

Qantas Airways Limited

1H14 Results

27 February 2014



Overview

Immediate priorities, long-term competitiveness

- 1H14 earnings deterioration in very difficult operating environment
- Current challenges:
 - Capacity growth ahead of demand pressuring yields
 - Distorted aviation marketplace
 - Uncompetitive cost base and work practices
 - High AUD fuel costs, mixed economic conditions
- Immediate priorities:
 - Earnings recovery through accelerated business transformation
 - Right-sizing fleet and network
 - Capital expenditure (capex) aligned with financial performance

STRENGTHENING OUR CORE BUSINESS FOR LONG-TERM COMPETITIVENESS

1H14 Financial Results

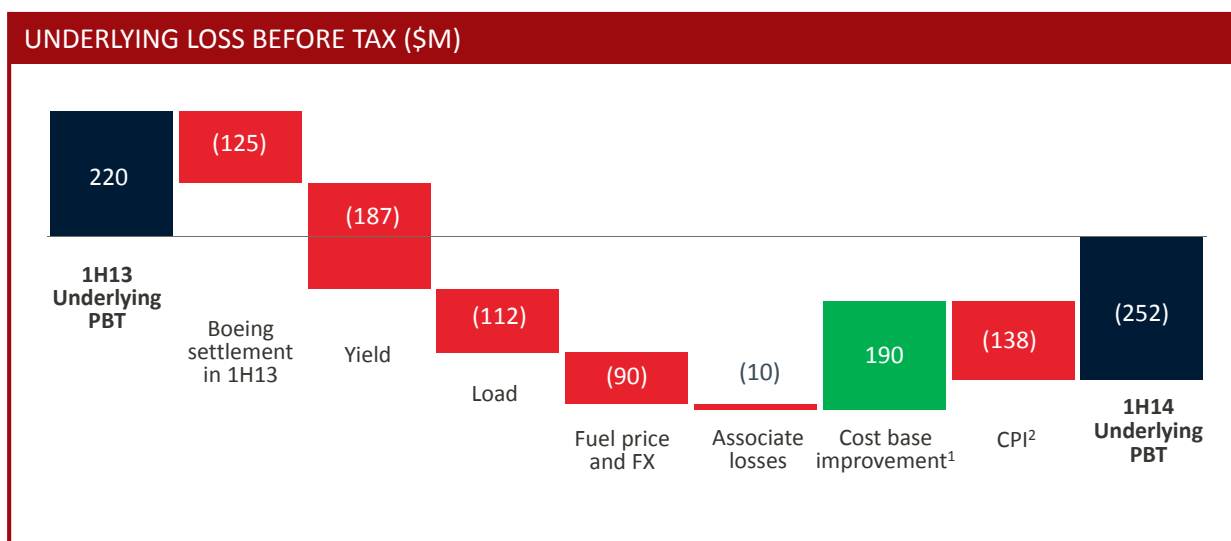
- 1H14 Underlying PBT¹ loss of \$252m in line with guidance; Statutory Loss After Tax \$235m
 - Revenue decline from yield and load pressure, record fuel cost
- Strong liquidity position \$3b²
- Capex weighted to 1H14 – \$0.9b, (2H14: \$0.3b)
- No interim dividend declared

KEY GROUP FINANCIAL METRICS	1H14	1H13	VL ³
Revenue (\$M)	7,903	8,242	↓ 4%
Yield excluding FX (c/RPK)	10.10	10.43	↓ 3%
Comparable Unit Cost ⁴ (c/ASK)	5.04	5.13	↓ 2%
Net free cash flow ⁵ (\$M)	(358)	205	↓ >(100)%

1. Underlying Profit Before Tax (PBT) is a non-statutory measure and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. All line items in the 1H14 Results Presentation are reported on an Underlying basis. Refer to Supplementary Slide 4 for a reconciliation of Underlying to Statutory PBT. 2. Includes cash and cash equivalents and \$630m undrawn revolver facility at 31 December 2013. 3. Variance to last year. Favourable variances are reported in green. 4. Comparable Unit Cost is calculated as Underlying PBT less passenger revenue and fuel per ASK adjusted for the impact of the Boeing settlement (1H13), B767 phased fleet retirement, share of the Group's associate losses, change in FX rates and movements in average sector length. Refer to Supplementary Slide 9 for further detail. 5. Net free cash flow is operating cash flows less investing cash flows. Free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.

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1H14 Financial Results



1. Cost base improvement includes Qantas Transformation benefits (excluding passenger revenue initiatives) as well as other cost and efficiency improvements in Jetstar Group, Loyalty, Qantas Freight and Corporate. 2. Company estimate. Includes wage inflation.

