Investor Day
19 November 2019
ASX: QAN
US OTC: QABSY
Building on our sustainable competitive advantage
Safety is always our first priority

- Strong risk reporting culture underpinned by a ‘Just Culture’ framework
- Continued focus on improving the safety and wellbeing of our people
- Strong relationships with safety regulators, key industry bodies
- Leading business resilience and crisis management frameworks
- Continued investment in cyber security systems, privacy and capability
- Security supporting our safety priority
The long-term outlook for global passenger growth remains robust

### Global airline profit in 2019F and 20-year passenger forecasts

<table>
<thead>
<tr>
<th>Region</th>
<th>2019F Profit</th>
<th>20 Year Passengers Growth</th>
<th>Total Passengers in 2037</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$15b</td>
<td>+2.4% pa</td>
<td>1.4b</td>
</tr>
<tr>
<td>Europe</td>
<td>$8.1b</td>
<td>+2.0% pa</td>
<td>1.9b</td>
</tr>
<tr>
<td>Middle East</td>
<td>-$1.1b</td>
<td>+4.0% pa</td>
<td>0.5b</td>
</tr>
<tr>
<td>Latin America</td>
<td>$0.2b</td>
<td>+3.6% pa</td>
<td>0.7b</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>$6b</td>
<td>+4.8% pa</td>
<td>3.9b</td>
</tr>
<tr>
<td>Africa</td>
<td>-$0.1b</td>
<td>+4.6% pa</td>
<td>0.3b</td>
</tr>
</tbody>
</table>

1. IATA, 'Industry Economic Performance Jun 2019'. Net post tax profits in USD.
The Group’s strategy is responding to long term global forces and recent developments.

Global forces

- New centres of customer demand and geopolitical influence
- Rapid digitalisation and the rise of big data
- Shifting customer and workforce preferences
- Resource constraints and climate change

Recent developments

- Slowing global economy
- Asian growth still >5%
- Lower oil price and AUD
- Social media influence
- Privacy
- Artificial Intelligence
- Social licence to operate
- Always connected
- Personalised experiences
- Flight shaming
- Sustainable fuels
- Waste and plastics
The Group is uniquely positioned through its key competitive advantages:

- Trust in brand
- Home market strength
- Dual Brand know-how
- Customer loyalty and insights
- People and Culture

Financial and balance sheet strength
The Group’s integrated portfolio of mutually reinforcing businesses will ensure its ongoing success

- Domestic Dual Brand strategy allows each airline to play to their strengths to focus on customer segments and sustain leading margins

- Local distribution strength allows Qantas and Jetstar to fly internationally where Australians want to go

- Qantas share of corporates in international and domestic markets mutually reinforced by corporate dealing model

- Premium cabin redemptions and upgrades drive Qantas Loyalty’s customer value proposition, also leveraging Jetstar and alliances

- Deepening engagement of Qantas Frequent Flyers from reward redemptions reinforces strength in home market and grows ecosystem
The Group’s strategy will build on its sustainable competitive advantages

Understanding the long-term context

- New centres of customer demand and geopolitical influence
- Rapid digitalisation and the rise of big data
- Shifting customer and workforce preferences
- Resource constraints and climate change

Clear strategic priorities

- Maximising leading domestic position through Dual Brand strategy
- Building a resilient Qantas International, leveraging our home market
- 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 sustainability
Positioned to deliver higher domestic operating margins

- Sound market structure
- Stable operating environment and growing economy
- Each Group brand has a sustainable competitive advantage
- Sophisticated Dual Brand strategy magnifies advantages
- Flexibility in fleet, brand and operating platforms
- Focus on driving margin expansion particularly through cost reduction
Building a resilient Qantas International

- Transforming into a fit and competitive business
- Home market distribution strength
- Playing to our strengths flying where premium customers want to go
- Leveraging partnerships to extend the network
- Already harnessing new fleet technology for further advantage
- Will be further transformed even before Sunrise\(^1\)

1. Project Sunrise remains subject to rigorous business case hurdles.
Playing to competitive advantages to align with Asia’s growth

- Both brands fly where Australians want to go
- Connectivity with own networks and partners
- Exporting low cost and Dual Brand know-how
- Leveraging local strengths for inbound market
- Strong position in Japan – world’s 4th largest airline market
- A321LR and A321XLR flexibility to open up new opportunities
Investing to drive superior customer experiences

- Customers are always at the centre of our thinking
- The brands are a key source of competitive advantage
- Centenary program will drive further brand equity
- Continuing to invest in both physical and digital experiences
- Strengthening customer relationship via AI powered personalization
- Greater control over content through improved distribution model
- Heightened focus on disruption management, reward and recognition
Diversification and growth of Qantas Loyalty earnings

- Qantas Loyalty is uniquely advantaged locally and globally
- Evolved from a frequent flyer program to a consumer loyalty ecosystem
- Business with a track record of growth, innovation and resilience
- Investing in member experience
- Deepening and expanding coalition program
- Launching and scaling new consumer direct businesses
- Driving to $500-600m EBIT in FY22
Enabling our people to be their best

‒ Our employee value proposition is unique and differentiated
‒ Our culture promotes diversity and keeps our people energised
‒ Our training is aligned with required capabilities
‒ Leveraging technology to allow our people to deliver superior customer service
‒ Growth in front line and digitally capable workforce is aligned with key global and industry trends

Qantas Group rated most attractive employer by LinkedIn in 2019

Qantas Group ranked #1 employer in Australia by Randstad in 2019
Transformation will continue to drive valuable outcomes across the business

- Transformation delivered $3b benefits in FY15-FY19
- Now embedded and delivering minimum $400m in new benefits p.a.
- Established principles still governing transformation
- The Group has a strong pipeline of initiatives and has identified enablers
- FY20 more focused on cost than revenue compared to previous years
Looking forward, in FY24 we will measure our success by:

- **Qantas Domestic**
  - Relative margin advantage
  - Targeting EBIT margin ~18%

- **Jetstar Domestic**
  - Relative margin advantage
  - Targeting EBIT margin ~22%

- **Qantas International**
  - Relative competitive advantage
  - Targeting ROIC >10%

- **Jetstar International**
  - Lowest cost position
  - Targeting ROIC >15%

- **Qantas Loyalty**
  - Stable earnings growth
  - Targeting $500-600m EBIT in FY22

**Transformation:** $400m in gross annual benefits

**People:** Continued improvement in employee engagement

**Customer:** Maintain Net Promoter Score premium to competitor

Top quartile shareholder returns
Ensuring our sustainability for the next 100 years

- Community partnerships
- Reducing our carbon footprint
- Reconciliation Action Plan
- Economic contribution
- Connecting regions
- Investing in a circular economy
- Customers
- Employees
- Community
- Government
- Shareholders

Social licence to operate

There when needed

Acting responsibly
The National Carrier is committed to acting responsibly, respecting our social licence to operate.

- Community partnerships
- Reducing our carbon footprint
- Investing in a circular economy
- Connecting regions
- Economic contribution
- Reconciliation Action Plan
- Customers
- Employees
- Community
- Industry
- Government
- Shareholders

There when needed

Global movement to further improve carbon emission targets to limit the impact of climate change

1.5 degrees warming and net zero emissions are the new focus globally

The Paris Accord 2015

- 195 countries agreed to limit global warming to 2 degrees
- Included aspiration to limit to 1.5 degrees
- Global average temperatures are now already 1.1 degrees higher than pre-industrial period
- On track to exceed 2 degrees warming limit

IPCC Report 2018

- Emerging global movement to aspire to limit global warming to 1.5 degrees
- To meet this aspiration collectively the world needs to achieve net zero emissions by 2050
- “Net zero” means any CO₂ emitted in a year is balanced out by CO₂ absorbed in that year
- Only 70 countries and 85 companies (including International Airlines Group and the Qantas Group) are committed to meeting this target

Drought and bushfires locally demonstrate the urgency of transition to low carbon economy
Aviation is 2% of global carbon emissions but must lead in acting to reach net zero by 2050

- As other sectors de-carbonise, aviation risks becoming a much higher proportion of emissions if it does not act decisively
  
  - Rapidly growing industry driven by global forces
  
  - >85% of aviation emissions are for journeys over 1,500km – often no viable alternative to flying over much shorter distances
  
  - No alternative to hydrocarbon fuels for long haul flights

- Aviation is the only difficult to eliminate emission that is directly used and readily identifiable by its end-consumer

- Aviation industry is already being targeted, reinforcing the need for leadership to give customers the confidence to fly

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1. Source: Net-zero emissions energy systems, Steven J. Davis et al. published in Science 29 Jun 2018
CORSIA is an encouraging start, but industry target of 50% reduction in net emissions does not go far enough

**Carbon Offsetting and Reduction Scheme for International Airlines (CORSIA)**

- The airline industry mechanism to reduce global emissions, adopted in 2016 by the International Civil Aviation Organisation (ICAO)

- From 2019 airlines began monitoring and verifying their emissions baselines

- During the voluntary phase (between 2021-2026), airlines operating in States that have signed up to CORSIA will purchase offsets for any growth in international emissions between these States

- This includes Qantas and covers most of our international destinations

- From 2027 CORSIA will become mandatory – with exemptions for some small emitters¹ who can join voluntarily

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¹ Small emitters include Least Developed Countries, Small Island Developing States and Landlocked Developing Countries.
Many airlines are already pushing beyond CORSIA\(^1\) to make aviation sustainable

The industry must collaborate on sustainability as it does for safety

The Qantas Group is determined to play a leading role

1. Carbon Offsetting and Reduction Scheme for International Airlines
2. Sustainable Aviation Fuel

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**Qantas Investor Day 2019**

**Harbour Air Seaplanes**
- All-electric seaplane fleet in the 2020’s

**Cape Air**
- First airline to order commercial aircraft that run on electric batteries

**United**
- Largest user of SAF\(^2\)
- Committed $40m to accelerate SAF\(^2\)
- Invested in SAF supplier Fulcrum Bio Energy

**Air France**
- Offset domestic emissions

**KLM**
- Purchasing 75k Tonnes of SAF\(^2\) p.a. for 10 years

**Finair**
- Offering offsets or buying SAF\(^1\)

**International Airlines Group**
- Net zero emissions by 2050
- USD400m investment in SAF\(^2\)
- Offset domestic emissions from 2020

**Level**
- Invested in SAF\(^2\) supplier Fulcrum Bio Energy

**Qantas Jetstar**
- Net zero emissions by 2050
- Cap net emissions (domestic and international) at 2020 levels
- Invest $50m in SAF\(^2\)
- Double the number of customer flights offset by matching customer contributions

**Air New Zealand**
- Collaborating with ATR on hybrid aircraft
Qantas has long been a leader in addressing carbon emissions and other environmental impacts.

