Positioning the Qantas Group for Growth and Sustainable Returns

25th CLSA Investor Forum, Hong Kong 2018

QANTAS

FY18 Highlights

Record Group financial performance in rising fuel environment

- Record[1] Underlying Profit Before Tax[2] (PBT) $1,604m, Statutory PBT $1,391m
- Record Statutory EPS 56 cps, Underlying EPS[3] 64 cps
- Strong Return on Invested Capital (ROIC) of 22.0%[4]
- Delivered $463m in transformation benefits, >$400m target
- Bonus for 27,000 non-executive employees totalling $67m

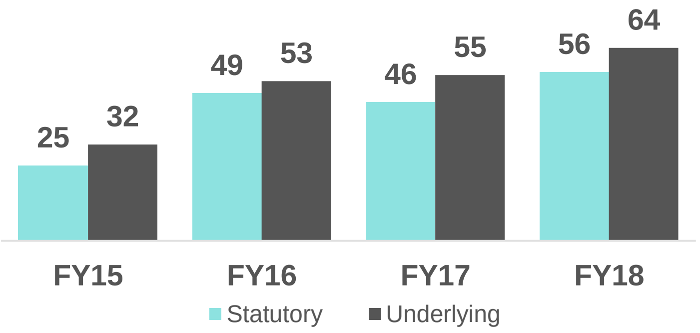
All operating segments delivering ROIC > WACC[5]

- Record Qantas Domestic, Jetstar Domestic and Group Domestic[6] earnings[7]
- Record earnings[7] for Jetstar Group
- Unit Revenue improvement drives earnings[7] growth at Qantas International[8]
- Record Qantas Loyalty earnings[7] provides growing diversified earnings stream

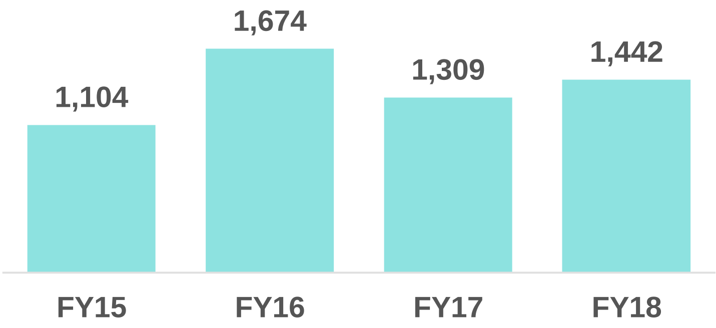
Record operating cash flow continues to generate strong net free cash flow[9]

- Net debt[10] of $4.9b offers significant financial flexibility, FY18 capital expenditure of $1.97b
- 10 cents per share dividend, fully franked, on-market share buy-back of up to $332m

Earnings Per Share (Cents)



Net Free Cash Flow[9] ($M)



STRUCTURALLY TRANSFORMED BUSINESS DELIVERING TOP QUARTILE SHAREHOLDER RETURNS OVER THE CYCLE

1. Record Underlying PBT since FY09. 2. Underlying PBT has been the Group's primary performance reporting measure since FY09. For prior periods, comparison is to Statutory PBT adjusted for disclosed extraordinary items. 3. Underlying Earnings Per Share calculated as Underlying PBT less tax expense (Group effective tax rate of 29.5%) divided by weighted average number of shares during the year, rounded to the nearest cent. 4. Calculated as ROIC EBIT for 12 months to 30 June 2018, divided by 12-months average Invested Capital. 5. Weighted Average Cost of Capital calculated on a pre-tax basis. 6. Includes Qantas Domestic and Jetstar Domestic. 7. Underlying EBIT. 8. Qantas International includes Qantas International and Freight business. 9. Net cash from operating activities less net cash used in investing activities (excluding aircraft operating lease refinancing). 10. Net debt under the Group's Financial Framework includes net on balance sheet debt and off balance sheet aircraft operating lease liabilities.