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Underlying Income Statement Summary

\$M	1H14 ¹	1H13 ^{1,3}	VLY %	
Net passenger revenue ²	6,786	7,042	(4)	Sustained aggressive competitor activity impacting yield and load
Net freight revenue	500	475	5	Consolidation of Australian air Express ⁴ ; reduced international capacity
Other revenue ²	617	725	(15)	1H13 Boeing settlement \$125m
Revenue	7,903	8,242	(4)	
Operating expenses (excluding fuel)	4,797	4,770	(1)	Qantas Transformation initiatives; 0.7% capacity growth
Fuel	2,255	2,181	(3)	9% increase in average AUD fuel price before hedging; offset by 3% fuel efficiency ⁵ improvements
Depreciation and amortisation	746	719	(4)	Net increase of 7 owned aircraft
Non-cancellable aircraft operating lease rentals	261	265	2	Net reduction of 2 aircraft leases
Underlying EBIT	(156)	307	>(100)	
Underlying net finance costs	(96)	(87)	(10)	Increase in net debt
Underlying PBT¹	(252)	220	>(100)	

1. All line items presented on an Underlying basis. Refer to Supplementary Slide 4 for a reconciliation of Underlying PBT to Statutory PBT. 2. Net passenger revenue has been adjusted in 1H14 to include revenue from charter operations previously reported in Other revenue. 1H13 Net passenger revenue and Other revenue have been restated accordingly. These items remain excluded from the calculation of yield. 3. 1H13 has been restated for the impact of the mandatory application of the revised Accounting Standard AASB 119: Employee Benefits. 4. Following acquisition in November 2012. 5. Fuel efficiency measured as litres per Available Seat Kilometre (ASK).

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Other Items Not Included in Underlying PBT¹

\$M	1H14	1H13	
Statutory (loss)/profit before income tax expense	(305)	148	
AASB 139 mark-to-market movements relating to other reporting periods	(54)	(34)	
Redundancies, restructuring and other transformation costs	59	68	Ongoing Qantas Transformation initiatives including consolidation of Avalon Heavy Maintenance and closure of Adelaide Catering facility
Net impairment of property, plant and equipment	23	62	B763 retirement
Net profit on disposal of investment in jointly controlled entity	-	(30)	
B787-8 introduction costs	9	-	
Other	16	6	
Total Items not included in Underlying PBT	53	72	
Underlying PBT	(252)	220	

1. Items which are identified by Management and reported to the Qantas Group's chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period. Items not included in Underlying PBT primarily result from revenues and expenses relating to business activities in other reporting periods, major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business.

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Cash Flow and Debt Position

SUMMARISED CASH FLOW			
\$M	1H14	1H13	VL% %
Cash generated from operations	692	788	(12)
Other operating cash flows ¹	(111)	(8)	>(100)
Investing cash flows	(939)	(575)	(63)
Free cash flow (Net Operating & Investing)	(358)	205	>(100)
Financing cash flows	(82)	(547)	85
Net change in cash held	(440)	(342)	(29)
Effects of FX on cash	6	2	>100
Cash at end of period	2,395	3,058	(22)

1H13 Boeing settlement partially offset by 1H14 improvement in forward bookings driven by strategic partnerships including Emirates

1H13 redundancy costs offset by Star Track Express dividends as part of sale transaction

Capex weighted to 1H14 vs 2H14; 1H13 includes proceeds from sale of Star Track Express

Sale and leaseback of B787s and B738s; 1H13 repayment of borrowings

Maintaining strong liquidity position

DEBT POSITION AND GEARING			
	1H14	2H13 ⁴	VL% %
Net on balance sheet debt ² (\$M)	3,829	3,226	(19)
Gearing ratio ³	49:51	46:54	(3)pts

1. Includes total of cash payments to employees for redundancies, interest received, interest paid, dividends received from investments in entities accounted for using the equity method, and income taxes paid. 2. Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt less cash, cash equivalents and aircraft security deposits. 3. Gearing ratio is net debt including operating lease liability to net debt including operating lease liability and equity (excluding hedge reserve). The gearing ratio is used by Management to represent the Qantas Group's debt obligation including obligations under operating leases. 4. 2H13 restated for the impact of the mandatory application of the revised accounting standard AASB119: Employee Benefits.

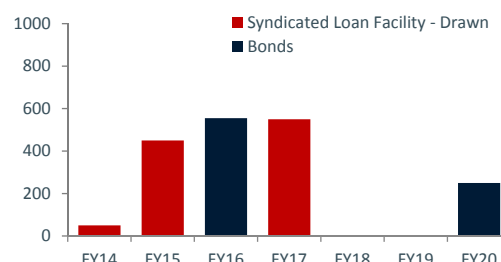
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Capital Management and Treasury

- Strong liquidity \$3b¹
 - Cash \$2.4b
 - \$630m undrawn debt facilities
- No major unsecured maturity until April 2015
- ~30% of total passenger fleet debt free
 - 31 new unencumbered aircraft since FY10
 - 7 unencumbered aircraft added 1H14
 - 20 mid-life aircraft become debt free in FY14
- Young average fleet age 7.6 years²
- Majority of hedging effective at current rates³

2H14 EXPOSURE ³	% HEDGED
Fuel costs	98
Operating foreign exchange	88

UNSECURED DEBT MATURITY PROFILE \$M



FLEET AGE² (YRS)



1. Includes cash and cash equivalents and \$630m undrawn revolver facility at 31 December 2013. 2. Average fleet age of the Group's scheduled passenger fleet based on manufacturing date. 3. As at 25 February 2014

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1H14 Segment Results



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Qantas Domestic

- Underlying EBIT \$57m
 - 1H14 demand below market capacity growth
 - Resources sector softening (QLD and WA)
 - Corporate account pricing pressure
 - Unfavourable fuel price and FX \$40m

		1H14	1H13	VLV %
Revenue	\$M	3,086	3,220	(4)
Underlying EBIT	\$M	57	218	(74)
ASKs	M	19,227	19,187	0.2
Seat factor	%	74.9	76.9	(2.0)pts

- Comparable Unit Cost improvement 1%¹
- Maintained >80% of corporate accounts by revenue
- Fleet renewal improving economics
 - B734 fleet exit completed February 2014, 9 x B763 retired in last 2 years
- Record customer advocacy levels
- Superior on time performance (OTP)² 5th year running, including unprecedented 12 out of 12 months in 2013

1. Comparable Unit Cost is calculated as Underlying EBIT less passenger revenue and fuel per ASK adjusted for Boeing settlement (1H13), B767 phased fleet retirement, change in FX rates and movements in average sector length. 2. Source: Monthly BITRE data January 2009 - December 2013.