- **2007**: Industry-wide climate targets adopted
- **2009**: Qantas Future Planet (QFP) launched
- **2012**: Qantas and Jetstar operate Australia’s first commercial SAF flights
- **2015**: 10th anniversary of Fly Carbon Neutral
- **2018**: Qantas and Jetstar operate Australia’s first USA to Australia biofuel flight
- **2019**: Qantas enters into agreement with SG Preston for biofuel supply out of LAX from 2021
- **2020**: Qantas partners with Agrisoma to trial mustard seed crops in Australia

**Key Milestones**:
- Customers earn 10 Qantas Points for every $1 spent offsetting
- QFP grows to over 30 partners, including Australia Post
- Announced waste reduction project
- Reached over 1000 Green Team members

**2007**
- Fly Carbon Neutral launched

**2009**
- Qantas Group targets set

**2012**
- Qantas and Jetstar operate Australia’s first commercial SAF flights

**2015**
- 10th anniversary of Fly Carbon Neutral

**2018**
- Qantas operates world’s first USA to Australia biofuel flight

**2019**
- Achieved 20% reduction in water consumption
- Achieved 35% reduction in electricity

**2020**
- Achieve reduction in single-use plastics by end-2020

**1.5% average annual fuel efficiency improvement offsets growth in seat-kilometre capacity**
Qantas has set the most ambitious emissions targets of any airline.

- Net zero emissions by 2050
- Capping Group emissions at 2020 levels
- Investing $50m in Sustainable Aviation Fuels
Qantas has now set itself the most ambitious carbon emissions target for any airline group globally

Our targets

- **Zero** net carbon emissions by **2050**
- **Capping** of net emissions at **2020** level

Our actions

- **Increase carbon offsetting**
  - Qantas Points incentives
  - Match customer offsets dollar for dollar
- **Reduce fuel usage (efficiency)**
  - Invest in more fuel-efficient aircraft
  - Apply new technologies in flight planning and operations
  - Optimise operational policies and procedures
  - Reduce aircraft weight and drag
- **Invest and support development of biofuels**
  - $50m investment in sustainable aviation fuels (SAF1)
  - Support development of a SAF1 industry in Australia
  - Calling on Government and Industry to boost demand, invest and use SAF1
- **Hold ourselves accountable and influence others to follow**
  - Best practice disclosure and reporting
  - Collaboration not competition, similar to safety culture

Qantas Group net emissions

<table>
<thead>
<tr>
<th>2020 Cap</th>
<th>2050 Net Zero</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Demand growth

1. Sustainable Aviation Fuel
Multiple potential pathways to meeting targets, partly dependent on technological developments

Potential drivers of increases in relative contributions

- **Substitute**
  - Government incentives and major private investments in sustainable fuel for all transport industries, giving scale to SAF

- **Offsetting**
  - Availability of large-scale cost-effective certifiable carbon offset projects, leveraging a long history of leadership in this space

- **Reduce**
  - Breakthrough in battery technology leading to more rapid uptake of electric and hybrid powered aircraft
  - Further efficiency improvements in next generation aircraft available now
  - Technology improvements leading to the development of beyond next generation aircraft e.g. hybrid, electric, hydro, etc.
The Qantas Group is committed to transparency in reporting and disclosures

- We report transparently to demonstrate how we’re creating shareholder value, delivering on our strategy, laying foundations for long-term sustainability and making a positive impact in the communities we serve

- Qantas Group is one of only six airlines aligned to the recommendations of the Taskforce on Climate-Related Financial Disclosures

- We take an open source approach to disclosure of material information, levering the Qantas Group Site as a single source of publicly available policies, procedures, initiatives and performance indicators across our material issues

Sample report from Qantas sustainability portal

<table>
<thead>
<tr>
<th>Metric</th>
<th>Unit</th>
<th>FY19</th>
<th>FY18</th>
<th>FY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation fuel consumption</td>
<td>000 L</td>
<td>4,888,697</td>
<td>4,931,466</td>
<td>4,873,267</td>
</tr>
<tr>
<td>Fuel per 100 RTKs (Group Efficiency)</td>
<td>L</td>
<td>36.2</td>
<td>37.1</td>
<td>37.6</td>
</tr>
<tr>
<td>CO2-e emissions – Total (Scope 1 &amp; 2)</td>
<td>tonnes</td>
<td>12,406,303</td>
<td>12,526,141</td>
<td>12,387,666</td>
</tr>
<tr>
<td>CO2-e emissions - Scope 1</td>
<td>tonnes</td>
<td>12,285,422</td>
<td>12,390,319</td>
<td>12,248,233</td>
</tr>
<tr>
<td>CO2-e emissions - Scope 2</td>
<td>tonnes</td>
<td>120,881</td>
<td>135,822</td>
<td>139,433</td>
</tr>
<tr>
<td>CO2-e emissions – Domestic</td>
<td>tonnes</td>
<td>4,412,114</td>
<td>4,451,018</td>
<td>4,503,746</td>
</tr>
<tr>
<td>CO2-e emissions – International</td>
<td>tonnes</td>
<td>7,994,189</td>
<td>8,075,123</td>
<td>7,883,921</td>
</tr>
<tr>
<td>CO2-e per 100 RTKs (Group Efficiency)</td>
<td>Kg</td>
<td>91.8</td>
<td>94.3</td>
<td>96.0</td>
</tr>
<tr>
<td>CO2-e emissions - Scope 3</td>
<td>tonnes</td>
<td>1,212,055</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>CO2-e emissions - Total</td>
<td>tonnes</td>
<td>13,618,358</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Electricity (Australia)</td>
<td>MWh</td>
<td>144,955</td>
<td>168,807</td>
<td>169,466</td>
</tr>
<tr>
<td>Direct waste to landfill (Australia)</td>
<td>tonnes</td>
<td>13,209</td>
<td>21,292</td>
<td>20,635</td>
</tr>
<tr>
<td>Water (Australia)</td>
<td>000 L</td>
<td>800,019</td>
<td>895,100</td>
<td>902,545</td>
</tr>
<tr>
<td>Natural gas (Australia)</td>
<td>GJ</td>
<td>165,586</td>
<td>204,556</td>
<td>218,797</td>
</tr>
<tr>
<td>Diesel (Australia)</td>
<td>Litres</td>
<td>5,413,826</td>
<td>6,228,262</td>
<td>6,115,161</td>
</tr>
</tbody>
</table>

The Qantas Group is leading the aviation industry in the transition to a circular economy

Reduce 100m single-use plastics by the end of 2020

- We have removed approximately 16 million unnecessary plastics from our flights

<table>
<thead>
<tr>
<th>Jan 2020</th>
<th>Apr 2020</th>
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</thead>
<tbody>
<tr>
<td>18m Replace coffee cups</td>
<td></td>
</tr>
<tr>
<td>4m Replace headrest covers</td>
<td></td>
</tr>
<tr>
<td>2m Remove receptacles</td>
<td></td>
</tr>
<tr>
<td>96m Cutlery items</td>
<td></td>
</tr>
<tr>
<td>8m Remove plastics from rotatable cutlery covering</td>
<td></td>
</tr>
</tbody>
</table>

Reduce waste to landfill by 75% by the end of 2021

- Introducing recycling and compostable waste streams in flight to reduce waste to landfill
- Working with our waste service provider to ensure recycled waste does not end up in landfill
- Working with industry, government and suppliers to ensure appropriate solutions across our value chain
- Qantas partnered with BioPak, dnata and Suez for the Zero Waste Flight

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</table>
A century on, Qantas continues to be “of considerable importance to Australia generally”

Fergus McMaster, 1921 AGM.

The National Carrier continues to be a strong performer for Australia’s economy representing 0.7% of total Gross Domestic Product\(^1\)

- **Total economic contribution\(^1\)** to the Australian economy in FY19
  - >$12b

- **Team\(^2\)** of 28k Australians, **total employment contribution\(^3\)** over 55k FTEs
  - 28k

- **Contribution to tourism\(^4\)** including facilitating over $4.7b from international tourism expenditure
  - >$13b

- Spend with **Australian suppliers**, committed to increase spend with Indigenous businesses to 3% of our annual contestable non-fuel spend by FY24
  - $5.1b

- **Australian taxes\(^5\)** paid and collected in FY18, exhausted carried forward tax losses and recommenced payment of company tax
  - >$2.8b
Qantas supports regional Australia

Regional fares
- Taken action to make travel more accessible for residents of remote and regional Australia
- Discounted Fares for Residents Program having meaningful impact on communities
- Over 25,000 tickets sold¹
- Airfare capping in place to give residents pricing certainty for last minute travel

Regional grants
- $5m commitment over five years
- 1,200+ submissions received from across regional Australia
Successful recipients announced in November include:
  - Red Dust Role Models, Alice Springs
  - Outback Futures, Regional Queensland
  - Lifeline Central West, Dubbo

Drought initiative
- Partnering with Rural Aid to help fund hay bales, water trucking, groceries and mental health counsellors for farming communities
- Provided a total donation of $3m to date²
- Operated two special fundraising charter flights from Sydney to Longreach and Tamworth
- Supporting employees to join Rural Aid’s Farm Rescue program and volunteer their time
- Hosted monthly “Chops for Change” pop-ups at various Australian lounges

¹ As at 31 Oct 2019  ² As at 31 Dec 2018
The opportunity for leadership

- The Qantas Group plans to capture and consolidate its position as a leader. This means leadership in sustainable aviation, supporting and standing up for regional Australia and continuing to engage on critical social and economic issues.

- The world in which we operate demands more of us in our 100th year. Trends like flight shaming point to what we know about customers expecting businesses to step up on climate change. We also face greater investor scrutiny and have regulatory measures on our doorstep. And, we understand the physical and transitional risks to our business under different climate futures.

