Positioning the Qantas Group for Growth and Sustainable Returns

Alan Joyce, CEO Qantas Group
The Long-term Outlook for Global Passenger Growth Remains Robust

Global airline profit\(^1\) in 2017 and 20-year passenger\(^2\) forecasts

The Qantas Group has Unique Competitive Advantages that Set Us Apart

Dual Brand Strategy to Segment and Grow Markets

Structurally Advantaged Domestic Position

Innovative Loyalty Business with Valuable Data Insights

Positioned in Asia with Premier Airline Partnerships

Reputation for Operational and Safety Excellence, Iconic Australian Brand
QANTAS GROUP OVERVIEW

Providing a More Stable Earnings Base and Supporting Growth

Two highest-margin carriers operating in Australia

Generating >80% of domestic profit pool from <2/3 capacity share

Continued Loyalty earnings growth

Restructured Group International network with >50% capacity to Asia

Strong licence to operate, highly trusted brand that supports diversification

Integrated Group portfolio delivers majority of earnings from stable, advantaged Domestic Airlines and Loyalty

1. Calculated using 1H17 Underlying EBIT of operating segments. 2. Group International includes 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.
Having Come Through Qantas Transformation, the Group is in a Position of Strength

✔️ Return on Invested Capital of >20% (12 months to 31 Dec 2016)
  All segments delivering ROIC >10%

✔️ On track to deliver $2.1b Transformation Program
  Ex-fuel expenditure reduced by 10%¹

✔️ Strong balance sheet with net debt in target range
  Investment grade credit rating lowering cost of capital

✔️ Reinvestment in growth alongside shareholder returns
  17.7% reduction in issued capital since October 2015

✔️ Record customer advocacy and employee engagement

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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 compared to annualised 1H14. 2. Underlying EBIT divided by total revenue.
Recognising and Responding to Emerging Global Forces will Ensure Qantas Continues to Maximise Opportunity and Mitigate Risk

New Centres of Customer Demand and Geopolitical Influence

Rapid Digitisation and Disruption from Big Data

Shifting Customer and Workforce Preferences

Resource Constraints and Climate Change
QANTAS GROUP OVERVIEW

Recognising and Responding to Emerging Global Forces Will Ensure Qantas Continues to Maximise Opportunity and Mitigate Risk

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
Safety is Always Our First Priority

Committed to the ongoing safety and security of our operations
- ‘World’s Safest Airline’ 4 years running¹
- Encouraging our people to report risk through ‘Just Culture’

Continued focus on improving the safety and wellbeing of our people
- Positive year-to-date trends in LWCFR, TRIFR²

Strong relationships with safety/security regulators, key industry bodies
- oneworld and IATA³ Safety and Security Groups
- ICAO⁴ Normal Aircraft Tracking Implementation

Industry-leading business resilience and crisis management frameworks

Significant investment in cyber security systems and capability

¹ Airlineratings.com ‘World’s safest airlines’ rankings ² Lost work case frequency rate, Total Recordable Injury Frequency Rate ³ International Air Transport Association ⁴ International Civil Aviation Organization.
Qantas has the highest level of trust compared to other major sectors in Australia\(^1\)

Leads on almost all drivers of trust including:

- Having a brand that is 'well known and respected'
- For being 'transparent and honest'
- For 'putting customers before profits'
- Delivering 'quality service'

20% of Australians trust Qantas more than 4-5 years ago\(^1\)

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**Group Domestic Airlines targeting ROIC >10% through FY20**

- Maintaining margin 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

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1. Historical information source: BITRE. Forecast information is a Qantas estimate using published schedules. 2. Underlying EBIT.
Qantas International targeting ROIC >10% through FY20

• Realising cost and revenue benefit from 787-9 entry
• Retiring older 747 fleet as 787-9s arrive
• Growing capacity to Asia
• Increasing revenue from airline partnerships
• Continuing cost base transformation
• Investing in cabin, lounge, and digital customer experience
Jetstar International (AU-based) targeting ROIC >10% through FY20
- Leveraging 787-8 to grow point-to-point leisure markets in Asia
- Feeding traffic between Jetstar Group airlines across Asia Pacific

Jetstar airlines in Asia reinvesting profits for self-funded growth
- Increasing interconnectivity between affiliate airlines in Japan, Singapore and Vietnam
- Maintaining Jetstar Japan leadership in highly attractive market
- Adding new airline partnerships for increased feed
- Focusing on China opportunity with all Jetstar Group airlines
Diversification and Growth at Qantas Loyalty
FY18-FY22

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-FY17
- Diversifying into new customer products across financial services, health and wellness
- Leveraging data and marketing capabilities to develop new external revenue opportunities

**Qantas Loyalty EBIT\(^2\) ($M)**

<table>
<thead>
<tr>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17f</th>
</tr>
</thead>
<tbody>
<tr>
<td>231</td>
<td>260</td>
<td>286</td>
<td>315</td>
<td>346</td>
<td></td>
</tr>
</tbody>
</table>

$500m - $600m\(^2\)

New Businesses

Core Growth ~5% CAGR

FY22e

Strategic investment provides Qantas Loyalty with a path to delivering $500-600m EBIT\(^2\) by 2022

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1. Compound average growth rate. 2. Underlying EBIT.
QANTAS GROUP OVERVIEW

We Will Continue to Embed a Culture of Transformation for Ongoing Benefits Through FY20

Targeting $400m gross annual benefits to more than offset expected annual cost inflation of ~$250m (FY18-FY20)
QANTAS GROUP OVERVIEW

We Will Continue to Invest in Our People, Our Greatest Strength

**Engagement**
- Top 10 companies to work for in Australia¹
- Ongoing investment in customer service training across Group
- Highest ever employee engagement (79% in 2016)

**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 2016.
Balanced Scorecard to Measure Success to FY20

- Qantas Domestic: Relative margin advantage
- Jetstar Domestic: Relative margin advantage
- Qantas International: Relative competitive advantage
- Jetstar International: Lowest cost position
- Qantas Loyalty: Stable earnings growth

Targeting ROIC >10%
Targeting EBIT CAGR¹ 7-10%

Transformation: $400m in gross annual benefits

People: Continued improvement in employee engagement

Customer: Continued improvement in Net Promoter Score

Innovation: 3-4% of Group capital expenditure on new ventures

Group Return on Invested Capital to exceed 10%, sustainable returns to shareholders

1. Compound average growth rate in Underlying EBIT
Disciplined Application of Financial Framework

Tino La Spina, Qantas Group CFO
Financial Framework Aligned with Shareholder Objectives

1. Maintaining an Optimal Capital Structure
   - Lowest cost of capital

2. ROIC > WACC\(^1\) Through the Cycle
   - Deliver ROIC > 10\(^\%\)\(^2\)

3. Disciplined Allocation of Capital
   - Grow invested capital with disciplined investment, return surplus capital

MAINTAINABLE EPS\(^3\) GROWTH OVER THE CYCLE

TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE\(^4\)

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1. Weighted Average Cost of Capital, calculated on a pre-tax basis. 2. Target of 10% ROIC allows ROIC to be greater than pre-tax WACC. 3. Earnings Per Share. 4. 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.
Maintaining an Optimal Capital Structure

1. Maintaining an Optimal Capital Structure
2. ROIC > WACC
3. Disciplined Allocation of Capital
4. Total Shareholder Return Performance

Leverage and Liquidity
Funding Strategy

Lowest cost of capital
Maintaining an Optimal Capital Structure

• Net Debt Target Range = 2.0x – 2.5x ROIC EBITDAR where EBITDAR achieves a fixed 10% ROIC
• At current Invested Capital of ~$9b, optimal net debt range is $4.8b to $6.0b
• Targeting net debt to be within the range on a forward looking basis

<table>
<thead>
<tr>
<th>CALCULATION AS AT 30 JUNE 2016</th>
<th>$b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested Capital</td>
<td>8.9</td>
</tr>
<tr>
<td>10% ROIC EBIT</td>
<td>0.9</td>
</tr>
<tr>
<td>plus Average ROIC Depreciation</td>
<td>1.5</td>
</tr>
<tr>
<td>EBITDAR where ROIC = 10%</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Net Debt at 2.5x EBITDAR where ROIC = 10% 6.0
Net Debt at 2.0x EBITDAR where ROIC = 10% 4.8

Group leverage target consistent with investment grade credit metrics. Qantas is rated investment grade by S&P and Moody’s
**Maintaining an Optimal Capital Structure**

**Leverage and liquidity**

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**Optimal capital structure (net debt $4.8b - $6.0b)**

- Ensures access to diverse funding sources
- Maintain no financial covenants
- Extend and smooth tenor
- Lowers refinancing risk
- > US$3.8b\(^1\) of unencumbered aircraft

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**Informs liquidity settings**

- Reduces cash requirements

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**Lowers cost of debt**

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**Debt Maturity Profile**

FY17 FY18 FY19 FY20 FY21 FY22 FY23 FY24 FY25 FY26 FY27+

- 224 444 453 455 421 477 522 427 39 36 175

- Secured aircraft and other amortising debt
- Bonds
- Syndicated Loan Facility - Drawn

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1. Based on AVAC market values as at 31 December 2016.
2. Cash debt maturity profile excluding operating leases.
Maintaining an Optimal Capital Structure