Having Come Through Qantas Transformation, the Group is in a Position of Strength

✓ **Return on Invested Capital of >20% (12 months to 30 Jun 2018)**
All segments delivering ROIC >10%

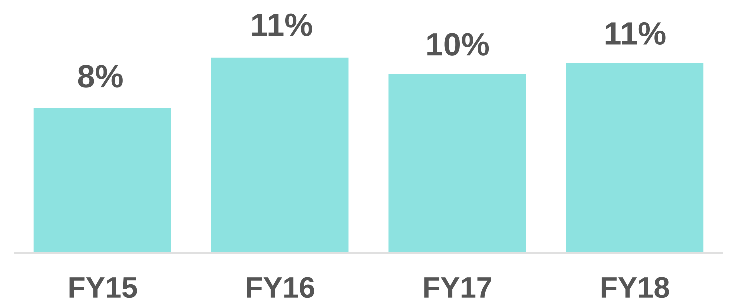
✓ **Targeting ongoing transformation gross benefits of $400m pa**

✓ **Strong balance sheet with net debt below the bottom of target range**
Investment grade credit rating lowering cost of capital

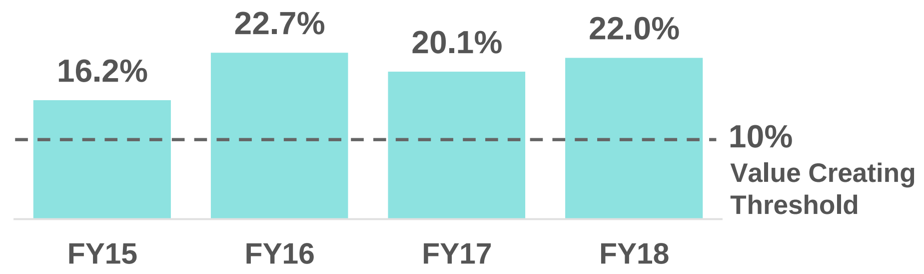
✓ **Reinvestment in growth alongside shareholder returns**
On track to return >$3.0b to shareholders since October 2015

✓ **Strong customer advocacy and employee engagement**

Group Operating Margin[1]



Return on Invested Capital



1. Group Underlying EBIT divided by Group Total Revenue.

Fuel and Revenue Outlook

Reducing short term earnings volatility

- FY19 fuel cost is expected to be ~A$3.92b[1], FY18 $3.23b
  - Fuel price is 73% hedged for the remainder of FY19; 1H19 87% hedged, 2H19 64% hedged
  - Highly effective hedging in place to protect against adverse movements in fuel and FX
  - The level of options provide an average of ~54% participation[2] to declines in USD Brent prices for the remainder of the financial year

Well positioned to substantially recover higher fuel costs

- Expect to recover fuel price increases in the domestic market through capacity discipline and effective execution of the dual brand strategy
- Our strong Group operating margin relative to regional peers gives us confidence that we will substantially recover the higher fuel costs in the International market
  - Transformation has delivered significantly better earnings resilience at Qantas International
  - Introducing 787-9 Dreamliner fleet; London network and hub restructure; Commencement of Perth – London direct service
  - More to come with the accelerated retirement of 747s and growth of the 787-9 fleet opening up new network opportunities
- Growing Loyalty business diversifies earnings base with no direct exposure to higher fuel costs
- Transformation program to continue to deliver ~$400m gross benefits in FY19
- Group to continue to generate strong cash flows

WELL POSITIONED TO SUBSTANTIALLY RECOVER HIGHER FUEL COSTS

1. As at 20 August 2018. Assumes forward market rates of Jet Fuel USD85.80/b and AUDUSD 0.7317. FY19 fuel costs could be impacted by a breakdown in correlation or by increases in refiner margins. 2. Participation from current market Brent prices down USD10/bbl for remainder of FY19.

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 $5.1b to $6.3b[1]	**Deliver ROIC > 10%[3] through the cycle**	**Grow invested capital with disciplined investment, return surplus capital**

MAINTAINABLE EPS[4] GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE[5]

1. Based on current invested capital of ~$8.8b. 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 2017 Annual Report, with reference to the 2017-2019 LTIP.

