Morning Session

A Strong Platform for Sustainable Growth
Alan Joyce - Group Chief Executive Officer

The Financial Framework for a Stronger Qantas Group
Tino La Spina - Group Chief Financial Officer

Brand as a Competitive Advantage
Olivia Wirth - Group Executive Brand, Marketing & Corporate Affairs

Q&A Session 1

Morning Tea
Leveraging Customer Insights, the Next Wave of Transformation
Rob Marcolina - Group Executive Strategy, Transformation & IT

Continuing to Win in a Shifting Domestic Market
Andrew David - Chief Executive Officer Qantas Domestic
John Gissing - Group Executive Associated Airlines & Services

Maximising Jetstar’s Position in Australia & New Zealand, the Roadmap to Success in Asia
Jayne Hrdlicka - Chief Executive Officer Jetstar Group

Q&A Session 2

Lunch with Neil Perry
Afternoon Session

**NPS in Action - Live Panel**
Olivia Wirth - Group Executive Brand, Marketing & Corporate Affairs

**A Platform for Innovation-Led Growth**
Lesley Grant - Chief Executive Officer Qantas Loyalty

**Transforming Freight to Optimise Group Outcomes**
Alison Webster - Executive Manager Freight

**Building a Resilient and Sustainable Qantas International**
Gareth Evans - Chief Executive Officer Qantas International & Freight

**Q&A Session 3**

**CEO Summary**
Alan Joyce - Group Chief Executive Officer
A Strong Platform for Sustainable Growth
Alan Joyce
Global industrial output, trade & business confidence improving

- Regional divergence persists
- 2015 forecast for strongest global passenger growth since 2010\(^1\)
- Highest passenger growth remains on routes to or within Asia\(^1\)

Australia domestic demand growth flat as economy rebalances

- Resources sector cooling, positive growth in other sectors

AUD trading in long-term historical range

Fuel prices at five-year lows

Airline consolidation continuing through equity and joint ventures

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1. Source: International Air Transport Association (IATA) global economic outlook December 2014
Global Airline Profit\(^1\) in 2015 & 20-Year Passenger\(^2\) Forecasts

**North America**
- 2015 Profit: $13.2b
- Passenger Growth: +3.3%
- Total Passengers in 2034: 1.4b

**Latin America**
- 2015 Profit: $1.0b
- Passenger Growth: +4.7%
- Total Passengers in 2034: 605m

**Europe**
- 2015 Profit: $4.0b
- Passenger Growth: +2.7%
- Total Passengers in 2034: 1.4b

**Middle East**
- 2015 Profit: $1.6b
- Passenger Growth: +4.9%
- Total Passengers in 2034: 383m

**Africa**
- 2015 Profit: $0.2b
- Passenger Growth: +4.7%
- Total Passengers in 2034: 294m

**Asia Pacific**
- 2015 Profit: $5b
- Passenger Growth: +4.9%
- Total Passengers in 2034: 2.9b

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The Qantas Group in global context

Qantas Group positioned to outperform in international market

- Adding dual brand services between Australia and Asia
- Increasing intra-Asia presence with Jetstar Group airlines
- More Qantas International capacity deployed to strong North America routes
- Premier alliance partners in each region
- Favourable competitive environment with lower AUD

Long-term advantages in stable domestic Australia market

- Leading full-service, loyalty and LCC\(^1\) brands
- Loyalty business with unparalleled reach driving customer insights
- Dual brand strategy delivering profit share above capacity share

1. Low-cost carrier
Qantas Group strategy

Integrated portfolio enables Group resilience through external volatility

GROUP OVERVIEW

Deliver sustainable returns to shareholders

Always First Choice For Customers

Build on leading domestic position through dual brands

- Secure QAD’s position as best for customers who value the full service experience
- Reinforce JQD’s low price and scale advantage position

Establish strong international dual brand position

- Strengthen QAI to provide best network with partners
- Leverage low cost base for JQI to defend and grow P2P international leisure markets

Strengthen and grow loyalty business

- Maintain QFF as a driver of loyalty across group and as a leading loyalty program
- Innovate and diversify leveraging advantaged assets and capabilities

Deliver on existing Jetstar opportunities and partnerships in Asia

Build customer loyalty by delivering a great experience in every interaction

Transform all businesses to continually drive operational efficiencies

Inspire, empower and motivate our people, teaming effectively across the Group

1. QAD refers to Qantas Domestic, QAI refers to Qantas International, JQD refers to Jetstar Domestic, JQI refers to Jetstar International and QFF refers to Qantas Frequent Flyer. 2. Point to point.
Creating long-term shareholder value

*Delivering ROIC > WACC* through the cycle

**Target:** Deliver Return on Invested Capital (ROIC) > 10%² by:

**Building on the Group’s long-term competitive advantages**

- Integrated portfolio with leading market positions
- Dual brand strategy
- Customer focus driving brand strength

**Continued delivery of business transformation**

- $2b in gross benefits by FY17, $1b debt reduction by FY15³

**Disciplined approach to capital and growth**

- Maintaining an optimal capital structure

**Engaging our people**

- Driving workplace change and improved culture

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1. Return on invested capital > Weighted average cost of capital (pre tax). References to Group and segment ROIC > WACC targets are through the cycle averages. 2. ROIC above 10% ensures Group objective of delivering ROIC>WACC through the cycle. 3. Net debt including operating lease liabilities measured on a constant currency basis
Building on the Group’s long-term competitive advantages

An integrated portfolio with leading market positions

**Qantas Domestic**
- Leading position, highest margin carrier in attractive domestic market

**Qantas International**
- Reshaped cost base and network, sustainably profitable business

**Freight**
- Leveraging domestic market share and unique traffic rights

**Jetstar Group**
- Leading LCC position in domestic and outbound Australia
- Minimal level of capital invested in high-potential Asian ventures

**Qantas Loyalty**
- Steady earnings growth from non-cyclical, highly cash generative business providing growing diversification in Group earnings profile

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1. Based on FY15 forecast performance
GROUP OVERVIEW

Building on the Group’s long-term competitive advantages

*Dual brand strategy at the core of Group success*

Dual Brand Guiding Principles (Domestic)

- Hold a superior competitive position
- Maximise Group profitability
- Leverage distinct role of brands to target customer segments

**Qantas**

- Targeting customer segments who value the full service experience
- Frequency advantage, especially during peak periods
- Product service differentiation to maintain yield premium

**Jetstar**

- Owning price-sensitive segment, targeting point-to-point leisure
- Scale and network advantage
- Product service differentiation in the LCC segment

1H15 Domestic Results

- **63%** Qantas Group
- **79%** Rest of market

**Consistent with last 5 years, Qantas Group has ~80% or more of domestic profit pool**

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1. 1H15 figures from published company reports, BITRE. 2. Virgin Australia EBIT (Earnings before interest and tax), includes Velocity; Qantas Group Domestic EBIT excludes Loyalty EBIT. 3. Rest of market capacity calculated using BITRE; Rest of market EBIT includes Virgin Australia, Tigerair Australia. 4. Historical data based on Qantas analysis and assumptions.
Building on the Group’s long-term competitive advantages

‘Customer First’ commitment drives brand strength & yield premiums

• Investment in growth, product & innovation
• Strong and reinforcing portfolio of brands
• Spans breadth of customer needs in core markets
• Cross-brand loyalty
• Deep customer insights drive continual improvement

70% of Australians prefer to fly with Qantas Group brands for domestic travel¹

46% of Australians prefer to fly with Qantas Group brands for international travel¹

1. House of Brands Brand Tracker: Domestic Business and Leisure Average, International Business and Leisure Average
Continued delivery of business transformation
Rapid progress towards our targets

$2B BENEFITS REALISED BY FY17\(^1\)

- All targets to date met or exceeded
  - >$875m realised by FY15
- Most challenging initiatives front-loaded
  - 4,000 of 5,000 FTE\(^2\) reduction by FY15
- High visibility of remaining >$1.1b benefits from FY16
  - ~$600m already in implementation phase

>$1B DEBT REDUCTION BY FY15\(^3\)

- $1b debt reduction on track
- Credit profile to reach target two years ahead of initial timeframe
  - E.g. Debt/EBITDA\(^4\) <4.0 by FY15
- Preserved investment grade terms & conditions

ALL FINANCIAL TARGETS MET OR EXCEEDED WHILE DELIVERING RECORD CUSTOMER ADVOCACY\(^5\)

1. Gross benefits. 2. Full-time equivalent employees. 3. Net debt including operating lease liabilities measured on a constant currency basis. 4. Metric calculated based on Moody’s methodology including cash greater than $2b. 5. Based on quarterly average net promoter score (NPS) at Qantas Domestic and Qantas International, from March 2012 quarter. Record occurred in 3Q15.
Strategic outcomes by FY17:

- Qantas Domestic\(^1\) cost gap to close to <5%, revenue premium held >15%
- Qantas International positioned for sustainable growth
- Jetstar cost and yield advantage maintained
- Consistent product and service offering
- A more agile business that can quickly adapt
- Embedded culture of transformation for ongoing benefits

1. Mainline and Regional operations. Based on company estimates.
The Group will remain disciplined with capital allocation, delivering sustainable returns to shareholders alongside investment in growth, by maintaining its optimal capital structure.

Investment in growth will maximise long-term shareholder value by:

- Leveraging the Group’s competitive advantages
- Positioning the Group to succeed in future growth markets
- Improving Group ROIC position
- Aligning with our brand values and vision
Engaging our people

A leadership team with diverse backgrounds and industry expertise
Engaging our people

Collaborative approach to business transformation

- Employee engagement maintained at 75%\(^1\)
- Strong outcome amid accelerated business transformation of past two years
- Positive indicators from across Group:
  - ‘Proud to associated with Qantas/Jetstar’
  - ‘Believe in goals and objectives of Qantas/Jetstar’
- Continual emphasis on training, employee communication and shared goals for future improvement

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\(^1\) 2015 Towers Watson employee engagement survey.
Stable industrial relations climate

- 36 enterprise agreements negotiated since November 2011
- Ensuring workplace agreements do not constrain business or productivity

Building a more competitive wages position

- 13 agreements closed with 18-month wages freeze
  - Half of the Group’s employees including managers
- Narrowing wages gap to key competitors
  - 4.5% p.a reduction in Group wage costs when fully implemented
  - Targeting ongoing benefit ~$125m p.a. (not included in $2b Qantas Transformation program)
- All major unions have agreed to policy in at least one collective agreement
Delivering on all strategic priorities for ROIC > WACC through the cycle

GROUP OVERVIEW

Financial Performance
Sustainable growth in earnings driven by Transformation

People
Engaged people
Deep management talent

Customer
Record advocacy
Leveraging insights
The Financial Framework for a Stronger Qantas Group
Tino La Spina
Financial Framework
Qantas’ targets aligned with shareholder objectives

Maintain total shareholder returns in top quartile of ASX100 & global airlines

1. Maintaining an Optimal Capital Structure
   Mix of debt and equity that minimises the WACC
   Target: continually minimise WACC\(^1\)

2. ROIC > WACC Through the Cycle
   ROIC EBIT\(^2\) divided by Invested Capital
   Target: ROIC > 10\(^\%\)\(^3\)

3. Disciplined Allocation of Capital
   Focus on ROIC accretive opportunities and delivering returns to shareholders
   Target: Growing invested capital with disciplined investment

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

TSR\(^5\) in the top quartile

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\(^1\) Pre tax.\(^2\) Refer to appendix. \(^3\) ROIC above 10\(^\%\) ensures Group objective of delivering ROIC > WACC through the cycle. \(^4\) Earnings per share. \(^5\) Total shareholder return.
Optimal Capital Structure

- Mix of debt and equity that minimises WACC
- Consistent with credit metrics between BBB- and BBB
- With $1b debt reduction\(^1\), and improvement in maintainable earnings, Group expects to be within target range by end FY15
- Focus on reducing Group earnings volatility to reduce WACC

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1. Net debt including operating lease liabilities measured on a constant currency basis.
Return on invested capital
Targeting returns above cost of capital through the cycle

