for the remainder of FY17. 2. Current forward market price total fuel cost based on a Brent forward market price of A$74/bbl for remainder of FY17. 3. Equal to investing cash flows, excluding aircraft operating lease refinancing adjusted for the notional value of operating lease aircraft disposals/acquisitions.

Questions?

QANTAS GROUP

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

Summary information
This Presentation contains summary information about Qantas and its subsidiaries (Qantas Group) and their activities current as at 23 February 2017, unless otherwise stated. The information in this Presentation does not purport to be complete. It should be read in conjunction with the Qantas Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

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