



Qantas Airways Limited

FY15 Results

20 August 2015

A Strong Platform For Sustainable Growth



- Delivering on our commitments for \$1.6b earnings¹ turnaround in FY15
 - Qantas Transformation driving permanent shift in cost base and competitive position
 - Optimal capital structure restored, >\$1b debt reduction completed
 - Strengthened superior dual brand position in domestic market
 - Record results for Qantas Loyalty, Jetstar Group and Qantas Freight²
 - Successful turnaround of Qantas International
 - All segments delivering ROIC > WACC³
- Proposal to distribute \$505 million surplus capital to shareholders⁴
- Disciplined investment to enhance long-term shareholder value
 - Investing in fuel-efficient B787-9 aircraft for Qantas International after strict reinvestment hurdles met
- Managing external volatility with robust hedging program, capacity and capex flexibility

DELIVERING GROUP RETURN ON INVESTED CAPITAL > WACC THROUGH THE CYCLE

1. Based on Underlying PBT. 2. Based on Underlying EBIT. Loyalty result compared to prior periods, normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. Record Freight result since separate segmentation of Freight in FY08. 3. Return on Invested Capital > Weighted average cost of capital (calculated on a pre-tax basis). 4. Subject to shareholder approval.

Robust Financial Results Driven by Transformation



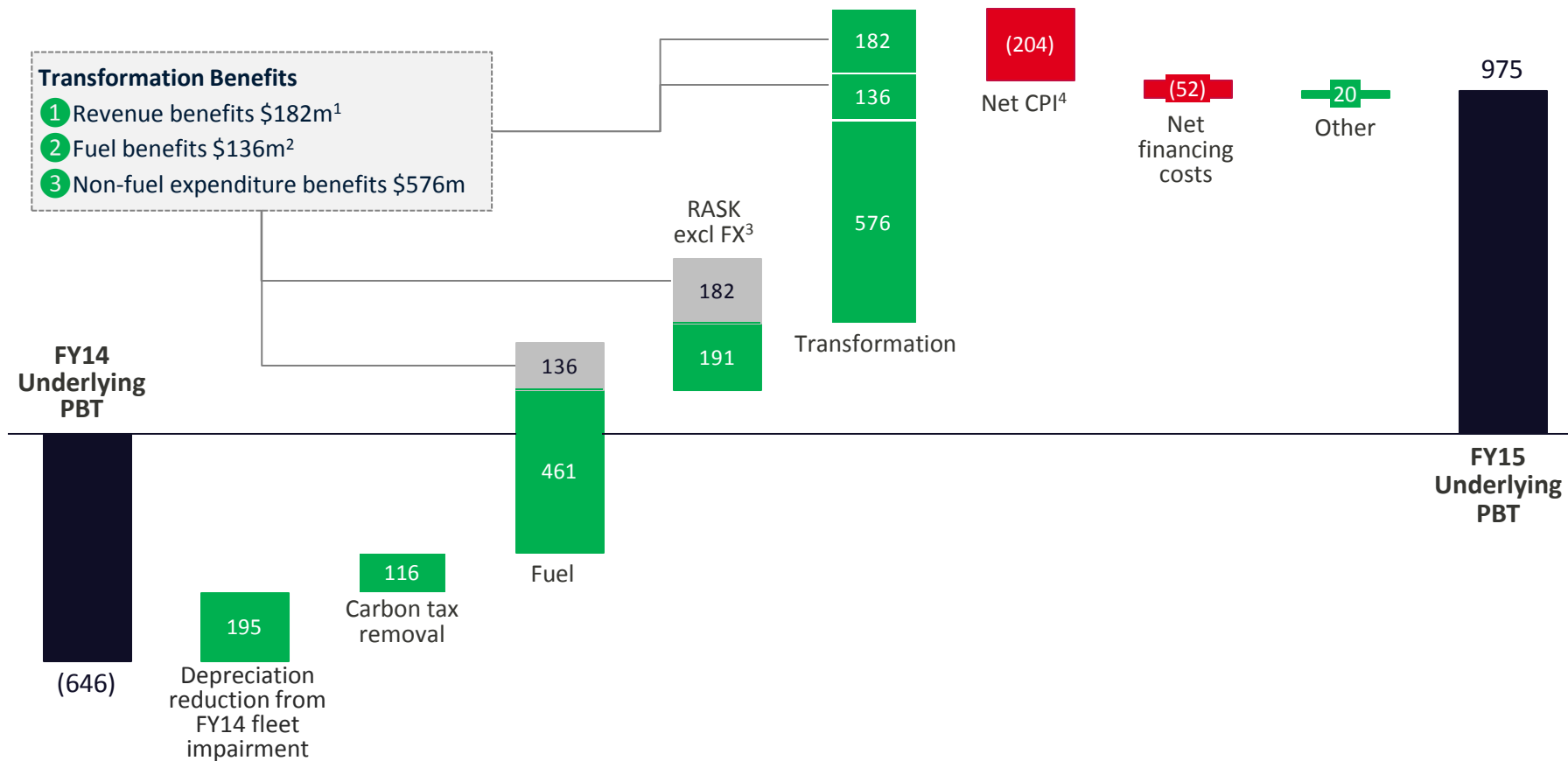
KEY GROUP FINANCIAL METRICS	FY15	FY14		VLY% ⁵
Underlying PBT ¹ (\$M)	975	(646)	↑	>100
Statutory profit after tax (\$M)	560	(2,843)	↑	>100
Statutory earnings per share (c)	25.4	(128.5)	↑	>100
ROIC (%)	16	(1.5)	↑	>100
Revenue (\$M)	15,816	15,352	↑	3.0
Transformation benefits realised (\$M)	894	204	↑	>100
Operating cash flow (\$M)	2,048	1,069	↑	92
Net free cash flow ² (\$M)	1,104	-	↑	>100
Yield ³ (c/RPK)	10.40	10.29	↑	1.1
Comparable unit cost ⁴ (c/ASK)	4.79	5.05	↓	5.1
Available Seat Kilometres (ASK) (M)	142,287	141,715	↑	0.4
Revenue Seat Kilometres (RPK) (M)	112,543	109,659	↑	2.6

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 FY15 Results Presentation are reported on an Underlying basis. Refer to Supplementary Slide 5 for a reconciliation of Underlying to Statutory PBT. 2. Net free cash flow is operating cash flows less investing cash flows. Net 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. 3. Yield is calculated as passenger revenue per RPK. Both current and prior year is calculated using current year exchange rates. 4. Comparable unit cost is calculated as Underlying PBT less passenger revenue and fuel, adjusted for the impact of the Qantas International fleet write-down, changes in discount rates, changes in foreign exchange rates and share of net loss of investments accounted for under the equity method per ASK. Refer to Supplementary Slide 12 for further detail. 5. Variance to last year. Favourable variances are reported in green.