MOVING TO ROIC AS THE GROUP’S PRIMARY FINANCIAL RETURN MEASURE FROM FY15

ROIC is the primary financial return measure, used in conjunction with strategic measures as part of a balanced Group scorecard

- Uniform performance measure across reporting segments
- Holistic measure treats owned and leased assets equally
- Targeted returns are through-cycle averages, allowing for cyclical industry

ROIC ABOVE 10% ENSURES GROUP OBJECTIVE OF DELIVERING ROIC > WACC THROUGH THE CYCLE

1. Refer to appendix for definition.
## Disciplined allocation of capital

*Capital allocation framework maximises shareholder value*

### Maintaining optimal capital structure determines:

- Capital allocation
  - Strengthen balance sheet
  - Returns to shareholders
  - Reinvestment
- Liquidity settings
- Credit rating over time

### Capital Allocation Priorities

<table>
<thead>
<tr>
<th>BB Metrics</th>
<th>BBB- Metrics</th>
<th>BBB Metrics</th>
<th>BBB+ Metrics</th>
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<td>Debt reduction</td>
<td>Capital Management</td>
<td>Greater returns to shareholders</td>
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<tr>
<td>Constrain capex</td>
<td>Reinvestment</td>
<td>Consider growth investment</td>
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<tr>
<td>Higher</td>
<td>Liquidity</td>
<td>Lower</td>
<td></td>
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**Disciplined focus on operating costs at all times**
Disciplined allocation of capital

Capital Allocation Framework in Practice

MAINTAINING OPTIMAL CAPITAL STRUCTURE PROVIDES FOR SHAREHOLDER RETURNS & REINVESTMENT

**Strengthen Balance Sheet**
- Required if capital structure too leveraged
- Demonstrated discipline in constraining capex where necessary for debt reduction
- Funding plan premised on achieving optimal capital structure

**Returns To Shareholders**
- Base plans when in optimal capital structure incorporate shareholder returns

**Reinvestment**
- High hurdles applied to growth investment
- Maintain competitive advantages, grow invested capital over time
- Investment Committee ranks business cases on financial & strategic metrics:
  - ROIC accretive
  - Group strategic objectives
- Portfolio approach to reinvestment
- Ongoing review of outlook & investment plans
Financial Outlook
**Finance outlook**

*A highly cash generative business*

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**Sustainable Free Cash Flow**\(^1\) Generation

- **Sustainable returns to shareholders in stable operating environment**
- **Operating cash flows depressed post-GFC at same time as major re-fleeting**
- **Accelerated business transformation, Capex constrained to prioritise debt reduction**
- **More resilient Group, leveraged to favourable operating environment, with strong free cash flow**

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1. Free cash flow equals operating cash flows (lease adjusted) less investing cash flows (lease adjusted). Operating cash flows have been adjusted for off balance sheet capital, similar to rating agency methodologies which replace aircraft rental payments with an interest charge. Investing cash flows have been adjusted to remove differentials between purchased and leased aircraft. New leases are treated as a ‘cash outflow’ equal to the aircraft market value at lease commencement. Lease returns are treated as a ‘cash inflow’ equal to the notional written down value of the leased asset at time of disposal. 2. Average fleet age of the Group’s scheduled passenger fleet based on manufacturing date at the 30 June of each financial year, as previously reported. 3. Youngest fleet age since privatisation. 4. FY15 net cash from operating activities (lease adjusted) is indicative only.
FINANCE

Finance outlook

*Momentum of earnings being driven by controllable levers*

- Maintainable earnings growth led by delivery of $2b Qantas Transformation program
- Group well positioned to capitalise on return to more favourable operating environment

**CONTROLLABLE LEVERS DRIVING MOMENTUM**

- Delivery of all Transformation targets
- Long-term advantages of integrated portfolio
- Focus on customer experience, brand strength
- Capacity management
- Optimal capital structure
- Disciplined investment
- Hedging program providing protection against spikes & significant participation

**EXTERNAL FACTORS FAVOURABLE**

- **Fuel**
  - ~$550m fuel cost reduction in FY15

- **$AUD**
  - Lower AUD positive for competitive position of Qantas International

- **Competitor Capacity**
  - Domestic and International market growth moderating after prolonged period of above-average growth

1. Underlying fuel costs compared to FY14, based on current market prices.
**Finance outlook**  
*Preserving diverse debt book*

Retained access to diverse funding sources while achieving significant debt reduction

**Funding sources**
- Capital markets
- Secured & unsecured bank loan market
- Export credit
- Finance leases

✓ Certainty over funding availability
✓ Optimisation of cost and tenor
✓ Flexibility for future funding requirements

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1. FY15 forecast. 2. Based on Standard & Poors (S&P) calculation methodology.
Finance outlook
Minimal refinancing risk

Debt Maturity Profile as at 30 June 2015¹ ($m)

1. Forecast debt maturity profile, excluding operating leases. 2. Up to $300m of $550m syndicated loan facility (drawn) maturing in FY17 expected to be prepaid prior to 30 June 2015, retaining flexibility to refinance remaining maturity to FY19.
Significant pool of unencumbered aircraft

- Additional source of liquidity
- Allows active portfolio optimisation

Managing liquidity more efficiently

- Flexibility to manage mix of cash and undrawn lines
- Opportunity to buy out operating leases with existing cash resources

Case Study: Refinancing Revolving Credit Facilities

- Increased face value to >$1b
- Increased tenor; Reduced average cost
- Preserved Investment Grade T&Cs platform
  - No financial covenants

Composition of Unencumbered Fleet

- ~40% of total group fleet is unencumbered (up from ~30% since FY12)
- Market value of unencumbered fleet has doubled since FY12
- Average age of narrowbody unencumbered fleet is <7yrs (down from ~8.5yrs since FY12)

$1b Revolving Credit Facilities ($m)

1. Chart is based on the forecast number of aircraft, as at 30 June 2015. 2. Based on Avitas market values. 3. Based on Group’s scheduled passenger fleet, excluding Freighter aircraft and Network Aviation.
4. Execution expected prior to 30 June 2015.
Finance outlook
Fuel hedging update

- Protect against unfavourable movements in Fuel and FX, while not locking in a competitive disadvantage
- Rolling two-year horizon considered the optimal term for these financial risk management strategies
- Enable sufficient time for operational adjustments to be made (capacity, pricing, network)
- FY16 worst case total fuel cost in line with FY15, 74% participation to lower fuel prices
- All fuel hedging effective at current market prices

1. As at 11 May 2015. 2. Worst case total fuel cost based on a 2-standard deviation move in Brent forward market prices to A$95/bbl, for the remainder of FY15. 3. Worst case total fuel cost based on constant FY15 consumption and a 2-standard deviation move in Brent forward market prices to A$122/bbl, for FY16. 4. Using constant FY15 consumption and a Brent forward market price of A$87/bbl for FY16.

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecast</th>
<th>Worst Case</th>
</tr>
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<tbody>
<tr>
<td>FY14</td>
<td>$4.50b</td>
<td></td>
<td>$3.95b</td>
</tr>
<tr>
<td>FY15</td>
<td></td>
<td>$3.92b</td>
<td>$3.95b</td>
</tr>
<tr>
<td>FY16</td>
<td></td>
<td></td>
<td>$3.87b</td>
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</tbody>
</table>

Hedging & Fuel Cost Outlook ($b)
Inclusive of Option Premium
Finance outlook

Capital allocation considerations beyond FY15

- Expecting return to optimum capital structure by 30 June 2015
- Sustainably Free Cash Flow positive
- Well placed for Board to consider shareholder returns
- Extent and timing of shareholder returns dependent on prevailing operating conditions and outlook
- In FY16, assessing potential to bring forward modest levels of ROIC accretive investment in Qantas Transformation initiatives. Assessing opportunities to use existing cash resources to buy out operating leases to reduce WACC
- **Update to be provided at FY15 results in August**
Price sensitive segment

Premium business and leisure travel segment

1. Jetstar Hong Kong operations subject to regulatory approval

10.7 million Members
Placing the customer at the centre of our thinking

*Investing and focusing on our customers*
What is NPS?

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

**Net Promoter Score** = **% Promoters** - **% Detractors**

**Methodology**

Net Promoter Score global benchmarking
STRATEGIC

Voice of the customer

Utilisation of NPS benchmarking and methodology

STRATEGIC

• Understand market view and relative market share
• Competitive benchmarking
• Drivers of strategic NPS
• Share of Wallet

PURPOSE: For investment and strategic decision-making

OPERATIONAL

• Regular surveys of a customer’s end-to-end experience per flight
• Measurement of journey advocacy
• Measure total end-to-end customer journey

PURPOSE: Track journey competitiveness and determine focus for customer improvements

Touchpoint: Airport, Lounge & Inflight

• Panel of ~25k Frequent Flyers
• On the day performance at specific touch points
• Customer feedback enables conversations directly between customers and frontline managers
• Real time results reporting

PURPOSE: Immediate response to customer feedback. Lead indicator for Operational NPS
**BRAND AND CUSTOMER**

Investment has led to market recognition and customer advocacy

*‘Qantas did, not just said’*

**Investment in product and people**

- Extend leadership position with award-winning lounges
- Enhance Qantas on-board product through A330 and B737 refurbishments and improved inflight entertainment
- Jetstar first Asia-Pacific LCC to fly B787 Dreamliner
- Ongoing Customer Service Training programs completed by more than 10,000 frontline and corporate domestic employees\(^1\)
- Focus on superior service and dining experience (in air and on ground)
- Innovation focused on speed and ease of travel

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1. As at April 2015 for Qantas Domestic, Qantas International and Corporate segment.
BRAND AND CUSTOMER

New brand campaign
Reconnecting with Australians

Successfully rebuilding an emotional connection

• New ‘Feels like Home’ brand campaign launched in November 2014
• Customer insights led proposition to re-connect emotionally with Australians
• 2 minute TVC¹ has had over 1.5m views on YouTube to date
• Strong performance and outperforming industry benchmarks
• 66% of Australians who saw the TVC felt more positive about Qantas²
• 54% of Australians who saw the TVC felt it made them want to fly with Qantas²

1. Television Commercial. 2. Source: House of Brand Advertising Tracking. Feels like Home advertisement was recognised by 67% of Australians based on highest net recall score in Jan 2015 which includes 2min TVC and Charlotte TVC. “Felt more positive” and “Felt it made them want to fly” diagnostics based on average of all TVCs included in advertising tracking (2min, Alice, Charlotte and Melinda TVC). Based on recognisers of each TVC (2min, Alice, Charlotte and Melinda).
New brand campaign: Welcome home
140 million passengers in a decade

- An Australian brand leading the way across Asia-Pacific
- The market leader on price competitiveness
- Brand strength across all markets served in Asia Pacific - 70 destinations, 16 countries/territories
New direct channels to market

- **Qantas.com** - Australia’s No. 1 travel website\(^1\)
  - 630,000 Fans on Facebook
  - 270,000 Followers on Twitter
  - 80,000 Followers on Instagram
  - 20,000 Subscribers on YouTube
  - 90,000 Followers on LinkedIn
  - 20,000 Followers on Google+
  - In 2015 there have been 70,000 queries from passengers online\(^2\)

- **Jetstar.com** - 15.5 million visits per month
  - 1,150,000 Fans on Facebook
  - 230,000 Followers on Twitter
  - 18,000 Followers on Instagram

\(^1\) Source: Hitwise Australia. Most Popular Websites in Travel (Airlines and Transport category), April 2015
\(^2\) January 2015 - April 2015

\~45% of Group marketing spend now through digital channels
Qantas Airways: brand & image
Flyer attitudes and perceptions in 2015 YTD¹

**Premium Domestic Airline**

- **SERVICE IMAGE 2015**
  - Perceptions at the highest level ever seen regarding the quality of the Qantas Domestic experience
  - +8% since 2008²

**Iconic Australian**

- **CORE BRAND VALUES 2015**
  - 2015: CONSISTENTLY IN 90th PERCENTILE
    - Perceptions remain extraordinarily strong of Qantas’ iconic Australian status
  - +2% since 2008²