Qantas International

- Underlying EBIT loss of \$262m
 - Competitor capacity growth of 9%¹
 - Europe, South East Asia yields most pressured
 - Unfavourable fuel price and FX \$47m
- Strong Comparable Unit Cost improvement 4%²
 - Reduced B747 heavy maintenance costs
 - ~5% increase in fleet utilisation
 - Improved economics from reconfigurations
- Customer advocacy continues at record levels³
 - Enhanced code share network, seamless customer proposition through Emirates alliance driving positive sentiment

		1H14	1H13	VLY %
Revenue	\$M	2,621	2,818	(7)
Underlying EBIT	\$M	(262)	(91)	>(100)
ASKs	M	29,863	29,625	0.8
Seat factor	%	80.8	82.7	(1.9)pts

1. Source: BITRE (July 2013-November 2013). 2. Comparable Unit Cost is calculated as Underlying EBIT less passenger revenue and fuel per ASK adjusted for the impact of the Boeing settlement (1H13), change in FX rates and movements in average sector length. 3. Since recording commenced in February 2003. **11**

Jetstar Group

- Underlying EBIT loss of \$16m
 - Domestic Australia profitable
 - Associate losses \$29m during start up phase
 - Competitive environment impacting yields, in particular South East Asia
 - Unfavourable fuel price and FX \$31m
- Low Cost Carrier (LCC) business fundamentals remain strong
 - 2% Controllable Unit Cost¹ improvement
 - 1% ancillary revenue per passenger² improvement
 - Introduction of B787 into long-haul business to improve unit cost, customer benefits
- Record customer advocacy levels
- Strong and growing brand presence across Asia Pacific

		1H14	1H13	VLY %
Revenue	\$M	1,671	1,757	(5)
Underlying EBIT	\$M	(16)	128	>(100)
ASKs	M	22,754	22,562	0.9
Seat factor	%	78.5	79.0	(0.5)pts

1. Controllable Unit Cost is calculated as total underlying expenses excluding fuel, carbon tax, Jetstar Asia and share of associate losses, adjusted for change in FX rates and movements in average sector length per ASK. 2. Ancillary revenue per passenger is calculated in local currency and excludes management and branding fee revenue, adjusted for change in customer mix. **12**

Qantas Loyalty

- Record Underlying EBIT¹ \$146m, up 7%
 - Up 10% excluding new business start up costs²
- Billings³ up 9%, double digit credit card point sales
- 8 new QFF partners driving more ways to earn
- Sustained record customer advocacy levels
 - 9.8m⁴ members and growing; FY14 target 10m
 - 3 million awards redeemed, up 11%
- Growth initiatives exceeding expectations
 - Qantas Cash – over 200,000 activations⁴
 - AQUIRE – ~25,000 SMEs pre-registered; more than 10 key partners in core categories; 31 March launch date

		1H14	1H13	VLY %
Underlying EBIT	\$M	146	137	7
Billings	\$M	662	607	9
Deferred Revenue Growth ⁵	\$M	59	45	31
Members	M	9.7	9.0	8

1. Record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.
 2. Qantas Cash and AQUIRE start up costs. 3. Billings represent point sales to partners. 4. As at February 2014. 5. Deferred revenue growth from 1 July 2013 and 1 July 2012 respectively.

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Qantas Freight

- Underlying EBIT \$11m
 - Sale of Star Track Express and acquisition of Australia air Express during 1H13¹
 - Challenging air freight markets
 - International capacity reductions
- Australia air Express¹ integration completed
 - Full run-rate benefits from 2H14
- Exit of 1 B747 freighter in 2H14
- Focus on cost reduction and service improvement through technology

		1H14	1H13	VLY %
Revenue	\$M	568	531	7
Underlying EBIT	\$M	11	22	(50)
Capacity (International AFTKs)	B	1.8	2.0	(8.2)
Load (International)	%	53.9	55.9	(2.0)pts

1. Sale of 50% stake in Star Track Express to Australia Post and acquisition of 100% of Australia air Express completed 13 November 2012.