FY15 Result Key Drivers



Underlying Profit Before Tax (\$M)



1. Any incremental costs associated with revenue benefits are netted in the overall cost benefits attributed to the Qantas Transformation program. 2. Includes reduction in consumption from fuel efficiency and reduction in into-plane costs following transformation initiatives. 3. Revenue per ASK. Calculated as ticketed passenger revenue per ASK excluding FX. FX on revenue is netted with FX on expenditure which is represented in other. 4. Company estimate including wage and other cost inflation, less CPI offset measures.



- Having returned to optimal capital structure, surplus capital is proposed to be returned to shareholders
- \$505m capital return proposed
 - 23c per share capital return combined with share consolidation¹
 - Equitable method to return cash to all shareholders
 - No tax payable should arise to most shareholders on cash receipt², subject to final ATO Class Ruling to be published after payment of the return of capital
 - Pending shareholder approval¹, 23c per share cash payment to be made in November 2015
 - Combined with a capital return share consolidation provides similar earnings per share outcomes as on market buy-back³
 - Shareholder approval for return of capital and share consolidation to be sought at Annual General Meeting in October 2015

FY15 Segment Results

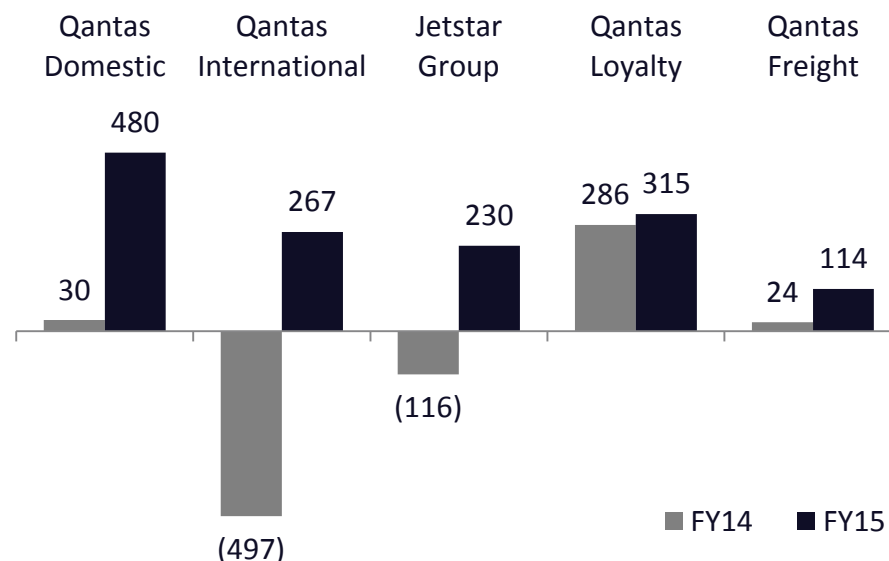


All Business Units Performing Strongly



- All operating segments achieved ROIC>WACC
- Qantas International Underlying EBIT¹ improved \$764m vs FY14
- Qantas Domestic Underlying EBIT improved \$450m vs FY14
- Qantas Freight, Qantas Loyalty and Jetstar Group achieved record Underlying EBIT results²
- Best combined Qantas Domestic and Qantas International result since FY08
- Group Domestic Underlying EBIT >\$600m
- Enhanced dual brand coordination, customer segmentation driving Group strength

Underlying EBIT (\$M)



Robust Qantas Domestic Result



- Underlying EBIT of \$480m
 - Transformation benefits of \$302m
 - RASK¹ improvement of 4.5% with yield and load recovery
 - Total revenue impacted by sale of QDS²
 - Maintained strong corporate position with 80% of large corporate accounts³
- Network changes and dynamic capacity management
 - Ongoing right-sizing of intra-WA, QLD⁴ resources footprint in line with weaker demand
- Comparable unit cost improvement of 4%⁵
 - Mainline fleet simplification completed (B737 narrowbody, A330 widebody)
 - Utilisation⁶ improved with reduced B737 turn times, turboprop base consolidation
- Record Net Promoter Score (NPS)⁷ reflecting ongoing investment in customer experience and our people
- Premium on-time performance (OTP) with increase to 88.3%; best OTP in over 10 years⁸

		FY15	FY14	VLY %
Revenue	\$M	5,828	5,848	(0.3)
Underlying EBIT	\$M	480	30	>100
ASKs	M	36,638	37,824	(3.1)
Seat factor	%	74.2	73.3	0.9pts

1. Calculated as passenger revenue per ASK. 2. Qantas Defence Services sale completed in February 2014. 3. Based on revenue of large corporate accounts greater than \$0.5m. 4. Intra- Western Australia, Queensland. 5. The 4% improvement in comparable unit cost is calculated as Underlying EBIT less passenger revenue and fuel adjusted for changes in discount rates, foreign exchange rates and movements in average sector length per ASK. If adjusted for the impact of the carbon tax repeal, comparable unit cost improved 1%. 6. Aircraft utilisation calculated as average block hours per aircraft. 7. Net promoter score. Based on internal reporting. Record achieved in June 2015. 8. On-time departures for Qantas Mainline. Source: BITRE.

Qantas Domestic Areas of Focus for FY16



Delivering Customer Experiences that Earn a Revenue Premium

- Maintain RASK advantage to competitor above 15%¹
- Continue network enhancements, e.g. SYD– MCY and MEL– OOL²
- New PER³ lounge opening August 2015, BNE⁴ lounge construction starts 1H16
- Investment in online and mobile technology across customer touchpoints



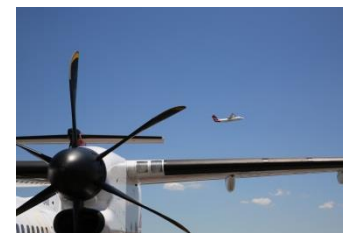
Recognised for our Operational Excellence

- Continue to deliver premium OTP alongside utilisation⁵ gains
- New disrupt management system implemented by end 2H16
- Further leverage dual brand with Jetstar



Delivering at the Right Cost Through Transformation

- Reducing unit cost gap⁶ to competitor from 11% in FY15 to <5% by FY17
- B737 reconfiguration adding six seats, introduction of 35 minute turns
- Contact centre consolidation from three to one



Our People and Culture Make the Difference

- Focus on people safety across all business units
- New leadership and service training
- Maintain engagement whilst completing major business transformation



¹ Passenger revenue per ASK. Source: BITRE, published company accounts and Qantas' internal estimates. ² Sydney-Maroochydore and Melbourne-Coolangatta. ³ Perth. ⁴ Brisbane. ⁵ Aircraft utilisation calculated as block hours per aircraft. ⁶ Unit cost calculated as Underlying EBIT less passenger revenue per ASK. Qantas Domestic unit cost includes QantasLink. Competitor refers to Virgin Australia including mainline domestic and regional operations. Virgin Australia's assumed domestic unit cost based on company estimates and published competitor data.