**Committed to Delivering Best Service & Products**

- **+15%** since 2008²
  - Perceptions at the highest level ever seen regarding Qantas’ service & product focus

**Safety Reputation**

- **+12%** since 2008²
  - 2015: CONSISTENTLY IN 90th PERCENTILE
    - Safety continues as a core attribute. Australian flyers feel even more secure flying with Qantas than ever before

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Perceived Best Domestic Airline For Business Travel
Qantas Domestic continues to own this domestic market brand position

First Choice Next Domestic Business Flight
Qantas Domestic continues as the predominant first preference for Australian domestic business travel

Provides Exceptional Customer Service
Customer perceptions of Qantas International providing exceptional customer service are significantly up and at record levels

Provides a Competitive Product
Customer perceptions of Qantas International providing a competitive product are significantly up and at record levels

Is a Premium Full Service Airline
Customer perceptions of Qantas International being a premium full service airline are significantly up and at record levels

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Jetstar customer satisfaction and advocacy
Relevant and measurable for low-cost as well

Jetstar leads on “has low-priced fares” perceptions

Jetstar

Competitor Average

Jetstar

32

44

Jetstar the clear leader in Strategic NPS for LCCs

Jetstar

Tiger

May 2013 to February 2015

January to March 2015

Leveraging Customer Insights
The Next Wave of Transformation
Rob Marcolina
The basis of airline competition has expanded over time. While originally focused on physical assets, airlines today compete on a range of dimensions, including operations, product, partnerships and increasingly customer capabilities.
# Our Customer Insights Are a Key Competitive Advantage

<table>
<thead>
<tr>
<th>Flying behaviour of our customers</th>
<th>50m+ passengers annually across Group</th>
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<tbody>
<tr>
<td>Frequent Flyer profiles and behaviour</td>
<td>10.7m members</td>
</tr>
<tr>
<td>Customer NPS(^1) &amp; feedback</td>
<td>Panel of ~25k Frequent Flyers can record NPS each time they fly</td>
</tr>
<tr>
<td>Customer segmentation</td>
<td>Market-wide segmentation insights</td>
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<tr>
<td>Web, mobile &amp; social media interactions</td>
<td>2.5m+ visits to qantas.com / week</td>
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<tr>
<td>Rich history of data</td>
<td>3.7m+ visits to Jetstar websites / week</td>
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<td>27 years of historical data</td>
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\(^1\) NPS: Net Promoter Score
Customer insights are key in making dual brand network decisions

- Optimising our dual brand network requires consideration across multiple dimensions:
  - market demand and capacity
  - financial implications
  - competitive positioning
  - utilisation and network effects
  - **customer targeting and brand positioning**

- Our market-wide **customer segmentation** provides a detailed understanding of Australian flyer market needs and attitudes, enabling:
  - **strategic positioning** of our dual brands
  - **targeting** of strategic customer segments

- These insights are critical when making **co-ordinated dual brand network** decisions
Customer data facilitates seamless disruption management

Managing disrupted flights operationally

- Minimising disruptions for more valuable customers is key to decision-making when managing flight disruptions
- Assessing customer value considers:
  - Qantas Frequent Flyer tier
  - Whether managed corporate / SME\(^1\) flyer
  - Recent customer revenue to Group
  - Prior disruption history

Managing disrupted customer journey

- Once operational disruption occurs, affected customers are notified via e-mail or SMS, and directed to qantas.com (desktop and mobile)
- Customers have the option to: accept a proposed new flight, change to an alternative flight, or cancel and request refund / voucher
- The initial new flight proposed depends on customer value

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Customer insights enable Group innovation and service excellence

- **Auto check-in on mobile**: industry-leading; drives customer advocacy; reduces footprint at major airports
- **RedApp**: provides customer history and information directly to cabin crew and ground staff on iPads
- **Webchat**: Australian industry-leading; proactively tracks and assists customers through online booking process
- **Mobile travel companion**: app provides personalised assistance on day of travel
- **Cross sell through digital channels**: utilise customers data for personal offerings
- **New targeted marketing technology**: enabling more tailored, personalised and effective marketing for Jetstar
- **Loyalty-led innovation**: across Qantas Frequent Flyer and adjacent business
Ultimately supporting key strategic objectives for the Group

**Customer Transformation**

**People**

<table>
<thead>
<tr>
<th>SAFETY IS ALWAYS OUR FIRST PRIORITY</th>
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<tbody>
<tr>
<td>Deliver sustainable returns to shareholders</td>
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</table>

**Always First Choice For Customers**

- **Build on leading domestic position through dual brands**
- **Establish strong international dual brand position**
- **Strengthen and grow loyalty business**
- **Secure QAD’s position as best for customers who value the full service experience**
- **Reinforce JQD’s low price and scale advantage position**
- **Strengthen QAI to provide best network with partners**
- **Leverage low cost base for JQI to defend and grow P2P international leisure markets**
- **Maintain QFF as a driver of loyalty across group and as a leading loyalty program**
- **Innovate and diversify leveraging advantaged assets and capabilities**

**Deliver on existing Jetstar opportunities and partnerships in Asia**

**Build customer loyalty by delivering a great experience in every interaction**

**Transform all businesses to continually drive operational efficiencies**

**Inspire, empower and motivate our people, teaming effectively across the Group**

---

1. QAD refers to Qantas Domestic, QAI refers to Qantas International, JQD refers to Jetstar Domestic, JQI refers to Jetstar International and QFF refers to Qantas Frequent Flyer. 2. Point to point.
Transformation
Qantas Group Transformation principles

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

<table>
<thead>
<tr>
<th>Target by FY17</th>
<th>$2 billion gross benefits</th>
<th>5,000 FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Will exceed target of $875 million(^1) benefits by FY15</td>
<td>$500-600 million of $2 billion</td>
</tr>
<tr>
<td>Exited</td>
<td>2,200</td>
<td>4,000(^3)</td>
</tr>
<tr>
<td>FY14</td>
<td>1,800</td>
<td>(~$350m)(^3)</td>
</tr>
<tr>
<td>Actioned(^2)</td>
<td>FY15 FTE reduction</td>
<td>FY16-FY17 reduction</td>
</tr>
<tr>
<td></td>
<td>FY17 FTE reduction target</td>
<td></td>
</tr>
</tbody>
</table>

1. Made up of $200m benefits realised in FY14 and target of $675m for FY15. 2. 1,400 FTEs have exited and remaining 400 FTEs have been actioned. 3. By June 2015. Consists of 1,500 Non-operational FTEs and 2,500 Operational FTEs. 4. Achieved by June 2015 (further benefits from the 4,000 will track into FY16).
The Transformation journey

First 18 months of transformation
Benefits realised by FY15

- **Consolidation**: non-operational staff reduction; B747 base closure; new line maintenance model; centralised office campus
- **Productivity**: Jetstar's 'Lowest seat cost' program; fuel optimisation
- **Right Sizing**: B767 / B734 accelerated retirement; Qantas International and Domestic utilisation

Next wave of transformation
Benefits realised from FY16 onwards

- **Consolidation**: contact centres
- **Productivity**: catering centres; Jetstar's 'Lowest seat cost' program; fuel optimisation
- **Right Sizing**: Qantas International and Domestic utilisation (Phase II)
- **Technology / Supplier**: 'Spend Aware' supplier spend program; revenue management; application simplification
Case example: Transforming Engineering

- **Right-sizing** organisation
  - Executive redundancy program
  - Support services redundancy program
  - Engineering services rationalised
  - B747 base closure

- **Consolidation**
  - Component Maintenance consolidated
  - Integrated Planning/Maintenance Operations Centre

- Key for future cost reductions is **matching supply and demand of labour** to increase productivity

---

**Engineering: Consolidating Processes**

- **Base Maintenance**
- **Engines, Planning, Support & Component**
- **Calibration & Component**

---

**〜900**
FTE reduction by FY15<sup>1</sup>

**$120m**
Benefits realised by FY15<sup>2</sup>

---

Case example: Transforming Q Catering

- Before Transformation, Q Catering had a **>10% unit cost gap** to on-shore competitors

- Significant changes are being made to **close the cost gap**
  - Matching labour supply to demand, **increasing productivity**
  - Focus on improving **process efficiency** (waste reduction)
  - **Redesigned meals**, removing trays and extracting cost

- There has also been a **shift in culture and behaviours**
  - **De-layering** management
  - Increased **collaboration** and **co-ordination**

---

**Q Catering: Increasing Customer Satisfaction While Reducing Cost**

- Up to 50% **more food**
- Improved **customer feedback**
- **Simplified** (production, logistics, delivery)
- Net **transformation benefits**

---

1. To on-shore competitor. 2. Average increase in customer satisfaction with Domestic meals (Food Quality/Taste; Freshness; Presentation/ Appearance) between January 2014 and March 2015
Case example: Transforming procurement and spend

- Spend Aware program will drive **sustainable procurement cost reductions** across the Group, with ~$2bn spend in-scope.

- Key objective is to transform our **supplier approach**
  - Improve **forecasting** to control spend
  - Strengthen **enforcement** of supplier charges
  - Enforce **spend decisions up front**, not after the fact
  - Manage **suppliers across Group**, to leverage scale

- Key enablers
  - Improve **business processes and technology**
  - Implement **behavioural and cultural change**

**Spend Aware Program: Sustainable Cost Reductions**

~$30m Benefits realised by FY17\(^1\)

Reduction of number of suppliers

---

Customer focused approach during Transformation

<table>
<thead>
<tr>
<th>HOW?</th>
<th>Unique and market-leading outcome: Improving customer benefits through Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Conscious choice</strong> Commitment to customer as a key principle of Transformation</td>
</tr>
<tr>
<td></td>
<td><strong>Deliberate decision-making</strong> Decision-making ensures impacts are weighted to a net customer benefit</td>
</tr>
<tr>
<td></td>
<td><strong>Product investment</strong> Continued investment in customer products</td>
</tr>
<tr>
<td></td>
<td><strong>Service focus</strong> Commitment and training of our people to improve customer service</td>
</tr>
<tr>
<td></td>
<td><strong>Smarter approach</strong> Prioritise what customers really value</td>
</tr>
</tbody>
</table>
1. We’ve been bold in setting targets and we are on track to achieve

2. Our initiatives are driving sustainable change

3. Our customer experience has improved and we expect this to continue going forward
Continuing to Win in a Shifting Domestic Market
Andrew David
Established competitive advantages in highly attractive domestic Australian market

- Largest carrier with 42% market share\(^1\)
  - Full-service, regional, charter
  - Frequency and network advantage
  - Corporate account outperformance
- Iconic brand relevant to premium segment
- Leading customer experience\(^2\)
- Reputation for operational excellence
- Dual brand coordination with Jetstar
- Sales and distribution strength

QANTAS DOMESTIC

Rapid and strategic response to competitive shifts in market

• Domestic market pressures: FY12-FY14
  – Competitor reposition into Qantas core segment
  – Capacity growth ahead of demand
  – Corporate yields under pressure
  – Resources sector cooling

Qantas Domestic Response

RETAIN REVENUE PREMIUM >15%³
CLOSE COST DISADVANTAGE TO <5% BY FY17³

1. Domestic market capacity growth (based on ASKs) compared to prior corresponding period. Source: BITRE. 2. Market RASK (passenger revenue per ASKs) growth compared to the prior corresponding period. Source: BITRE, published company accounts and internal estimates. 3. Qantas mainline and regional operations compared to Virgin Australia mainline and regional operations. Revenue premium based on passenger revenue per ASK. Cost gap based on unit cost and calculated as underlying EBIT less passenger revenue per ASK. Based on published company accounts and internal estimates.