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Group Strategy Update



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Group Strategy Update

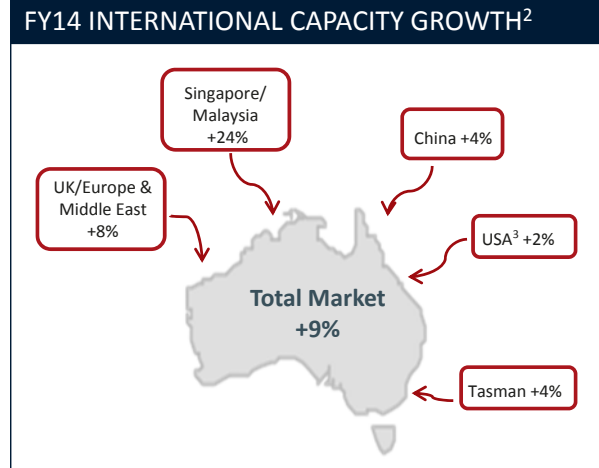
1. Market conditions
 2. Track record of delivering Transformation
 3. Immediate priorities
 - Accelerating Qantas Transformation
 - Right-sizing fleet and network
 - Delivering for customers
 - Our people
 - Realigning capex with financial performance
 4. Structural review update
 5. Long-term competitiveness
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1. Market Conditions – International

Competitor capacity growth constraining yields

- Competitor capacity growth into Australia running at double global average:
 - 46% increase since FY09, vs global growth of 21% from 2009-2013¹
 - Liberal aviation policy, attractive AUD
 - Growth led by state-owned airlines
- FY14 market capacity forecast to grow 9%
- Shifting global aviation landscape, new alliances → battle among hub carriers



1. BITRE and IATA Carrier Tracker data for industry ASK growth. 2. Growth percentages based on seat numbers vs FY13. All data sourced from BITRE except FY14 Q2-Q4 which is based on FY13 seats adjusted for days in FY14Q2-Q4 and carrier market announcements as at the 31 December 2013. 3. Does not include Hawaii.

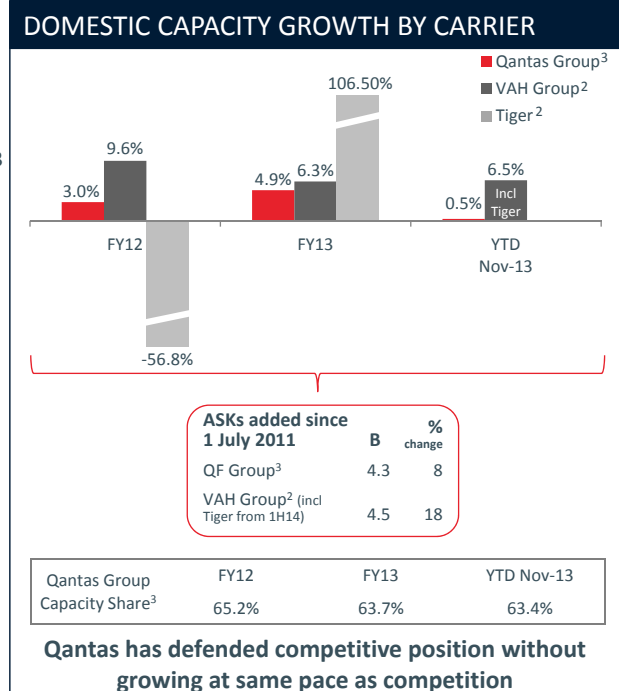
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1. Market Conditions – Domestic

Capacity oversupply exacerbating weak underlying demand

- Competitor growth has outpaced Qantas Group since beginning of FY12
 - 4.5b ASKs added by Virgin Australia Group^{1,2} vs 4.3b ASKs by Qantas Group³
- Demand impacted by resources sector softening, cautious business environment, low consumer confidence
- Growth ahead of market demand has compressed yields across all segments