Successful Turnaround of Qantas International



- Turnaround of \$764m for Underlying EBIT of \$267m
 - Transformation benefits of \$408m
 - 6% RASK¹ growth on load and yield strength
 - \$195m reduction in depreciation from FY14 non-cash fleet impairment
- Comparable unit cost improvement of 4%²
- Aircraft utilisation³ increased by 15% since FY12, delivering new revenue opportunities
 - MEL-LHR⁴ retime released 1 x A380 for redeployment to DFW-SYD⁵
 - Additional LAX⁶ and SCL⁷ flying; seasonal flying to Vancouver; re-introduction of PER-SIN⁸ services
- Benefit from lower market capacity growth with AUD near long-term average
- Enhanced partnership with American Airlines⁹, expanding international network
- Record customer advocacy (NPS)¹⁰ from ongoing investment in customer experience and our people
 - LAX First and Business lounge, A330 reconfiguration, 'New Economy' meal service

		FY15	FY14	VLY %
Revenue	\$M	5,467	5,297	3.2 ¹¹
Underlying EBIT	\$M	267	(497)	>100
ASKs	M	59,263	59,173	0.2
Seat factor	%	81.5	79.6	1.9pts

1. Calculated as passenger revenue per ASK inclusive of transformation benefits and foreign exchange movements. 2. Comparable unit cost is calculated as Underlying EBIT less passenger revenue and fuel, adjusted for the impact of the Qantas International fleet write-down, changes in discount rates, changes in foreign exchange rates, changes in block codeshare agreements and movements in average sector length per ASK. 3. Aircraft utilisation calculated as average block hours per aircraft compared to FY12. 4. Melbourne-London. 5. Dallas Fort Worth-Sydney. 6. Los Angeles 7. Santiago 8. Perth-Singapore. 9. Subject to regulatory approval. 10. Net Promoter Score, based on internal Qantas reporting (record achieved in June 2015). 11. Includes RASK growth on passenger revenue and movements in other revenue including the impact of changes in block codeshare agreements.

Qantas International Areas of Focus for FY16



Owning the High Yield Customer

- Improve on average NPS¹ achieved in FY15
- International A330 cabin reconfigurations (10) completed
- Ongoing investment in service and leadership training for our people
- Leveraging technology with new PROS revenue management system



Reshaping our Cost Base Through Qantas Transformation

- Continued focus on network optimisation
- LAX maintenance hangar operational late FY16
- Further increase aircraft utilisation by >3%
- Maximise workforce productivity



Providing Connections to the World and Overcoming Network gaps

- Expanded AA partnership² including new SFO³ service from December 2015
- Continue to evolve market leading customer proposition with Emirates
- Launch new routes including BNE-NRT⁴, SYD-HND⁵ and SYD-SFO⁶
- Expand seasonal operations including BNE-WLG and BNE-CHC⁷





- Record Underlying EBIT of \$230m
- Significant improvement across Jetstar Group with continued cost transformation and revenue recovery
 - Group controllable unit cost improvement of 2%¹
 - Strong domestic Australia yield growth and cost discipline
 - Record Jetstar International (long-haul Australia) performance² with introduction of B787-8
 - Domestic New Zealand profitable for first time
 - \$45m turnaround² in Jetstar Asia (Singapore) to profit in FY15
- All Jetstar branded airlines in Asia improved performance, with overall losses halved vs FY14
 - Jetstar Asia (Singapore) return to profit², Jetstar Pacific (Vietnam) profitable 2H15², Jetstar Japan significantly improved RASK and CASK performance
 - Disappointing outcome from Hong Kong ATLA³ process
- Setting the standard in low fares travel with enhancements from innovation, technology and B787-8 rollout
 - Jetstar Airways awarded best LCC⁴ in Australia/Pacific, top 5 LCC worldwide⁵

Jetstar Group		FY15	FY14	VLY %
Revenue	\$M	3,464	3,222	7.5
Underlying EBIT	\$M	230	(116)	>100
ASKs	M	46,385	44,718	3.7
Seat factor	%	79.9	77.9	2.0pts

Jetstar Group Areas of Focus for FY16



Safety & compliance

Cost discipline

Customer advocacy

People engagement

Jetstar Australia

- Leverage dual brand with Qantas Domestic
- Continued focus on customer innovation
- Grow through increased utilisation



Jetstar International

- Maintain network advantage on core routes
- Strengthen brand in key markets
- Grow through increased utilisation, completion of B787-8 transition



Jetstar in New Zealand

- Continue to build strong challenger brand
- New routes for Trans-Tasman
- Launch of New Zealand regionals in December 2015¹



Jetstar Asia (Singapore)

- Leveraging interline and codeshare partners
- Continued focus on brand and customer experience innovation



Jetstar Japan

- Drive utilisation through international expansion
- Up to JPY 5b (AUD \$55m²) equity injection each by Qantas Group and JAL³ to support expanded international operations and maintain market-leading domestic position
- Execute on dual brand with JAL

Jetstar Pacific (Vietnam)

- Launch additional international routes
- Execute on dual brand with VNA⁴

1. Subject to regulatory approval. 2. As at 19 August 2015. 3. Japan Airlines. 4. Vietnam Airlines.

Record Result for Qantas Loyalty



- Record Underlying EBIT¹ of \$315m
- Billings² up 5%, external billings up 7%
 - 33 new Coalition Loyalty partners³
 - 5% growth in QFF direct earn consumer credit card accounts (outperforming industry average)⁴
 - Campaigns with all major credit card issuers
- 10.8 million members - 7% growth
- Continue to diversify earnings profile with strong growth from new and adjacent businesses⁵
 - Contributing 30% of overall Loyalty EBIT growth
 - AUD\$1.1b currency loaded on Qantas Cash cards; 410k cards activated
 - Red Planet profitable within first year of operation
- Acquire SME⁶ program engaging members and improving 'share of wallet' for Qantas Airlines
- QFF members earning Qantas Points on all Jetstar domestic New Zealand services⁷
- Maintained record annual NPS and premium over competitors⁸

		FY15	FY14	VLY %
Underlying EBIT	\$M	315	286	10
Billings	\$M	1,369	1,306	4.8
Deferred Revenue Growth ⁹	\$M	108	68	59
Members	M	10.8	10.1	6.9

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. Billings represent point sales to partners. 3. Qantas Frequent Flyer and Acquire, including Qantas Online Mall, as at 30 July 2015. 4. Qantas Frequent Flyer, based on number of personal credit card accounts with interest free periods. 5% growth for the 12 months to May 2015 compared to the 12 months to May 2014. FY15 Industry growth rate 3.7% Source: RBA credit and card charges statistics. 5. Include Qantas Cash, Qantas Golf, Qantas epiQure, Red Planet, Accumulate and Taylor Fry. 6. Small and medium enterprises. 7. From 25 June 2015. 8. Average NPS 12 months to July 2014 vs Average NPS 12 months to July 2015. Premium over Virgin Australia. Source: Qantas Loyalty survey of Qantas Frequent Flyers. 9. Annual deferred revenue growth from 1 July 2014 and 30 June 2015 respectively .