Delivering on Our Strategy to Respond to Emerging Global Forces

Understanding the Long-term Context

New Centres of Customer Demand and Geopolitical Influence

Rapid Digitisation and the Rise of Big Data

Shifting Customer and Workforce Preferences

Resource Constraints and Climate Change

Clear Strategic Priorities to FY20

Maximising Leading Domestic Position through Dual Brand Strategy

Building a Resilient and Sustainable Qantas International, Growing Efficiently with Partnerships

Aligning Qantas and Jetstar with Asia's Growth

Investing in Customer, Brand, Data and Digital

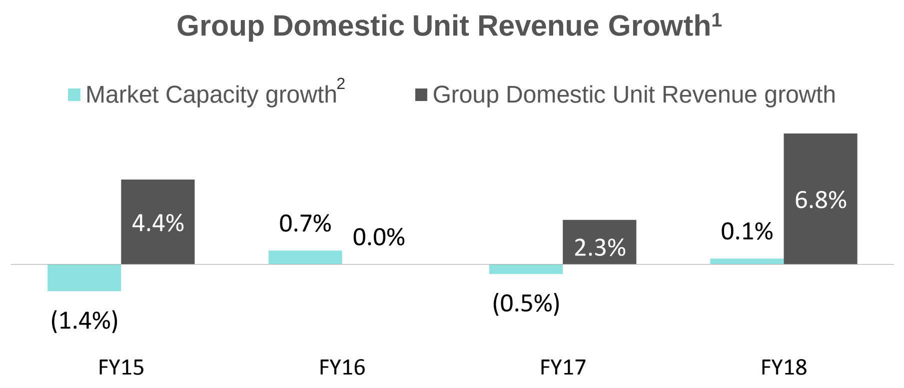
Diversification and Growth at Qantas Loyalty

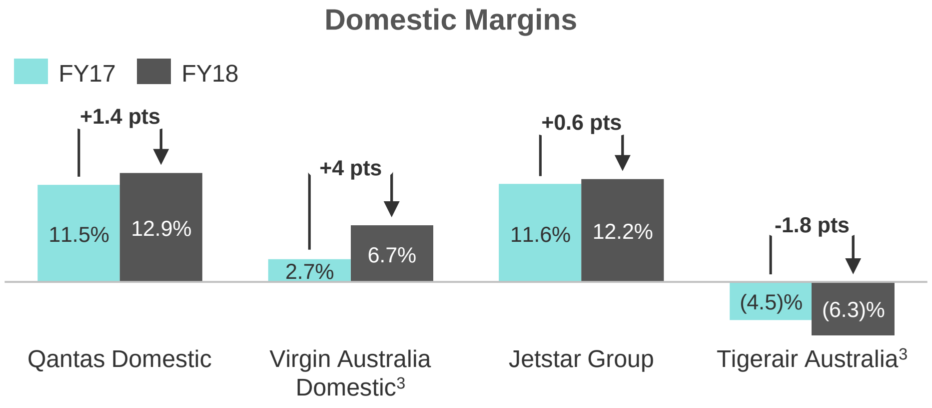
Focus on People, Culture and Leadership

OUR ONGOING COMMITMENT TO SAFETY, ENVIRONMENT AND COMMUNITY

Maximising our Leading Domestic Position Through Dual Brand Strategy

- Sophisticated disciplined approach to capacity management
- Growing margins and maintaining advantage to competitors
- Holding corporate market share, growing SME and leisure
- Extending network and product leadership
- Investing in Wi-Fi, digital customer experience and ancillary product
- Holding stable Group market share with limited fleet growth





TARGETING >80% EBIT[4] SHARE IN GROWING DOMESTIC AUSTRALIA PROFIT POOL

1. Compared to prior year. 2. Compared to prior year. Market capacity growth source: BITRE capacity data and published schedules. 3. Competitor operating margins calculated using published data. Calculated as Underlying segment EBIT divided by total segment revenue. 4. Underlying EBIT.