- We are responding by investing in key areas like sustainable aviation fuel, the circular economy, renewable energy, electric vehicles and carbon offsetting. We use these levers to create impact, meet expectations and stay ahead of the rest.
Disciplined application of our Financial Framework
Delivering against our Financial Framework

1. **Maintaining an optimal capital structure**
   - Net Debt\(^1\) profile FY15 to FY19 ($B)
   - Target Net Debt range

2. **ROIC > WACC\(^2\) through the cycle**
   - Return on Invested Capital
   - 10\(^3\) Value creating threshold
   - FY15: 16.2%, FY16: 22.7%, FY17: 20.1%, FY18: 21.4%, FY19: 18.4%

3. **Disciplined allocation of capital**
   - Capital allocation split FY15 to FY19 ($B)
   - FY15: Distributions 0.9, Investment 1.0, Debt Reduction 1.0
   - FY16: Distributions 1.1, Investment 1.4, Debt Reduction 1.6
   - FY17: Distributions 0.8, Investment 0.4, Debt Reduction 0.6
   - FY18: Distributions 2.0, Investment 1.0, Debt Reduction 1.0
   - FY19: Distributions 0.3, Investment 0.2, Debt Reduction 0.2

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1. Net debt includes on balance sheet debt and aircraft operating lease liabilities under the Group’s Financial Framework. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at the long-term exchange rate. 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. 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 2018 Annual Report, with reference to the 2018-2020 LTIP.
Extended tenor and smoothed profile resulting in minimal refinancing risk

Debt maturity profile as at 30 June 2019 ($M)\(^1\)

Optimal capital structure

- Net Debt target = 2.0x – 2.5x ROIC EBITDAR where EBITDAR achieves a fixed 10% ROIC

Debt structure

- Diverse funding sources – new markets
- Extended tenor
- Smoothed profile – maximum maturity tower <30% of operating cash flow
- Cost of debt continuing to reduce
- No financial covenants

Strong liquidity

- Cash of $2.2b\(^2\); Undrawn facilities of $1b
- Unencumbered aircraft valued at $4.5b\(^3\)

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1. Cash debt maturity profile excludes operating leases. 2. Includes cash and cash equivalents as at 30 Jun 2019. 3. Based on AKAC market values as at 30 Apr 2019 and AUD/USD exchange rate at 0.69.
Qantas is one of the least leveraged network carriers of Moody’s rated airlines.

Investment grade rated airlines

Moody’s Debt to EBITDA as at each airline’s last full year reporting period. Reporting periods differ between airlines.

Passenger airlines rated by Moody’s

Qantas Airways Limited
Network carrier
Low cost carrier

1. Moody’s Debt to EBITDA as at each airline’s last full year reporting period. Reporting periods differ between airlines.
Quality of earnings remains strong

Qantas Group’s sustainable competitive advantages provide a stable earnings base

**Stable earnings**

**Leading Dual Brand domestic position**
- Sound market structure
- Successful Dual Brand strategy

**Growing and diversified earnings**

**Uniquely advantaged**
- ~13m members (50% population\(^1\) penetration)
- 500+ partners

**Improved earnings stability**

**Group International\(^2\)** a fit and sustainable business delivering ROIC > WACC\(^3\)

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Earnings ($M) stable and trend will continue:

<table>
<thead>
<tr>
<th></th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
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<tbody>
<tr>
<td>ROIC</td>
<td>22.7%</td>
<td>20.1%</td>
<td>21.4%</td>
<td>18.4%</td>
</tr>
</tbody>
</table>

- \(^1\) ~50% penetration across the Australian population. Qantas internal analysis based on Australian Bureau of Statistics data.
- \(^2\) Group International includes Qantas International, Freight, Jetstar International Australia operations, Jetstar New Zealand, Jetstar Asia (Singapore) and the contributions from Jetstar Japan and Jetstar Pacific (Vietnam).
- \(^3\) Weighted Average Cost of Capital, calculated on a pre-tax basis.
Maintaining earnings despite fuel price volatility

Reducing cash flow volatility in the short term through disciplined hedging program to allow for implementation of operational levers

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

Capacity discipline has delivered revenue increases in line with fuel price increases

OPERATIONAL LEVERS
Business implements strategies to minimise earnings volatility. Timeframe to take effect is longer than hedging.
Our business and strategy is diverse enough to manage currency fluctuations

- Weaker demand environment
- Lower fuel
- Demand reduces for outbound international travel
- Australian market less profitable for international competitors
  - Reduced competitor capacity

- Stronger demand environment
- Higher fuel
- Demand increases for outbound international travel
- Australian market more profitable for international competitors
  - Increased competitor capacity

Focussed on financial strength and margin advantage in all operating environments
Capital allocation linked to earnings, balance sheet strength a priority

- **Net Debt**
  - Balance sheet strength
  - Lowest cost of capital
  - Net debt target 2.0x-2.5x EBITDAR with ROIC at 10%

- **EBITDA outlook**
  - 6 and 12 month forward view of cash flow

- **Capital Allocation Decisions**

- **Remaining surplus capital**
  - **Growth capex**
    - Expand competitive advantages
    - Long-term earnings growth
  - **Shareholder distributions**
    - Quantum returns net debt to target position
    - Most efficient form at the time

- **Ordinary Dividend**
  - Ongoing cash distributions (~$200m each half)
  - 27 cents per share\(^1\)
  - Current dividend yield 3.6%

- **Debt reduction / reinvestment**
  - Debt reduction if required
  - Reinvestment $2b in FY19
  - Capex prioritisation framework

Maximising economic outcomes

---

\(^1\) Estimated annual base dividend FY20 onward
The Qantas fleet is ‘fit for purpose’

Exit fading technology

Mainstream fleet (fit for purpose)

Adopting next generation technology

Evaluating future technology

1. Aircraft planned for retirement from Qantas fleet. 2. Aircraft widely operated by global peers and regional competitors as at Nov 2019. 3. Aircraft with industry-leading technology, and greater fuel efficiency and range flexibility than mainstream technology.

4. Aircraft under production not yet in commercial operation or aircraft under development as at Nov 2019. 5. As at Nov 2019. 6. Represents aircraft orders with confirmed delivery date by 2022 at time of publication. Qantas has 39 purchase options for 787 aircraft, and an existing order of 109 A320 aircraft beginning with 18 A321LRs from 2020, including options for up to 36 A321XLRs. Remaining delivery dates yet to be determined.


Right aircraft right route

Maintain flexibility

Enhance competitive advantages

Maintain aircraft life and keep product relevant

Select right aircraft and build scale quickly

Identify technology that step changes capabilities

A330

A320/21ceo

A321LR

A220 (C series)

Embraer E2

Under Evaluation

A321XLR

Options secured

A350ULR

Project Sunrise

787-9

Orders to replace 747s

787-8

777X

Orders to replace A320ceos

737 MAX

A321LR

Under Evaluation

737 NG

787-9

Under Evaluation

F100

A320

Under Evaluation

Dash8 Q200/Q300/Q400

Aircraft in fleet

Aircraft deliveries

As at November 2019
Target $2b reinvestment per annum will deliver a sustainable fleet

- Average $2b\textsuperscript{1} reinvestment per annum, subject to escalation and currency fluctuations
- Under this scenario, Qantas Group fleet can be replaced within 20–25 years
- Spend on new aircraft vs aircraft maintenance is determined based on the best economic and customer outcomes
- Flexibility to adjust delivery schedules to maintain Financial Framework settings
- Growth investment will be in addition to average $2b\textsuperscript{1} per annum

Illustrative example only

<table>
<thead>
<tr>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23-FY27</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 x A321neo\textsuperscript{2}</td>
<td>9 x A321neo\textsuperscript{2}</td>
<td>4 x 787-9</td>
<td>Aircraft maintenance + up to 63 new narrowbody aircraft or up to 21 new widebody aircraft (over 4 years)</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Based on 2018 dollars and AUD/USD exchange rate at 0.75. \textsuperscript{2} All A321LR aircraft.
Qantas was strong leading into the last GFC – now it’s even stronger

<table>
<thead>
<tr>
<th>Comparison to FY08</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market fundamentals</strong></td>
</tr>
<tr>
<td>– Leading domestic position with Jetstar 2.5x larger</td>
</tr>
<tr>
<td>– Rational domestic market capacity growth expected</td>
</tr>
<tr>
<td>– Mature Dual Brand strategy provides a high barrier to entry</td>
</tr>
<tr>
<td>– Qantas International and Jetstar International poised to benefit from new aircraft – 787 and A321LR</td>
</tr>
<tr>
<td>– International competitor capacity growth slowing</td>
</tr>
<tr>
<td>– Loyalty business has more than doubled in size</td>
</tr>
<tr>
<td>– Transformed cost base narrowing the gap to key competitors – non-fuel CASK 6% lower</td>
</tr>
<tr>
<td><strong>Financial performance</strong></td>
</tr>
<tr>
<td>– Operating cash flow $700m higher</td>
</tr>
<tr>
<td>– Margin advantage to key competitors</td>
</tr>
<tr>
<td>– Clear Financial Framework</td>
</tr>
<tr>
<td><strong>Balance sheet strength</strong></td>
</tr>
<tr>
<td>– Financial leverage lower – 2.2x versus 2.5x</td>
</tr>
<tr>
<td>– Low refinance risk and diversified sources of debt</td>
</tr>
<tr>
<td>– Substantial unencumbered asset pool of $4.5b1</td>
</tr>
<tr>
<td>– Market capitalisation $2b higher</td>
</tr>
<tr>
<td><strong>Right aircraft, right route</strong></td>
</tr>
<tr>
<td>– Simplified fleet</td>
</tr>
<tr>
<td>– Aircraft types more versatile</td>
</tr>
<tr>
<td><strong>Forward capital commitments</strong></td>
</tr>
<tr>
<td>– Aircraft orders USD9.2b lower</td>
</tr>
<tr>
<td>– More disciplined approach to ordering aircraft</td>
</tr>
</tbody>
</table>

1. Based on AVAC market values as at 30 Apr 2019 and AUD/USD exchange rate of 0.69.
Financial Framework is a proven success and will continue to guide our capital decisions.

1. Maintaining an optimal capital structure
   - Minimise cost of capital by targeting a Net Debt range of $5.2b to $6.5b\(^1\)
   - Net Debt position optimised with minimal refinancing risk and prudent liquidity policy

2. ROIC > WACC\(^2\) through the cycle
   - Deliver ROIC > 10%\(^3\)
   - Investing to create competitive advantages that drive value

3. Disciplined allocation of capital
   - Grow invested capital with disciplined investment, return surplus capital
   - No debt reduction required, remaining surplus capital for growth capex and shareholder distributions

Maintainable EPS\(^4\) growth over the cycle

Total shareholder returns in the top quartile\(^5\)

---

1. Based on current invested capital of ~$8.9b as at 30 Jun 2019
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
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 2019 Annual Report, with reference to the 2019-2021 LTIP.
Transformation: Past, present and future
Transformation journey

FY15 - 17

- $2.1b
- 767/747 retirements
- 747 base closure
- 35 minute turns
- Contact centre consolidation
- Non operational staff reduction
- Wage freeze

FY18

- $463m
- Engineering base maintenance turnaround
- Single engine taxi
- Singapore hub switch
- 787-9 Dreamliner introduction
- Perth-London direct services

FY19

- $452m
- Ground service equipment telemetry
- IT Group strategic procurement
- Customer disruption management
- Digital channel expansion with SMS/ in app chat
- Jetstar +3kg carry on baggage
- Personalisation

FY20+

- $400m+
- New fleet technology
- Digitalisation step change
- Empowering front line
- Increasing utilisation
- Continued focus on fuel
- Tailored tools and approach
### Transformation sources (FY18-FY19)