Qantas Loyalty Areas of Focus for FY16



Goals

Consistent and Diversified Earnings Growth

- Sustainable billings growth across all partner segments (including airlines, financial services and retail)
- Earnings diversification with growth of 'Core Innovations'¹ and break-out initiatives; leverage Taylor Fry investment
- Delivering value to Group airlines; share of wallet, yield premium, data analytics supporting customer strategies and marketing efficiency



Strategies to Deliver

Innovate to Grow and Reinforce Core

- Strengthen member opportunities to earn and redeem Qantas Points; airline redemptions, hotels and cars, Online Mall, credit card rewards
- Enhancement to Qantas Cash; invest in member experience across all platforms; develop digital loyalty solutions
- Rewarding Aquire members with discounts on Qantas flights



Disruption Led Break-out Growth

- Red Planet earnings growth – external and internal clients; leverage research panel to drive new product offering on consumer attitudes, opinions and interests
- Invest in new ventures – innovative, digitally led, customer centric solutions that will reinforce the core Loyalty Coalition



1. Include Qantas Cash, Qantas Golf, Qantas epiQure, Red Planet , Accumulate and Taylor Fry

Record Result for Qantas Freight



- Record Underlying EBIT of \$114m¹
 - Transformation benefits of \$38m achieved across fleet and ground operations
 - Improved customer experience
 - Yield² reductions offset by higher loads
- Renegotiated major contracts in competitive domestic market
 - Australia Post contract renewed for further 5 years
 - New 5-year contract with Toll Group, using Qantas and Jetstar aircraft belly space
- Investment in our people - ~350 people through “Point of Difference” training in FY15
- FY16 EBIT not expected to match FY15
 - Conclusion of Australian air Express legacy agreements in June 2015

		FY15	FY14	VLY %
Revenue	\$M	1,067	1,084	(1.6)
Underlying EBIT	\$M	114	24	>100
Capacity (International AFTKs) ³	B	3.2	3.4	(5.9)
Load (International)	%	57.0	55.1	1.9 pts

Group Financial Framework and FY15 Result



Financial Framework Aligned with Shareholder Objectives

Enhancing long-term shareholder value



1. Maintaining an Optimal Capital Structure

Target: minimise WACC

FY15: >\$1b debt reduction, return to optimal capital structure

2. ROIC > WACC Through the Cycle

Target: ROIC > 10%¹

FY15: ROIC of 16%

3. Disciplined Allocation of Capital

Target: grow Invested Capital with disciplined investment, return surplus capital

FY15: Proposed \$505m capital return



MAINTAINABLE EPS² GROWTH OVER THE CYCLE



TOTAL SHAREHOLDER RETURNS IN THE TOP QUARTILE³

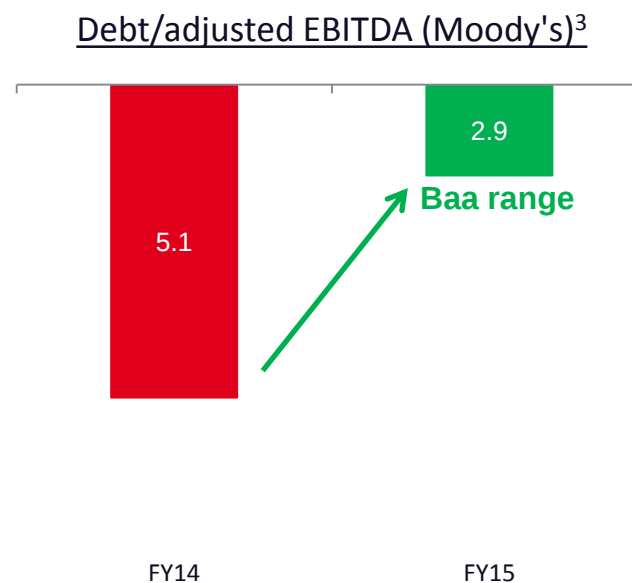
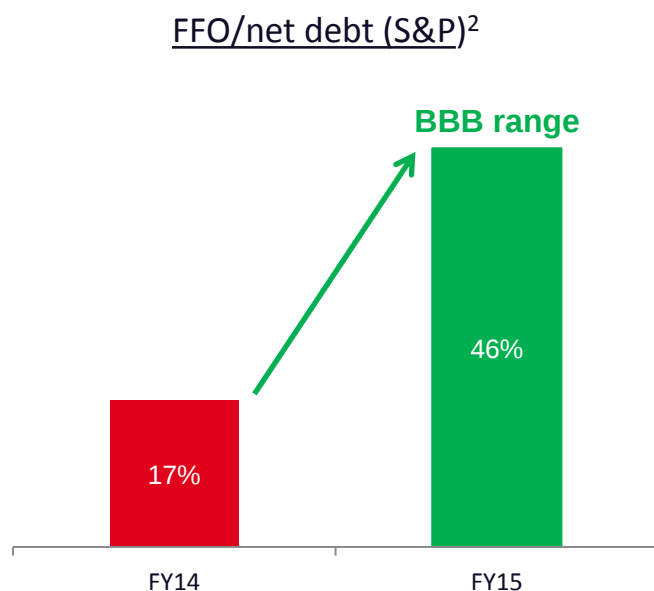
1. Target of 10% ROIC allows ROIC to be greater than pre-tax WACC through the cycle. 2. Earnings Per Share. 3. Target Total Shareholder Returns within the top quartile of the ASX100 and global listed airline peer group as stated in the Notice of Meeting for the 2014 Annual General Meeting, with reference to the 2015-2017 LTIP.