Building a More Resilient Qantas International

Fleet Renewal

Network and Hub[1] Evolution

Grow with Asia

Strategic Airline Partnerships

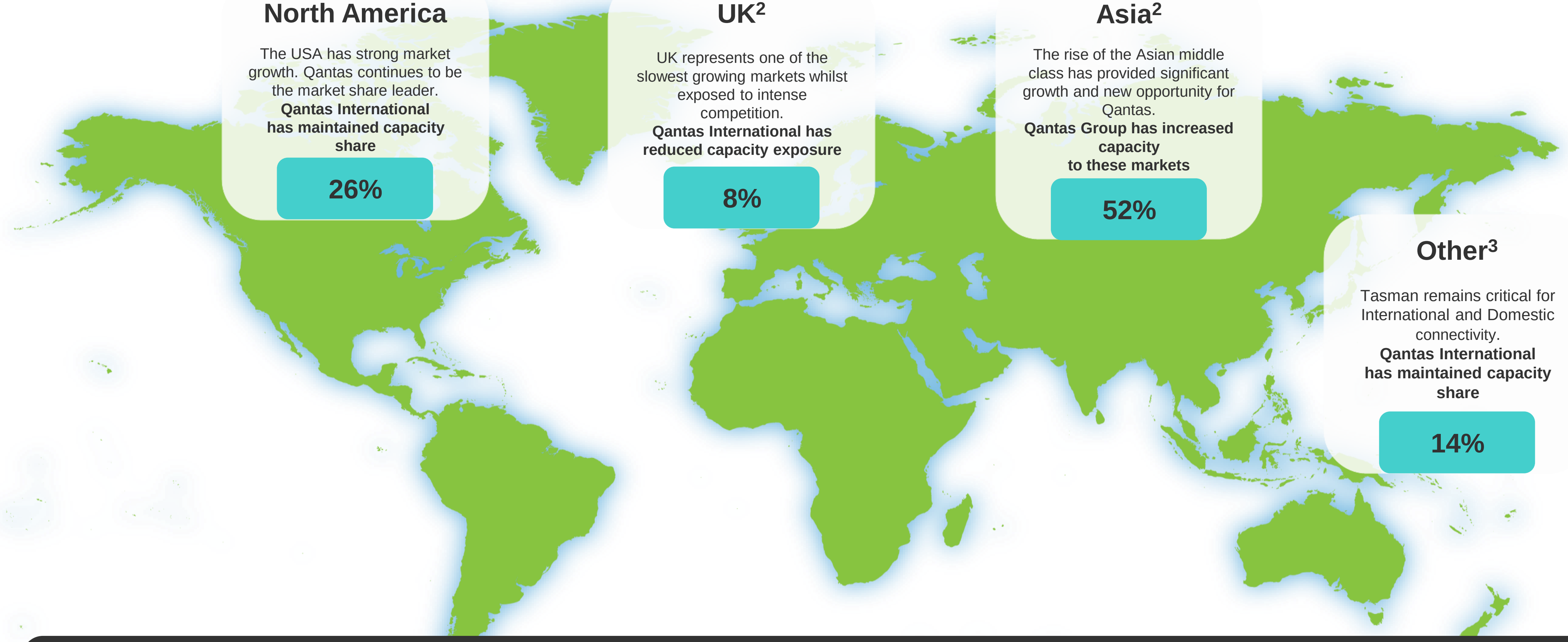
Attracting the High-Yield Customer

A MORE SUSTAINABLE BUSINESS DELIVERING ROIC > 10%

1. Perth hub and return to Singapore hub commenced in March 2018.

Aligning Qantas and Jetstar with Asia's Growth

FY18 Group International Capacity[1]



North America

The USA has strong market growth. Qantas continues to be the market share leader.
Qantas International has maintained capacity share

26%

UK[2]

UK represents one of the slowest growing markets whilst exposed to intense competition.
Qantas International has reduced capacity exposure

8%

Asia[2]

The rise of the Asian middle class has provided significant growth and new opportunity for Qantas.
Qantas Group has increased capacity to these markets