<table>
<thead>
<tr>
<th>Source</th>
<th>Target $400m</th>
<th>Average $455m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology</strong></td>
<td>~$100m</td>
<td>~$90m</td>
</tr>
<tr>
<td>- 787-9 roll out</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Customer self service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Customer contact through SMS/app chat; web chat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Revenue management system enhancements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Wi-Fi</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Supplier</strong></td>
<td>~$75m</td>
<td>~$95m</td>
</tr>
<tr>
<td>- Group supplier renegotiations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Group category strategies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Tighter management of contract terms and incentives (KPIs, warranties)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Utilisation</strong></td>
<td>~$75m</td>
<td>~$85m</td>
</tr>
<tr>
<td>- Fleet changes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Network changes</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Continuous improvement</strong></td>
<td>~$75m</td>
<td>~$130m</td>
</tr>
<tr>
<td>- Fuel burn reduction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Engineering maintenance optimisation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Jetstar ancillary revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Indirect costs</strong></td>
<td>~$25m</td>
<td>~$30m</td>
</tr>
<tr>
<td>- Reducing organisation complexity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Lounges cost and revenue evaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Group initiatives</strong></td>
<td>~$50m</td>
<td>~$25m</td>
</tr>
<tr>
<td>- Engineering supply chain efficiencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cross group ground service equipment management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Customer disruption management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continuous improvement mindset – 70% of initiatives <$1m
Case Study: Qantas Group Engineering

Base maintenance

- Improve Brisbane facility efficiency by optimising for narrowbody types — Qantas 737 and Jetstar A320
- 20-30% reduction in 737 turn time
- Bring Jetstar A320 work in-house to ensure consistent year-round demand with turn times better than could be achieved at external providers
- Attracted 3rd party work with high quality service and competitive rates and turn times

Supply chain

- Reduce delays due to part availability while also reducing cost across the Qantas Group
- Inventory optimiser software, integrated business planning, supplier management and warehouse consolidation
- Average 8% reduction in cost
- Higher employee engagement
- 50% reduction in injuries resulting in lost work
Case Study: Wi-Fi flight deck connectivity/aircraft e-enablement

- Switched cockpit communications from legacy radio-based to real-time satellite using state-of-the-art NBN satellites
  - Significantly reduced communications cost
  - Real-time aircraft information improving aircraft performance, reducing fuel burn and improving operational decision making
  - 80 domestic aircraft enabled and launched
- Provides free and fast Wi-Fi for our customers
  - Passenger usage at ~40%
  - Most popular usage is web browsing, email, messaging, social media, video streaming and live sports
  - Strong customer feedback and point of difference
- Additional operational benefits from easier air-to-ground communication for cabin crew

Cost reductions for flight deck messaging
Established principles still governing transformation

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Business Unit ownership, centrally supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alignment</td>
<td>Working together towards a common goal</td>
</tr>
<tr>
<td>Linkage</td>
<td>Direct line of sight to bottom line/strategic objectives</td>
</tr>
<tr>
<td>Engagement</td>
<td>Institutionalised cadence of coordination meetings</td>
</tr>
<tr>
<td>Embedded</td>
<td>Cost conscious/continuous improvement culture</td>
</tr>
<tr>
<td>Customer focus</td>
<td>Bias towards win/win outcomes</td>
</tr>
</tbody>
</table>
Ongoing transformation themes

**Digitalisation**

- Data enablement:
  - Common architecture and standards
  - Central data repository/lakes
  - Extraction layer for legacy systems
  - Clean, secure and real time data
- Automation:
  - Business process re-engineering
  - Robotics/IPA¹
- AI²:
  - Machine learning capabilities
  - Natural language processing
  - Facial recognition

**Fleet & Network**

- Increasing utilisation
- Reducing fleet complexity
- Better matching capacity to demand by route and cabin
- Reducing fuel consumption
- Newer aircraft (lower fuel and maintenance, better customer experience)

**Ways of Working**

- Tailoring agile delivery
- Empowering front line with insights
- Stage gate funding
- Experimentation — learn fast

1. Intelligent Process Automation
2. Artificial Intelligence
Transformation pipeline

<table>
<thead>
<tr>
<th>Fleet &amp; Network</th>
<th>Ways of Working</th>
<th>Digitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>747 retirement</td>
<td>Flight Pulse</td>
<td>Cabin Crew iPads</td>
</tr>
<tr>
<td>A380 reconfiguration</td>
<td>Single engine taxiing</td>
<td>Engineering iPads</td>
</tr>
<tr>
<td>A320neo family</td>
<td>APU² usage</td>
<td>GSE³ telemetry/airport map</td>
</tr>
<tr>
<td>A321XLR</td>
<td>Dynamic tasking</td>
<td>Hub control</td>
</tr>
<tr>
<td>Point to point</td>
<td>Agile coaching</td>
<td>Integrated ops</td>
</tr>
<tr>
<td>Ultra long haul</td>
<td></td>
<td>Qantas Direct Platform</td>
</tr>
<tr>
<td>Project Sunrise</td>
<td></td>
<td>Single customer ID</td>
</tr>
</tbody>
</table>

**DATA**
- Disruption management
- Flight planning
- Schedule development
- Hub control
- Integrated ops
- Qantas Direct Platform
- Single customer ID
- Employee experience app

**AUTOMATION**
- Chatbots
- Pax check-in and boarding
- Cyber threat hunting
- Back office/IPA⁴

**AI¹**
- Slot/schedule optimisation
- Crew optimisation
- Predictive maintenance
- Catering waste reduction
- Revenue management
- Dynamic pricing
- Personalisation
- Biometrics

Case study: Frontline empowerment

Above the Wing

- Integrated operations app directly links frontline to Ops Centre increasing situational awareness
- Empowers frontline for best customer service
- Enables proactive management of delay causes
- Increases workforce productivity and engagement
- Green initiative — reduces paper based reporting

Below the Wing

- Airport mapping system integrates Ground Services Equipment telemetry with operations status
- Allows controller to allocate equipment in real-time
- Ground Services Equipment readiness for high aircraft utilisation
- Multiple asset types on airport ramp at any time
- Enables better safety outcomes, maintenance plans, equipment rationalisation and fuel benefits
Case study: Revenue management technology

- Better decisions to recommend the right price at the right time
- Internal application developed utilising Qantas expertise and relationships with leading universities:
  - Leveraging datasets
  - Opportunities unlocked via AI\(^1\) (machine learning)
  - Scalability and agility utilising technology such as cloud computing
- Enhancements deliver tangible benefits:
  - Return on investment of 8x
  - Quicker decision making increasing number of price points driving greater efficiency and revenue
  - Lower cost of R&D by utilising in-house and university expertise
- Further opportunities to evolve with additional data, real time price evaluation and offer creation capability within our digital channels
Case study: Biometrics

Trials to date

- Successful trials at SYD\(^1\), BNE\(^2\) and LAX\(^3\)
  - Customers enrol at kiosk or mobile app
  - Face recognised at bag drop, lounge, gate
- Positive customer feedback from participants
  - Higher NPS and journey satisfaction
  - Reduced anxiety
- Future trials on cross-border travel and Qantas taking lead industry role – IATA ‘oneID’ forum

Future benefits

- Customer
  - Seamless personalised customer journeys
  - Enhanced security
  - Fewer missed connections
- Operations
  - Check-in and boarding staff focus on exceptions
  - Better communications in disruption
  - Potential for shared gates
- Business
  - Control lounge access, potential flexible pricing
  - Smarter spend on reduced airport footprint
1. Artificial Intelligence.

Enablers going forward

- Group data and architecture foundation
- Cloud based technology mindset
- Mobile enabled frontline
- Digitally oriented and capable workforce
- Cyber and privacy risk culture
- Appropriate AI ethics and governance
- Agile tailored approach
Transformation summary

- Proven track record of delivery
- Robust transformation pipeline and emerging areas for benefit realisation
- Clear link to outcomes and strategic objectives
- Established principles still governing transformation
- Commitment to minimum $400m in new benefits per annum
- FY20 more focussed on cost than revenue compared to previous years
Building on our leading domestic position
Structural advantage in the Australian domestic market

**Market dynamics and stability**
- Australian economy stable and resilient over the long term
- Population concentrated in large cities separated by large distances
- Two airline groups have 98% capacity share, customer well served; two full service and two low cost carriers in market
- Fares 30% lower now than 13 years ago\(^1\)
- Market capacity has been increasingly disciplined over last 5 years

**Infrastructure factors**
- Sydney and Melbourne airports are becoming increasingly constrained; SYD-MEL is the 2\(^{nd}\) busiest and SYD-BNE the 12\(^{th}\) busiest route globally\(^2\)
- 44% of domestic journeys\(^3\) touch SYD\(^2\) where the Group has 50% of slots
- Western Sydney Airport to provide future relief, but Kingsford-Smith Airport to still be business traveller preferred
- Alternative technologies not economically attractive

---

**Domestic market capacity evolution (ASK)**

<table>
<thead>
<tr>
<th>Year</th>
<th>ASK Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>1.7%</td>
</tr>
<tr>
<td>FY13</td>
<td>7.5%</td>
</tr>
<tr>
<td>FY14</td>
<td>2.2%</td>
</tr>
<tr>
<td>FY15</td>
<td>0.7%</td>
</tr>
<tr>
<td>FY16</td>
<td>(-0.5%)</td>
</tr>
<tr>
<td>FY17</td>
<td>0.1%</td>
</tr>
<tr>
<td>FY18</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Growing the domestic contribution

**Domestic market EBIT evolution ($B)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Qantas Group</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY15</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>FY16</td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>FY17</td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td>FY18</td>
<td>1.1</td>
<td>0.2</td>
</tr>
<tr>
<td>FY19</td>
<td>1.0</td>
<td>0.1</td>
</tr>
</tbody>
</table>

**Improved leadership position on key success measures**

- Customer satisfaction
- Net Promoter Score advantage
- Profit share
- Margin advantage
- Network advantage
- Corporate market share
- SME³ market share
- Resource market share
- Low fares penetration

---

1. Qantas Group share is comprised of Qantas Domestic and Jetstar Domestic. EBIT in FY19 restated for changes associated with the first time adoption of AASB 15. 2.Others is comprised of Virgin Australia Domestic and Tigerair Australia using published data for FY19.
Building on our success

1. Protecting and extending dual brand network advantage
2. Maintaining customer focus and expanding segment leadership
3. Ensuring rigorous and rational capacity management
4. Delivering higher operating margins; clear cost and revenue strategies to achieve ~18% for Qantas Domestic and ~22% for Jetstar Domestic
Continuously evolving our uniquely integrated network advantage

**Leading business proposition**
- Best frequency and schedule, including peak and super-peak hours
- Strongest domestic and international connectivity
- Most resource sector services in Western Australia and Queensland

**Leading leisure proposition**
- Most seats to top domestic and international leisure destinations
- Growing premium leisure footprint
- Largest low cost offer on all major leisure markets

**Integrated Dual Brand strategy and management**
- Joint views of demand
- Alignment to customer segmentation
- Extensive collaboration
Customer focus strengthening our leadership across all core segments

**Corporate**
Revenue proportion: ~30\%
Market revenue share: 80%

**SME**
Revenue proportion: ~30\%

**Premium Leisure**
Revenue proportion: ~40\%

Customer experience via product and service, NPS advantage (e.g. Wi-Fi, lounges, OTP²)

Qantas Frequent Flyer value proposition

Strength of the Qantas International and partner propositions

Strategic account management  Qantas Business Rewards  Regional Resident Fares

**Price Sensitive Leisure**
Revenue Proportion: ~85\%

Leading low cost customer experience via product and service, NPS advantage

Low fare market leadership

Ancillary revenue, personalisation and direct distribution strength

Club Jetstar subscription and member benefits

**Price Sensitive Business**
Revenue Proportion: ~15\%

Business hub

---
1. FY19 share of Qantas Domestic total revenue. 2. On Time Performance. 3. FY19 share of Jetstar Domestic total revenue.
Our fleet composition provides flexibility for market demand.