Maintaining an Optimal Capital Structure

Achieved >\$1b debt reduction target



- Net debt reduced by \$1.1b¹ since FY13
 - Return to optimal capital structure – leverage metrics above target range (BBB-/Baa3 to BBB/Baa2) resulting in surplus capital
 - Debt levels to be aligned with respect to optimal capital structure
- Positive ratings momentum (Moody's upgrade to Ba1, positive outlook)



STRONGEST CREDIT METRICS SINCE THE GLOBAL FINANCIAL CRISIS

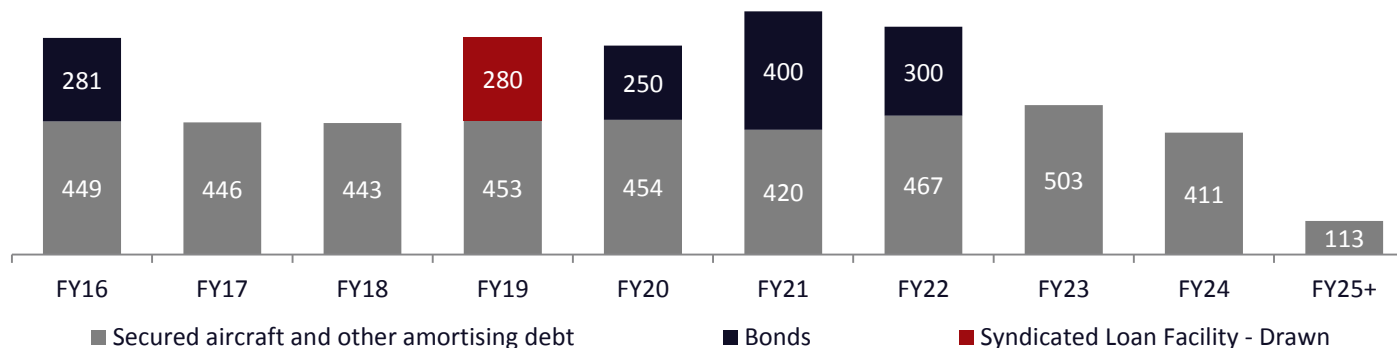
Maintaining an Optimal Capital Structure

Extended debt maturity profile



- Minimised refinancing risk
 - Extended tenor
 - Weighted average debt maturity ~5 years
- Retained access to diverse funding sources
 - Increased certainty over funding availability
 - Flexibility for future funding requirements
 - Preserved investment grade terms and conditions including no financial covenants

Debt Maturity Profile as at 30 June 2015 (\$M)¹



1. Cash debt maturity profile excluding operating leases.

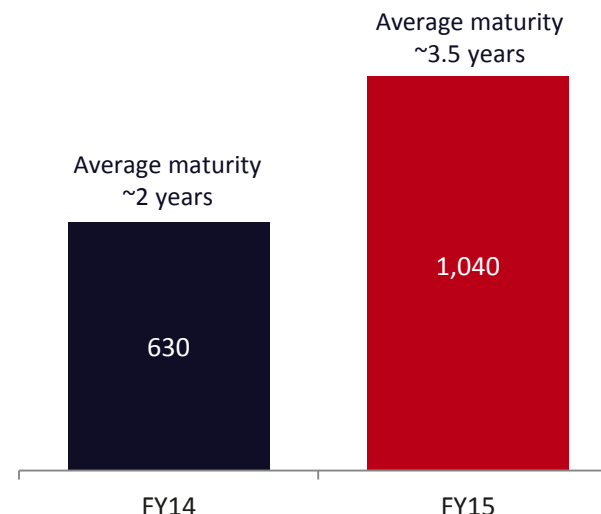
Maintaining an Optimal Capital Structure

Robust liquidity

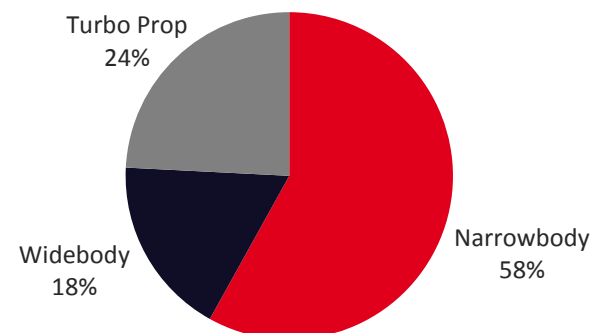


- Liquidity pool enhanced
 - Cash \$2.9b¹
 - >\$1b undrawn facilities, increased by \$410m²
 - ~40% of Group fleet now unencumbered³
 - Increased by net 20 aircraft over FY15
 - Value has doubled since FY12 to >US\$3b⁴
 - Average age of unencumbered, narrowbody aircraft <7 years⁵
- Flexibility to manage liquidity mix whilst maintaining optimal capital structure
 - Lower levels of cash required with access to other liquidity sources
 - Opportunity to buy-out operating leases from FY16 utilising existing cash reserves
 - Resulting in lower cost of capital

Undrawn Facilities² (\$M)



Composition of Unencumbered Fleet⁶



Improving Return on Invested Capital

Delivering ROIC > WACC through the cycle



- Group ROIC of 16%
 - Meeting Group target of ROIC > 10%
- All operating segments delivered ROIC > WACC
- Invested Capital contracted in FY15
 - Constrained investment to prioritise debt reduction
 - FY14 Qantas International fleet impairment¹
- See supplementary slide 10 for calculation of Invested Capital

\$M	FY15	FY14
Underlying PBT	975	(646)
Add back: Underlying net finance costs	258	206
Add back: Non-cancellable aircraft operating lease rentals	495	520
Less: Notional depreciation ²	(252)	(273)
ROIC EBIT	1,476	(193)

\$M	FY15	FY14
Net working capital ³	(6,198)	(5,676)
Fixed assets ⁴	11,788	11,518
Capitalised operating leased aircraft ⁵	3,100	3,553
Year end Invested Capital	8,690	9,395
Average Invested Capital⁶	9,091	13,004

Return on Invested Capital (%)	16	(1.5)
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1. Qantas International cash generating unit impairment occurred on 30 June 2014 therefore average Invested Capital was not impacted. 2. For calculating ROIC outcomes, operating leased aircraft are included in the Group's Invested Capital as the AUD market value (referencing AVITAS) of the aircraft at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated in accordance with the Group's accounting policies with the calculated depreciation expense known as notional depreciation. The carrying value (AUD market value less accumulated notional depreciation) is known as capitalised operating leased aircraft. 3. Net working capital is the net total of the following items disclosed in the Group's Consolidated Balance Sheet; receivables, inventories and other assets reduced by payables, revenue received in advance and provisions. 4. Fixed assets is the sum of the following items disclosed in the Group's Consolidated Balance Sheet; asset classified as held for sale, investments accounted for under the equity method, property, plant and equipment and intangible assets. 5. Capitalised operating lease aircraft are initially recognised at fair value. Subsequently remeasured as per a finance lease. 6. Equal to the 12 month average of monthly Invested Capital.