Cost of capital

Cost of net debt\(^1\) is reducing:

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY17F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>6.2%</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

Further opportunities:
- Continue to optimise liquidity to minimise cost of carry, including operating lease buy-outs
- Refinance debt raised whilst sub-investment grade

Optimal capital structure delivers lowest WACC

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1. Net debt includes on-balance sheet net debt and capitalised aircraft operating lease liabilities.
Maintaining an Optimal Capital Structure
FY18 funding strategy

<table>
<thead>
<tr>
<th>Action</th>
<th>Reduce surplus cash</th>
<th>Reduce refinancing risk</th>
<th>Optimise unencumbered aircraft pool</th>
<th>Lowers cost of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy-out maturing operating leases where appropriate</td>
<td>✔</td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Extend operating leases where appropriate</td>
<td></td>
<td>✔</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Refinance drawn A$280m Syndicated Loan Facility</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>A$200-$300m secured debt refinancing (~8-10yr tenor)</td>
<td></td>
<td>✔</td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Pay cash for minimum 2 of the 4 787-9 aircraft delivered</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
<tr>
<td>Returning surplus capital to shareholders</td>
<td></td>
<td></td>
<td></td>
<td>✔</td>
</tr>
</tbody>
</table>

Efficiently lower cost of capital and maintain strong liquidity via increasing unencumbered aircraft
Delivering ROIC > WACC

1. Maintaining an Optimal Capital Structure
2. ROIC > WACC
3. Disciplined Allocation of Capital
4. Total Shareholder Return Performance

Return on Invested Capital
Risk Management
FINANCE

Delivering ROIC > WACC
Resilient portfolio of businesses all returning ROIC > WACC

Qantas Domestic
Relative margin advantage

Jetstar Domestic
Relative margin advantage

Qantas International
Relative competitive advantage

Jetstar International
Lowest cost position

Qantas Loyalty
Stable earnings growth

Targeting ROIC >10%

Targeting EBIT CAGR\(^1\) 7-10%

Transformation

Continued investment in our people

Continued investment in our customers

1. Compound average growth rate in Underlying EBIT.
Delivering ROIC > WACC Through the Cycle
Reducing ROIC volatility through disciplined hedging program

- Net foreign currency revenues are offset against USD expenses
- Remaining USD exposure is funded by net AUD revenue
- The size of the exposure is variable and subject to movements in jet fuel prices and revenue outlook

Indicative Fuel and Foreign Currency Exposure

<table>
<thead>
<tr>
<th>Foreign Currency Receipts</th>
<th>USD Expenses</th>
<th>AUD Residual Exposure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross USD Receipts</td>
<td>Other Non-Fuel USD Expenses</td>
<td>USD Fuel Expense</td>
</tr>
<tr>
<td>Other Currency Net Receipts</td>
<td></td>
<td>AUD/USD Risk</td>
</tr>
</tbody>
</table>

Reducing Volatility of Earnings / Cash Flow

**SHORT TERM**

**TIME**

**OPERATIONAL LEVERS**

Business implements strategies to minimise earnings volatility. Timeframe to take effect is longer than hedging

**VOLUME**

**HEDGING** (Rolling 24 months)

Greater volume of hedging required in short term to mitigate earnings volatility

**Examples of Operational Levers**
- Capacity reductions and network optimisation
- Fuel efficiency programs
- Invest in fuel efficient fleet
Delivering ROIC > WACC Through the Cycle

1H18 fuel cost - Price sensitivity (fuel and FX correlated)

Hedging strategy designed to:
- Cap worst case
- Allow participation to falling prices

1H18 worst case total fuel cost A$1.7b
- Fuel risk 89% hedged
- 94% participation to favourable price movements

1. AUD Fuel cost as at 4 May 2017, assumes constant consumption, and constant refiner's margin.
Disciplined Allocation of Capital

1. Maintaining an Optimal Capital Structure
2. ROIC > WACC
3. Disciplined Allocation of Capital
4. Total Shareholder Return Performance
Capital allocation prioritised to:

- Debt reduction (where required) to achieve optimal capital structure
- Base dividend
- Reinvestment (FY18 capex $1.5b)
- Remaining surpluses presumed to be distributed to shareholders
- Additional capex only where clear shareholder value accretion

Capital Allocation Priorities

<table>
<thead>
<tr>
<th>&gt;$6.0B</th>
<th>$6.0B</th>
<th>$4.8B</th>
<th>&lt;$4.8B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt reduction</td>
<td>Capital Management</td>
<td>Greater returns to shareholders</td>
<td></td>
</tr>
<tr>
<td>Constrain capex</td>
<td>Reinvestment</td>
<td>Consider growth investment</td>
<td></td>
</tr>
<tr>
<td>Higher</td>
<td>Liquidity</td>
<td>Lower</td>
<td></td>
</tr>
</tbody>
</table>

Disciplined focus on operating costs at all times

Disciplined allocation of capital to increase shareholder value
Disciplined Allocation of Capital

Fleet – Flexibility maintained

Fleet Age¹ as at December 2016

<table>
<thead>
<tr>
<th>Fleet Class</th>
<th>No of Aircraft</th>
<th>Average Fleet Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas International</td>
<td>5</td>
<td>20.1</td>
</tr>
<tr>
<td>Qantas Domestic Mainline</td>
<td>6</td>
<td>13.9</td>
</tr>
<tr>
<td>Qantas Domestic Regional</td>
<td>12</td>
<td>9.8</td>
</tr>
<tr>
<td>Jetstar</td>
<td>28</td>
<td>8.7</td>
</tr>
<tr>
<td>Qantas Domestic Regional</td>
<td>75</td>
<td>7.2</td>
</tr>
<tr>
<td>VARA³</td>
<td>79</td>
<td>2.3</td>
</tr>
<tr>
<td>Alliance</td>
<td>11</td>
<td>12.7</td>
</tr>
<tr>
<td>REX</td>
<td>5</td>
<td>14.8</td>
</tr>
<tr>
<td>Qantas F100</td>
<td>20</td>
<td>10.0</td>
</tr>
<tr>
<td>Qantas Domestic Regional</td>
<td>45</td>
<td>17.3</td>
</tr>
</tbody>
</table>

¹ Average fleet age of the Group’s passenger fleet based on manufacturing date at December 2016.

² Source: Airfleet.

Financial data and diagrams showing fleet age and replacement decisions informed by competitive landscape.
Total Shareholder Return Performance

1. Maintaining an Optimal Capital Structure
2. ROIC > WACC
3. Disciplined Allocation of Capital
4. Total Shareholder Return Performance
Total Shareholder Return Performance

- $1.63b in capital management since October 2015
  - Returned > $250m in dividends to shareholders
  - Issued capital decreased by 17.7% since October 2015 at an average cost of $3.41 per share¹ (total cost of ~$1.4b)
  - EPS accretion through cancellation of shares bought back

- Moved to top quartile relative TSR performance post commencement of Transformation

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1. Average price paid for on market buy-backs announced in February 2016 and August 2016.
2. Year to date performance as at 31 March 2017.
3. Airline peers as stated in the relative Annual Report in reference to the related LTIP.

“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.”
Transformation and Innovation

Rob Marcolina, Group Executive Strategy, Transformation and IT
Transformation and Innovation

Sustainable Transformation

Current Program

FY18 - FY20

Driving Innovation

Demonstrated History

Path Forward
Transformation Program Principles

- Set the bar high (targets and timeline)
- Focus on the ‘how’ versus the ‘what’
- Link to the bottom line
- Centralise program management
- Embed a cost-conscious culture
- Bring our people along the journey
- Improve customer proposition
## Transformation Program Scorecard

<table>
<thead>
<tr>
<th>TARGET</th>
<th>METRICS</th>
<th>TIMEFRAME</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accelerated Transformation Benefits</strong></td>
<td>$2b Benefits, extended to $2.1b</td>
<td>FY17</td>
<td>$2.0b benefits realised</td>
</tr>
<tr>
<td></td>
<td>&gt;10% Cost Group Ex-fuel expenditure reduction(^1)</td>
<td></td>
<td>Ex-fuel expenditure down by 10%(^2)</td>
</tr>
<tr>
<td></td>
<td>5,000 FTE reduction</td>
<td>FY17</td>
<td>5,067 fewer FTE at year end(^4)</td>
</tr>
<tr>
<td></td>
<td>5% CASK gap to domestic competitor(^3)</td>
<td></td>
<td>3% gap</td>
</tr>
<tr>
<td><strong>Deleverage Balance Sheet</strong></td>
<td>&gt;$1b debt reduction(^5)</td>
<td>FY15</td>
<td>Delivered on schedule</td>
</tr>
<tr>
<td></td>
<td>Debt / EBITDA &lt;3.5x(^6)</td>
<td></td>
<td>Delivered ahead of schedule</td>
</tr>
<tr>
<td></td>
<td>FFO / Net debt &gt;45%(^7)</td>
<td>FY17</td>
<td></td>
</tr>
<tr>
<td><strong>Cash Flow</strong></td>
<td>Sustainable positive free cash flow(^8)</td>
<td>FY15 onwards</td>
<td>Delivered on schedule</td>
</tr>
<tr>
<td><strong>Fleet Simplification</strong></td>
<td>11 fleet types to 7</td>
<td>FY16</td>
<td>8 fleet types Retained 2 x non-reconfigured 747 (to be retired)</td>
</tr>
<tr>
<td><strong>Customer and Brand</strong></td>
<td>Customer Advocacy (NPS)</td>
<td>Ongoing</td>
<td>Strong NPS results across the Group(^9)</td>
</tr>
<tr>
<td></td>
<td>Maintain premium on-time performance at Qantas Domestic</td>
<td>Ongoing</td>
<td>Premium on-time performance at 86% with shorter turn times(^10)</td>
</tr>
<tr>
<td><strong>Engagement</strong></td>
<td>Maintain employee engagement</td>
<td>Ongoing</td>
<td>Up from 75% (2013) to 79% 2016</td>
</tr>
</tbody>
</table>