**Primary mission of fleet**

- **A320/A321**
  - All domestic markets (Jetstar)

- **A330**
  - Trunk markets (Qantas)

- **717**
  - Regional markets (Cobham) (Eastern & Sunstate)

- **A320**
  - Resource markets (Network Aviation)

- **737**
  - Redeployed domestically

- **F100**
  - Redeployed into resource routes

**Flexible utilisation of fleet**

- 737s and A330s redeployed internationally
- A320s redeployed into resource routes
- 717s, F100s and A320s into resource routes
- 737s redeployed domestically
Rigorous and rational capacity management

Domestic market dynamic and capacity

- Highly sophisticated management of dual brand capacity settings
- Flexibility in use of fleet and shifts for changing demand
- New competitor management seeking profitability

FY20 position

- Current market softness warrants ongoing discipline
- We expect both Qantas Group and Virgin Group to operate near flat market capacity growth for 1H20\(^1\)
- Virgin Group has announced a target 2H20 capacity reduction of -2% vly
  - As of last week, announced and published changes amounted to 1 ppt of capacity reduction and published growth of +2.9%\(^2\)
  - Over the weekend, additional published changes amounted to a further 2.3 ppts of capacity reduction\(^2\)
  - Assuming normal operational cancellation rates, we estimate this will result in an operated capacity position of -1% versus prior year
- Qantas Group continues to refine a profiled position for 2H20
  - Excluding deliberate growth in Western Australia, our published capacity is currently +1.8% vly\(^2\)
  - We will continue to adjust our settings based on latest views of demand, competitor capacity and our strategic positions

---

1. Domestic ASKs. Source: internal estimates of forward operating capacity growth based on BITRE published schedules and typical rates of cancellation. 2. Domestic market ASKs flown. Source: BITRE.
Delivering higher operating margins

Operating Margin Trajectories (%)

- Clear margin strategies in execution across multiple pillars

Customer | Commercial | Operational | People
Jetstar’s relentless focus on low costs and revenue growth

Cost focus

- A321LR introduction
  - ~23% fuel savings per seat than A320ceo
  - ~25% more seats than A320ceo
  - ~12% lower CASK than A320ceo
  - Utilisation opportunities with international
- Operational digitalisation
- Efficiency program (automation, robotics, analytics)
- Group opportunities with Qantas – e.g. supplier rationalisation

Revenue focus

- Customer experience improvement on A321LR
  - Improved seats
  - Larger overhead bins
  - In-flight streaming for BYO devices
- Significant further upside in ancillary revenue
- Digitalisation; Personalisation, dynamic retailing, seamless servicing
- Driving direct distribution
- Australian leading load factors – over 90%
Qantas driving revenue premiums and operationally-enabled cost transformation

**Cost focus**

- Dedicated focus on transforming operations to best practice
  - Digital integration
  - Asset utilisation
  - Fuel efficiency (Flight Pulse, Constellation)
  - Fleet renewal
- Engineering strategy, including predictive maintenance
- Cultural shift enabling greater efficiencies and overhead cost reductions

**Revenue focus**

- Pursuing industry leading models across:
  - Distribution
  - Personalisation
  - Dynamic pricing
- Customer experience enhancement
  - Completion of Wi-Fi installation
  - Completion of turboprop cabin refresh
  - Continued lounge refurbishment
- Assertive resource sector growth
- SME\(^1\) program expansion
- Expansion of Resident Fares Program
Our priorities combined with the right market fundamentals will enable substantial earnings growth

Our ongoing priorities

1. Protecting and extending dual brand network advantage
2. Maintaining customer focus and expanding segment leadership
3. Ensuring rigorous and rational capacity management
4. Delivering higher operating margins; clear cost and revenue strategies to achieve ~18% for Qantas Domestic and ~22% for Jetstar Domestic

Market fundamentals; What do you need to believe?

- Market capacity is aligned to demand environment, fuel and FX movements
- Ex-fuel CASK increases of 1.0% per annum for both Qantas Domestic and Jetstar Domestic
- RASK growth of 2.5% per annum in line with average GDP growth
  - Qantas Domestic would require an average $5-6 fare increase per annum
  - Jetstar Domestic would require less than $3.50 per annum increase in fare and ancillary charges
Qantas International: Building sustainable advantage
Qantas International: A business transforming

A business in need of transformation

- High cost base
- Over-exposed to challenged loss-making markets using Asia as a refuelling stop
- One joint business (covering Europe)
- Static network deployment across the year
- Inconsistent premium cabin product
- Legacy fleet

A fit and competitive Qantas International

- >$1b\(^1\) in transformation benefits
- Halved exposure to Europe and made flying profitable
- Reoriented schedule to satisfy growing Asian demand
- Advanced partnerships including three joint businesses covering three major regions
- Dynamic network and capacity scheduling
- Reconfiguring widebody fleet to consistent state of the art Business Suite product
- On track to exit legacy fleet by end of 2020

A business delivering unacceptable returns

Prior to 2014

A fit and sustainable business delivering ROIC > WACC\(^2\)

2019

A solid foundation to take the business into the next phase

---

1. Transformation benefits from FY15 to FY20 inclusive. 2. Weighted Average Cost of Capital, calculated on a pre-tax basis.
Leverage strengths for sustainable competitive advantage

1. Australian market
   Home market distribution strength

2. Partnerships
   Leverage partnerships for competitive advantage

3. Technology
   Leverage technology for further advantage
Home market distribution strength

Qantas and codeshare partners serve 88 of the top 100 destinations from Australia

Via a unique and hard to replicate proposition...

...across all segments

- Australia’s leading loyalty program
- Australia’s leading premium airline customer experience
- Australia’s most comprehensive domestic network

...for individual segments

- Corporate
- SME¹
- Premium leisure

Corporate dealing model

BUSINESS REWARDS

FREQUENT FLYER

Allows us to deliver the best proposition for the Australian market with competitive advantage

¹ Small-to-Medium Enterprise.
Commonality across key segments reinforces leading network position

<table>
<thead>
<tr>
<th>Destination</th>
<th>Corporate rank</th>
<th>SME(^2) rank</th>
<th>Leisure rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Singapore</td>
<td>2</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>London</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Wellington</td>
<td>4</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>New York</td>
<td>5</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Tokyo</td>
<td>7</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>San Francisco</td>
<td>8</td>
<td>12</td>
<td>11</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>9</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Port Moresby</td>
<td>10</td>
<td>14</td>
<td>24</td>
</tr>
<tr>
<td>Manila</td>
<td>11</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Bangkok</td>
<td>12</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Shanghai</td>
<td>13</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Jakarta</td>
<td>14</td>
<td>17</td>
<td>19</td>
</tr>
<tr>
<td>Dallas</td>
<td>15</td>
<td>19</td>
<td>22</td>
</tr>
</tbody>
</table>

Home market distribution strength: Operate to play to our strengths

Operate opportunistically

Operate in own right and complement with partnerships

Don’t operate, leverage partnerships

Illustrative route portfolio matrix
1. Billings from airline partnerships. FY19 figure. 2. Qantas revenue (Domestic and International) associated with airline partners in FY19. Qantas ticketed revenue with an airline partner segment less cost of partner segments, partner airline sales on Qantas operated services, codeshare commissions and revenue from block space operations.

Leverage partnerships for competitive advantage

- **Joint Business Agreements**
  - 30 Codeshare partners
  - Interline partnerships: 130 Interline partners

**Qantas selling onto partners**

**Qantas revenue driven by partnerships**

- $1.5b
- $1.1b
- $1.1b
- $0.3b

**Total:** $2.5b

40% of Qantas International customers connect to/from partners
Leverage partnerships for competitive advantage: Joint business partners

**Emirates**
- 50 destinations\(^1\) across Europe, the Middle East and Africa\(^2\)
- One-stop proposition via Dubai
- Thin routes not viable for Qantas to operate in own right
- 1.8m passengers travelling across partnership\(^5\)

**American Airlines**
- 109 destinations\(^1\) across North America, on track to double vs pre-partnership
- #1 Position on the Pacific\(^4\)
- Flying into key American hubs creates “funnel” of traffic onto Pacific routes
- 100 million AAdvantage members, complementing Qantas Frequent Flyer member base in Australia

**China Eastern**
- 25 destinations\(^1\) in China\(^3\)
- Provides improved access to largest inbound market to Australia
- Annual passenger volumes have more than doubled since commencement

---

### Leverage technology for further advantage

- Last two continents to be connected with non-stop flights
- Key pillar in transforming London from a decade of losses into a profit centre

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>787</td>
<td>Perth-London</td>
</tr>
<tr>
<td>787</td>
<td>Americas</td>
</tr>
<tr>
<td>Project Sunrise</td>
<td>The final frontier of aviation</td>
</tr>
</tbody>
</table>

- New routes Brisbane-Chicago and Brisbane-San Francisco
- Increasing frequency on Los Angeles and Santiago
- Improving tag flight economics (Los Angeles-New York)

- Subject to meeting business case
- Regular, non-stop commercial flights connecting the east coast of Australia to London and New York

**New aircraft technology creates unique opportunities for competitive advantage**
1. UK route challenged

- Over 20 one-stop competitors to UK, all through hubs
- Capital intensive requiring 5 aircraft to operate two daily services at peak
- Qantas operations were loss making for a decade

2. 787 facilitates differentiated service

- Perth-London connects Australia to Europe non-stop for the first time
- Lower unit cost
- 30% of seats in premium cabins vs 23% A380 [old configuration] drives better yield mix
- Hubs Australia in Australia