Disciplined Allocation of Capital

Growing invested capital for sustainable earnings growth



FY15 net capital expenditure¹ \$944m in line with guidance

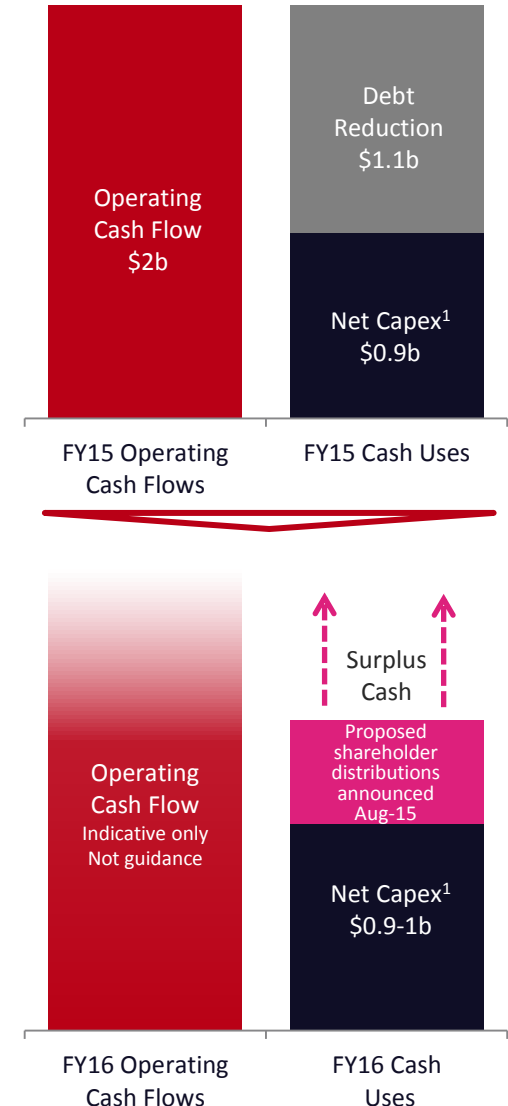
- Net capex and lease investment in line with \$0.7b guidance²
- Group average fleet age maintained at young 7.7 years³

Consistent with financial framework, FY16 net capex expected to be \$0.9 - \$1b

- Replenishment investment
- Retaining 6 x narrowbody aircraft previously planned for sale
- Accelerated Transformation capex
- Includes B787-9 pre-delivery payments
- Includes \$350m investing cash inflow from Sydney T3 lease reversion⁴

Net capex¹ for 3 years FY17 – FY19 to total between \$3.6b - \$4.5b

- Includes B787-9 order
- Ability to flex investment levels if required
- Current average fleet age below 8-10 year target range



1. Equal to investing cash flows. 2. On a constant currency basis. Unadjusted FY15 net capex and lease investment \$862m due to impact of weaker AUD on treatment of off balance sheet USD-denominated leases. 3. Based on Group's scheduled passenger fleet, excluding Freighter aircraft and Network Aviation. 4. \$535m proceeds from Sydney Terminal Three lease reversion, of which \$350m will be recognised as an investing cash inflow and \$185m as an operating cash inflow. The deferred \$185m will be released in Qantas' consolidated income statement over the period to 30 June 2019.

Disciplined Allocation of Capital

Returning surplus capital to shareholders



- Qantas will continue to review its optimal capital structure and, where there is surplus capital, assess how to enhance shareholder value with the appropriate mix of growth and shareholder distributions
 - Base plans incorporate shareholder distributions when in optimal capital structure
 - Future capital management initiatives will have regard to the Group's Balance Sheet, business performance, growth opportunities and outlook
 - Where surplus capital enables returns to be made to shareholders, the form of any distribution will have regard to a range of factors including the level of franking credits available in order to determine the most equitable and tax efficient method for all shareholders

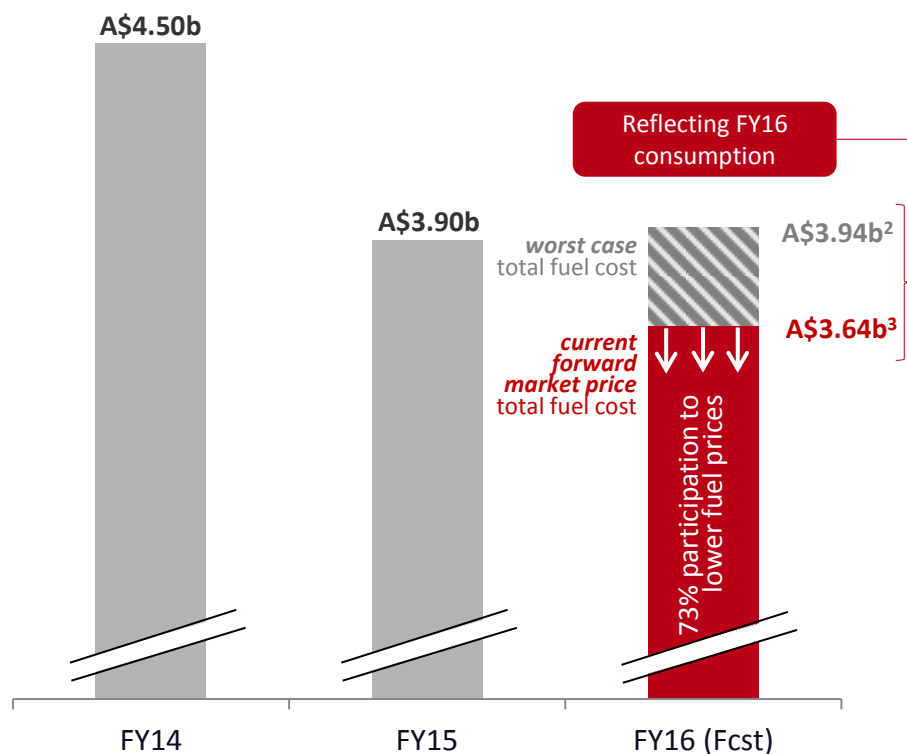
Hedging Update

Benefit of lower fuel prices protected



- Hedging approach protects against unfavourable movements in Fuel and FX, while allowing for participation to favourable price movements
- Benefit of fuel price fall over FY15 has been protected for FY16, with 73% participation to lower prices
- FY16 total fuel cost forecasts include increased consumption relative to FY15 reflecting international capacity increase
- The Group has limited exposure to net non-fuel FX movements (non-fuel expenditure netted against offshore revenue)

Hedging & Fuel Cost Outlook¹ (A\$b) Inclusive of Option Premium



1. As at 18 August 2015. 2. Worst case total fuel cost based on a 2-standard deviation move in Brent forward market prices to A\$100/bbl, for the remainder of FY16. 3. Current forward market price total fuel cost based on a Brent forward market price of A\$71/bbl for remainder of FY16.