52%

Other[3]

Tasman remains critical for International and Domestic connectivity.
Qantas International has maintained capacity share

14%

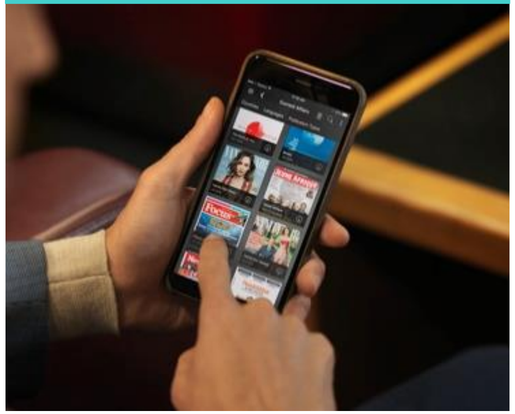
POSITIONED FOR SUCCESS IN THE FASTEST GROWING PASSENGER MARKET IN THE WORLD

1. Includes Qantas International, Jetstar International, Jetstar New Zealand, Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific (Vietnam). Based on Available Seat Kilometres estimated using published schedules as at 30 June 2018. 2. UK ASKs assumes that 50% of ASKs to the mid-point is Asia (i.e. AU-SIN). 3. Includes Tasman, South America, South Africa and Pacific Islands.