Market Revenue Recovery with Capacity Moderation
QANTAS DOMESTIC

Return to stable domestic market

Qantas Domestic expanding margin advantage in a stable market

- **Stable market conditions**
  - FY15 market capacity growth down\(^1\)
  - Demand and supply more balanced
  - Improved passenger loads\(^2\)
- **Resources downturn mitigated by Qantas capacity response**
  - Healthier demand from other sectors, East-West, East Coast, leisure

---

1. Based on ASKs. Source: BITRE, published schedules and company estimates.
2. Source BITRE. FY14 vs FY15 YTD (year to date).
3. Passenger revenue per ASK. Based on published company accounts and Qantas’ estimates of the contribution of Velocity earnings at Virgin Australia. Dotted line indicates forecast.
4. Cost per ASK. Calculated as Underlying EBIT less passenger revenue per ASK. Based on published company accounts and Qantas’ estimates. Dotted line indicates forecast.
How Qantas Domestic will continue to win
Clear strategic priorities aligned with dual brand strategy

TARGETING BUSINESS AND PREMIUM LEISURE CUSTOMERS WHO VALUE THE FULL SERVICE EXPERIENCE

STRATEGIC PRIORITIES

Delivering customer experiences that earn a revenue premium

Recognised for our operational excellence

Delivering at the right cost through Qantas Transformation

Our people and culture make the difference

Leading dual brand market position

maintaining at least ~80% of domestic profit pool
Customer experiences that earn a revenue premium

Targeted investment, innovation driving customer advocacy

Service Leadership and Training
- Reach across all frontline people
- Driver of advocacy and airline choice

Airport Transformation
- New technology auto check in
- Labour costs reduced by 13%

Airport & Lounge Experience
- New Darwin, Brisbane lounges
- Terminal investments: Perth and regional WA
- Accor lounge service provider

Fleet
- Domestic A330 reconfiguration; 3 complete
- B737 reconfiguration from mid-2015

Food, Beverage and Service
- More lounge and in-flight menu choices
- In-flight meal service window increased

Operational NPS measures end-to-end of a customer’s journey and determines areas of focus for service improvements

Customer experiences that earn a revenue premium
Partnering with the high value corporate segment

Improving management of customer relationships
- Becoming the ‘trusted advisor’ for our corporates
- Clearly articulating the value we provide beyond price

Investment in people and capability
- Consolidated sales support and streamlined deal approval
- Rollout of new customer relationship management tools

Retaining leadership in corporate account segment\(^1\)
- Highest yielding, most valuable market segment
- Corporate yields recovering despite resources weakness

1. Based on revenue. 2. Based on published data and company estimates. Represents year on year percentage change. 3. Accounts over $0.5m only. FY15 YTD (July 2014 – March 2015).
Corporate customer feedback

Value beyond price

“The Qantas’ pricing was not the cheapest, however, the superior network, strength of Qantas Loyalty proposition (including Chairman’s Lounge) and Qantas technology were key.”

Australian pharmaceuticals company

“Qantas are able to offer a total solution covering both Charter and RPT services. The strength of the intra-WA schedule, security of supply, on time arrival and reliability were key factors in our decision.”

Major Australian mining company

“We chose Qantas due to the strength of the international network and the product to Japan and North America.”

Multinational consumer goods company

“Network proposition, with particular focus on the East Coast, the strength of loyalty offering (Platinum and Chairman’s Lounge important to Senior Executive team), and frequency premium on Sydney-Melbourne as well as on-time performance critical to our decision.”

International financial services firm

“Negotiation focused on Qantas value-adds such as Valet and significant lounge advantage, domestic schedules, strength of the Qantas/Emirates network proposition and the significant penetration of Qantas Loyalty program within our organisation.”

International financial services firm
Structural advantages in customer reach

*Insights and loyalty offering underpin revenue premium and share of wallet*

- Customer insights through advanced segmentation model linked to Frequent Flyer member behaviour
- Unparalleled ability to deliver targeted customer offers
  - Proprietary channels: Frequent Flyer, Aquire & Red Email
  - Digital and social media: leveraging Red Planet
- Aquire SME loyalty program launched March 2014, extending reach in previously under-penetrated market
- Qantas.com re-platform to deliver increased personalisation

Unrivalled Customer Reach in Australian Market

- 10.7 million QFF members
- 3.8 million Red email subscribers

Data-driven personalisation

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QANTAS DOMESTIC

Recognised for operational excellence

*Premium on-time performance, reducing customer disruption*

**Consistent premium level on-time performance**
- Balanced approach delivering against customer, operational and efficiency targets
- Increase in OTP\(^1\) alongside utilisation gains

**Leading customer recovery capability**
- New disrupt management system in FY16
- Shift focus from ‘managing the metal’ to prioritising people to reduce journey disruptions
- Cost reduction in aircraft re-positioning from fewer consequent flight cancellations

---

1. OTP (On-time performance) Qantas Domestic and QantasLink on-time departures. Source: BITRE July 2010 to March 2015.
### QANTAS DOMESTIC

Delivering at the right cost through Qantas Transformation

*Visible pipeline to continue reducing costs, increasing utilisation*

<table>
<thead>
<tr>
<th>FY14</th>
<th>FY15</th>
<th>FY16-17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fleet Renewal &amp; Simplification</strong></td>
<td><strong>Utilisation</strong></td>
<td><strong>Departmental Transformation</strong></td>
</tr>
<tr>
<td>• Exit of B737-400</td>
<td>• Exit of B767</td>
<td>• B737-800 reconfigurations</td>
</tr>
<tr>
<td>• 5 x additional 2-class B717</td>
<td>• Induction of A330s</td>
<td>• Ongoing fuel efficiencies</td>
</tr>
<tr>
<td>• B737-800 deliveries</td>
<td>• A330 reconfiguration program</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• 40 minute turns</td>
<td></td>
</tr>
<tr>
<td><strong>Utilisation</strong></td>
<td></td>
<td><strong>People Focus</strong></td>
</tr>
<tr>
<td>• Lean schedule planning</td>
<td></td>
<td>• Headcount reduction</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Benefits</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>~$50m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;$200m</td>
</tr>
<tr>
<td></td>
<td></td>
<td>&gt;$400m</td>
</tr>
<tr>
<td><strong>Departmental Transformation</strong></td>
<td><strong>People Focus</strong></td>
<td></td>
</tr>
<tr>
<td>• Corporate restructure</td>
<td>• Wages freeze progress, engagement</td>
<td></td>
</tr>
<tr>
<td>• Base maintenance changes</td>
<td>maintained</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Benefits</strong></td>
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<tr>
<td></td>
<td></td>
<td>&gt;$400m</td>
</tr>
</tbody>
</table>

**Delivering at the right cost through Qantas Transformation**

**Visible pipeline to continue reducing costs, increasing utilisation**

**FY14**
- Exit of B737-400
- 5 x additional 2-class B717
- B737-800 deliveries

**FY15**
- Exit of B767
- Induction of A330s
- A330 reconfiguration program
- 40 minute turns
- Line maintenance changes
- Ground services efficiency
- Wages freeze progress, engagement maintained

**FY16-17**
- B737-800 reconfigurations
- Ongoing fuel efficiencies
- 35 minute turns
- Revenue management system
- Contact centre consolidation
- Capability & productivity improvements
Delivering at the right cost through Qantas Transformation

Case study: delivering 35 minute turns

Increased utilisation through reduced turn times

- Dual door boarding
- Improved cabin baggage management
- Operating and capital efficiency benefits

Introduction of 35 minute turns in FY16

- Building on learnings from 40 minute turns
- Drive further operational and schedule efficiencies
- Increased fleet utilisation lowering unit cost further
- Creating increased domestic fleet flexibility

1. Forecast 2H15 versus 1H15.
Sales and customer management is changing

- Customers moving to and preferring online and mobile interactions for bookings
- Contact centres still essential as touchpoint for premium customer service

Qantas Direct is transforming and restructuring

- Investment in online and mobile platforms delivering improved customer experience
- Right-sizing operations, flexible labour structure

↓10% Contact centre demand¹

↑5% Qantas Direct revenue¹

Our people and culture make the difference

- Investment in capability to provide great leadership
- Communicate genuinely and frequently
- Commitment to the development of our people
- Ensure everyone steps up and takes responsibility
- Focus unwaveringly on the safety of our people
- Unlock passion for the brand

QANTAS DOMESTIC
# Qantas Domestic Scorecard

**Strategic priorities are being delivered**

## Progress to Date

<table>
<thead>
<tr>
<th>Area of Focus</th>
<th>Progress</th>
<th>Status</th>
</tr>
</thead>
</table>
| **Delivering Customer Experiences That Earn a Revenue Premium** | FY15 RASK advantage to competitor maintained above 15%¹  
NPS at record levels with > 15 point average margin to competitor²  
Corporate revenue share outperformance maintained³ | ✔️       |
| **Recognised for Our Operational Excellence**              | FY15 year to date OTP above 87%⁴  
Deeply embedded culture of safety | ✔️       |
| **Delivering at the Right Cost Through Transformation**    | Unit cost gap⁵ to competitor reduced to below 15% in 1H15  
On track to reduce to <5% by FY17  
B737 aircraft utilisation⁶ increase of 5% in 2H15 | ✔️       |
| **Our People and Culture Make the Difference**             | Engagement maintained through major business transformation | ✔️       |

¹. Passenger revenue per ASK. Source: BITRE, published company accounts and Qantas’ internal estimates FY15 forecast.  
². From July 2014 to March 2015 year to date average. Source: Qantas Domestic Operational NPS, Virgin Australia NPS Benchmarking.  
³. Based on revenue.  
⁴. OTP based on number of on-time departures for Qantas Mainline and QantasLink. Source: BITRE, July 2014 to March 2015 year to date average.  
⁵. Unit cost calculated as Underlying EBIT less passenger revenue per ASK. Based on published company accounts and Qantas’ internal estimates.  
⁶. Aircraft utilisation calculated as block hours per aircraft per day. Compared to 1H15.
Responding to a Shifting Demand Profile
John Gissing
Australia’s most extensive regional & charter network

- Largest regional footprint & frequency advantage
- Only regional network in all states and territories
- Increased share of charter market
- Seamless connectivity to Domestic and International network
- Spread of gauges to increase and decrease capacity across markets as demand changes
- Operational excellence gives flexibility to operate any aircraft in RPT\(^1\) or charter environment

1. Regular public transport.

**REGIONAL & CHARTER**

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Seats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q200</td>
<td>36</td>
</tr>
<tr>
<td>Q300</td>
<td>50</td>
</tr>
<tr>
<td>Q400</td>
<td>74</td>
</tr>
<tr>
<td>F100</td>
<td>100</td>
</tr>
<tr>
<td>B717</td>
<td>110/125</td>
</tr>
</tbody>
</table>

\(^1\) Regular public transport.
As resources boom took off...

- Up-gauged B717 to B737 on RPT
- Acquired Network Aviation for charter
- Expanded network to Pilbara & WA coast
- Qantas B737 and Jetstar A320 to charter

As resources sector cooled...