Domestic profit pool reduced from >\$700m in FY12 to <\$100m in 1H14⁴

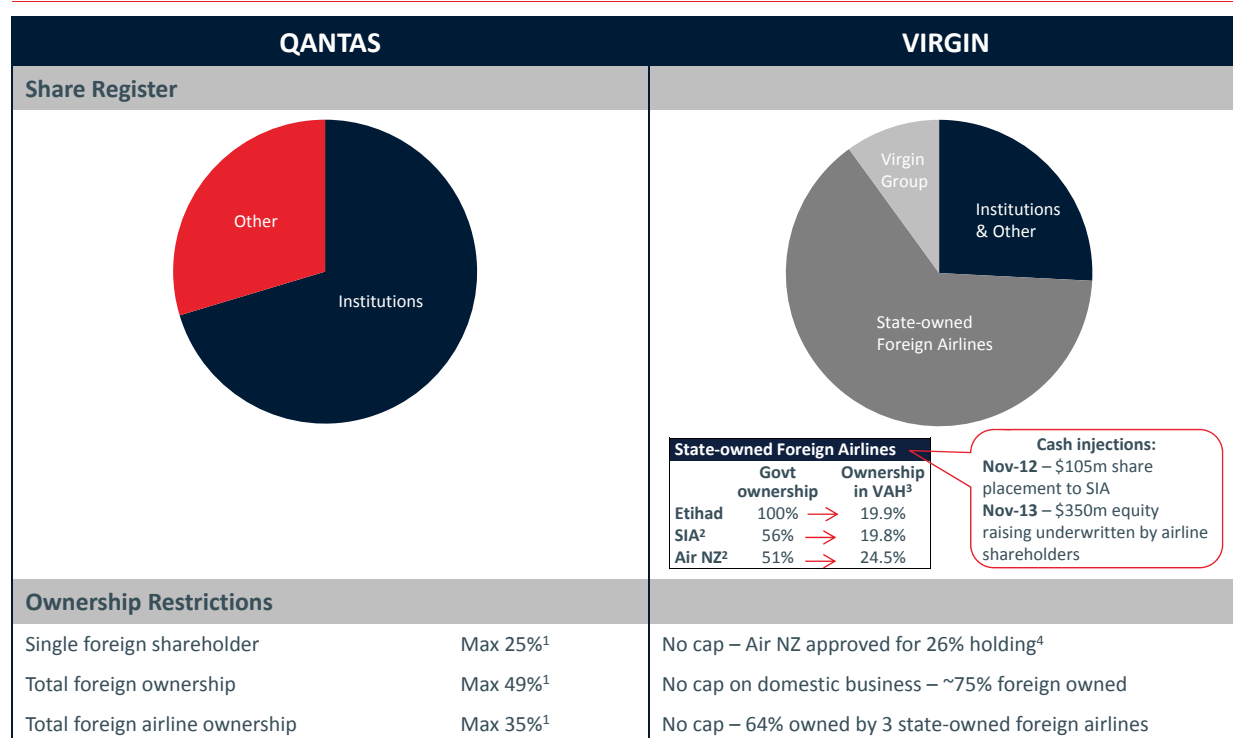


1. Virgin Australia Holdings' (VAH) consolidated airlines including Virgin Australia, Virgin Australia Regional Airlines and TigerAir Australia. 2. Source: Company Operating Statistics. 3. Source: BITRE. 4. Based on EBIT. Competitor data for 1H14 based on market guidance.

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1. Market Conditions – Domestic

Uneven playing field distorting marketplace



1. As per the Qantas Sale Act 1992. 2. Singapore Airlines, Air New Zealand 3. Etihad and Singapore Airlines hold a further 1.34% economic interest each, held via an equity swap, subject to Foreign Investment Review Board approval. 4. Approval from Foreign Investment Review Board.

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1. Market Conditions – Conclusions

- Competitive intensity in core markets to persist in short-term
- Revenue will remain under pressure
- AUD fuel to remain high
- Distorted aviation marketplace

In response to unprecedented challenges, we must strengthen our core business and drive earnings recovery through accelerated business and cost base transformation.

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2. Track Record of Delivering Transformation

- Since FY09, Qantas has faced increasingly challenging environment:
 - Group yields down 11%¹ (~\$1.2b impact on revenue)
 - Adverse impact of fuel price and FX of >\$500m (FY13 vs FY09)
 - Domestic carbon tax unrecovered (\$106m in FY13)
- From FY09-FY13, pressures were mitigated by transformation initiatives:
 - Comparable Unit Cost² reduced by 19%, (21% reduction 1H09 to 1H14)
 - Significant inroads into legacy cost base and workplace practices
 - Including major initiatives:

	ACTION	TIMEFRAME	TOTAL BENEFIT
Heavy maintenance	• Consolidated 3 bases to 1	FY10 to FY13	\$110m
Commercial	• Alliances, codeshare • Cost of sale	FY10 to FY13	\$280m
Network	• Exit under-performing routes • Utilisation and scheduling	FY10 to FY13	\$250m

1. Adjusted for movements in average sector length. 2. Comparable Unit Cost is adjusted to aid comparability between reporting periods. Comparable Unit Cost is calculated as net expenditure (Underlying PBT less passenger revenue and fuel) per ASK adjusted for the items listed in the table on slide 22. 21

2. Track Record of Delivering Transformation

Significant inroads into legacy cost base and workplace practices

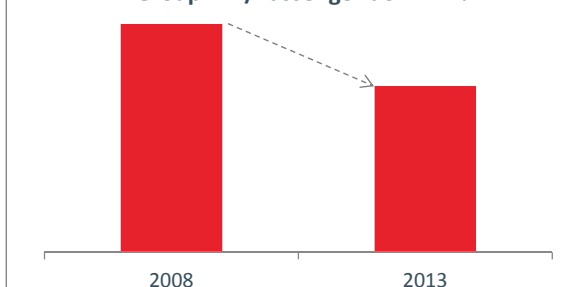
19% UNIT COST REDUCTION FY09 TO FY13, 21% UNIT COST REDUCTION 1H09 TO 1H14

Unit Cost	1H09	1H14
Net Expenditure (excluding fuel)	3,767	3,754
ASKs (B)	64	72
Underlying Unit Cost (c/ASK)	5.90	5.23
- 1H14 B767 phased fleet retirement		(0.03)
- 1H14 Associate losses		(0.04)
- 1H14 Impact of Carbon Tax		(0.08)
- Cumulative FX		0.09
- Sector Length		(0.50)
Comparable Unit Cost¹ (c/ASK)	5.90	4.67
		21% reduction

IMPROVED FTE² EFFICIENCY

FTEs	FY08	FY13	% change
Qantas Brands	29,736	27,384	(8)
Jetstar	2,735	5,201	90
Qantas Group	34,295	33,265	(3)
ASKs (B)	127	140	10
Passengers (M)	39	48	23

Group FTE/Passenger down 22%



1. Comparable Unit Cost is adjusted to aid comparability between reporting periods. Comparable Unit Cost is calculated as net expenditure (Underlying PBT less passenger revenue and fuel) per ASK adjusted for the items listed in the table above. 2. Full Time Equivalent employee 22