3. Results

- Average 94% seat factor (99% in Business)
- Highest customer satisfaction rating in International network across all cabins
- Achieving a 30% fare premium in Business/Premium Economy over one-stop alternatives from UK point of sale\(^1\)
- All UK route flights now profitable for the first time in a decade

\(^1\) UK route challenged
Leverage technology for further advantage: Project Sunrise

- Customer demand proven for non-stop service (London-Perth has highest NPS in the network)
- Yield premium versus one-stop flying (London-Perth premium yields over 30% higher than one-stop)
- Qantas better-positioned to operate versus competitors (traffic rights and fleet scale)

But must meet tough business case hurdles

Continues profit-maximising strategy

- Non-stop flying takes customers directly to where they want to go
- Increased proportion of premium seats reduces exposure to economy market
- Smaller gauge fleet increases flexibility in deployment and capacity management

Reinforcing our competitive advantage
Qantas International in transition: From now to December 2020

14x 787-9s delivered, 747s retired  
Quad engine ASK production down from 78% to 42% of total\(^1\)  
Fuel cost down 25%\(^2\)  
Maintenance cost down 20%\(^2\)

12x A380s reconfigured  
Increased premium configuration enhances revenue generation per cabin square metre  
~7% improvement in trip revenue

28x A330s upgraded  
State of the art lie flat Business Suite with direct aisle access  
Consistent competitive product across all 54 widebodies for the first time in our history

AA partnership  
Launch of Brisbane-Chicago/San Francisco  
The best proposition between Australia, New Zealand and North America

ROIC greater than WACC\(^3\) through cycle

---

1. FY13 vs FY20 forecast. 2. Unit cost comparison between 747 and 787. 3. Weighted Average Cost of Capital, calculated on a pre-tax basis.
Aligning Qantas and Jetstar with Asia’s growth
By 2030 Asia features increasingly prominently in the world’s top ten aviation markets

The 10 largest air passenger markets over time (ranked by passenger numbers, to/from and within each country)¹

1. Based on: IATA 20-year Passenger Forecast is developed by IATA and Tourism Economics
Asian inbound traffic is growing at double the rate of other segments


- 1.6x the growth in international pax (total 60m pax)
- 65-70% of all traffic to be in Asia Pacific
- 80% of inbound traffic to be leisure / VFR
- $173b total tourism spend (vs $126b in FY18)

Passenger outlook Australia international (M)¹

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>FY27F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inbound Asia</td>
<td>22%</td>
<td>29%</td>
</tr>
<tr>
<td>Inbound Rest of World</td>
<td>24%</td>
<td>21%</td>
</tr>
<tr>
<td>Outbound Australia</td>
<td>54%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Compound Annual Growth Rate

- Inbound Asia: +8%
- Inbound Rest of World: +4%
- Outbound Australia: +4%

The Group will play to its competitive advantages to align with Asia’s growth

<table>
<thead>
<tr>
<th>Advantage</th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand strength</td>
<td>Fly directly where Australians want to go</td>
</tr>
<tr>
<td>Distribution</td>
<td>Leverage partnerships and codeshares to get reach</td>
</tr>
<tr>
<td>Low cost and Dual Brand know-how</td>
<td>Export low cost model and ability to operate dual brands to inbound and outbound markets</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Fleet and operating models</td>
</tr>
<tr>
<td>Domestic network</td>
<td>Capture greatest share of inbound passengers travelling domestically</td>
</tr>
</tbody>
</table>
Asia-Australia traffic has directionality and market characteristics requiring tailored strategies

Directionality of key Asian markets (%)

Outbound strength
Balanced markets
Inbound dominates

The Group's dual brands operate key premium and price sensitive international routes to Asia

Qantas serves **business** and **premium leisure** passengers leveraging brand and distribution strength in outbound markets

Jetstar deploys its low cost position, pan-Asia brand strength and distribution model on outbound and inbound **price driven leisure** markets

---

**Australia Outbound Top 20 Destinations**

The Group is evolving the role of Singapore as a hub underpinned by strong point to point traffic

- Jetstar Asia is the 2nd largest low cost carrier in Singapore
- Offers bundle of food, entertainment and through-checked baggage
- Top connections from London to Kuala Lumpur, Bangkok, Bali and Phuket
- Connections with Qantas up 72%\(^1\) in FY19 and growing
- London-Singapore profitable for first time in a decade
- New competitive product on Qantas A330 and A380

1. Jetstar Asia connections with Qantas Airways through Singapore.
Partners serve India via Singapore hub

- Fastest growing inbound market to Australia +53% in 3 years¹
- Still low volumes, fragmented over many cities and low yield
- In short term South East Asian hubs remain best way to service demand
- In medium term as yields rise, Australian based aircraft could fly to key Indian cities via Singapore leveraging 5ᵗʰ freedom rights
- Long term potential to operate direct services from east coast Australia

¹. Source: Austrade Tourism Research Australia.
The Group participates only where it can be profitable in the Chinese market

- Operate Australia-China routes only where Group has competitive advantage
  - Service Australia premium customer demand to Shanghai and Hong Kong
  - Niche freight provider on the Australia/China/USA triangle and into Macau

- Operate Asian Jetstar branded airlines into China leveraging their home markets

- Leverage partnerships to service China inbound and beyond outbound gateways
  - Joint Business with China Eastern
  - Codeshare with China Southern
  - OneWorld relationship including interline with Cathay Pacific
Vietnam has substantial growth but very challenging market dynamics

Growing substantially

- Population 97m with 70% under 35 years of age
- Rapidly increasing propensity to travel as GDP per capita rises
- Geography highly amenable to air travel
- HAN-SGN\(^1\) 6\(^{th}\) busiest route in the world
- Inbound tourism booming (especially from Korea, Japan and China notwithstanding past 12 months)
- Manufacturing boom in response to China-US trade war

Very challenging market

- Several aggressive, well-funded entrants that are unconstrained by need to protect legacy businesses
- Land grab mentality - Vietjet order book of 350 aircraft, Bamboo Airways plans to triple in size
- AirAsia has wound down Vietnam entry plan for the 4\(^{th}\) time

Vietnam capacity (ASK B)\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>78</td>
</tr>
<tr>
<td>2016</td>
<td>95</td>
</tr>
<tr>
<td>2017</td>
<td>111</td>
</tr>
<tr>
<td>2018</td>
<td>129</td>
</tr>
<tr>
<td>2019</td>
<td>151</td>
</tr>
</tbody>
</table>

\(^{1}\) HAN, Noi Bai International Airport Hanoi, SGN; Tan Son Nhat International Airport Ho Chi Minh. \(^{2}\) Source: BITRE.
The Group is very well positioned in the Japanese market

Australia — Japan
- Qantas Group has #1 Position\(^1\)
- 70 years of operation on route
- Qantas and Jetstar Dual Brand
- Haneda and 787-8 expansion
- New A321XLR markets

1. By market share, includes Qantas International and Jetstar International

Japan Domestic
- #1 Position in Low Cost market
- JAL and Jetstar Japan Dual Brand
- Returning cost of capital
- A321LR deliveries – growth in time for 2020 Tokyo Olympics

Japan — Asia
- Focused network
- Jetstar Japan and Jetstar Asia Pan-Asia Brand
- Asia inbound demand
- New A321LR markets

Sustainable competitive advantage in one of the largest markets in the world
Number one position with further growth potential in Australia to Japan

- Japan is the fastest growing North Asian inbound tourism market to Australia (faster than China)
- Also #1 fastest growing North Asia market outbound for Australians
- Dual Brand deployed on bi-directional flows
  - 75% market share FY19
  - Over 40 Qantas Group frequencies per week
  - Added Sapporo-Sydney seasonal services NW19¹
- Clear growth opportunities
  - Haneda expansion
  - 787-8 redeployment following A321LR entry into service

¹ Northern Hemisphere Winter 2019; ² ASKs. Source: BITRE; NH, All Nippon Airways; JL, Japan Airlines; JQ, Jetstar International; QF, Qantas International.
Japan Domestic – Competitively advantaged position in world’s fifth largest aviation market

- Stable, highly profitable Japan domestic market
- Jetstar Japan is the #1 domestic low cost carrier
  - First mover advantage, in the market since 2012
  - Scale advantage with 16 destinations and 24 routes
  - Highly recognised – in the top 65 brands for Japan\(^1\)
  - ROIC>10% in FY19 – able to self-fund growth
  - Leveraging Dual Brand know-how with Japan Airlines
- Room to grow low cost carrier penetration to 30% (3x growth)
  - Potential for 60+ aircraft (bigger than Jetstar in Australia)
  - Targeting 35 aircraft by FY24
Significant growth potential in Asia region from Japan

- Japan inbound from Asia growing at 27%
  - China and ASEAN major markets
  - Post-Tokyo Olympics ‘halo’ expected
- Almost 1/3 of world’s population in range of the A321LR from Tokyo
  - Only cherry-picking Japan to Asia routes now
  - A321LR cost base opens up new leisure markets
  - A321LR range allows overnight utilisation
  - Jetstar pan-Asian brand improves distribution reach
  - Pan-Asian operations lowers cost to serve
Korea – new inbound Asia leisure market for Jetstar

- Jetstar will launch 3pw Incheon-Gold Coast in December 2019
- Koreans are the most frequent travellers in Asia Pacific
- Distribution strength in both Australia and South Korea
- Low cost long haul expertise
- Only low fare direct service to/from South Korea
- Government/airport support to bring tourists to Australia
- Jeju Air codeshare complements Korean distribution
- Jeju is the oldest, largest and most profitable Korean LCC
- Similar to Jetstar positioning in Australia

International trips per capita

<table>
<thead>
<tr>
<th>Country</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>KOR</td>
<td>0.51</td>
</tr>
<tr>
<td>AUS</td>
<td>0.45</td>
</tr>
<tr>
<td>SGP</td>
<td>0.18</td>
</tr>
<tr>
<td>JPN</td>
<td>0.14</td>
</tr>
<tr>
<td>CHN</td>
<td>0.10</td>
</tr>
<tr>
<td>IND</td>
<td>0.02</td>
</tr>
</tbody>
</table>

1. Low Cost Carrier. 2. Source: Centre for Asia Pacific Aviation Report.
Jetstar fleet strategy underpins profitable growth in Asian markets

- **Lower cost**: A321LRs will unlock lower trip costs and 787 redeployment on longer routes
- **Lower risk**: A321LR can operate domestic by day and international overnight for “free” international growth and higher utilisation
- **9% 3 year CAGR$$^1$$**: Deepen existing international markets, develop emerging markets and grow new partnership markets

---

$$^1$$ Jetstar International ASKs, Compound Annual Growth Rate FY20 to FY22.
Playing where we can win in Asia

Directionality of key Asian markets (%)

- **Brand strength**: Fly directly where Australians want to go
- **Distribution**: Leverage partnerships and codeshares to get reach
- **Low cost and Dual Brand know-how**: Export low cost model and ability to operate dual brands to inbound and outbound markets
- **Flexibility**: Fleet and operating models
- **Domestic network**: Capture greatest share of inbound passengers travelling domestically