Reversion of Sydney Terminal 3 Lease

Long-term certainty, positive strategic and financial outcome



- Commercial agreement reached with Sydney Airport delivers long-term certainty over future operations in Sydney domestic Terminal 3
- Reversion of T3 lease to Sydney Airport from 1 September 2015
 - 30-year lease due to expire June 2019
 - Introduction of per passenger charge, agreed rate to 2025
- Qantas exclusive usage of Terminal 3 to continue until June 2019
- Retaining priority usage including majority of gates, check-in and baggage from 2019 to mid-2025
- Qantas to receive total cash proceeds of \$535m
 - \$210m gain on sale, recognised outside of FY16 Underlying PBT
 - \$350m to be recognised as investing cash inflow in FY16
 - Deferred \$185m to be released over the period to 30 June 2019
 - EBIT neutral outcome through to FY19

Strategy Update and Outlook





\$894M TRANSFORMATION BENEFITS REALISED IN FY15

Cost
Reduction²
\$712m

Cost Reduction² \$712m

- Non-operational staff reduction
- Fuel burn efficiency program
- B747 base closure
- New line maintenance model
- Jetstar lowest seat cost
- B767/B747 retirements
- Facilities consolidation
- Freight technology upgrade
- IT vendor consolidation
- Catering productivity

Revenue
Benefits¹
\$182m

Revenue benefits¹ \$182m

- International utilisation and network optimisation
- Domestic utilisation and schedule changes
- Direct distribution enhancements
- 'Bid Now' upgrades

Maintaining Cost Commitment:

- Ex-fuel expenditure reduced by 6 per cent in first 18 months
- Strong progress towards FY17 target of >10% reduction³

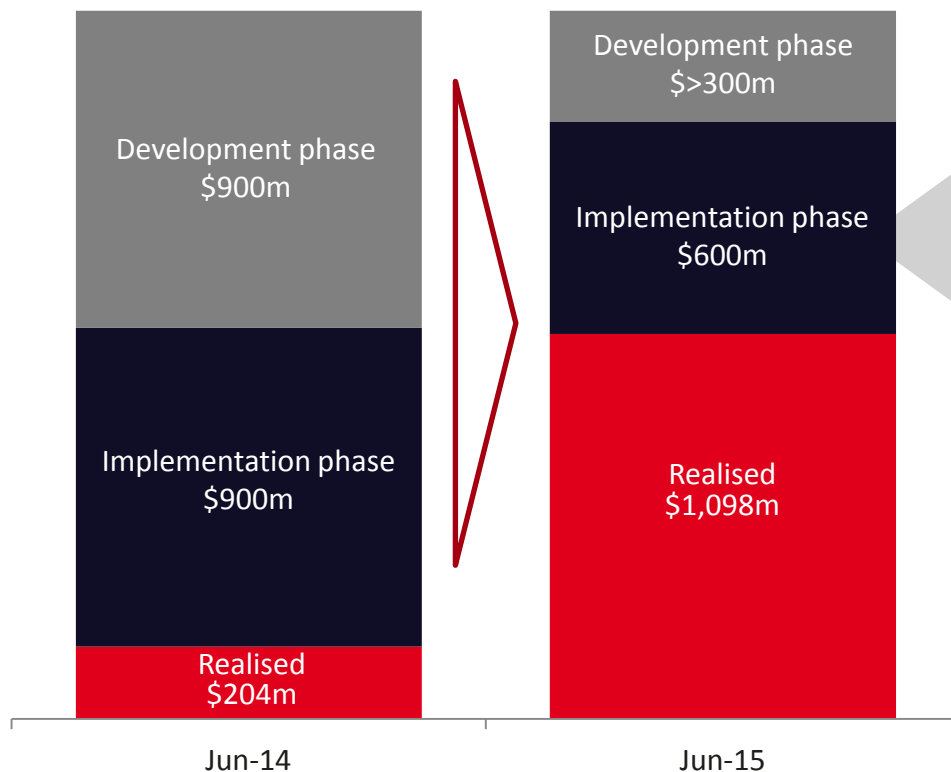
Continuing to Offset Inflation:

- Separate program to mitigate inflation to below \$250m p.a.
- Includes 18-month wages freeze
- FY15 CPI \$204m⁴



TARGET: \$450M BENEFITS TO BE REALISED IN FY16

\$2b Qantas Transformation Pipeline



Consolidation

- Contact centres

Productivity

- Catering centres
- Jetstar's Lowest Seat Cost program
- Fuel optimisation

Right Sizing (cost and revenue)

- Qantas International and Domestic aircraft utilisation (phase 2)
- Dual brand network optimisation

Technology / Supplier (cost and revenue)

- 'Spend Aware' procurement program
- PROS revenue management
- Disrupt management
- IT application simplification

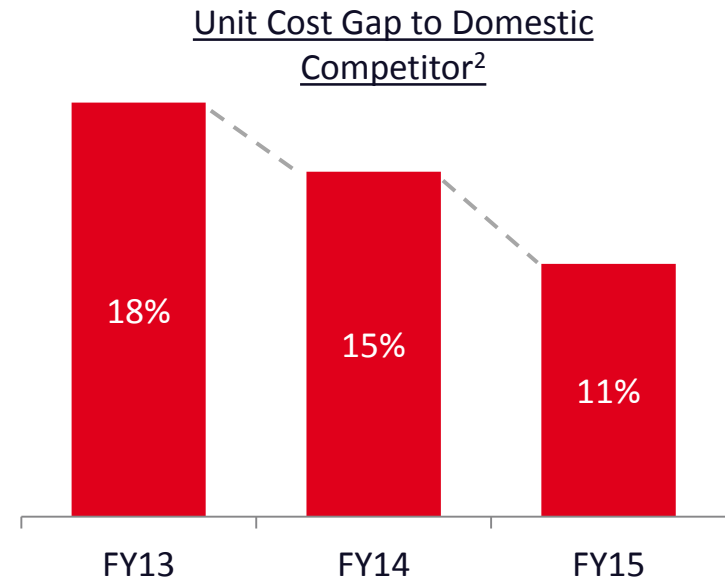
Continued Delivery of Business Transformation

Improving long-term competitive position



Strategic outcomes by FY17:

- Group ex-fuel expenditure reduced by >10%¹
- Qantas Domestic unit cost gap² to close to <5%
- Qantas International unit cost comparable to competitors
- Jetstar lowest seat cost and yield advantage maintained
- Consistent and improved customer experience
- Embedded culture of transformation for ongoing benefits beyond FY17