- Built RPT capability with F100s
- Down-gauged B737 to B717 and F100 on RPT
- Targeted select charter contract growth
- Maintained WA footprint & frequency with reduced invested capital

Intra WA Flying Mix including Charters

Intra-WA Underlying EBIT

---

1. FY15 includes actuals and published schedules. 2. Qantas Domestic WA resource operations results FY15 YTD versus prior corresponding period.
Qantas Transformation

Case study: Consolidating turboprop operations

- **Consolidation of bases** - Cairns now all Q400 with greater flexibility; Adelaide all Q300 with increased scale; subscale Perth base closed

- **Increasing utilisation** to free up four Q300 aircraft for sale or alternate deployment, growth from Adelaide

- **Q400 up-gauge to key markets** enabling improved product and increased peak capacity to regional ports

- **Centralisation** of yield management and network functions, deployment of new best-in-class systems

- Maintained **high levels of NPS** for turboprop fleet through change period

---

1. Turboprop operations only. Aircraft utilisation calculated as block hours per aircraft per day. Adjusted for Lord Howe Island seasonality 2H15 forecast versus 1H15. 2. Unit cost improvement by end of FY16 calculated as Underlying EBIT less passenger revenue (excluding fuel) by RPT ASKs.
Qantas Transformation
Case study: Transforming profitability of thin domestic routes

Canberra and Hobart markets loss-making

- Removed B737: ‘right aircraft, right route’

Replaced with lower capital value B717 aircraft with lower trip cost

- Maintained frequency and improved RASK through new two class configuration:
  - New business and economy interiors
  - Bring your own device wireless in-flight entertainment (first deployment in Group)

Transform Thin Domestic Route Profitability


Maximising Jetstar’s Position in Australia & NZ
The Roadmap to Success in Asia
Jayne Hrdlicka
The Jetstar Group model

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

The right local, strategic shareholders for each market

Combination of Jetstar and local partners’ scale – improving unit cost and revenue

Regular experience sharing between airlines

Consistent customer experience in all markets

1. Includes New Zealand and Trans-Tasman. 2. Subject to regulatory approval. 3. Controllable unit cost and RASK.
~80% of invested capital is in Australia and NZ

JETSTAR GROUP

Investments in Asian businesses

• Portfolio of growth opportunities with the potential for higher risk adjusted returns over time
• Selective, strategic investments in the right markets with the right partners

Jetstar International

• Strong Underlying EBIT performance in FY15¹
• Leading LCC performance in/out of Australia, serving strong customer franchise
• Profitable operations in New Zealand domestic and Trans-Tasman¹
• ROIC > WACC and continued focus on aligning network to customer demand

Jetstar Australia

• Excellent returns driven by the lowest cost base in the Australian market
• ROIC > WACC with continued strength anticipated from introduction of A320 NEOs and advantaged domestic network position

Share of Total Invested Capital

¹Based on current FY15 Underlying EBIT forecast
Cost discipline: Jetstar in Australia

Lowest cost airline in Australia

- 4x larger domestic scale versus competitor LCC\(^1\), driving narrowbody unit cost advantage
- Relentless, multi-year focus on cost leadership
- Lowest Seat Cost program contributes to Qantas Transformation

What is coming up next:

- Introduction of A320 NEOs from FY17 with a 15% reduction in fuel consumption\(^2\)
- Greater self-service and automation to drive efficiencies and customer experience
- Transformation initiatives including airport charges, supplier reviews, fuel efficiencies and back office efficiencies

1. Based on domestic fleet size compared to Tigerair Australia. 2. Airbus publication ‘A320 Family, the market leader’. 3. Controllable Unit Cost is calculated as total underlying expenses excluding fuel, carbon tax and share of net loss of investment accounted for using the equity method, adjusted for change in FX rates and movements in average sector length per ASK. Reflects previously published company figures.
Jetstar Australia has built a substantial network advantage over other domestic LCC:

- Frequency advantage in every Australian domestic port we serve\(^1\)
- Three times more flights from the top five Australian domestic leisure ports\(^2\)
- Disciplined focus on maintaining network advantage into FY16

- Domestic RASK premium of ~15\(^3\)
- Enhanced dual brand coordination has unlocked significant value for Qantas Group

---

1. Jetstar Australia versus Tigerair Australia.
2. Ports include Sydney, Melbourne, Brisbane, Coolangatta, and Cairns. Jetstar Australia versus Tigerair Australia.
3. RASK adjusted for the impact of differences in average sector length. Source: BITRE, published company accounts and Jetstar’s internal estimates.
Jetstar benefits from competitor reposition to full service model

- Flexible customer offering with fully unbundled fares
- Strong off-peak RASK growth

Differentiated customer proposition

- Network relevance and frequency in key domestic Australia ports
- Strong operational performance with OTP >80%\(^1\)
- Market-leading LCC customer advocacy scores\(^2\)
- Market-leading LCC brand supported by customer experience and product innovation

Strong performance of Jetstar International in FY15

- Fleet transition from A330s to B787s
- Strengthening distribution inbound-AU\(^1\) (e.g. Japan)
- New routes launched (e.g. OOL-ZQN/WLG/NAN\(^2\))
- Market has grown into prior year capacity additions

We will continue to build scale around major leisure destinations in Asia-Pacific

- Port-leadership economics (e.g. Bali)
- Leverage brand ‘*both ways*’ (e.g. AU/Japan)

1. Australia. 2. Coolangatta -Queenstown/Wellington (launched on 12 December 2014) and Nadi (launched 31 March 2015).
Jetstar pioneered low fares and built a strong brand in the New Zealand aviation market

- LCC competition has changed the way New Zealanders travel
- Educating customers on how we keep fares low has built trust and loyalty

Profitable operations in domestic New Zealand¹

- New Zealand’s most punctual domestic airline for 2014²
- Record New Zealand NPS results in FY15³

¹ Underlying FY15 EBIT forecast. ² Based on on-time departures compared to Air New Zealand’s published statistics from January 2014 to December 2014. ³ Forethought Customer Advocacy Research. FY15 YTD (July 2014 – April 2015)
Strong, independent airlines in key Asia Pacific markets

- High GDP\(^1\) per capita and/or GDP per capita growth
- Low to medium LCC penetration
- Collaborative partnerships with local shareholders

Leverages the proven strengths of Jetstar’s model

- Ten years experience delivering safe operations
- Jetstar Group scale to drive down cost base
- Dual brand strategy with full service airlines
- Multi-lingual, multi-airline sales and distribution
- Connectivity with >140 routes across network

---

1. Gross Domestic Product. 2. LCC market share is based on domestic and intra-Asia Pacific ASKs; Source: Diio Mi 2014. GDP per capita. Source: World Economic Outlook, IMF October 2014
Jetstar in Japan

- Jetstar Japan has consolidated its position as the leading Japanese LCC with 20 aircraft\(^1\)
  - \(\sim60\%\) domestic LCC market share\(^2\)
  - Fourth largest Japanese airline by PAX\(^3\)
  - Narita and Osaka to Hong Kong launched with strong revenue performance

- Smooth transition to new Jetstar Japan Chairman, Masaru Kataoka and new CEO, Gerry Turner

- While business metrics have strengthened, intense LCC competition, JPY depreciation and slower than forecast utilisation ramp-up have impacted earnings performance

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1. Operating aircraft, as at 31 December 2014. 2. Based on available seat kilometres. Source: MLIT Report, March 2014 to September 2014 reporting period. 3. PAX refers to passengers carried. Source: MLIT Report, March 2014 to September 2014 reporting period. 4. Based on available seat kilometres, 1H15 versus 1H14. 5. RASK calculated as revenue per available seat kilometre, 1H15 vs 1H14. 6. Yield calculated as passenger revenue per revenue seat kilometre, 1H15 vs 1H14. 7. CASK calculated as total underlying expenses per available seat kilometre, 1H15 v 1H14.
Total ancillary revenue continues to grow

- Ancillary revenue up 6%; ancillary EBIT margin up 5%

- Ancillary revenue/passenger is flat due to changing consumer behaviour

New, advanced retailing capabilities will drive next wave of growth

- Data-led customer targeting through personalised offers and bundles

- Jetstar digital suite redesign to create an improved travel shopping experience

- Next-Gen booking engine to simplify flight purchase

- First phase deployed in market from 2QFY16

Ancillary Revenue Performance Versus Other LCCs

1. 1H15 versus 1H14. 2. Jetstar.com (web and mobile) and Jetstar app suite. 3. Calculation of Ancillary Revenue per Passenger was changed in FY14 to treat catering revenue as a net margin (previously presented as gross revenue). This accounting change resulted in a restatement of FY10-FY13 Ancillary Revenue per PAX. 4. September 2012- September 2013, Ideaworks 2014 Yearbook. converted to AUD using closing 30 September 13 rates. 5. December 2013 to December 2014 based on company announcements, converted to AUD using closing 31 December 14 rates.
Areas of focus across each business

- Grow profitability off strong foundations
- Leverage dual brand with QAD
- Share IP\(^1\) and expertise across Jetstar

- Maintain network advantage on core routes
- Strengthen brand in key markets

- Building partnership strength
- Supporting regulatory process

- Drive utilisation
- Grow revenue as new routes mature
- Execute on dual brand with JAL\(^2\)

- Grow interline and codeshare partners
- Continue to leverage strong brand

- Launch additional international routes
- Execute on dual brand with VNA\(^3\)

---

1. Intellectual Property. 2. Japan Airlines. 3. Vietnam Airlines. 4. Includes New Zealand and Trans-Tasman. 5. Subject to regulatory approval.
A Platform for Innovation-Led Growth
Lesley Grant
Qantas Loyalty will continue to innovate and diversify for stable, non-cyclical earnings growth.

We will leverage our market leading coalition loyalty programs and deep customer insights to achieve this objective.
QANTAS LOYALTY

Continuous innovation since launching Qantas Frequent Flyer

1. As at April 2015.
Built mutually reinforcing businesses and communities

**COALITION LOYALTY**
Australia’s leading consumer and SME coalition loyalty programs – multi-partner, common currency

**CORE INNOVATIONS**
Adjacent businesses and communities to diversify revenue and reinforce member engagement

**BREAK-OUT GROWTH**
Disruption led innovation to diversify and provide step change growth
Consistently delivered growth and targeted continued double digit Underlying EBIT growth

Underpinned by QFF billings, underlying system growth and program enhancements

No EBIT generated from Qantas airline billings
- 66% of billings externally generated, contribute 100% of QFF EBIT

Core innovations delivering important contribution, and growing

Highly cash generative business

---

1. Underlying EBIT results compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. 2. FY15 forecast. 3. FY14, remaining 34% represents airline billings, predominantly to Qantas Group airlines.
QFF PROGRAM
- Award winning
- Product innovation e.g., Qantas Cash
- Reinforcing communities e.g., Qantas epiQure, Qantas Golf

DATA ANALYTICS
- 27 years of demographic and behavioural data
- Analytics capability, strengthened by Taylor Fry

BRAND
- Iconic Australian brand

Underpinned by an innovation capability and culture

Source: Qantas Loyalty analysis. Note: All figures are as at April 2015 unless otherwise stated. 1. ~50% as at February 2014. Source: Experian. 2. FY14
Delivers significant value for the airline

QANTAS LOYALTY

AIRLINE REVENUE PREMIUM
- Increased share of wallet and market share
- Yield premium

MARKETING EFFICIENCIES
- Improved targeting, segmentation
- Differentiated incentives
- Insight driven campaigns

OPERATIONAL EFFICIENCIES
- QFF represents largest single buyer for the airline
- Promotes online booking activity

CUSTOMER PROPOSITION
- Data analytics function supports airline decisions (e.g. network, fleet, brand)
Continuous innovation and disruption led growth

**DELIVERED**
- Core innovations
- Reinforcing communities
- Created unmatched assets and capabilities
  - program, data, brand

**NOW**
- Continued core innovation, together with innovation led growth
- Red Planet, first disruptive break-out growth play
- Actively developing a pipeline of break-out growth opportunities
- Extending our innovation capability, including new processes

**NEXT**
- Disruptive innovation
  - Entering new verticals with innovative, digitally led, customer centric solutions
  - Disrupting existing industry dynamics
  - Tapping global trends, new technology, investments
- Portfolio of growth plays
Red Planet: New digital marketing business

Delivering media, analytics and research services

- Integrated media, analytics and research services
- Directly and individually targets customers leveraging the unique strengths of Qantas Loyalty
  - Unparalleled reach in market
  - Rich proprietary data from 27 years
  - Sophisticated customer-led capability
- Expected to deliver profit in first year
Today’s standard practice

**Shortcomings**

- Significant inaccuracy in reaching target audience
- No ability to run true multi-channel coordinated messaging
- No ability to employ robust measurement techniques to measure campaign effectiveness
QANTAS LOYALTY

Red Planet: a new approach

Benefits

- **Efficient**: ability to reach target audience and suppress advertising to non-target
- **Effective**: ability to run true multi-channel coordinated messaging
- **Measureable**: ability to employ robust measurement techniques
**QANTAS LOYALTY**

**Red Planet: The consumer difference**

**Consumer A**
- Upcoming travel in Australia

**Consumer B**
- Searched for flights to WA and are from the East Coast; or
- In the top 3 deciles of our WA travel prediction model and are from the East Coast

