

Company Secretary
Taryn Morton



23 January 2014

Companies Announcement Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Please find attached information on Qantas Airways Limited published by Standard & Poor's.

Yours faithfully

Taryn Morton
Company Secretary



Qantas Airways Limited ABN 16 009 661 901
10 Bourke Road Mascot NSW 2020 Australia
Telephone +61 2 9691 3636

qantas.com

RatingsDirect®

Qantas Airway Ltd.'s Senior Unsecured Debt Affirmed At 'BB+'; Recovery Rating Of '3' Assigned

Primary Credit Analyst:

Graeme A Ferguson, Melbourne (61) 3-9631-2098; graeme.ferguson@standardandpoors.com

Secondary Contact:

May Zhong, Melbourne (61) 3-9631-2164; may.zhong@standardandpoors.com

MELBOURNE (Standard & Poor's) Jan. 23, 2014--Standard & Poor's Ratings Services said today that it had affirmed its 'BB+' long-term issue rating on Qantas Airways Ltd.'s senior unsecured debt, in line with the corporate credit rating. At the same time, we assigned a recovery rating of '3', indicating our expectation of meaningful (50%-70%) recovery for creditors in the event of a payment default. We have also removed the senior unsecured debt from CreditWatch with negative implications, where it was placed on Dec. 5, 2013.

Supporting the issue and recovery ratings is our valuation of Qantas Airways as a going concern in a hypothetical default scenario. The ratings reflect our view of the airline's leading domestic market position, the enduring value of the Qantas brand, and our assessment that the business would retain more value as a reorganized operating entity than in liquidation.

Standard & Poor's simulated default scenario assumes a payment default in 2019 due to intensifying competition, rendering Qantas vulnerable to adverse industry conditions such as persistently weak economic conditions, escalated fuel prices, or external shocks such as a major terrorist incident or pandemic. In this scenario, operational underperformance would likely result in weakened cash flows and liquidity as the airline approaches hypothetical default.

We value Qantas using a discrete asset valuation since the aircraft and other tangible assets represent the majority of its assets. Our valuation assumptions include conservative realization rates of receivables and inventory, and plant and equipment. Our stressed valuation assumes that secured loans and financial leases are sufficiently collateralized and assumes

Qantas Airway Ltd.'s Senior Unsecured Debt Affirmed At 'BB+'; Recovery Rating Of '3' Assigned

they would be fully satisfied with no residual claim on unencumbered assets.

Qantas' fleet is predominantly encumbered and the age of the encumbered fleet is materially younger than that of the unencumbered fleet, therefore limiting the realizable value of the unencumbered fleet available to senior unsecured lenders. Moreover, we expect any new aircraft to more likely be financed on a secured basis which, over time, would further reduce the recovery value of the unencumbered fleet. Nevertheless, underpinning the recovery prospects for the airline's senior unsecured lenders is our assessment of the stressed valuation of Qantas' freehold land holdings, leasehold improvements, aircraft deposits, landing slots, joint venture arrangements, and loyalty business.

RELATED CRITERIA AND RESEARCH

- General: Corporate Methodology, Nov. 19, 2013
- Key Credit Factors: Criteria For Rating The Airline Industry, Oct. 22, 2010
- 2008 Corporate Criteria: Commercial Paper, April 15, 2008
- General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

AUSTRALIA

Standard & Poor's (Australia) Pty. Ltd. holds Australian financial services licence number 337565 under the Corporations Act 2001. Standard & Poor's credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

Copyright © 2014 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.