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. Compared to annualised 1H14. 2. Compared to annualised 1H14. 3. Qantas Domestic compared to Virgin Australia Domestic. 4. Net FTE reduction after adjusting for activity and new businesses as at 31 Dec 2016. 5. Reduction in net debt including capitalised operating lease liabilities. 6. Metric calculated based on Moody’s methodology. 7. Metric based on Standard and Poor’s methodology. 8. Net free cash flow is operating cash flows less investing cash flows (excluding aircraft operating lease refinancing). 9. Measured as Net Promoter Score. 10. Qantas mainline operations (excluding QantasLink) for the period of 1H17 compared to 2H14. Source: BITRE.
Transformation Program Major Outcomes

Example structural changes made during Transformation Program

- Heavy base **maintenance** consolidation (3 into 1)
- **Contact centres** consolidation (4 contact centres into 2)
- **717** Operating Model Implementation (10 year contract)
- Qantas Domestic **Target Zero** (35 minute turn times)
- Aircraft accelerated **retirement** (retirement 767/737 and Jetstar A330 replaced by 787)
- **Contract** renegotiations (e.g., Distribution 10 years, Campus facilities 5 years)
- Non-operational **staff reduction** (1,500+)
- Off-airport **check-in** (Jetstar and Qantas)

Benefits can be sustained over time as a result of structural outcomes

Transformation Going Forward
FY18-FY20 targeting average annual gross benefit of $400m, offset by ~$250M in cost base inflation, to ensure Qantas remains competitive

- **Owned**: Business Unit ownership, centrally supported
- **Shared**: Working together towards a common goal
- **Linked**: Direct line of sight to the bottom line
- **Engaged**: Institutionalised cadence of coordination meetings
- **Embedded**: Cost conscious and continuous improvement culture
- **Customer Focused**: Bias towards win/win outcomes
# Ongoing Transformation Themes

<table>
<thead>
<tr>
<th>Continuation (Technology)</th>
<th>Supplier</th>
<th>Utilisation</th>
<th>Continuous Improvement</th>
<th>Indirect Costs</th>
<th>Group Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>~$100m</td>
<td>~$75m</td>
<td>~$75m</td>
<td>~$75m</td>
<td>~$25m</td>
<td>~$50m</td>
</tr>
<tr>
<td>• Simplify, standardise and rationalise</td>
<td>• Renegotiate terms</td>
<td>• Network efficiency</td>
<td>• Fuel Burn reduction program</td>
<td>• Overhead effectiveness</td>
<td>• Consolidate duplicate activities</td>
</tr>
<tr>
<td>• Digital Strategy</td>
<td>• Spend monitoring and compliance</td>
<td>• Dual brand optimisation</td>
<td>• Jetstar ‘Lowest Seat Cost’ Program</td>
<td></td>
<td>• White space capacity</td>
</tr>
<tr>
<td>• 787-9 roll-out, 747 retirement</td>
<td>• Category Strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Wi-Fi</td>
<td>• Service level optimisation</td>
<td></td>
<td></td>
<td></td>
<td>• Align to common specifications for consolidation</td>
</tr>
<tr>
<td>• Automation</td>
<td>• Industry collaboration (A4ANZ)</td>
<td></td>
<td></td>
<td></td>
<td>• Joint customer decision making</td>
</tr>
<tr>
<td>• Insights and intelligence</td>
<td>• Roster flexibility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Enterprise data</td>
<td>• Disruption management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Big data</td>
<td>• Precision Turn-around schedule</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• New Flight Planning system</td>
<td>• Flexible asset allocation</td>
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<tr>
<td>• Self services</td>
<td>• Fuel compliance</td>
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<tr>
<td>• Workplace flexibility</td>
<td>• Workforce mix</td>
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<tr>
<td></td>
<td>• Process simplification/ removal</td>
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<td>• Wastage reduction</td>
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<td></td>
<td>• Engineering maintenance optimisation</td>
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</tbody>
</table>

**Innovation – new ways of working (design thinking, lean and agile)**

Note – Figures represent estimated average contribution over next several years.
FY18 Transformation Status

Well Positioned to Achieve FY18 Target

FY16
As at Mar-15\(^1\)
Development
Implementation $264m
Completed $145m

FY17
As at Mar-16\(^1\)
Development
Implementation $132m
Completed $125m

FY18F
As at Mar-17\(^1\)
Development
Implementation $127m
Completed $98m

FY18 Key Initiatives

• 787-9 fleet introduction
• Fuel Burn Program
• Operations centre optimisation
• Flight planning system
• Group travel website for Asian markets
• Freight Air Lease and Contracts
• Groundstar rostering

• SME program (~$20-30m)
• Channel re-platform (~$10-15m)
• Sourcing (~$10-15m)
• Ground services equipment consolidation (~$5-7m)
• Digital strategy (~$4-6m)
• Schedule recovery (~$3-4m)
• Engineering base maintenance turn around time and cost improvement (~$3-4m)

• Revenue mgmt. system (~$35m)
• Commercial sourcing (~$26m)
• Intra WA Fleet/Network (~$6m)
• Engineering optimisation (~$3m)

1. Against FY target.
Continue to drive competitive **margin**

Strong **pipeline** of initiatives and **funnel** of ideas

Embedded **process** and **culture**
Sustainable Transformation

Current Program

FY18 - FY20

Driving Innovation

Demonstrated History

Path Forward
Innovation - it all began with AVRO
INNOVATION

Qantas has a Long History of Innovation
Successfully executing across multiple horizons

Core Innovation
- Inflatable life rafts
- Business class

Adjacent Innovation
- Frequent Flyer
- Qantas Epiqure
- Qantas Cash

Disruptive Innovation
- Jetstar
- Red Planet
- Qantas Assure
**INNOVATION**

Innovation will Continue to be Important to Drive Long-term Competitive Advantage

---

**Core**

- **Next-gen aircraft and product**
  - A320neo, 787-9, Ultra long haul
  - Expand network e.g. PER-LHR
  - In-flight connectivity
  - Virtual Reality

- **Personalised service and experience**
  - Invisible check-in
  - Disruption resolution
  - Future fit baggage
  - Customer self service

- **“Smart” operations**
  - Flight planning futures
  - Predictive maintenance
  - Automated customer servicing
  - Back office automation

---

**Adjacent and Disruptive**

- **Market and business model extensions**
  - Travel adjacencies
  - Financial Services and Insurance
  - Retail and offers
  - Data and Marketing
Both Internal and External Sources of Innovation will be Leveraged, while Making Investments in Key Enablers

**Internal Innovation**
- **Build**: Leverage internal capability to ideate, develop and commercialise
- **Partner**: Accelerate growth efforts with appropriate partners
- **Co-Develop**: Leverage external ecosystem to create new value
- **Invest**: Minority stakes to deliver strategic and financial value

**External Innovation**
- **Buy**: Acquire strategically aligned businesses

**Approach**
- People and Processes
- Capability and Support
- Technology
- Ecosystem
A Key Pillar of the External Innovation Strategy is the AVRO Accelerator

Objectives
- Access early insights into key trends and emerging technologies
- Extension of R&D efforts
- Identify new ideas, products and services
- Identify and access scarce talent
- Support future growth plays
- Promote local ecosystem

Themes
- Creating seamless journeys
- Care beyond the air
- Building connected platforms
- Transforming for tomorrow
- Innovating without limits

Potential Outcomes
- Platform to attract promising early-stage technology businesses
- Employees take learnings and inspiration back into core business
- Create a desired destination for the best technology start-ups and talent
- Revenue growth and diversification
- Financial returns over longer term

1. An Accelerator is a structured program that offers early stage companies access to funding, mentorship, coaching and education to fast track their businesses, leading to a Demo Day to pitch to Qantas.
Transformation and Innovation

Sustainable Transformation

Current Program

FY18 - FY20

Driving Innovation

Demonstrated History

Path Forward
Brand and Marketing as a Competitive Advantage

Olivia Wirth, Group Executive Brand, Marketing and Corporate Affairs
Group Multi-brand Structure
Targeted to diverse customer segments and marketplace

- *Qantas*
  - Premium business and leisure travel segment
  - Australia
  - New Zealand

- *Qantas Loyalty*
  - Frequent Flyer
  - Business Rewards
  - 11.7 million members
  - Singapore
  - Vietnam
  - Japan

- *Jetstar*
  - Price sensitive segment
  - Vietnam
  - Japan

*BRAND AND MARKETING*
Placing the Customer at the Centre of our Thinking

*Breadth and depth of data and insights are a key competitive advantage*

- Customer flying behaviour
- Frequent Flyer Profiles
- Customer NPS and Feedback

- 50m+ passengers annually across the Group
- Panel 31k Frequent Flyers for Closed Loop feedback
- 11.7m Frequent Flyer Members
- Web, mobile and social media interactions
- 30 years of data history
- 8m visits per week to qantas.com and jetstar.com
What is NPS?