<table>
<thead>
<tr>
<th>Country</th>
<th>Directionality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>Philippines</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td></td>
</tr>
<tr>
<td>Malaysia</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td></td>
</tr>
<tr>
<td>Korea</td>
<td></td>
</tr>
</tbody>
</table>
Investing in Customer, Brand, Data and Digital to continue to deliver a sustainable competitive advantage
The strength of Qantas’ brands are a key source of competitive advantage

Targeted to diverse customer segments and marketplaces

Premium business and premium leisure travel segment

13m QFF members
273,000 QBR members

Low fares price sensitive segment (business and leisure)

Jetstar (Australia & New Zealand)
Jetstar Asia
Jetstar Japan
Jetstar Pacific
Customers are at the centre of our thinking

1. Source: Qantas customer research programs.

- **Trust**
  - Qantas: Most trusted corporate brand in Australia
  - Jetstar: Most trusted low cost carrier in Australia
  - Half of Australians claim Qantas as the #1 business supporting the Australian Community

- **NPS**
  - Qantas and Qantas Frequent Flyer: Significant advantage in NPS over domestic competitors
  - Qantas: Record NPS results for 787 international flights, particularly Perth-London
  - Jetstar: Record NPS results in Australia and Asia

- **Preference**
  - Jetstar: Most preferred LCC in Australia for domestic and international travel
  - Qantas: Most preferred carrier for domestic and international travel
Qantas continues to be in a unique position for trust in Australian businesses

Trust in the Qantas brand remains a key competitive advantage¹

---

1. Source: Dynata, Q4FY19, Corporate Trust Research (Jun 2019). Respondents who scored 7-10 on the question "Overall, how much do you trust the following individual businesses operating in Australia today, where '1' means you don't trust them at all, and '10' means you have a lot of trust in them?"
Focussing on listening to our customers and responding

- Three pillars: Identification, Prevention and Remediation, Customer Advocacy enable an objective voice when things go wrong or customers are not satisfied

- Integration of customer and complaints reporting and governance

- Successful resolution of over 90% of complaints in seven days through improved complaints management disciplines

- Chatbots solving millions of interactions across Qantas and Jetstar

- Technology facilitates a more comprehensive view of customers across touch points
Our strategic customer pillars are our competitive advantage
Continued investment in our product and service on the ground and in the air

**ON THE GROUND**
- Melbourne Qantas Club and Lounges redesign
- Singapore First Class Lounge
- Plus upcoming lounge investments: Sydney, Hobart and Alice Springs

**IN THE AIR**
- A380 Refurbishments
- Jetstar new A321LR
- Additional 787-9s
- Qantas Project Sunrise
  - 95% of Qantas Wi-Fi domestic aircraft embodied by Dec 2019

**Service focus including frontline training**
Digital success lies in the strength of our own channels

**Qantas**

60% Direct Channel share\(^1\)

235 million Visits to website and app per annum (+8%\(^2\))

1 million Monthly active app users (+21\(^2\))

---

**Jetstar**

70% Direct Channel share

216 million Visits to website and app per annum (+0.4%\(^2\))

800,000 Monthly active app users (+14\(^2\))

---

1. Excludes corporates, Australia only. 2. FY19 versus FY18.
Case study: Jetstar Ancillary revenue growth

Ancillary revenue growth enabled through digital website enhancements allowing us to personalise the information we provide our customers and introduce new products and services that better suit their needs.

- +3kg carry-on baggage (upgrade from the standard 7kg carry-on baggage to 10kg), 600,000 customers taken up
- 372,000 Club Jetstar members (+37% growth), saving members $30m in fares, seat selection and baggage
- Optimised and improved bundles — optimised bag, meal, seat selection and flex options
- Relaunch Manage My Booking to optimise post booking and journey management
- 73% of bookings with Jetstar add an Ancillary Product

<table>
<thead>
<tr>
<th>Forecast Year</th>
<th>Ancillary revenue yield growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17</td>
<td>+1%</td>
</tr>
<tr>
<td>FY18</td>
<td>+8%</td>
</tr>
<tr>
<td>FY19</td>
<td>+8%</td>
</tr>
<tr>
<td>FY20</td>
<td></td>
</tr>
<tr>
<td>Future</td>
<td></td>
</tr>
</tbody>
</table>
“Know me” framework: Working together to drive greater value

PERSONALISATION

REVENUE MANAGEMENT

DISTRIBUTION
Personalisation and Distribution are seeing momentum and success

**For our customer**
- Customer led offers over product led
- Overall satisfaction with communications increased
- Greater relevance with increased engagement

**For our business**
- 2x revenue return versus target in the last quarter
- Agility to respond to the market quicker
- Consistent airline intake and revenue out performance versus control group since launch

**For our team**
- Speed to market through increased offer output
Personalisation and Distribution are seeing momentum and success

For our customer

Content innovation for the customer is at the heart of our distribution change

Broaden customer offering within the indirect channel

Increased visibility of the end customer at time of booking allows us to enhance their journey experience

For our business

Compliance and greater guardrails on our content

Ability to respond and participate in digital disruption

Best offers are curated and controlled by Qantas

17,000 Qantas Channel members, covering 90% of revenue (ensuring rapid adoption of NDC1)

For our team

Qantas can support multiple distribution models (Direct, via new aggregators or GDS2)

Improved commercial decisions (shopping and booking data)

Less restrictions on speed of innovation within our direct channel

Case study: Disruption management and servicing

Unmatched commitment to go above-and-beyond when making things right for our disrupted customers. Focus on **building, enhancing and optimising our digital solutions** to keep customers informed and empowered and **training our people** to deliver exceptional service in these moments that matter.

Operational investments delivering faster recoveries and tangible customer outcomes

Continued investment in our digital ecosystem giving customers choice and flexibility in how they manage their booking in a disruption

Automating manual processes so our people can focus on assisting our customers

Customers empowered to self serve via Facebook Messenger, SMS and In-App chat, as well as chatting with Virtual Assistants “Jess” on jetstar.com and “Matilda” on qantas.com
Evolving our operating model to create customers for life
The Qantas Loyalty roadmap to FY22: Accelerating towards $500-600m
Qantas Loyalty is uniquely advantaged compared to local and global loyalty programs

<table>
<thead>
<tr>
<th>Engaged audience</th>
<th>Unique assets</th>
<th>Quality partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>12.9m(^1) members, representing ~50% penetration across Australian population(^2)</td>
<td>&gt;30 years of innovation and loyalty experience, longest running loyalty program in Australia</td>
<td>Only loyalty program globally in partnership with all major banks in local market</td>
</tr>
<tr>
<td>2.7m(^1) Qantas App downloads</td>
<td>1,200(^4) destinations provide unrivalled network reach</td>
<td>500+ partners across ~65 industries</td>
</tr>
<tr>
<td>~5m(^1) flight rewards redeemed annually</td>
<td>~30pts advocacy premium over competitors(^3)</td>
<td>~35%(^5) of all credit card spend in Australia is on Qantas Points earning credit cards</td>
</tr>
<tr>
<td>~30pts</td>
<td></td>
<td>&gt;50%(^6) more airline partners than nearest loyalty competitor</td>
</tr>
</tbody>
</table>

---

Evolved from a traditional frequent flyer program to a sophisticated consumer loyalty ecosystem

A mutually-reinforcing ecosystem, driving a network effect by:

- Rewarding members across multiple categories
- Generating value for partners by driving repeat engagement
- Supporting launch and scale of New Businesses
Business growth through a proven track record of membership growth, innovation and resilience

Qantas Loyalty EBIT evolution and key drivers, $M

<table>
<thead>
<tr>
<th>Year</th>
<th>EBIT (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>231</td>
</tr>
<tr>
<td>FY13</td>
<td>260</td>
</tr>
<tr>
<td>FY14</td>
<td>286</td>
</tr>
<tr>
<td>FY15</td>
<td>315</td>
</tr>
<tr>
<td>FY16</td>
<td>346</td>
</tr>
<tr>
<td>FY17</td>
<td>369</td>
</tr>
<tr>
<td>FY18</td>
<td>372</td>
</tr>
<tr>
<td>FY19</td>
<td>374</td>
</tr>
</tbody>
</table>

# Members

- FY12: 8.7M
- FY13: 9.4M
- FY14: 10.1M
- FY15: 10.8M
- FY16: 11.4M
- FY17: 11.8M
- FY18: 12.3M
- FY19: 12.9M

New businesses

1. FY18 EBIT before restating for changes associated with the first-time adoption of AASB 15.
2. FY18 EBIT restated for changes associated with the first-time adoption of AASB 15.
3. FY19 vs FY18 EBIT restated for changes associated with the first-time adoption of AASB 15.
4. Qantas Group Accommodation initially launched as Hooroo.
5. Qantas Premier Platinum credit card.
6. Qantas Premier Everyday credit card.
7. Qantas Premier Titanium credit card.
We have a clear pathway to deliver the FY22 profit target and core member goals.

- Targeting a profitable growth of $500-600m EBIT by FY22.

1. **Members**
   - Bringing the Dream Trip closer
   - Investing in member experience and enhancing program engagement

2. **Partnerships**
   - Delivering value for our partners
   - Defending and growing the core business through new partnership models

3. **New Businesses**
   - Growing new revenue streams
   - Scaling existing and launching new businesses leveraging Qantas Loyalty assets

A valued and trusted loyalty ecosystem
Investing in member experience to drive program-wide engagement

Our program is built around the member at its heart

Ongoing link between our customers and the Qantas brand

- Network of Qantas, Jetstar and 50+ airline partners providing global relevance
- Unrivalled everyday earn coalition links non-flying spend to aspiration of travel

Contextual and personalised interactions

- Tailored offers and digital experience based on member preferences and engagement
- Investment in self-service and automation to remove friction

Rewards that drive strive and create an emotional connection

- Extending recognition of QFF through partner network
- New, cohort-driven program constructs to reward high buyers, career flyers, new joiners

Investing in what matters most to members — The Dream Trip

- More reward seats and lower charges
- >100b Qantas Points expected to be redeemed in FY20 with >80% on highly aspirational flights and hotels
Investing in member experience to drive program-wide engagement

$25m investment to underpin program health and continued member growth

**Member-centric initiatives to drive engagement**

**Biggest program overhaul in 32 years**
- >1m additional Classic Flight reward seats
- Reduced fees, rebalanced Qantas Points pricing
- Lifetime Platinum for career flyers; ‘Points Club’ for high-buyers
- New digital home for members delivering tailored content and utility

**Underpinning long-term business growth**

**Increasing member lifetime value**
- Higher share of flying wallet
- Higher adoption of Qantas and partner products
- Increased customer advocacy from removing program pain points
- Payback of investment expected within 12 months