3. Immediate Priorities

Our guiding strategic principles are consistent

- Safety is always our first priority
 - The first choice for customers in every market we serve
 - Maintaining dual-brand strength in domestic market
 - Reshaping Qantas International to remain competitive
 - Maintaining the Jetstar opportunity in Asia
 - Broadening Qantas Loyalty for strong, diversified earnings
 - Driving efficiency and productivity
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3. Immediate Priorities

But we have to change and accelerate implementation

STRENGTHENING OUR CORE BUSINESS

Accelerating cost reduction

Deferring growth

Right-sizing fleet and network

Aligning capex to financial performance

Working existing assets harder

Accelerating simplification

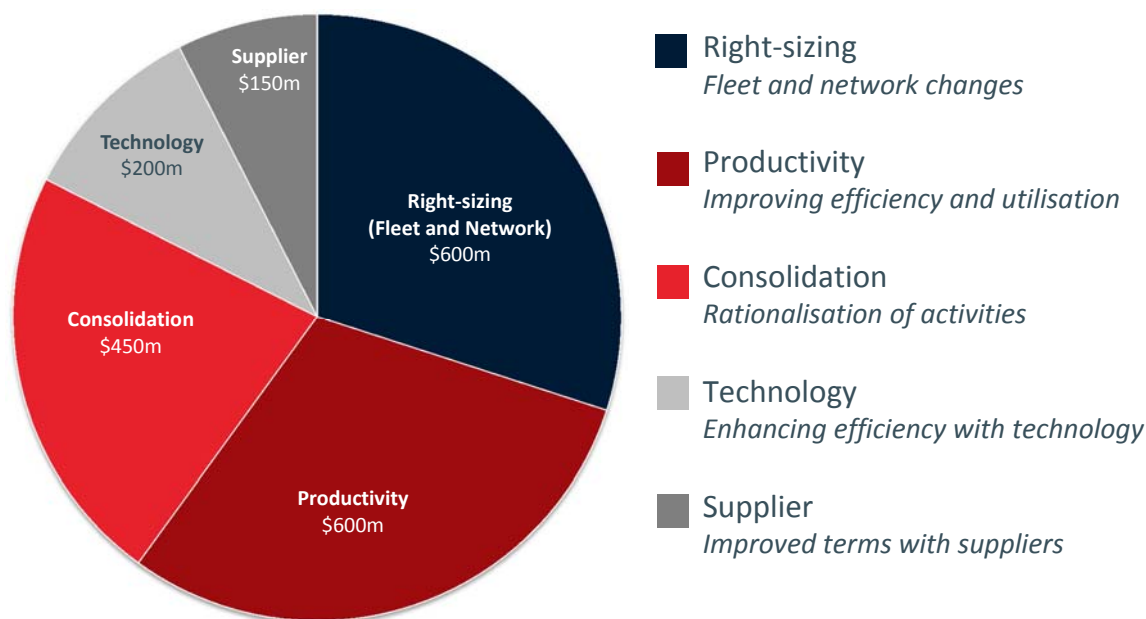
EARNINGS RECOVERY THROUGH BUSINESS TRANSFORMATION

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3. Accelerating Qantas Transformation

Extensive restructuring in compressed timeframe

TARGET: \$2B COST SAVINGS BY FY17



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3. Accelerating Qantas Transformation

Extensive restructuring in compressed time-frame

~250 INITIATIVES ACROSS QANTAS GROUP TO REMOVE \$2B COSTS BY FY17

Outcome	Major Initiatives				
	Right-sizing	Productivity	Consolidation	Technology	Supplier
Benefit (\$m)	600	600	450	200	150
Definition	Fleet, utilisation and network changes	Improving efficiencies and utilisation	Rationalisation of activities to cease costs	Enhancing efficiency with technology	Improved terms with suppliers
Top initiatives	- Domestic fleet utilisation - International network optimisation and fleet utilisation - Accelerated fleet retirement (non-reconfigured B747, B767)	- Aligning labour and equipment requirements to demand (including LMO¹ changes) - Fuel burn reduction programs - SYD² and national airport staffing improvements	- Head office and management restructure - Heavy Maintenance: closure of Avalon - Supply Chain: transformation & procurement benefits - Catering: ADL³ closure	- B787 roll-out - Freight: Supply chain/terminal improvement program - Application rationalisation - Next Gen check-in	- Renegotiate commercial contracts across business - Vendor management - IT support and infrastructure

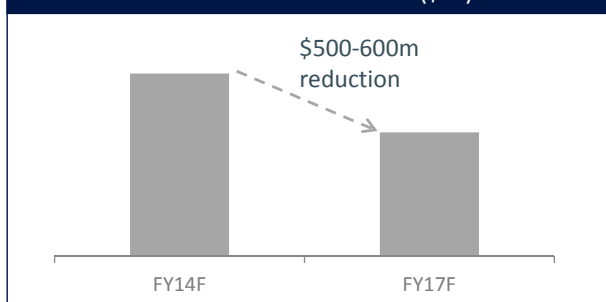
1. Line Maintenance Operations. 2. Sydney 3. Adelaide

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3. Accelerating Qantas Transformation

Step change in labour productivity

LABOUR COST GROSS REDUCTIONS (\$M)