- NPS or Net Promoter Score is a global brand benchmarking model of customer advocacy.
- It is embedded into operations of Qantas and Jetstar.
- Enables continuous feedback from customers to improve our service strategy and delivery.
- Used to measure our progress.

Net Promoter Score Global Benchmarking Methodology

Net Promoter Score = % Promoters - % Detractors
BRAND AND MARKETING

A New Look for The Spirit of Australia

A new era for Qantas
‘Feels like Home’ brand campaign launched in November 2014, with follow up campaigns in 2015 and 2017

Customer insights led proposition to re-connect emotionally with Australians

Campaign films have had **over 20m views**\(^1\) to date

Campaign features **real Qantas customers and employees**

75% of Australians who have seen the television commercial feel more positive about Qantas\(^2\)

59% of Australians who have seen the television commercial felt it made them want to fly with Qantas\(^2\)

---

BRAND AND MARKETING
Consistency in Qantas Brand Message Maintained
Successful ‘Home’ and ‘Belonging’ emotional connection continues
BRAND AND MARKETING

But Brand is What You Do, Not Just What You Say
‘Qantas did, not just said’

Customers
- Launched fast, free inflight Wi-Fi, including new partnerships with Foxtel, Stan, Netflix and Spotify
- Evolved iconic logo and livery design to symbolise new era
- Next generation cabins for 787 Dreamliner, including new Premium Economy seat launched
- New Lounges opened in Perth and Brisbane
- Ongoing investment in changes to Qantas Frequent Flyer programs

People
- Top 10 companies to work for in Australia¹
- Highest ever employee engagement ratings
- 87% of our people believe their work contributes to the success of the Qantas Group
- Growth in employees recommending the Qantas Group as a good place to work
- Ongoing investment in Customer Service Training across Group
- Continued focus on mental health and work-life balance

Community and Partnerships
- Continued extensive support across key partnership categories:
  - Sport
  - Arts
  - Community and Charity
  - Diversity and Equality
- Qantas ranked as No.1 corporate supporter of Australian sport, culture and charities²

1. LinkedIn 2016. 2. Qantas Acuity brand trust and quantitative research 2017.
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

Re-platforming Qantas.com and Jetstar.com
- Increased capability to personalise website
- Improved booking flows to assist customer ease of use, drive uptake and revenue growth

Enhanced mobile app and social media channels
- Providing improved customer service and reducing cost to serve
- 50% increase in Qantas app flight bookings versus year prior
- First to domestic market with an automated Facebook Messenger bot
- Queries through social media have grown close to 20% compared to last year

Depth of customer data is a key competitive advantage putting the group at the forefront to embrace the digital economy
Over 200 million passengers since launch¹

• An Australian brand leading the way across Asia-Pacific
• The market leader on price perception
• Brand strength across all markets served in Asia Pacific – flies to 82 destinations across 16 countries and over 170 routes²
• Communications nuances specific to each region but the underpinning brand link is the “low cost likeability” – wherever you are, Jetstar allows you to fly to more places more often for less

¹ Relates to the combination of Jetstar Airways, Jetstar Asia, Jetstar Pacific and Jetstar Japan, From FY04 to 1H17. ² Relates to the combination of Jetstar Airways, Jetstar Asia, Jetstar Pacific and Jetstar Japan, as at 31 December 2016.
One Brand, Local Market
Flyer attitudes and perceptions

**Australia**
Most preferred LCC\(^1\) in Australia for domestic and international travel

**Singapore**
Highest LCC awareness in Singapore

**Safety**
Top 10 in world’s safest LCCs

**Australia**
Leading domestic carrier on perceptions of low priced fares

**Japan**
Highest LCC awareness in Japan

**Value**
Passengers flew for under $100 in 2016

---

Qantas Experience and Perceptions Continue to be Strong

Investing and focusing on our customers and brand

Flyer attitudes and perceptions

**Iconic Brand**
Perceive Qantas as an iconic Australian company

**Domestic**
Perceived best Business airline over VA

**Best Service and Product Delivery**
Quality of domestic experience increased and remains at record levels

**International**
Strategic NPS at record levels, indicating strong customer advocacy

**Safety Reputation**
Australians consider Qantas a really safe airline

**Trusted**
Qantas most trusted Australian Big Business in 2017 Corporate Trust Survey

---

1. Source: Acuity March 2017 Key Indicators
2. Source: Acuity, average calendar year 2014 versus average YTD March 2017 Key Indicators.
Qantas is in a Unique Position as a ‘Big Business’ in Australia

Trust in Brand is a key competitive advantage

Q. Thinking about: Qantas Airways. How do you feel they perform on each of the following attributes?
Please give a rating where ‘1’ means you think they do this very poorly, and ‘10’ means you think they do this very well.

A brand that is well known and respected: Qantas: 7.62, Other Big Business: 5.50
Offers quality service: Qantas: 7.20, Other Big Business: 6.65
Delivers positive financial returns: Qantas: 6.89, Other Big Business: 6.84
Takes responsible actions for an issue/crisis: Qantas: 6.67, Other Big Business: 5.24
Conducts their business ethically: Qantas: 6.58, Other Big Business: 5.07
Pays its fair share of taxes to Australia: Qantas: 6.57, Other Big Business: 5.40
Has well regarded leadership: Qantas: 6.49, Other Big Business: 5.51
Treats employees well: Qantas: 6.40, Other Big Business: 5.61
Treats its suppliers fairly: Qantas: 6.26, Other Big Business: 5.43
Is transparent and honest: Qantas: 6.25, Other Big Business: 4.69
Committed to environmentally friendly policies: Qantas: 6.14, Other Big Business: 5.34
Pays its leadership and senior executives fairly: Qantas: 6.09, Other Big Business: 5.47
Puts customers before profits: Qantas: 5.50, Other Big Business: 3.94

Lead by:
- Qantas: +1.63
- Other Big Business: +0.05

• Number one preferred premium airline brand and low fare brand in Australia\(^1\)

• Data and Digital transformation to drive engagement and revenue uplift

• Customer insights driving strategy across product and marketing

• Ongoing investment in customer, people and community partnerships to ensure ongoing strength in brand

• Trust in brand is a key competitive advantage

• Investment in brand delivers a yield premium

Qantas Loyalty
Innovation Led Growth

Lesley Grant, Qantas Loyalty CEO
Qantas Loyalty

The Evolution of Our Airline Loyalty Program

a lifestyle brand and airline loyalty program rewarding members across multiple categories and touchpoints

[Images of people in different activities: Food and wine, Retail, Travel, Health & Wellness, Communities, Experiences]
Qantas Loyalty is More than just Qantas Frequent Flyer

*It is one of the world’s most diverse airline loyalty businesses*

Qantas Loyalty Business

Qantas Loyalty Opportunities

Partners

1. As at March 2017. 2 As at May 2017.
Qantas Loyalty has Advantaged Assets and Capabilities that are Unique Amongst Australian Companies

Members
- 11.7M members 50% of Australian households\(^1\)
- 147K+ SMEs
- Highly engaged, affluent skew

Partnerships
- 270+ partners of which 40+ are B2B\(^2\)
- Long term partner engagement

Points
- Unique value of Qantas Points and status tiers
- Driving market share shift and proven ability to retain customer for key partners

Rewards
- 4.9M seats purchased with points in 2016
- Leading online loyalty redemption store in Australia\(^3\) with ~$100M in value redeemed each year\(^4\)

Brand
- Trusted brand
- Advocacy 30pts premium over competitors\(^5\)
- Proven ability to stretch across various products and services

Data insights
- 30 years of data and expertise
- Rich data sources (stated, behaved, observed and attitudinal)
- Strong capability to activate insights for airline and partners via multiple channels

Channels to market
- Growing footprint and presence in new digital channels – Internet advertising, SEM/SEO\(^6\), Social media and influencers, partners

People
- Innovation culture: ways of working (agile, lean, etc.)
- Talent pipeline
- New skill sets

Qantas Loyalty’s Coalition Program

- >120 billion points earned by members last year
- ~8,000 products on the Qantas Store
- Partnerships with all 4 major banks
- 35% of credit card spend in Australia is on Qantas co-branded credit cards
- 4.9M seats purchased with points in 2016

1. Based on Qantas internal analysis.
External Points Sales
Influencing customer behaviour, driving commercial outcomes for partners

Qantas Loyalty

Core Points Sales – Generates Points Margin

- Price sold to our Partners
- Cost of the point
- Margin on point
- Breakage
- Overall contribution

Creating value for our partners
- Customer acquisition
- Customer retention
- Increased share of wallet

Margin is Only Generated on ‘External Points’
(Unique to other airline loyalty programs)