**Strong uplift in member engagement**
- 20% growth in Classic Reward flight redemptions
- 28% growth in high-value international premium cabins redemptions
- ~300k seats redeemed by members with no Classic Reward activity in the prior 18 months

**Bringing the Dream Trip closer for our members**

---

1. On Qantas and partner airline network as per program announcement made in Jun 2019.
Defending and growing the partnership coalition – the core of our business

Outperforming market and diversifying our core financial services offerings

Stable growth in co-branded credit cards instilling confidence

- >50 Qantas Points earning credit cards in collaboration with ~20 financial institutions, including all major Australian banks
- Qantas Points earning credit cards continue to outpace the market despite softer industry operating environment
- Strong growth in international financial services; growth in partners from 4 to 121, ~80% growth in partner revenue

Diversification in partner offerings extending core financial services offer

- Launch of new mortgage product offer with ANZ
  - Higher than expected application volume during the campaign
- New earn category: Superannuation — AustralianSuper
  - ~15k members made the switch during first six months of the campaign

Enabling ~5% EBIT CAGR from core coalition through expansion and evolution of partnership models
Defending and growing the partnership coalition – the core of our business

Market leading coalition in Australia

- ~500+ coalition partners

Key ‘everyday earn’ partners across pharmacy, fuel, energy, department store and grocery

- Retail partnerships delivering members opportunities to earn everyday; ~25k Qantas Points earning transactions per day

- Qantas Points issuance from retail partnerships to increase by ~30% driven by newly announced partnerships

Future growth from better serving our partners and members beyond points

Enabling ~5% EBIT CAGR from core coalition through expansion and evolution of partnership models
Defending and growing the partnership coalition – the core of our business

Growth from diversification into SME\(^1\) sector with Qantas Business Rewards

Rewarding Australian small businesses

- Qantas’ B2B\(^2\) loyalty program that rewards SMEs\(^1\) with Qantas Points and savings on their business expenses

Delivering value to Qantas Loyalty and the Qantas Group

- Strong revenue growth from partners (over 80\(^\circ\)\(^3\))
- Growth in membership to 270,000+ members
- 60+ partners across a wide range of spend categories
- Successful launch of new B2B\(^2\) Online Mall
- Significant contribution to airline revenue (>1b p.a.)

Qantas Business Rewards member benefits

- Earn Qantas Points
- Save $$$ on flights
- Enjoy exclusive Qantas Club and member offers
- Redeem Qantas Points for rewards

Consistent membership growth

Australia’s most successful business loyalty program with a strong growth profile

---

\(^1\) Small-to-Medium Enterprise  \(^2\) Business to Business  \(^3\) FY19 compared to FY18
Broader engagement has a multiplier effect for partners and Qantas

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

Index of member points earn with initial partner as engagement evolves across other categories

<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>112</td>
<td>131</td>
<td>153</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.

Increasing breadth of the Qantas Frequent Flyer ecosystem reinforces existing partner earn benefits

1. Qantas internal analysis, as at Oct 2019.
Scale and launch New Businesses

Proven track record of developing and scaling new businesses

**Continued double digit growth in health insurance**
- #2 for growth in net persons insured for past two years\(^1\)
- ~45% growth in FY19\(^2\)

**Continued growth in the Qantas Money portfolio**
- $4.4b spent on Qantas Premier credit cards since launch\(^3\)
- ~110% growth in total cards issued over the last 12 months

**Rapid scaling of Qantas Hotels**
- Continues to grow at double the OTA industry growth rate\(^4\)
- 36% growth in revenue\(^2\), from >700k guest bookings across >330k available properties

**Qantas Wine growing at double the rate of online liquor industry**
- Top five online players\(^5\)

More than doubling\(^6\) New Businesses earnings contribution to 15-20% in FY22

---

1. Based on FY18 and FY19 growth on prior year in net persons insured compared to all other private health insurance funds. Analysis based on Australian Prudential Regulation Authority Private Health Insurance operations report for FY17, FY18 and FY19. 2. Compared to FY18. 3. Platinum credit card launched in FY17, Qantas Everyday credit card launched in FY18 and Titanium credit card launched in FY19. 4. Online Travel Agents industry. Qantas Internal Analysis. Source: IBISWorld. 5. Qantas Internal Analysis. Source: IBISWorld. 6. Compared to FY17.
Scale and launch New Businesses

Our latest launch extends our Insurance portfolio

Evolution of the Qantas Insurance portfolio

Understanding our latest venture

Insights

- Compelling member experience — drives effective member acquisition and engagement leveraging QFF data and digital capabilities

Digital

- Market differentiated proposition driving positive behaviour in an engaged manner (e.g. Qantas Points for safety)

Members

- Price competitive position in market

Auto and General

Disruptive growth partner — Auto and General is Australia’s fastest growing motor and home insurer. They bring their expertise, underwriting of risk and claims management to the partnership in this $10b\(^1\) industry

We are confident we have the track record and momentum to achieve our FY22 goal.

Qantas Loyalty EBIT evolution and key drivers, $M

1. Illustrative: Future growth profiles for New Businesses not expected to be linear.

**FY17**
- 1. Members
  - Investment in core member experience
  - Cohort-driven program constructs

**FY22**
- 2. Partnerships
  - Deepen existing financial services and retail partnerships
  - Broaden participation in events and experiences
- 3. New Businesses
  - Launch proven innovation extensions to deepen engagement
  - Scale New Businesses leveraging core assets

Strong earnings growth momentum from 2H19 continuing with expected double digit EBIT growth in 1H20

1. Core business CAGR: ~5%

1. Illustrative: Future growth profiles for New Businesses not expected to be linear.
Unique assets and capabilities have enabled diversified sources of value

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

Breakage redemption margin
Marketing revenue

Margin is only generated on ‘external points’
(unique to other airline loyalty programs)

- ~40% Internal Price = cost
- ~60% External Price > cost

Points issued

~500+ partners

Creating value for our partners

• Customer acquisition
• Customer retention
• Increased share of wallet

1. Recognition is split across time of issuance and time of redemption.
People and Culture
Global forces are shaping our People and Culture strategy

New centres of customer demand and geopolitical influence
- Asian heritage
- Asian cultural competency
- Workforce flexibility

Rapid digitalisation and the rise of Big Data
- Digital capabilities
- Automation and impact on nature of work
- Competition for talent

Shifting customer and workforce preferences
- Mimic customer expectations
- Reflect employee values
- New ways of working and methodologies

Resource constraints and climate change
- Environmental impact
- Alternative energy sources
- Protect employees from extreme weather
We have a diverse and experienced workforce

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>58%</td>
<td>42%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Languages spoken</th>
<th>31+ onboard our aircraft¹</th>
</tr>
</thead>
</table>

| Female senior leadership | 36% |

<table>
<thead>
<tr>
<th>Australia-based</th>
<th>88%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Country of birth</th>
<th>160+</th>
</tr>
</thead>
</table>

| Aboriginal and Torres Strait Islanders (ATSI) | 400+ |

<table>
<thead>
<tr>
<th>By type</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees (FTE)</td>
<td>29,000+</td>
</tr>
<tr>
<td>Contractors</td>
<td>1,600+</td>
</tr>
<tr>
<td>Employees under EBA</td>
<td>80%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By age</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z (&lt; 23)</td>
<td>4%</td>
</tr>
<tr>
<td>Millennials (23 – 38)</td>
<td>33%</td>
</tr>
<tr>
<td>Gen X (39 – 54)</td>
<td>43%</td>
</tr>
<tr>
<td>Baby Boomers (55 – 73)</td>
<td>20%</td>
</tr>
</tbody>
</table>

¹ International Cabin Crew with ‘Advanced Proficiency’ languages as at 1 Oct 2019
Our employee value proposition is unique and differentiated

- **Connection**
  - History
  - Brand and values
  - Purpose
  - Aviation industry

- **Experiential**
  - Customer focus
  - Culture
  - Diversity and inclusion
  - Agility and flat structures
  - Balance and flexibility
  - Breadth of business
  - Innovation
  - Products

- **Benefits**
  - Salary
  - Travel
Nurturing a healthy culture strengthens our business

Clear Purpose

Healthy culture

We take the Spirit of Australia further

Clear behaviours, goal setting and accountability

Investment in leadership and our people

Agile, innovative ways of working

Strong sense of community and appreciation
We have mapped out the employee experience, mirroring the customer experience.

- Understand the ‘moments that matter’
- Utilise listening and behavioural data
- Leverage frequent pulse surveys
- React and adapt to ongoing feedback
We are actively pursuing employee growth in areas aligned to global forces

- High demand driven by digitalisation and the rise of Big Data
- Competition for talent for digitally capable workforce
- Digital workers tend to be Millennials with different expectations of the employee experience and career progression
- Requirement for reskilling to ensure sufficient supply
- Specific employee value proposition developed to recruit and retain capabilities

Pilot demand driven by rapid growth in Asia
- Increasing competition for talent from other industries
- Pilot Academy established to grow supply and encourage careers in industry
- Opportunity to leverage geography, Australian operating environment and Qantas brand to train pilots for other airlines, particularly in Asia-Pacific

Global pilot incremental demand

Qantas Group digital workforce

<table>
<thead>
<tr>
<th>Region</th>
<th>2019-2038</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>212,000</td>
</tr>
<tr>
<td>Europe</td>
<td>148,000</td>
</tr>
<tr>
<td>Russia &amp; Central Asia</td>
<td>27,000</td>
</tr>
<tr>
<td>Middle East</td>
<td>68,000</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>266,000</td>
</tr>
<tr>
<td>Latin America</td>
<td>54,000</td>
</tr>
<tr>
<td>Africa</td>
<td>29,000</td>
</tr>
</tbody>
</table>


Governance & Leadership
Digital Marketing
Data Analytics
Digital Product
Digital Software Engineering
Enabling our people to do their best work will drive extraordinary outcomes

- Right capabilities aligned with needs and growth
- Understand ‘moments that matter’ in employee lifecycle
- Support with technology, training and leadership
- Cost competitive, flexible and productive workforce
CEO Wrap Up

100 Years of The Spirit of Australia
Key messages you should take away from today

- Positioned to deliver higher domestic operating margins
- Building a resilient Qantas International delivering ROIC > 10%
- Jetstar’s International and Asian portfolio are positioned deliver ROIC > 15%
- Qantas Loyalty will deliver on its growth target
- Investing to drive superior customer experiences
- Transformation will continue to drive valuable outcomes across the business
- Enabling our people to be their best
- We have sufficient planned capex to maintain competitive fleet
- The Group is a leader in acting responsibly to maintain our social licence to operate
- Disciplined application of our Financial Framework maintains balance sheet strength

Building on our sustainable competitive advantage
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