Investing in Customer, Brand, Data and Digital

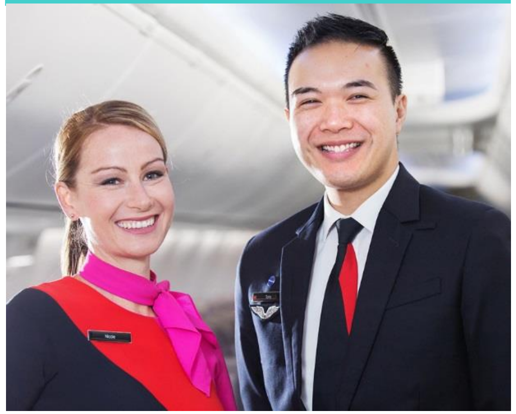
Global Lounge Program

Technology-enabled Journeys



Innovative Onboard Product

Award-winning Service

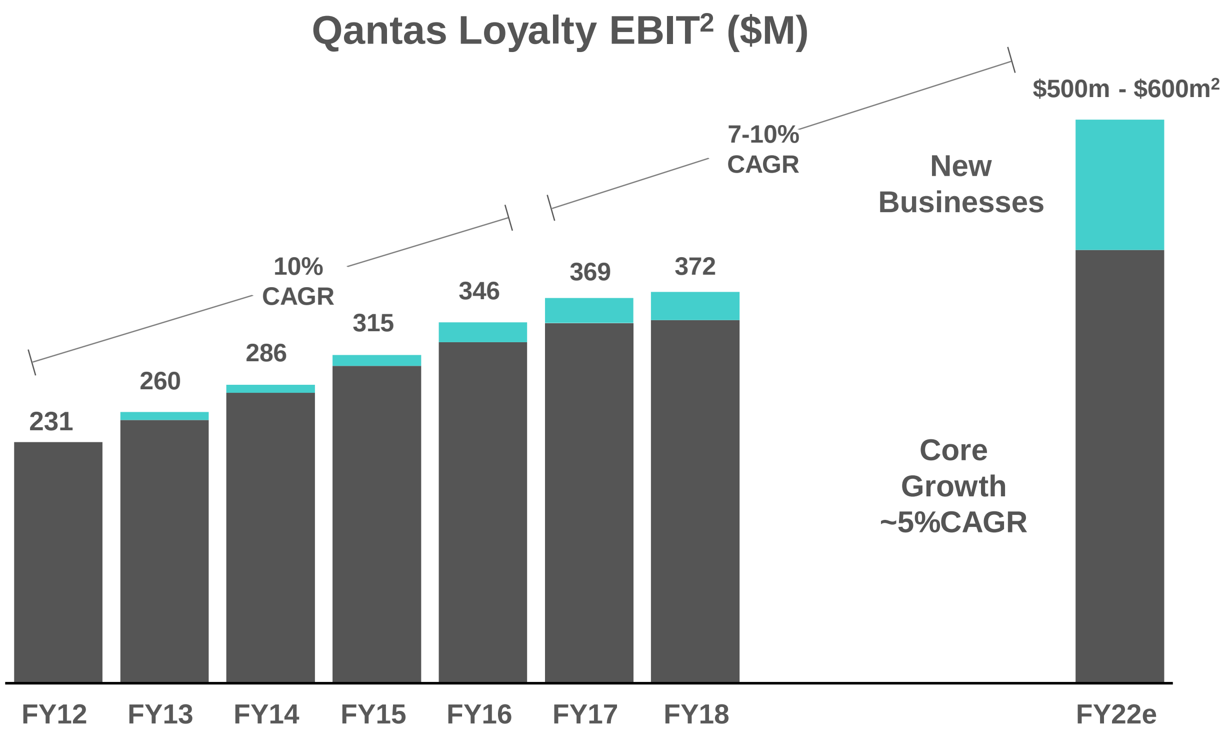


QANTAS CONTINUES TO BE RECOGNISED IN LEADING GLOBAL AIRLINE AWARDS

Diversification and Growth at Qantas Loyalty

Qantas Loyalty targeting 7-10% CAGR[1] in earnings[2] through FY22:

- Growing core Qantas Frequent Flyer and Business Rewards with member and partner expansion
- Increasing earnings mix from new businesses following investment in expansion from FY15-FY18
- Diversifying into new customer products across financial services, health and wellness
- Leveraging data and marketing capabilities to develop new external revenue opportunities



STRATEGIC INVESTMENT PROVIDES QANTAS LOYALTY WITH A PATH TO DELIVERING $500-600M EBIT[2] BY 2022

1. Compound average growth rate. Future growth profiles for New Businesses not expected to be linear. 2. Underlying EBIT.

Focus on People, Culture and Leadership

Engagement

- Top 10 companies to work for in Australia[1]
- Ongoing investment in customer service training across Group
- Highest ever employee engagement (80% in 2018)

Diversity

- 35% of senior roles held by women
- Enhanced parental leave, mental health and domestic violence policies
- 2018 Reconciliation Action Plan
- Employee network groups

Leadership and Talent

- Investment in development and training, across-Group careers
- Group-wide succession planning
- Attracting and developing talent for focus on digital economy and Asia

1. Source: LinkedIn 2017.

Investment Proposition

Integrated portfolio, stable earnings, financial strength

Domestic Airlines

- Dual brand strategy delivering sustainable margin advantage to respective competitors
- Operating in structurally advantaged market with network, schedule and frequency advantage
- Generating >80% of the profit pool from <2/3 capacity share

Loyalty Business

- High penetration with equivalent to half the Australian population as members in the program[1]
- Customer data insights collected through 30 years of the program
- >35%[2] market share of credit card spend on a co-branded card
- Top 3[2] product in travel debit card market
- Strong retail partnerships provide everyday earn and redeem options
- Diversified earnings stream from new ventures e.g. Qantas Premier credit cards, Qantas Insurance
- Strong growth trajectory; Targeting $500-600m Underlying EBIT by 2022

International Airlines

- Leading two airlines for outbound Australia
- Structurally transformed Qantas International maintains margin advantage to regional competitors
- Jetstar's international airline portfolio well positioned to leverage Asian demand growth
- Growing efficiently through key airline partnerships and alliances
- Strengthening longer term position through introduction of new capability fleet and network and hub restructure

Strong Financial Position

- Investment grade credit rating
- Generating ROIC returns well in excess of WACC
- Disciplined financial framework provides balance sheet strength and industry leading free cash flow
- Track record of shareholder returns; approximately 23% of issued capital bought back and a new buy-back announced in August 2018

1. 12.3 million Qantas Frequent Flyer members as at 30 June 2018. 2. Qantas estimates.

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

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