- Internal Price = cost
- External Price > cost

- ~40%
- ~60%

Points issued

Qantas, Jetstar

270+ partners including 40+ B2B

1. Recognition is split across time of issuance and time of redemption.
‘Coalition Effect’ is a Key Growth Driver – Providing a Multiplier Benefit

Breadth of program engagement multiplies points on offer

<table>
<thead>
<tr>
<th>Number of members</th>
<th>Level of members’ expenditure</th>
<th>Number of loyalty participants (e.g. Earn partners)</th>
<th>Use of loyalty affiliated payment methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>More people participating</td>
<td>... and spending more</td>
<td>... and engaging with loyalty programs in more ways</td>
<td>... and with more payment methods to earn points</td>
</tr>
</tbody>
</table>

Generating an uplift in partner earn

<table>
<thead>
<tr>
<th>Earn with initial partner</th>
<th>+1 category</th>
<th>+2 categories</th>
<th>+3 categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>107</td>
<td>115</td>
<td>128</td>
</tr>
</tbody>
</table>

The initial partner earns more as the member engages across multiple categories, resulting in a benefit for the initial partner and a benefit for Qantas Loyalty.
Growing the Coalition through Personalisation and Active Member Engagement

- **Qantas Frequent Flyer**: Australian population growth + evolve offer for underpenetrated segments
- **Qantas Business Rewards**: SME penetration including partner focus

- **Simplified and personalised member experiences integrated in Qantas App**
- **Leverage multi-channel targeting** to increase conversion
- **Expanding our reward offerings to maintain value/strength of points**: Point of Sale, redemption, hotels

- **Expand coalition** partners in categories relevant to members
- **Deepen our partnership with** Woolworths through increased share spend and members

- **New technologies** to improve customer value proposition and value delivered to partners (incl. Artificial intelligence and machine learning, payments innovation, etc.)
New Businesses to Grow and Strengthen Qantas Loyalty – Core Criteria

- Market attractiveness
- Latent disruption potential
- Relative applicability of Qantas Loyalty’s assets and capabilities
Financial Services is Adapting to Market Changes

*With growth beyond regulatory impact*

**Qantas co-branded credit cards**
- Partnerships with all four major Australian banks
- ~35% of all credit card spend in Australia is on a Qantas Co-branded credit card

**Qantas Cash – Pre-paid travel money card, that is also the membership card**
- Holds 17% market share – targeting 20%+ by 2020, ~670k cards activated to date

**Interchange reset impacting short term growth, but new offers to maintain growth beyond regulatory impact**
- New propositions secured and launched with AMEX and ANZ
- Attractive Visa and MasterCard earn rates and the removal of caps mitigating Global Network Services removal

**New opportunities supporting the diversification of the earnings base**
- Building broader banking relationships (both consumer and SME) across new products to diversify financial services earnings
- Launch of White Label Qantas Platinum Card

---

1. Based on Qantas internal analysis. 2. Based on Qantas internal reporting. Share of the Australian prepaid travel card market (based on spend) for 1H17. 3. As at March 2017. 4. An American Express card issued in combination with a Visa or a MasterCard to a customer.
Financial Services – Introducing Qantas Loyalty’s Next Venture: White Label Credit Card

Qantas white label Platinum credit card

- Customers have broad points earning options on credit cards
- Share in card economics as well as points
- Partner with Citi and Mastercard to deliver
- Qantas owns customer value proposition

Rewarding for our members

- Uncapped earning potential
- Special Qantas travel benefits
- Innovative app to track your money
QANTAS LOYALTY

Health and Wellness – Qantas Assure

Innovation in the insurance market

Strategy

- **Brand Insights**
- **Digital**
- **Members**
- **Rewards**
- **Wellness Program**

- More effective acquisition of customer
- Retain customers with Loyalty program
- Incentivise behaviour with Wellness program

Business Model

- Share of Insurance Premiums
- Points costs Marketing and Sales Costs
- Operating costs
- Contribution (Breakeven in June 2017)

Track Record

- Top quartile for share growth in Health\(^1\)
- Launch to April 2017: Annualised Health premium sold over $50m\(^2\)
- Wellness program: ~200K downloads
- February 2017: Life launched

FY22 Aspiration

- 2-3% Health Market\(^3\) – currently a $23b market\(^4\)
- 1-2% Direct Life Market\(^3\) – currently a $1.3b market and expected to increase in coming years\(^5\)

---

1. Represents six months to December 2016 based on APRA Data (Quarterly Stats Dec 16 and Operations of Private Health – Insurers Annual Report June 16). 2. Based on Qantas internal reports. 3. Target based on revenue within 5 years of operations. 4. Source: APRA. 5. NMG Consulting Risk Distribution Monitor reports.
QANTAS LOYALTY

Data and Marketing – One of the Most Valuable Data Sets in Australia, with Advanced Analytics Capability

Holistic Data Sets and Unique Abilities

- **LEAD INDICATOR OF PURCHASE INTENT**
  - Web, content, social, bookings

- **POST-PURCHASE TRANSACTION**
  - Customer data, payments

- **DEMOGRAPHICS**

- **NEED, ATTITUDES AND DRIVERS OF CHOICE**
  - 100k survey panel

Capabilities

- **Channels to market**
  - Taylor Fry
  - RED PLANET

- **Enablers**
  - RED PLANET
  - DATA REPUBLIC
  - MillwardBrown

- **Scalable products**

Business Model

Services + Media and Research + Partnerships = Revenue

Value Creation

- **Group** – 5x incremental uplift on marketing spend
- **Loyalty** – increasing sales rate of products
- **External clients** – revenue share and clip of ticket
Qantas Loyalty will continue to innovate and diversify for stable, non-cyclical earnings growth through the cycle.

Integral to achieving this goal is disruption led new business growth underpinned by further enhancement and innovation of the coalition business.

Qantas Loyalty has a path to delivering $500-600M EBIT² by 2022.

1. Compound average growth rate. Future growth profiles for New Businesses not expected to be linear. 2. Underlying EBIT.
Continuing to Win in the Australian Domestic Market

Andrew David, Qantas Domestic CEO
Delivering a Sustainable Competitive Advantage in the Domestic Market

- Flexibility to move capacity and adjust gauge across domestic and international networks
- Established corporate customer relationships
- Improved proposition to SME customers
- Record and improving customer advocacy
- Network, frequency and schedule advantage at key ports
- Premium on-time performance
- Advanced disruption management
- Continuously improving cost position

Qantas Domestic has the resilience and flexibility to respond to changes in the domestic market

1. Compared to Virgin Australia Domestic.
QANTAS DOMESTIC

Strategy Focused on Margin Advantage

Five strategic pillars

- Rigorous and proactive capacity management
- Leadership in corporate, SME and premium leisure markets
- Relentless drive for cost efficiency
- Continued investment in customer experience
- Engaging our people for continuous improvement

Qantas Domestic Margin¹ Advantage

<table>
<thead>
<tr>
<th></th>
<th>1H16</th>
<th>1H17</th>
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</thead>
<tbody>
<tr>
<td>Qantas Domestic</td>
<td>12.9%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Virgin Australia Domestic</td>
<td>7.1%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

8.2pts

1. Underlying EBIT divided by total revenue.
Rigorous and Proactive Capacity Management

Mitigating resource exposure and pursuing opportunity

**Mitigating Resource Market Exposure**

Passenger Revenue Decline ($M)

- FY15 v FY14: $55M
- FY16 v FY15: $120M
- FY17F v FY16: $80M

**Maximising East Coast Opportunity**

Passenger Revenue Improvement ($M)

- FY15 v FY14: $100M
- FY16 v FY15: $130M
- FY17F v FY16: $70M

Capturing the East Coast opportunity has offset resource market exposure, ensuring continued earnings growth.

---

1. East Coast market revenue includes flights to and from Sydney, Brisbane, Melbourne, Adelaide, Canberra, Tasmania, Cairns, Hamilton Island, Gold Coast and Sunshine Coast.
Rigorous and Proactive Capacity Management

Using fleet flexibility to optimise utilisation

Qantas Domestic

737 and A330 redeployed internationally

717 and F100 into resource routes

737 redeployed domestically

Q300 redeployed to Jetstar NZ

Dynamic approach to capacity management to right-size supply to demand
QANTAS DOMESTIC

Rigorous and Proactive Capacity Management

42% more peak hour capacity

47% more capacity on Melbourne – Sydney

34% more frequencies

43% more departures from capital city ports

Maintaining network and schedule advantage supports revenue premium

1. Qantas Domestic compared to Virgin Australia Domestic for 4Q17 on Top 15 business routes by internally estimated revenue: ADL-MEL, ADL-PER, ADL-SYD, BNE-CBR, BNE-DRW, BNE-MEL, BNE-PER, BNE-SYD, BNE-TSV, CBR-MEL, CBR-SYD, DRW-PER, MEL-PER, MEL-SYD, PER-SYD. Source Dio Mi. 2. Qantas Domestic compared to Virgin Australia Domestic for 4Q17. Source Dio Mi and internal estimates.
Leadership in Corporate, SME and Premium Leisure

Reinforcing our position in our three target segments

**Corporate**

- ~$2 billion market\(^1\)
- **Improving corporate position**
  - Maintaining and growing corporate share
  - Offering the right product and services at the right times on the right routes
  - Strategic management of account categories and relationships