Wage inflation mitigation – wage freeze until company makes FY underlying profit:

- Ongoing for executives
- Immediate for open EBAs
- Proposed for other EBA-covered staff

- FTEs to reduce by 5,000 by FY17
 - 4,000 headcount reduction by FY15
- 30% reduction in management and non-operational roles (~1500 FTEs)
- Right-sizing, Productivity, Consolidation and Technology to reduce labour across business
- Total FY14 and FY15 redundancy costs ~\$500m

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3. Right-sizing Fleet and Network

Working existing assets harder

- Increase domestic narrow-body utilisation through reduced turnaround times, schedule re-design, fleet simplification
 - Qantas Domestic to focus wide body aircraft on East-West, peak Triangle¹ services only
 - A330s freed up to enter Qantas International as replacement aircraft
- Increase A380 utilisation through retimes and 'natural ground time' maintenance
 - MEL-LHR² service retimed to increase utilisation, improve revenue

Right-sizing fleet and network

- Right aircraft, right route
 - SYD,BNE-SIN³ to A330 (from B747), 1Q FY15
 - Evaluating options for deployment of A380 to be freed up from utilisation increase
- Exit underperforming routes
 - Qantas International: PER-SIN⁴, 1Q FY15
- Accelerate retirement of oldest aircraft
 - B767 fleet, non-reconfigured B747s

Deferring growth

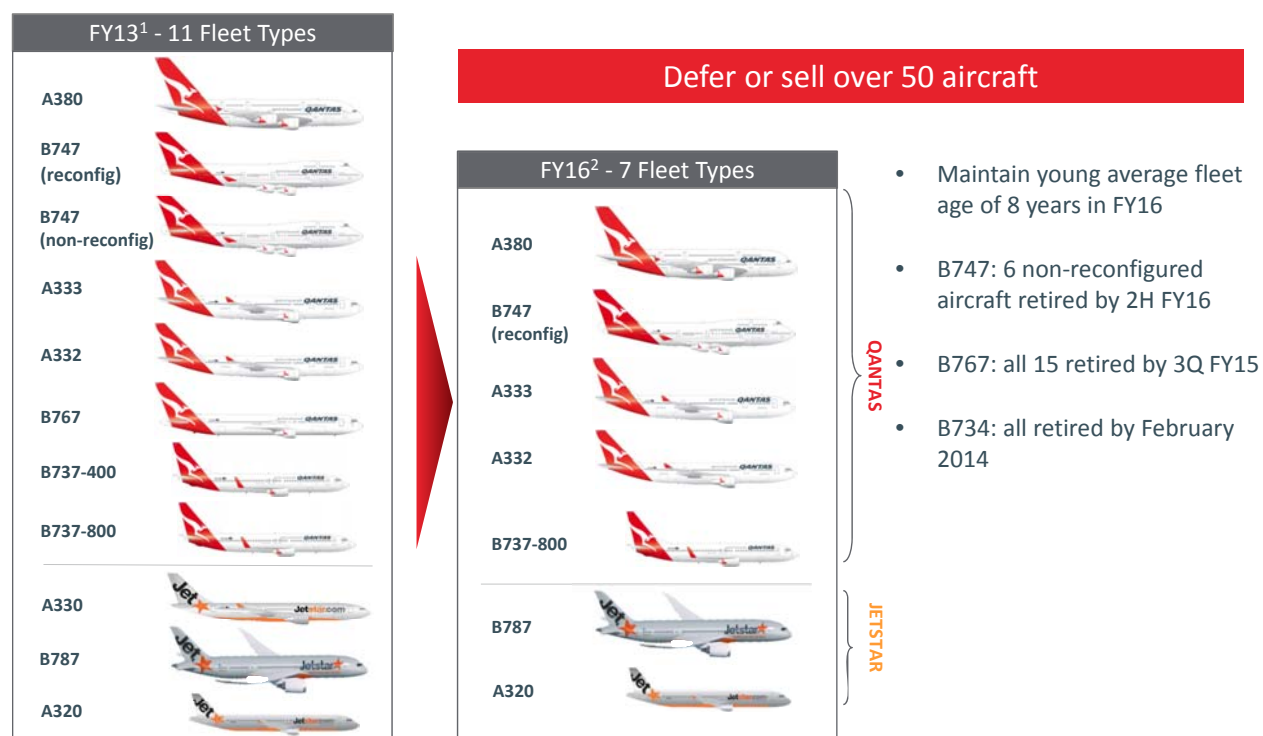
- Leveraging flexibility to manage fleet requirements
- Suspending growth at Jetstar Asia (Singapore), bedding down other Asia ventures
- A380: Deferred remaining 8 aircraft with ongoing review of delivery dates to meet potential future requirements
- B787-8: Deferred final 3 of 14 aircraft on firm order
- A320: Restructure of order book

1. Sydney-Melbourne-Brisbane 2. Melbourne-London 3. Sydney, Brisbane-Singapore. 4. Perth-Singapore.

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3. Right-sizing Fleet and Network

