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

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

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

Primary Credit Analyst:
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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 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.