**Premium Leisure**

- ~$2.7 billion market\(^2\)
- **Improving share of premium leisure**
  - Increased footprint where customer segmentation showed strong demand
  - Growth in travel volumes of both domestic leisure and international inbound leisure

**SME**

- ~$2 billion market\(^2\)
- **Building SME volume**
  - Investment in detailed understanding of who the flyers and buyers are
  - Launch of Qantas Business Rewards in February 2017
  - Delivering ahead of expectations with 147,000+ company members

---

Sustaining our revenue advantage by increasing our share of high yielding customers

---

1. Source: QDM data. 2. Qantas internal estimates.
**QANTAS DOMESTIC**

Leadership in Corporate, SME and Premium Leisure

*Launch of Qantas Business Rewards*

---

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Up to 20,000</strong> Qantas Points earned flying for business</td>
<td><strong>20,000-39,999</strong> Qantas Points earned flying for business</td>
<td><strong>100,000 or more</strong> Qantas Points earned flying for business</td>
</tr>
</tbody>
</table>

**For your business**
- 20% 20 Qantas Points for every 100 Qantas Points your flyers earn*
- 5% off the base fare on selected airfares*

**For your travellers**
- Qantas Points
- Status Credits
- The same great benefits
- Frequent Flyers earn today~

**For your business**
- 30% 30 Qantas Points for every 100 Qantas Points your flyers earn*
- 7% off the base fare on selected airfares*

**For your travellers**
- Qantas Points
- Status Credits
- The same great benefits
- Frequent Flyers earn today~

**For your business**
- 40% 40 Qantas Points for every 100 Qantas Points your flyers earn*
- 8% off the base fare on selected airfares*
- 2% savings off the base fare on a selection of Red e-Deals

**For your travellers**
- Qantas Points
- Status Credits
- The same great benefits
- Frequent Flyers earn today~

---

**Since launch in February 2017**
- 14% increase in businesses using the program
- 20,000+ new members
- 5% increase in bookings from pre-existing members
- NPS up 28 points

---

**Qantas Points for Business from the first flight**

**More rewards the more you fly with three levels of benefits**

**Exclusive savings on eligible flights**

**Flyers continue to earn their Qantas Points and Status Credits**

**Qantas Club membership discounts**
**QANTAS DOMESTIC**

**Relentless Drive for Cost Efficiency**

*Evolving the Qantas Domestic transformation levers*

**Focus on protecting our margin advantage**

<table>
<thead>
<tr>
<th>Technology</th>
<th>Supplier</th>
<th>Utilisation</th>
<th>Continuous Improvement</th>
<th>Indirect Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Simplify, standardise and rationalise</td>
<td>• Renegotiate terms</td>
<td>• Network efficiency</td>
<td>• Fuel Burn reduction program</td>
<td>• Overhead effectiveness</td>
</tr>
<tr>
<td>• Digital Strategy</td>
<td>• Spend monitoring and compliance</td>
<td>• Dual brand optimisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Group buying</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Increased Focus</td>
<td>• Category Strategy</td>
<td>• Disruption management</td>
<td>• Fuel compliance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Service level optimisation</td>
<td>• Precision turn-around schedule</td>
<td>• Engineering maintenance</td>
<td>• New ways to deliver business</td>
</tr>
<tr>
<td></td>
<td>• Industry collaboration (A4ANZ)</td>
<td>• Cross utilisation with International aircraft</td>
<td>optimisation</td>
<td>needs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Create flexibility/variabilisation</td>
</tr>
</tbody>
</table>
Continued Investment in Customer Experience
Combining product and service with technology

**Lounges and Onboard**
- Brisbane Business Lounge *upgraded* including Premium Lounge Entry
- *Refurbishment* of domestic 737 and A330 fleets
- Enhanced *in-flight menu*
- Cabin crew training and tools

**Digital and Personalisation**
Making it **easy for customers to choose Qantas**, including:
- A single app for planning, booking and travel
- Delivering **personalised and contextual offers**

**Disruption Management**
- **Industry-first system** design will enable best practice
- Automated sourcing of slot options
- Faster response and decision times
- Reducing length of delays and improving **communications**

**Onboard Wi-Fi**
- 737 and A330 enabled aircraft will provide **free, high-speed internet access inflight**
- Video streaming services with Netflix, Foxtel, Spotify and Stan available on board
- Customer trials underway on 737
Continued Investment in Customer Experience
Achieving record¹ customer advocacy

Qantas Domestic NPS² vs Competitor

- Qantas Domestic
- Competitor

+34 pts compared to competitor in March 17
+21 pts compared to competitor over the last 12 months

1. Record achieved January 2017. 2. Reflects Qantas Mainline, excluding QantasLink.
QANTAS DOMESTIC

Engaging Our People for Continuous Improvement

*Case example: Brisbane heavy maintenance*

**Key Transformation Principles**

- **Build Community from Within**
- **Build Leadership Capability**
- **Implement Lean and a Continuous Improvement Mindset**

**Touch time increased from 33% to 45%**

- **Heavy maintenance completed in 5.6 weeks (one week early)**

- **25% reduction in hours required**

Sustainable change that drives high employee engagement
**Strong foundation for Qantas Domestic**

- 14% Unit Revenue premium to competitor\(^1\)
- Closed the cost gap to competitor to 3\(^%\)\(^1\)
- Record levels of customer satisfaction and advocacy\(^2\)
- Record employee engagement

**Building on our strengths**

- Continuous transformation
- Continued focus on core target customer segments

---

**Qantas Increasing Margin Advantage\(^1\)**

<table>
<thead>
<tr>
<th>Year</th>
<th>RASK Advantage</th>
<th>CASK Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>18%</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>16%</td>
<td>11%</td>
</tr>
<tr>
<td>FY16</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>1H17</td>
<td>14%</td>
<td>3%</td>
</tr>
</tbody>
</table>

5% CASK Gap target

---

Qantas Domestic will continue to win in the Australian market

---

1. Competitor refers to Virgin Australia Domestic. Source: Published data and Qantas internal estimates.
2. Record achieved in January 2017.
Building a Sustainable Competitive Advantage from Our Home Market

Gareth Evans, Qantas International and Freight CEO
Continued Delivery Against Clearly Defined Strategy

1. Unwavering commitment to meeting our customers’ needs

2. A fit and competitive business through Transformation

3. Building a sustainable competitive advantage from our home market

4. Targeting ROIC > 10%
Building a More Resilient and Sustainable Qantas International

A business in need of transformation

- High cost base vs peers
- Over-exposed to challenged markets
- Static network
- Low aircraft utilisation
- Two-stop Europe offering
- Asia network structured around Europe
- Inconsistent product offering
- Record high fuel prices and AUD/USD\(^1\)

A business with unacceptable Return on Invested Capital

Prior to 2014

A fit and competitive Qantas International

- \( >$800m \) in Transformation benefits
- Capacity redirected to advantaged markets
- Dynamic network planning
- Extended and enhanced airline partnerships
- Improved Asian network
- Targeted investment in aircraft and product
- Lower fuel and AUD/USD near historical average

A more sustainable business delivering ROIC > 10%

2015 – 2017

1. From FY12 to FY14.
A Fit and Competitive Business with an Unwavering Customer Focus

- **$1b EBIT**
  - Forecast to be delivered from FY15 - FY17

- **36% Capacity focused on Asia**
  - Focused on high growth markets

- **+30% Revenue from partners**
  - Contribution through strategic partnerships

- **+14% Increase in utilisation**
  - International widebody fleet

- **36% Capacity focused on Asia**
  - Focused on high growth markets

- **-12% Unit cost reduction**
  - Compared to FY14

- **+23pts Customer advocacy**
  - Sustained improvements in customer advocacy

1. Based on FY15 and FY16 Actuals and FY17 forecast. 2. 2016 v 2013. Partner contribution = Qantas (QF) ticketed revenue with partner net of partner segments + Partner sales on QF operated services + codeshare commissions + Contribution on block space. 3. Based on FY17 forecast. 4. Unit cost is calculated excluding fuel and adjusted for FX based on FY17 forecast v FY14. 5. Measured on Net Promoter Score (NPS). Based on Qantas internal reporting. Compared to January 2012. 6. FY17 forecast wide body fleet utilisation compared to FY14.
An Improved Competitive Position

• Established revenue premium to competitors out of Australia
  - Strong Loyalty proposition
  - Iconic brand with rejuvenated customer offering
  - Network benefit of Domestic services feeding International
  - Australia corporate share and home market sales strength

• With cost base transformation, operating margin above or in-line with key competitors in challenging capacity environment
  - 8-9%¹ competitor capacity growth into Australia in FY17
  - Long-haul Unit Revenue under pressure globally
  - Qantas International generating strong margin vs peers²

Qantas International Margin Performance is Strong Against Key Competitors in Asia³

<table>
<thead>
<tr>
<th></th>
<th>Qantas International FY17 ROIC</th>
<th>Singapore Airlines FY17 ROIC</th>
<th>Cathay Pacific FY17 ROIC</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>8.9%</td>
<td>5.0%</td>
<td>7.3%</td>
</tr>
<tr>
<td>1H17</td>
<td></td>
<td>3.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td></td>
<td>(6.7%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Qantas International FY17 ROIC > 10% in tough global conditions