Accelerated fleet simplification to underpin unit cost improvements



1. As at 30 June 2013. 2. By end of financial year 2015-2016

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3. Delivering for Customers

The first choice for our customers in every market we serve

- Investment in customers essential to maintain competitive advantages
 - A330 reconfiguration for 'best in class' domestic and international product
 - Continued roll-out of B787; improved on-board experience
 - New lounges in LAX, HKG, BNE¹ to add to success of new SIN² lounge
 - Qantas Loyalty customer innovation; Qantas Cash, ACQUIRE, expanding partners
 - Technology to improve customer experience, increase efficiency
 - Ongoing staff service training to maintain record customer advocacy levels



1. Los Angeles, Hong Kong, Brisbane. 2. Singapore

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3. Our People

- Our people are well aware of challenges facing Qantas
 - Over 21,000 signatures for “Fair go for Qantas” petition
- Our people continue to do a great job for our customers
 - Intensive customer training continues
 - Record customer advocacy results¹
- Scope of change required will be difficult, and we will continue to work closely with our people
 - Strong internal communications, regular updates

1. Customer advocacy measured by Net Promoter Score (NPS). NPS 2013/2014 YTD average at record levels.

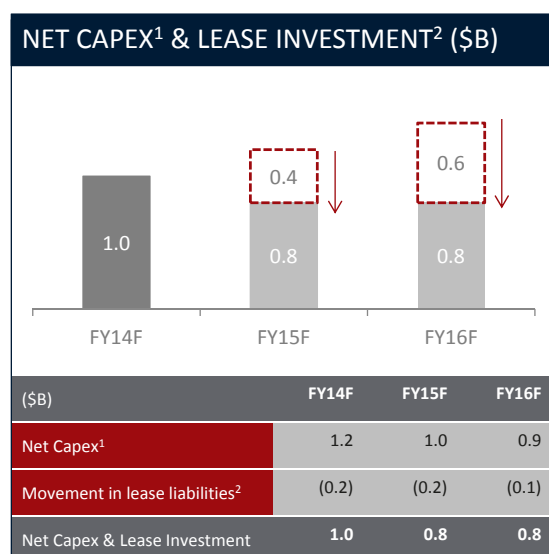
3. Funding Qantas Transformation

- Transformation to FY17 to be funded through:
 - Reprioritisation of capital
 - Future free cash flow as benefits from Transformation realised; rapid payback from immediate initiatives
 - Asset sales
- Targeting positive free cash flow from FY15¹
- Capex aligned with financial performance
 - Flexibility maintained for further reductions

1. Assumes no material adverse change in operating environment.

3. Realigning Capex with Financial Performance

Removing \$1b over 2 years, maintaining flexibility



- Deferred delivery of final 8 A380s on order with ongoing review of delivery dates to meet potential future requirements
- Deferred final 3 B787-8 of 14 on firm order
- A320 order book restructured

Capex plan provides for investment in maintaining competitive advantages, preserving flexibility to adjust spending

1. Excludes proceeds/payments relating to asset disposals/acquisitions, includes payments for investments in associates. 2. Movement in on and off balance sheet lease debt including the movement in operating lease liabilities (calculated as the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet) and the movement in aircraft-related Japanese operating leases (with call options) accounted for in financing cash flows.

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4. Structural Review Update

Unlocking value to fund Transformation and strengthen core business

1. Sale of non-core assets to unlock capital
 - Brisbane airport terminal lease return: \$112m¹
 - Discussions continue with Melbourne and Sydney airports
2. Review has confirmed Qantas Group has valuable and desirable assets across a diversified portfolio. Qantas will take the necessary time to make the right strategic decisions for the future.
 - No final decisions made on other assets

1. Proceeds from lease return together with related assets.

5. Long-term Competitiveness

Strengthened core for sustainable, profitable growth

THE FIRST CHOICE FOR CUSTOMERS IN THE MARKETS WE SERVE

- Qantas Group in FY17
 - Profitable
 - Competitive cost base
 - Continued leading product and service
 - Strong balance sheet
 - Improving credit profile

**Growing
from a
stronger
base**

**AUSTRALIA'S LEADING AIRLINES
AND LOYALTY BUSINESS**



Jetstar

QANTAS LOYALTY

SUSTAINABLE RETURNS FOR SHAREHOLDERS

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Outlook

- The Group's 2H14 operating environment remains very challenging and volatile:
 - Soft underlying domestic demand continuing in seasonally weaker half
 - Domestic and International yields and loads expected to remain depressed
- Current Group operating expectations:
 - Group capacity to increase by 3-3.5% in 2H14 compared to 2H13
 - Group domestic capacity to increase by 3-4% in 2H14 compared to 2H13, whilst maintaining flexibility
 - Underlying fuel costs expected to be ~\$4.6b¹ in FY14
- No Group profit guidance provided at this time due to the major transformation being undertaken by Qantas, and the high degree of volatility and uncertainty in the competitive environment, global economic conditions, fuel prices and FX rates.

1. As at 25 February 2014, excluding carbon tax.

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Disclaimer & ASIC Guidance

This Presentation has been prepared by Qantas Airways Limited (ABN 16 009 661 901) (**Qantas**).

Summary information

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Financial data

All dollar values are in Australian dollars (**A\$**) and financial data is presented within the six months ended 31 December 2013 unless otherwise stated.

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In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Qantas is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards. In line with previous years, this Presentation is unaudited. Notwithstanding this, the Presentation contains disclosures which are extracted or derived from the Consolidated Interim Financial Report for the half year ended 31 December 2013 which is reviewed by the Group's Independent Auditor.