---

**Red Planet targeted advertising based on direct knowledge of consumer attributes**

**Other advertising** – identical promotion even though consumer A versus Consumer B had vastly different attributes
Red Planet: Delivering value for both Qantas and external clients

Qantas Loyalty analysis

- Open rate as high as 50% on individual targeted campaign
- Lift in sales: 30%
- Achieved year on year sales growth
- Improvement in click through rate for individualised eDM: 418% (compared to non-targeted)
- 50%* improvement
- 28% total baseline sales uplift
- 70% increase in average spend per booking, generated per click
- 51% improvement on cost per acquisition per booking, generated per click
- 19.3x ROI
- ~4x more effective than other typically used social media targeting methods

*Sales life for high value targeted campaign based on individual campaign results. ^Individual campaign results. ~Individual campaign results. eDM (electronic direct marketing). ROI (return on investment).
Next: Accelerating disruption led innovation

**QANTAS LOYALTY**

**DELIVERED**
- Core innovations
- Reinforcing communities
- Unmatched assets and capabilities

**NOW**
- Innovation led growth: core and break-out
- Red Planet
- Developing break-out growth pipeline
- New innovation processes

**NEXT**
- Disruptive innovation
  - Entering new verticals with innovative, digitally led, customer centric solutions
  - Disrupting existing industry dynamics
  - Tapping global trends, new technology, investments
- Portfolio of growth plays
## Qantas Loyalty Scorecard

<table>
<thead>
<tr>
<th>Objective</th>
<th>Progress to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consistent and Diversified Earnings Growth</strong></td>
<td>Achieve double digit Underlying EBIT growth&lt;br&gt;Diversify earnings</td>
</tr>
<tr>
<td><strong>Innovate to Grow and Reinforce Core</strong></td>
<td>Grow QFF member base&lt;br&gt;Grow external billings&lt;br&gt;Maintain QFF Primary Loyalty program %&lt;br&gt;Support QFF via Core Innovations</td>
</tr>
<tr>
<td><strong>Disruption Led Break-Out Growth</strong></td>
<td>Launch new break out growth businesses</td>
</tr>
<tr>
<td><strong>Attract and Retain People</strong></td>
<td>Maintain employee engagement</td>
</tr>
</tbody>
</table>

---

1. Qantas Loyalty March 2015 NPS survey of QFF members.
Transforming Freight to Optimise Group Outcomes
Alison Webster
Qantas Freight

Transforming to optimise profit outcomes for Qantas Group

Unrivalled network and service frequency to, from and around Australia

Directly service 50 international and 80 domestic destinations

Market belly space of the Qantas Group and operate 13 freighter aircraft

Q-GO product range offers 10 time and service assured options

Network of 86 freight terminals, including 21 Qantas operated terminals

Wholly-owned trucking and freighter subsidiaries

Cargo industry’s leading core operating system

1,400 employees across Australia and the world
## Qantas Freight

Providing a convenient and seamless customer experience

### Belly
- Sale of belly capacity on behalf of the Qantas Group

### Freighters
- Stand alone Domestic and International freighter operations

### Terminals
- On-airport handling facilities at Qantas-operated terminals

### Trucks
- Wholly-owned interstate trucking business transhipping inbound international freight

- Network decisions controlled by Group passenger airlines
- Generates incremental revenue for Group passenger airlines through payment of belly access fees

- Combination of leased and owned freighter aircraft

- Generates external revenue by servicing 30 customer airlines

- Low cost trucking operation with 25 prime movers
- Profitable returns through servicing primarily 3rd party customers
QANTAS INTERNATIONAL

Strategic priorities

Continuing to transform to optimise EBIT outcomes for Qantas Group

Addressing our competitive challenges

- Australia is not an international Freight hub
- Competing in a commoditised market

Forging strategic partnerships
- Hub-busting AU-China-USA triangle

- Unit cost reductions
- Customer-centric product and service offering

Leveraging our competitive advantages

- Broadest domestic network reach
- Seamless customer offering across four businesses

- Access to belly across all of Qantas Group
- World leading technology platform

- Largest domestic freighter operation
- Integrated ground to air operations
Simplifying the End-to-End Air Linehaul Experience for Customers

Multi-year supply chain improvement program to improve the customer experience

- Express check self-service kiosks
- Tracking technology rollout, including smartphone applications
- Domestic pricing simplification
- New online booking tool
- Conversion to electronic air waybills
- Technology-driven productivity enhancements
- Improved customer experience at a lower unit cost

$55m\textsuperscript{1}
Transformation benefits realised by FY16

1. Forecast benefits to be delivered between 1 January 2014 and 30 June 2016.
Sustainable performance in changing landscape

- Outstanding 1H15 financial performance
- Competitive headwinds in FY16
  - Aggressive competitor activity in flat domestic market
- Strategy in place to maintain profit performance
  - Holistic review of domestic business, to ensure best placed to deliver on rapidly changing customer needs
  - Improve resilience of international business through strategic supplier and customer relationships
  - Underpinned by aggressive cost transformation program
Building a Resilient and Sustainable Qantas International
Gareth Evans
QANTAS INTERNATIONAL

Building a resilient and sustainable business
Positioned for future growth

1. Unwavering commitment to meeting our customers’ needs

2. A fit and competitive business through Transformation

3. Build a sustainable long-term competitive advantage from our home market

4. Generating ROIC > WACC through the cycle
International operating environment

*Impacted by GFC fallout and high AUD, now benefiting from Transformation*

**2005 – 2008: Strong Australian economic growth and lower AUD**
- Strong demand growth
- High yields masking underlying cost problem
- Continued growth of hub carriers in Asia, Middle East
- Delays in A380 constrain capacity growth for Qantas and competitors

**2009 – 2014: GFC fallout, rising fuel prices and surging AUD**
- GFC triggers negative demand, yield collapse in core international markets
- Strong AUD, Australian economy strength leads to influx of competitor capacity
- Brent oil peaks at US$125/bbl
- Transformation to address cost issues begins

**FY15: Transformation-led recovery**
- Accelerated Transformation
- Cooling resources sector results in AUD back to long-run average
- Competitor yields, already impacted by over-capacity, decline further with AUD
- Market capacity growth reduces from 9%\(^2\) in FY14 to ~1% in FY15\(^2\)
- AUD Brent oil at 5-year low

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1. Based on number of seats. Source: BITRE January 2005 to December 2014. 2.BITRE(excl Qantas Group) vs FY13. 2. Based on BITRE & OAG published schedules as at April 2015 (excluding Qantas Group).
Building a fit and competitive Qantas International

Significant transformation achieved to date

HISTORIC STRUCTURAL CHALLENGES ADDRESSED FOR LONG TERM SUSTAINABILITY

• Transformation to deliver competitive unit cost position comparable to direct competitors
• Network restructure around global gateways
• Asian operations rebuilt: capacity and timing
• Four-engine aircraft focused on long-haul
• Schedules optimised
• Premium partners providing global coverage

FY11
• Exit loss making routes – BKK¹ and HKG² to LHR³
• Launch to American Airways Hub – DFW⁴
• Launch to LAN Hub – SCL⁵
• 9 X B747 reconfiguration program
• ‘Mary Gober’ Phase I service training

FY12
• 12 X A380 reconfiguration program
• Heavy maintenance consolidation (Tullamarine closed)
• Emirates partnership launch/Asian network restructure
• Business Sleeper Service, Select on Q and Chauffeur Drive
• New SIN⁶ premium lounge

FY13
• Asian partnerships – China Eastern & China Southern codeshare
• Begin retirement of non-reconfigured B747 fleet
• New HKG² and LAX⁷ Lounges
• Heavy maintenance consolidation (Avalon closed)
• ‘Creating Great’ Phase II service training

FY14
• ‘Right Sizing’ of SIN⁶ flying
• ‘Fleet and Network’ opportunities – significant utilisation uplift
• Dynamic scheduling initiatives
• Partner connectivity (Westjet, Bangkok, China Airlines)
• A330 reconfiguration with Business Suite begins

FY15

QANTAS INTERNATIONAL

Strategic priorities

Delivering a fit and competitive business to leverage growth opportunities

Addressing our competitive challenges

- Reshaping our cost base through Qantas Transformation
  - Unit cost reductions
  - Increasing asset utilisation
- Overcoming network gaps
  - Optimisation of network
  - Continued focus on partnerships

Leveraging our competitive advantages

- Owning the high-yield customer base in Australia
  - World-renowned customer experience
- Providing connections to the world
  - Most convenient & direct
  - Building on revenue fundamentals
  - Premier partners for each region
Reshaping our cost base through Qantas Transformation

Non-fuel unit cost improved by 15%¹ since FY12
- Legacy cost base issues largely addressed
- Reconfigurations delivering improved economics
- Cost base becoming more competitive versus peers in key Qantas International markets

Aircraft utilisation increased by 16% since FY12²
- Four-engine aircraft focused on longer sectors
- ‘Natural ground time’ used for maintenance
- Engineering and ground handling efficiency gains
- LAX³ hangar investment, operational late FY16

Unit Cost Improvement

FY12 FY15
Non-Fuel

15%

FY12 FY15
Fuel

10%

QANTAS INTERNATIONAL TRANSFORMATION ON TRACK TO DELIVER >$800M OF $2B GROUP BENEFITS BY FY17

1. Non fuel unit cost calculated as Underlying EBIT less total revenue and fuel, adjusted for changes in foreign exchange rates per ASK. 2. Based on average block hours per aircraft versus FY15 forecast. 3. Los Angeles. 4. Fuel unit cost is calculated as total fuel per ASK and includes price and efficiencies achieved through fleet mix. FY12 versus FY15 forecast.
Reshaping our cost base through Qantas Transformation

Case study: Utilisation

INCREASED UTILISATION HAS CREATED ADDITIONAL FLYING OPPORTUNITIES – ADDITIONAL REVENUE AT REDUCED UNIT COST

FY15 Utilisation¹

<table>
<thead>
<tr>
<th>Airplane</th>
<th>Avg. Hours /Day</th>
<th>% Change to FY12²</th>
</tr>
</thead>
<tbody>
<tr>
<td>A380</td>
<td>13.9</td>
<td>14%</td>
</tr>
<tr>
<td>B747-400/400ER</td>
<td>12.7</td>
<td>19%</td>
</tr>
<tr>
<td>A330-3/2</td>
<td>15.0</td>
<td>12%</td>
</tr>
<tr>
<td>B737-800</td>
<td>12.6</td>
<td>7%</td>
</tr>
<tr>
<td>Network²</td>
<td>13.6</td>
<td>16%</td>
</tr>
</tbody>
</table>

1. Improved network efficiency
   - Retimed MEL-DXB-LHR⁴ service - improved Europe connectivity
   - Released one A380 to up-gauge non-stop DFW-SYD⁵

2. Launch of new services
   - Additional MEL and BNE⁶ to LAX⁷, retimed SYD-LAX⁷ on B747
   - Additional SCL⁸ services on B747
   - Upgrade HNL⁹ to A330 and increased to 4 per week
   - Launch SYD-HND and BNE-NRT¹⁰ service in August 2015

3. Seasonal flying
   - SYD-YVR¹¹ to cater for peak winter and summer demand
   - PER-AKL¹² services during peak summer season
   - SYD-HKG¹³ and SYD-PVG¹⁴ up-gauge to support Chinese New Year demand

Overcoming network gaps

Case study: Emirates partnership

Premier one-stop customer proposition to Europe, Middle East & Africa

- 98 weekly Qantas and Emirates flights from Australia
- More than 70 Qantas codeshare destinations
- Replaced multi-partner, 5 codeshare destination offering

Delivering significant Group-wide financial benefits

- RASK improvement as partnership matures¹
- Redeployment of capital from continental Europe
- Qantas Frequent Flyer benefit from joint network
- Connecting passengers to Qantas Domestic, Jetstar Group airlines across Asia Pacific