1. Source: BITRE Jul15-Jan17 and Dio Mi published schedule Feb17-Jun17. 2. Margin performance relative to Cathay Pacific and Singapore Airlines. 3. 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 and Cathay Dragon as reported in Cathay Pacific’s published reports. 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.
# Ongoing Transformation Themes

## Technology
- Simplify, standardise and rationalise
- Digital Strategy
- 787-9 roll-out, 747 retirement
- Automation
- Insights and intelligence
- Enterprise data
- New Flight Planning system
- Self services

## Supplier
- Renegotiate terms
- Spend monitoring and compliance
- Group buying
- Category Strategy
- Service level optimisation

## Utilisation
- Network efficiency
- Dual brand optimisation
- 787-9 High Utilisation patterns
- Cross utilisation of aircraft with Qantas Domestic

## Continuous Improvement
- Fuel Burn reduction program
- Seasonal adjustments to capacity
  - A380
  - 747
  - 787-9

## Indirect Costs
- Overhead effectiveness
- New ways to deliver business needs
- Create flexibility/variabilisation

Cost and efficiency focus continues in next phase of transformation

Fleet Renewal

Network and Hub\(^1\) Evolution

Grow with Asia

Strategic Airline Partnerships

Own the High-Yield Customer

---

# Fleet Renewal: Cost Efficiency, Smaller Gauge and Premium Configuration of 787-9 Drives Margin Improvement

## Cost Efficiency

<table>
<thead>
<tr>
<th>Percentage Saving</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>~20%</td>
<td>Saving in fuel consumption</td>
</tr>
<tr>
<td>Improved</td>
<td>Pilot and engineering operating models</td>
</tr>
<tr>
<td>~15%</td>
<td>Saving in direct operating cost</td>
</tr>
<tr>
<td>~5%</td>
<td>Overall savings</td>
</tr>
</tbody>
</table>

## Revenue Optimisation

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased mix of premium seats² compliments Qantas high-yield customer</td>
<td></td>
</tr>
<tr>
<td>Reduction of economy cabin by ~40%³ improves RASK stability</td>
<td></td>
</tr>
<tr>
<td>Competitive network advantage with unique direct services provides a yield premium</td>
<td></td>
</tr>
</tbody>
</table>

1. Cost efficiency measured against the 747 on a cost per ASK basis. 2. 787-9 30% v 747 26% includes Business and Premium Economy product. 3. 787-9: 166 Economy seats, 747: 270 Economy seats.
Fleet Renewal: Next Generation Aircraft Drives Earnings Stability

Replacement of 747 provides a step-change in cost efficiency and revenue premium

1. Reflects FY17 capacity settings. 2. Steady state at December 2018: Retirement of 5 x 747 and entry of 8 x 787-9.
QANTAS INTERNATIONAL

Network and Hub Evolution: Unique East and West Coast Hubs

Increased capacity to high-growth Asia markets
- Delivers seasonal A380 capacity growth
- Improved product to premium, growing market
- Core Asian gateways with high corporate demand
- Slot constrained airports

Premium product to LAX Gateway
- Same aircraft service from Perth to US
- Lower gauge facilitates increased frequencies and connections

Reduced capacity to London
- MEL-LHR down-gauge improves current performance
- Perth Hub opens up new route options fed from East Coast Australia

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Reduced capacity to London
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- Perth Hub opens up new route options fed from East Coast Australia
Network and Hub Evolution: Qantas International has Repositioned Capacity in Response to Shifting Global Traffic Flows

UK\(^1\)
-15pts
28% 13%
UK represents one of the slowest growing markets whilst exposed to intense competition. Qantas International has reduced capacity exposure.

Asia\(^1\)
+10pts
30% 40%
The rise of the Asian middle class has provided significant growth and new opportunity for Qantas. Qantas International has increased capacity to these markets.

N. America
+4pts
32% 36%
The USA has strong market growth. Qantas continue to be the market share leader. Qantas International has maintained capacity share.

Other\(^2\)
+1pt
10% 11%
Tasman remains critical for International and Domestic connectivity. Qantas International has maintained capacity share.

FY18 Group International Capacity\(^4\)
8% 55% 25% 12%

---
1. 2012 UK ASK's assumes that 50% of ASK's to the mid-point is Asia (i.e. AU-SIN).
2. Includes Tasman, South America, South Africa and Pacific Islands.
3. First 4 aircraft will be deployed by 24 March 2018.

Estimated FY18 capacity calculated using FY17 schedules adjusted for expected changes to Qantas International.
Growing with Asia: Increasing Qantas Direct Services to Major Business Hubs in Asia

- Daily services from Sydney, Melbourne and Brisbane into major business hubs of Singapore, Hong Kong and Tokyo
- New Beijing service linking Australia to Chinese capital
- Increased capacity / seasonal flying to Singapore, Hong Kong, Bali, Jakarta, Manila to meet growing demand
- Using existing Group fleet (A380s freed up from London) for increased capacity to key hubs in seasonal peaks (up to 20% increase)

Direct Qantas services to 9 of top 11 corporate destinations in Asia from Australia

Note - Beijing (PEK), Tokyo (TYO), Shanghai (PVG), Hong Kong (HKG), Bangkok (BKK), Singapore (SIN), Jakarta (CGK), Denpasar (DPS), Port Moresby (POM), Brisbane (BNE), Sydney (SYD), Melbourne (MEL), Perth (PER).
Growing with Asia: Three-pronged Strategy to Capitalise on Australia China Growth

1. Qantas servicing key business hubs
   - Hong Kong, Shanghai, Beijing

2. Strengthen airline partnerships for network reach
   - Key alliance with China Eastern
   - Codeshare with China Southern
   - one world with Cathay Pacific over HKG

3. Funnel inbound traffic to Group Domestic airlines
   - Average Chinese tourist flies 2–3 domestic sectors

---

2. Internal Qantas analysis.
3. Note - Beijing (PEK), Shanghai (PVG), Nanjing (NKG), Hangzhou (HGH), Kunming Changshui (KMG), Hong Kong (HKG), Brisbane (BNE), Sydney (SYD), Melbourne (MEL).
Strategic Airline Partnerships: Growth of Codeshare Partners for Efficient Expansion and Support of Qantas-operated Services

1. As at 1 May 2017. 2. As at 1 May 2017. Europe, the Middle East and Africa. 3. As at 1 May 2017. Asia, South West Pacific and Australia. 4. Includes Jetstar Australia, Jetstar Asia (Singapore), and Jetstar Japan. 5. Codeshare partners to destinations in Asia, South West Pacific and Australia. Includes: AirCalin, Airnorth, Air Niugini, Air Tahiti Nui, Air Vanuatu, Asiana, Bangkok Airways, China Airlines, China Eastern, China Southern, Emirates, Fiji Airways, JAL, Jetstar, Jet Airways, Solomon Airlines, Sri Lankan Airlines, Vietnam Airlines. 6. Billings for QF sales on partner airline operations plus billings for partner airline sales on Qantas operations. 7. Codeshare commencing 1H18.
Strategic Airline Partnerships: Growth of Cornerstone Emirates Alliance

- **2.2m** Partnership passengers, +104%¹
- **114%** Increase in total partnership billings to >$1b²
- **134%** Growth in Frequent Flyer flight redemptions to 110,000
- **46** Destinations on Qantas and Emirates one-stop via Dubai

1. 2016 compared to 2013. 2. 2016 compared to 2013. Partnership billings are billings for Qantas sales on Emirates operations and billings for Emirates airline sales on Qantas operations. 3. 2013 year includes 9 months of passenger sales from 1 April 2013.
Strategic Airline Partnerships: Revenue Growth Supported by Increased Partner Contribution

Qantas Revenue Associated with Airline Partners ($B)\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1.8</td>
</tr>
<tr>
<td>2014</td>
<td>2.0</td>
</tr>
<tr>
<td>2015</td>
<td>2.2</td>
</tr>
<tr>
<td>2016</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Partner Airlines growing as an important distribution channel for Qantas

- \(35\% \)\(^2\) increase in partner sales on Qantas (Domestic and International)

Network extension driving growth in Qantas ticketed revenue with a partner airline segment

- \(54\% \)\(^2\) increase in Qantas sales on partner airline services

Growth led by joint businesses with Emirates and China Eastern, strong partnership with American Airlines

---

1. Qantas revenue (Domestic and International) associated with airline partners: Qantas ticketed revenue with an airline partner segment less cost of partner segments + Partner airline sales on Qantas operated services + codeshare commissions + Contribution from block space operations. 2. 2016 compared to 2013.
Owning the High Yield Customer: Continued Investment to Maintain Record Customer Advocacy

Global Lounge Program

Technology-enabled Journeys

Innovative Onboard Product

Award-winning Service

Qantas continues to be recognised in leading global airline awards
Qantas International NPS¹

Overall Flight Experience

Jan-12 Jan-13 Jan-14 Jan-15 Jan-16 Jan-17

+23 pts compared to January 2012

1. Net Promotor Score, based on Qantas internal reporting.
Qantas International has addressed its competitive disadvantages
- Transformation of cost base and operating model
- Network redesign to advantaged markets
- Partnerships with leading global airlines
- Consistent customer experience