$1.7b Flown on Partnership Code²

4x in Qantas codeshare bookings³
~40% Loyalty participation on EK flights⁴
8 ppts Customer advocacy⁵

1. Qantas International RASK improvement in FY15F versus FY14. 2. AUD, since commencement of partnership on both QF and EK code. 3. Qantas customer bookings on partner/codeshare metal in 2014 versus 2012. 4. Percentage increase of QFF and Skywards members on EK(Emirates) metal versus pre launch of partnership. 5. Net promoter score on Australia to UK routes compared to pre-Emirates partnership.
Overcoming network gaps

Case study: rebuilding a profitable Asia network offering

SIGNIFICANT IMPROVEMENT IN ASIA REGION EBIT: $300m TURNAROUND SINCE FY12

Emirates partnership facilitated increased focus on Asia

- Dedicated capacity increase of 45% to SIN
- Flights re-timed to maximise intra-Asia connectivity
- A330s deployed on South East Asia and Shanghai
- B747 limited to routes with highest premium demand

Improved Qantas product offering

- Direct flights to 9 destinations across Asia
- More than 60 codeshare city pairs
- A330 reconfigurations to leapfrog competitor offerings
- Award-winning Singapore and Hong Kong lounges

1. Based on internal management reports on a fully allocated basis.
2. Singapore
3. Includes Haneda from 31 July 2015 (subject to regulatory approval).
QANTAS INTERNATIONAL

Strategic priorities

Delivering a fit and competitive business to leverage growth opportunities

Addressing our competitive challenges

- Reshaping our cost base through Qantas Transformation
  - Unit cost reductions
  - Increasing asset utilisation
- Overcoming network gaps
  - Optimisation of network
  - Continued focus on partnerships

Leveraging our competitive advantages

- Owning the high-yield customer base in Australia
  - World-renowned customer experience
- Providing connections to the world
  - Most convenient & direct
  - Building on revenue fundamentals
  - Premier partners for each region
Owning the high-yield customer
A world-renowned customer experience

- Continual investment in the customer experience alongside business transformation
  - World’s best lounges (Sydney, Singapore, Hong Kong, Los Angeles)
  - A330 Business Class Suite with state of the art IFE¹
  - ‘New Economy’ meal service
  - Ongoing investment in our people and a personalised service experience

- Recognition for our investment²

QANTAS INTERNATIONAL

Owing the high-yield customer

*Our people are core to delivering a memorable and outstanding experience*

Our ‘One Service Team’ Culture

Supported and Recognised by Our
Investment in Training
Owning the high-yield customer

Investment in revenue management

**Forecast RASK improvement greater than 5% in FY15**
- Fare families incentivise trade-up, align with partners
- Improved pricing to respond to customer demand
- Better capacity management through dynamic scheduling, flexing up in peaks and down in troughs

**Implementing PROS Revenue Management System August 2015**
- Managing the Qantas network how customers want to book (origin/destination), not how aircraft fly (by leg)
- Investment in people and processes to extract full value
- Anticipated yield uplift once fully implemented

**FY15 Unit Revenue Above FY12 Levels**

---

1. FY15 forecast ticketed passenger revenue per ASK inclusive of Transformation benefits and FX movements.
Providing connections to the world
Most convenient and direct

Network and schedule are paramount for premium international flyers

- Particularly important to corporate customers
- Demand for direct services over connections where possible
- Network design centred on key business markets

- Qantas and partners serve >90% of top 30 Australian corporate destinations\(^1\)

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1. Top 30 destinations based on net pax revenue from Qantas corporate accounts. Source: PRISM.
2. London Heathrow, Singapore, Hong Kong, Los Angeles, New York (JFK), Narita, San Francisco, Shanghai, Auckland and Houston.
Continuing partnership strength
A truly global customer proposition

Partnership reach brings participation in large and growing traffic flows
- >1,200 destinations with partner airlines

Partners complement Qantas’ network
- ~200 Qantas and codeshare destinations around the globe from key gateways

Synergies from deep commercial partnerships
- Seamless customer experience
- Schedules tailored to maximise connections
- Expanding Frequent Flyer opportunities

Flying Direct to Key Gateways, Providing Global Connectivity With Codeshare Partners
Marco environment enhances competitive position

**AUD/USD return to long-run range**

**AUD CLOSER TO PARITY**

- Competitor yield from POS AU\(^1\) enhanced
- Capacity expansion above demand
- Declining air fares in market
- Qantas International cost base disadvantage heightened

**AUD IN LONG-RUN HISTORICAL RANGE**

- Competitor yield from POS AU contracts
- Capacity growth moderate
- Qantas International yields from outside Australia POS enhanced
- Qantas International cost base more competitive

---

**Competitor growth into Australia of 44% FY09 – FY14, versus global growth of 29%\(^2\)**

**Competitor revenue in POS AU is $1.5b\(^3\) less with AUD/USD move from parity to ~75c**

---

1. Point of Sale – Australia. 2 Based on BITRE and IATA Carrier Tracker data for industry ASK growth (excluding Qantas Group). 3. Internal analysis based on overseas carrier capacity share of 67% (BITRE) and a Qantas yield proxy.
Looking to the Future

Earn the right to grow and invest

Group Financial Priorities
- $1b debt pay down by end FY15
- Capital management objectives

Sustainable and Resilient Business
- All Transformation targets met
- Increasing revenue

Competitive Business Case
- Business case requires a certain cost base to deliver sustainable ROIC > WACC target
- Includes productivity outcomes
Building a resilient and sustainable business
(Positioned for future growth)

1. Unwavering commitment to meeting our customers’ needs

2. A fit and competitive business through Transformation

3. Build a sustainable long-term competitive advantage from our home market

4. Generating ROIC > WACC through the cycle
A more resilient Qantas Group, positioned to outperform

- Delivering all Qantas Transformation targets
- Building on long-term competitive advantages
- Lessening volatility and cyclicality in portfolio
- Disciplined approach to capital and growth
- ROIC embedded as primary financial return measure

Stable operating environment in core markets

- Domestic market capacity outlook stable
- International market capacity outlook for low growth with AUD in long-term historical range
- Benefit from favourable fuel prices protected in FY16
A strong foundation for sustainable growth

- Ingrained safety culture from 94 years of experience
- Investing in our customers and engaging our people to remain first choice in every market we serve
- Unrivalled dual brand strength and leading market position in domestic Australia
- Innovative Loyalty business continuing to diversify for stable, non-cyclical earnings growth
- Reshaped Qantas International leveraging growth opportunities
- Targeted investment in Asia’s growth
- Increasing Return on Invested Capital, strengthening capital structure through delivery of Qantas Transformation

An integrated Group portfolio with long-term competitive advantages, generating sustainable returns through the cycle
<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEADING DOMESTIC DUAL BRAND POSITION</strong></td>
<td>1H15 Group profitability share ~80% or more versus market share ~63%(^1)</td>
</tr>
<tr>
<td>Profit share &gt; market share</td>
<td>Both airlines more profitable(^2) than competitors in 1H15</td>
</tr>
<tr>
<td>Most profitable full service / LCC airlines</td>
<td>4.1% unit cost improvement(^3)</td>
</tr>
<tr>
<td>Close Qantas unit cost gap to competitor</td>
<td></td>
</tr>
<tr>
<td><strong>STRONG INTERNATIONAL DUAL BRAND POSITION</strong></td>
<td>Expanding partnerships with American Airlines, WestJet, Bangkok Airways, China Eastern and China Airlines</td>
</tr>
<tr>
<td>Grow number of partnerships</td>
<td>48% of 1H15 LCC ASKs into AU – largest LCC(^4)</td>
</tr>
<tr>
<td>Largest LCC in AU international market</td>
<td></td>
</tr>
<tr>
<td><strong>STRENGTHEN AND GROW LOYALTY BUSINESS</strong></td>
<td>8% member growth, 7% partner billings growth(^5)</td>
</tr>
<tr>
<td>Grow QFF member base &amp; partner billings</td>
<td>Aquire, Red Planet, Qantas Golf launched; Taylor Fry acquired(^6)</td>
</tr>
<tr>
<td>Grow and innovate adjacent businesses</td>
<td></td>
</tr>
<tr>
<td><strong>JETSTAR IN ASIA</strong></td>
<td>$13m reduction in losses(^7) in 1H15; Jetstar Asia profitable 2H15F(^8)</td>
</tr>
<tr>
<td>Established airlines profitable by FY16</td>
<td>Introduction of new routes, including Narita-Hong Kong(^9)</td>
</tr>
<tr>
<td>Broadening reach and connections</td>
<td></td>
</tr>
<tr>
<td><strong>BUILD CUSTOMER ADVOCACY</strong></td>
<td>Customer advocacy at record levels(^10)</td>
</tr>
<tr>
<td>Consistently great customer experiences</td>
<td></td>
</tr>
<tr>
<td><strong>TRANSFORM ALL BUSINESSES</strong></td>
<td>Over $875m benefits realised by end FY15</td>
</tr>
<tr>
<td>$2b gross benefits by end FY17</td>
<td>4,000 FTE reduction by end FY15</td>
</tr>
<tr>
<td>5,000 FTE reduction by end FY17</td>
<td></td>
</tr>
<tr>
<td><strong>INSPIRE OUR PEOPLE</strong></td>
<td>Towers Watson 2015 result: 75% ‘engaged’</td>
</tr>
<tr>
<td>&gt;80% of total workforce ‘engaged’</td>
<td></td>
</tr>
</tbody>
</table>

**Invested Capital**

Balance sheet:
Reported balances for:
- Receivables
- Payables
- Inventories
- Other assets
- Revenue received in advance
- Provisions
- Investments
- Property, plant & equipment
- Intangible assets

**ROIC EBIT**

Income Statement:
Underlying EBIT

Off balance sheet adjustments:
Add back: non-cancellable aircraft operating lease rentals
Less: notional depreciation on leased aircraft

Off balance sheet adjustment:
Operating lease aircraft capitalised at market value at lease commencement (in AUD) and depreciated on same basis as an equivalent owned aircraft

**Hurdle rate**

Weighted Average Cost of Capital (WACC):

Components:
- Cost of debt (long term view based on projected credit metrics) multiplied by proportion of debt to capital (debt + equity); plus
- Cost of equity determined by traditional Capital Asset Pricing Model multiplied by proportion of equity to capital (debt + equity)

**ROIC = ROIC EBIT / Average Invested Capital**
## Scorecard: Jetstar priorities being delivered

### PROGRESS TO DATE

<table>
<thead>
<tr>
<th>Category</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SAFETY &amp; COMPLIANCE LEADERSHIP</strong></td>
<td>✓</td>
</tr>
<tr>
<td>Developed best practice Safety &amp; Operational standards</td>
<td>✓</td>
</tr>
<tr>
<td>Solid relationship with all national regulators</td>
<td>✓</td>
</tr>
<tr>
<td><strong>SUSTAINED PROFITABILITY</strong></td>
<td>✓</td>
</tr>
<tr>
<td>Ongoing, year-on-year reduction in controllable unit cost reduction¹</td>
<td>✓</td>
</tr>
<tr>
<td>Continued growth of ancillary revenue/passenger²</td>
<td>✓</td>
</tr>
<tr>
<td><strong>LEADING CUSTOMER ADVOCACY &amp; BRAND</strong></td>
<td>✓</td>
</tr>
<tr>
<td>#1 LCC NPS scores in each market³</td>
<td>✓</td>
</tr>
<tr>
<td>Yield premium in established markets</td>
<td>✓</td>
</tr>
<tr>
<td><strong>EXCEPTIONAL RELATIONSHIPS ACROSS OUR BUSINESSES</strong></td>
<td>✓</td>
</tr>
<tr>
<td>Jetstar Australian and NZ pilot⁴ and ASU⁵ EBAs⁶ voted up</td>
<td>✓</td>
</tr>
<tr>
<td>Additional training and development tools being deployed</td>
<td>✓</td>
</tr>
<tr>
<td>Ongoing support and commitment to Jetstar Group model</td>
<td>✓</td>
</tr>
<tr>
<td><strong>REALISE ASIA-PACIFIC GROWTH POTENTIAL</strong></td>
<td>✓</td>
</tr>
<tr>
<td>$13m reduction in losses for Jetstar Airlines in Asia in 1H15⁷</td>
<td>✓</td>
</tr>
<tr>
<td>Jetstar Asia profitable in 2H15⁸</td>
<td>✓</td>
</tr>
<tr>
<td>Group scale driving RASK and CASK position in each market</td>
<td>✓</td>
</tr>
<tr>
<td>#2 LCC in the world for interline partnerships and #1 LCC in Asia Pacific (&gt;40 interline partners)⁹</td>
<td>✓</td>
</tr>
</tbody>
</table>

1. Controllable Unit Cost is calculated as total underlying expenses excluding fuel, carbon tax and share of net loss of investment accounted for using the equity method, adjusted for change in FX rates and movements in average sector length perASK. It reflects previously published company figures. 2. FY05-FY14. 3. Net promotor score. Source: Forethought Research, November 2014 to April 2015. 4. The Australian Federation of Air Pilots. 5. Australian Services Union. 6. Enterprise Bargaining Agreement. 7. Based on Underlying EBIT when compared to 1H14. Includes Jetstar Asia, Jetstar Japan, Jetstar Hong Kong and Jetstar Pacific. 8. Based on current forecast Underlying EBIT. 9. Based on internal company analysis.
QANTAS LOYALTY

Australia’s leading loyalty program

Analytics

- 15+ segmentation models
- 34,000 market research online posts
- 1.5 billion customer transactions

Marketing

- 7.8 million valid email addresses
- 7.2 million members receive eDMs
- Over 335 million email communications with 33% open rate

- Exclusive access to Classic Flight Rewards and Points Plus Pay – Flights to 1000+ destinations
- Qantas Store with over 3,000 products

Qantas and Jetstar
- 35+ airline partners including Emirates and oneworld affiliates
- All major credit card issuers
- Primary supermarket
- $1.3B billings > 66% external

Earn partners may become reward suppliers, increasing range of valuable rewards

Valuable rewards attract members and enhance engagement

Large, quality member base attracts new earn partners

Large, quality earn partner network increases opportunities to earn, increasing engagement

10.7m members, 50% of Australian households¹, primary program for 61% of members²

Highly affluent skew: We have 79% penetration of Australia’s most affluent households¹

Ability to reach members (e.g. 7.8m valid email address, 33% open rate)

Record satisfaction (NPS)³

Breakage at industry lows

Source: Qantas Loyalty analysis. Note: All figures are as at April 2015 unless otherwise stated. 1. 50% as at February 2014. Source: Experian. 2. As at March 2015. 3. For March 15 quarter. 4. FY14 billings.
Highly attractive business model

Attractive financial features of business model

- Highly cash generative
  - Cash received upfront when Qantas Points issued
  - Earn interest on negative working capital position

- Favourable correlation with inflation
  - As prices increase, the number of Qantas Points purchased increases
  - Exposure to input price increases can be mitigated

- Multiplier effect for a single transaction
  - Card Partners create opportunity to earn from multiple earn partners with a single transaction
  - Potential to earn both Qantas Points and Aquire Points on single transaction

- Low capital intensity

- Highly scalable, transaction based model

Business model is based on two key activities:

1. Issuing Qantas Points (cash in)
   - Member uses Qantas American Express Premium Card to pay for hire car from Avis
   - American Express and Avis pay QFF
   - QFF issues Qantas Points to member

2. Providing Awards (cash out)
   - Member uses Qantas Points to book Classic Flight Reward
   - QFF purchases flight from Qantas
   - Qantas issues flight to member
Multiplier effect and favourable correlation with inflation

More people participating  
... and spending more  
... and engaging with loyalty programs in more ways  
... and with more payment methods to earn points

...each supported by macroeconomic and industry specific factors

- Population growth
- Loyalty program participation
- Affluence of members
- Level of expenditure
- Discretion about where to spend
- Competition and concentration in industries
- Quality of earn partners (e.g. market share, profit margin)
- Technological development
- Recognition of the value of loyalty marketing
- Availability of credit cards linked to loyalty programs
- Merchant acceptance of different payment methods
- Level of credit card spend
Overview of cash flow and accounting treatment

Points Flow

- Points Earned by Spending
- Life of a Point ~2 years
- Points Redeemed for Award; or Points Expire (Breakage)¹

Cash Flow

- Gross Billings
- Cash Interest
- Redemption Revenue
- Redemption Cost

Income Statement

- Marketing Services Revenue
- Marketing Revenue
- Interest Revenue
- Redemption Revenue

Balance Sheet

- Opening Revenue Received in Advance
- Closing Revenue Received in Advance
- n/a

Note: above diagram highlights unique QFF accounting items only. Diagram excludes other revenue (e.g. membership revenue) and operating costs below gross margin. ¹ Breakage is recognised at the time of points earn / issuance based on an estimated breakage rate. There is no further recognition of breakage at the time of points expiry. However, the actual rate of breakage is used to inform the estimated breakage rate for initial recognition.
**QANTAS LOYALTY**

**Description of key accounting items**

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing Revenue</strong></td>
<td>Comprised of two components, Marketing Services Revenue and Breakage (see below), and is recognised at the time Qantas Points are issued to Earn Partners. Measured as the difference between Gross Billings received and the Fair Value of Qantas Points deferred (see below).</td>
</tr>
<tr>
<td><strong>Marketing Services Revenue</strong></td>
<td>Marketing Services Revenue is revenue earned for the service Qantas Loyalty provides its Earn Partners, which drives consumer behaviour to purchase products offered by those Earn Partners. It is the premium paid above the Fair Value of Qantas Points for Earn Partners to be part of the Program, and includes payment for use of the Qantas and related brands.</td>
</tr>
<tr>
<td><strong>Breakage</strong></td>
<td>Breakage is an estimate of the rate of Point expiry, and refers to the expectation that not all Qantas Points issued will ultimately be redeemed. Point expiry follows a period of inactivity on a member’s account for 18 months. Breakage Rate is estimated by the Directors, in conjunction with an independent actuary. Changes in Breakage expectations are accounted for prospectively as a change in accounting estimate.</td>
</tr>
<tr>
<td><strong>Revenue Received in Advance</strong></td>
<td>When Gross Billings are received from Earn Partners, an amount equal to the Fair Value of Qantas Points is deferred, creating a liability on the Balance Sheet for Revenue Received in Advance. The Fair Value of Qantas Points deferred is equal to the retail value of Awards associated with Qantas Points expected to be redeemed in the future. Revenue Received in Advance is classified as current or non-current based on the estimated redemption pattern of Qantas Points. Revenue Received in Advance is only recognised as earned revenue for accounting purposes at the time Qantas Points are redeemed for Awards.</td>
</tr>
<tr>
<td><strong>Redemption Revenue</strong></td>
<td>Redemption Revenue is recognised in the Income Statement when a member redeems their Qantas Points for Awards. Revenue Received in Advance (Balance Sheet) is simultaneously reduced by the amount of Redemption Revenue recognised. The amount of Redemption Revenue recognised is equal to the weighted average value of Qantas Points in the Qantas Points Pool multiplied by the number of Qantas Points redeemed.</td>
</tr>
</tbody>
</table>
QANTAS LOYALTY

Contributes high value to Qantas Group

<table>
<thead>
<tr>
<th>Primary airline affiliation</th>
<th>Qantas</th>
<th>Air Canada</th>
<th>TAM</th>
<th>GOL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global alliance affiliation</td>
<td>one world® Alliance</td>
<td>Star Alliance</td>
<td>one world® Alliance</td>
<td>None</td>
</tr>
<tr>
<td>Current membership base</td>
<td>10.7m²</td>
<td>&gt;5m</td>
<td>13.8m</td>
<td>10.3m</td>
</tr>
<tr>
<td>Implied population penetration</td>
<td>45.4%</td>
<td>14%</td>
<td>6.8%³</td>
<td>5.1%³</td>
</tr>
<tr>
<td>FY14A Breakage rate</td>
<td>&lt;10%</td>
<td>12%⁴</td>
<td>17.8%</td>
<td>16.5%</td>
</tr>
<tr>
<td>FY14A billings (A$m)⁵</td>
<td>1,306</td>
<td>1,357⁶</td>
<td>1,003</td>
<td>543</td>
</tr>
</tbody>
</table>

Source: Company Annual Reports, Bloomberg (share prices). 1. Data relates to Canada Segment only, which derives its revenues primarily from the Aeroplan program. Excludes Europe Middle East and Africa segment (which derives revenue primarily from Nectar and Nectar Italia programs, proprietary loyalty services, analytics and insights services) and US and Asia Pacific segment (which derives revenue primarily from proprietary loyalty services). 2. As at 1H15. 3. Calculated based on population of Brazil. 4. Weighted average breakage rate of AIMIA. 5. Using average exchange rate for relevant financial year. 6. Billings relating to the sale of Loyalty Units.
Other Information

<table>
<thead>
<tr>
<th>Service</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas Cash</td>
<td>On track to have $1bn loaded by 30 June 2015</td>
</tr>
<tr>
<td>Qantas Online Mall</td>
<td>29 partners as at 28 April 2015</td>
</tr>
<tr>
<td>Qantas Store</td>
<td>3000+ products in the Qantas Store</td>
</tr>
<tr>
<td>Qantas epiQure</td>
<td>70% year on year order growth in March 2015</td>
</tr>
<tr>
<td></td>
<td>~40% member growth in the 12 months to March 2015</td>
</tr>
<tr>
<td>Qantas Golf</td>
<td>33k members signed up to program</td>
</tr>
<tr>
<td></td>
<td>100 courses in program</td>
</tr>
<tr>
<td>Red Planet</td>
<td>On track to be profitable in the first year of operations</td>
</tr>
</tbody>
</table>
# Scorecard

Strategic priorities are being delivered

<table>
<thead>
<tr>
<th>OPERATIONAL EXCELLENCE</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas International Transformation on track to deliver &gt;$800m in benefits by FY17</td>
<td>✓</td>
</tr>
<tr>
<td>Non-fuel unit cost improved by 15%(^1) since FY12</td>
<td>✓</td>
</tr>
<tr>
<td>Aircraft utilisation increase of 5% in FY15(^2) – further growth in FY16</td>
<td>✓</td>
</tr>
<tr>
<td>PROS implementation to deliver new ‘O&amp;D’(^3) opportunities</td>
<td>✓</td>
</tr>
<tr>
<td>Deeply embedded culture of safety</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>WORLD RENOWNED CUSTOMER EXPERIENCE</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year on year improvement in NPS</td>
<td>✓</td>
</tr>
<tr>
<td>New economy meal, investment in lounge footprint (SIN, HKG, LAX)(^4), new A330 business suite investment on Asian routes</td>
<td>✓</td>
</tr>
<tr>
<td>Service and culture training across all customer touchpoints</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FLYING DIRECT TO INTERNATIONAL DESTINATIONS</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan network enhancement, right size PER/SIN(^5) operations</td>
<td>✓</td>
</tr>
<tr>
<td>Optimise increased flying to North America, seasonal flying during peaks (e.g. ski seasons and Chinese New Year)</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUR PARTNERS PROVIDE CONNECTIONS TO THE WORLD</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanded partnerships with American Airlines, WestJet, Bangkok Airways, China Eastern and China Airlines</td>
<td>✓</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OUR PEOPLE AND CULTURE MAKE THE DIFFERENCE</th>
<th>PROGRESS TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective communication and engagement through major business transformation</td>
<td>✓</td>
</tr>
</tbody>
</table>

1. Non fuel unit cost calculated as Underlying EBIT less total revenue and fuel, adjusted for changes in foreign exchange rates per ASK. 2. Based on average block hours per aircraft. FY15 forecast versus FY14. 3. Origin and Destination. 4. Singapore, Hong Kong and Los Angeles. 5. Perth/Singapore.
This Presentation has been prepared by Qantas Airways Limited (ABN 16 009 661 901) (Qantas).

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