Building a sustainable competitive advantage from our home market
- Ongoing transformation with fleet renewal
- Leveraging 787-9 for network and hub evolution
- Growing with the world’s largest aviation market in Asia
- Enhancing airline partnerships
- Unwavering focus on the customer
A Profitable and Winning Model for Growth

Jayne Hrdlicka, Jetstar Group CEO
The Jetstar Group Model to Drive Sustainable Competitive Advantage

- Robust, proprietary Jetstar LCC model
- Delivers both customer service and low cost
- Over twelve years of experience delivering safe operations built on 90+ years of Qantas safety practices
- Dual brand ‘know-how’ embedded in the Jetstar Group strategy
- Pan-Asia Pacific network supported by market-leading brand and innovation
Jetstar Group

Strong, Independent Jetstar-branded Airlines

- Commercial and operational decisions driven by local CEO and Board
- The right local, strategic shareholders for each market
- Combination of Jetstar and local partners’ scale – improving unit cost and revenue
- Regular experience sharing between airlines
- Consistent customer experience in all markets
Substantial Jetstar Footprint Throughout Asia Pacific

- 200M+ passengers since inception
- 82 destinations
- 16 countries
- 177 routes
- 129 aircraft
- 51% aircraft in Asia and New Zealand

Note. Relates to the combination of Jetstar Airways, Jetstar Asia, Jetstar Pacific and Jetstar Japan, as at 31 December 2016.
Jetstar Group holds a significant margin advantage over Tigerair Australia, with Jetstar's margin at 15% compared to Tigerair's 6% in the first half of 2017.

1. Culture of continuous improvement
2. Network agility – making markets and moving with demand
3. Dual brand sophistication
4. Clear brand and customer leadership
5. Network depth and breadth
6. Culture of continuous improvement

Note: Comparison to Tigerair Australia. Competitor operating margins calculated using published data. Operating margin calculated as Underlying earnings before interest and tax (EBIT) divided by total revenue.
Extending Successful Model for Jetstar in New Zealand

• Compelling brand position, providing choice and accessibility
  - Strong network serving leisure and business customers
  - Largest direct Government contract in Jetstar history
  - Successful launch of product for small businesses

• Regional launch brings affordable travel to regional communities, in partnership with QantasLink

• Connecting New Zealanders with far-reaching international network of Qantas Group and partners
**Jetstar International Delivering Record Results**

**Strong Sustainable Advantages**
- Brand and point-of-sale strength – outbound leisure
- Brand strength in key inbound markets – China, Japan, Singapore and Vietnam
- Connecting the brand across Jetstar markets (NZ, Singapore, Japan, Vietnam)
- Network agility and flexibility
- Optimal fleet type and structure

**Jetstar Group Flies Where Australians Want to Travel**

<table>
<thead>
<tr>
<th>Australia Outbound Top 10 Destinations²</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. New Zealand</td>
</tr>
<tr>
<td>2. Indonesia</td>
</tr>
<tr>
<td>3. United States</td>
</tr>
<tr>
<td>4. United Kingdom</td>
</tr>
<tr>
<td>5. Thailand</td>
</tr>
<tr>
<td>6. China</td>
</tr>
<tr>
<td>7. Singapore</td>
</tr>
<tr>
<td>8. Japan</td>
</tr>
<tr>
<td>9. Fiji</td>
</tr>
<tr>
<td>10. India</td>
</tr>
</tbody>
</table>

1. Record Underlying EBIT achieved in 1H17. 2. Australian Bureau of Statistics, Overseas Short Term Arrivals and Departures, Australia, twelve months to December 2016.
Jetstar in Asia: Profitable and Delivering Continued Significant Growth

- Jetstar Singapore supporting over 25 Interline and 5 codeshare partnerships
- Jetstar Japan continuing to grow and develop the “low fares” segment and expanding international network
- Jetstar Vietnam operates in one of the fastest growing South East Asian economies¹, implementing dual brand strategy
- China tourism growth significant and relevant across all Jetstar markets
  - Largest visitor market for Vietnam and Japan²
  - Second largest visitor market for Singapore, Australia and New Zealand²

Focus on maximising opportunities in existing business while continuing to assess broader regional opportunities

Jetstar Group Airlines Benefitting from Surging China Tourism

- Jetstar Group airlines strategically well positioned
  - High growth potential in underserved market segments
  - Attractive South East Asia network

- Delivering on the China opportunity
  - 7 years experience operating into China
  - Brand presence and network into China strengthening every year
  - Continuing to develop strategic partnerships

- Benefits flow into broader Jetstar Group network

1. Source: China Tourism Academy - China National Tourism Administration (January 2017). Low Cost Carrier market share based on scheduled seats twelve months to December 2016. Source: Diio Mii and Jetstar internal estimates.
As Largest Domestic LCC, Jetstar Japan is Well Placed to Capture Growth and Could Ultimately be Larger than Jetstar Australia

- Japan is the third largest aviation market in the world\(^1\)
  - Stable, profitable domestic market
  - LCC introduction growing total market and expected to reach 30% of total market\(^2\)

- Jetstar Japan leading development of dynamic LCC market
  - Largest domestic LCC with more than 50% share\(^3\)
  - Supported by 10 years of strong brand/point-of-sale presence in Japan\(^4\)

- Reinvest profits to grow Jetstar Japan and maintain market leadership, with 28 aircraft by FY19\(^5\)

---

• Continuous cost reduction program has contributed $300M+ over three years

• Focused investment in technology delivering improved customer experience and lower cost
  - Aircraft: 787-8s and A320neos
  - Digital: re-platforming all core employee and customer interactions
  - Automation: moving to self-service wherever possible
  - Big data: dynamic maintenance, operational performance monitoring and re-engineering core commercial functions

• Cabin enhancement program\(^1\) for A320/321s will deliver better customer experience and ~2-3% unit cost benefit

1. Subject to regulatory approval.
Digital transformation upgrading customer experience

• New Jetstar.com is up to 4 x faster than our competitors’ sites\(^1\)
• 60% of our customers use digital check-in options\(^2\)

Product innovation continues to enable revenue growth

• Small business product: FlexiBiz bundle
• Holiday packages, Club Jetstar, online hotel business
• Airbnb partnership: their first with a low fares airlines

Digital and data capability enhancing revenue growth

• 3.6m visitors each week to Jetstar.com\(^3\)
• Driving increased conversion after re-platforming to next-gen booking engine
• Driving retention and revenue via Club Jetstar, with members flying twice as often and spending 25% more on ancillary products than non-members\(^4\)

---

1. Comparison against Australia point-of-sale, for Tigerair, Virgin Australia, Webjet, Skyscanner, and Expedia.
2. Measured as Jetstar Airways flights for check-in via desktop, mobile or airport kiosk from January to April 2017.
3. Measured as all point-of-sale to Jetstar.com for desktop, mobile and app excluding business and trade channels, from January to March 2017.
4. Measured as average ancillary revenue spend per passenger and average number of bookings for 'Jetstar Web Mail and My Account' customers versus 'Club Jetstar' members, Australia point-of-sale, twelve months to June 2016.
Jetstar: a Winning and Profitable Model with Significant Growth Potential

**Strong foundation for Jetstar Group**
- Highest margins in market\(^1\), driving continuous performance improvement
- Key markets, well placed strategically
- Digital and data innovation enhancing revenue growth

**Profitable, resilient long haul network leveraging benefits of the 787-8**
- Supporting Australians’ passion for exploring the region
- Using innovative business models to open China inbound opportunity

**Continued momentum, with clear opportunities**
- Low fares segment growing faster than Australian market average\(^2\)
- China inbound leisure growth significant, across all Jetstar markets
- Japan domestic penetration and increasing international
- Southeast Asia flows around network

1. Refers to the Australia Domestic Market which includes Qantas Domestic, Virgin Australia Domestic and Tigerair Australia. Operating margin calculated as Underlying EBIT divided by total segment revenue. Calculated using published data from January to December 2016. 2. Measured as scheduled domestic seat compound annual growth rate (CAGR) from 2012 to 2016. Low fares segment defined as Tigerair Australia and Jetstar Airways. Source: Diio Mii.
CEO Summary

Alan Joyce, CEO Qantas Group
The Qantas Group is Strongly Positioned for Growth and Sustainable Returns

- Structurally advantaged position in growing Domestic profit pool
- Restructured Qantas International delivering ROIC > 10%
- Continued momentum of Jetstar Group across Asia Pacific
- Qantas Loyalty diversification to reach $500m-$600m target
- Ongoing transformation and investment in innovation
- Record customer advocacy and employee engagement
- Strong balance sheet and disciplined financial framework
Group Return on Invested Capital to exceed 10%

Sustainable returns to shareholders
Summary information
This Presentation contains summary information about Qantas and its subsidiaries (Qantas Group) and their activities current as at 5 May 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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In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Qantas is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards. In line with previous years, this Presentation is unaudited. Notwithstanding this, the Presentation contains disclosures which are extracted or derived from the Consolidated Interim Financial Report for the half year ended 31 December 2016 which has been reviewed by the Group’s Independent Auditor.