AT LEAST \$2B TRANSFORMATION BENEFITS REQUIRED TO ACHIEVE ALL STRATEGIC OUTCOMES

Continued Delivery of Business Transformation

Delivering against a balanced scorecard



		Target		Progress to Date
		Metric	Timeframe	
ACHIEVING OUR TARGETS	Accelerated Transformation Benefits	\$2b gross benefits	FY17	\$1,098m benefits realised
		>10% ex-fuel expenditure reduction ¹		Ex-fuel expenditure reduced by 6% ²
	Deleverage Balance Sheet	5,000 FTE reduction	FY17	4,000 FTE reduction ³
		>\$1b debt reduction		\$1.1b net debt reduction ⁴ since FY13
	Cash Flow	Debt / EBITDA ⁵ <4.0x	FY17	Target reached in FY15: Debt/adjusted EBITDA ⁵ 2.9x
		Sustainable positive free cash flow ⁶		\$1.1b net free cash flow ⁶ in FY15
	Fleet Simplification	11 fleet types to 7	FY16	9 fleet types 4 out of 6 x non-reconfigured B747 retired ⁷
	Customer And Brand	Customer satisfaction (6 month rolling average): Improving / Stable / Declining	Ongoing	'Improving' at record levels
		Most on-time domestic carrier: Qantas Domestic	Ongoing	Most on-time domestic departures and arrivals in FY15 ⁸

1. Target assumes steady FX rates, capacity and sector length. No adjustment to FY15 made. If made, reduction achieved would be greater than 6%. 2. Includes Underlying operating expenses (excluding fuel), depreciation and amortisation (excluding depreciation reduction from Qantas International non-cash fleet impairment) and non-cancellable aircraft operating lease rentals. FY15 vs 1H14 annualised, not adjusted for movements in FX rates, capacity or sector length. 3. Exited FTEs as at 30 June 2015. 4. Reduction in net debt including present value of operating lease obligations. 5. Metric calculated based on Moody's methodology. 6. Net free cash flow is operating cash flows less investing cash flows. 7. From December 2013 to 20 August 2015. 8. Qantas mainline operations compared to Virgin Australia (excluding regional operations). Source: BITRE.



Australia's Preferred Airlines

Domestic

72%



Domestic preference remains strong, with 72% of Australian flyers preferring to fly with Qantas Group brands¹

With Strong Brand Image

Safety Reputation

94%



An overwhelming 94% of Australian flyers agree Qantas is a really safe airline to fly with²

Perceived Best Domestic Airline for Business Travel

63%

Point lead in market

Qantas continues to hold this domestic brand position³

Best Products and Services

73%

+20% Points



Since July 2014

Up 20 percentage points, 73% of Australian flyers agree that Qantas is focused on providing the best products and services²

International

46%

+6% Points



Since September 2014

Up 6 percentage points, 46% of Australian flyers now prefer to fly Qantas and Jetstar for their International travel¹

Jetstar Price Leadership

45



Jetstar

32



Competitors

Jetstar continues to improve its leadership position on lowest-priced fare perceptions⁴

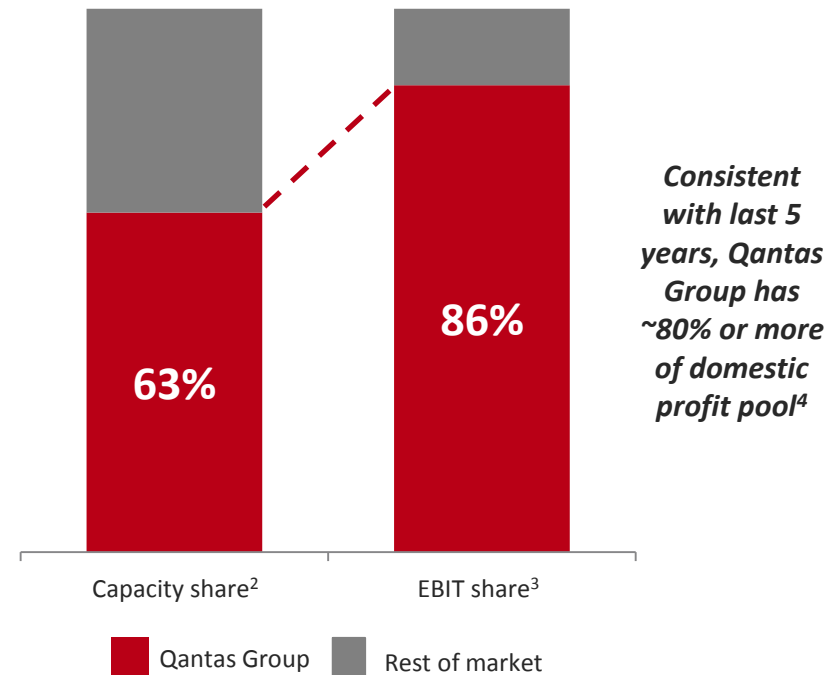
Building on the Group's Long-term Competitive Advantages

Dual brand strategy at core of Group success



- Group-focused decision making embedded
- Customer insights informing ongoing dual brand network refinement
- Completed review of 120+ domestic routes in May 2015, resulting in:
 - Dual brand changes to 25 routes by or within Northern Winter season
 - Enhanced matching of brands to customer segment demand
 - Further improvements to profit contribution and fleet utilisation
 - Release of aircraft for growth opportunities (e.g. Qantas on Gold Coast, Jetstar on Tasman)

FY15 Domestic Results¹





1. Building on the Group's competitive advantages
 - Integrated portfolio of premier brands
 - Superior domestic market position
 - Global network reach
 - Customer experience and insights
2. Positioning the Group to succeed in growth markets
 - Loyalty growth initiatives
 - Jetstar in Asia
 - Qantas International to unserved city pairs
3. Strengthening long-term Group ROIC
 - Ongoing business transformation
4. Aligning with our brand values and vision



Building a resilient and sustainable Qantas International

Strict parameters for reinvestment met



1. Group financial priorities achieved
 - >\$1b debt reduction completed
 - Recommencement of shareholder distributions
2. Resilient and sustainable Qantas International
 - Major restructure since FY12 with 15% unit cost reduction¹, increased unit revenue
 - ROIC > WACC in FY15
 - Ongoing Transformation initiatives for further utilisation improvement and unit cost reduction
3. Competitive business case for B787-9
 - Unit cost position at long ranges directly competitive to peer airlines relying on hubs
 - Delivery from 1H FY18 avoids expensive B747 maintenance events
 - 30% productivity improvement in long-haul pilots EBA agreed in July 2015



1. Non fuel unit cost calculated as Underlying EBIT less total revenue and fuel, adjusted for changes in foreign exchange rates per ASK.

Building a resilient and sustainable Qantas International

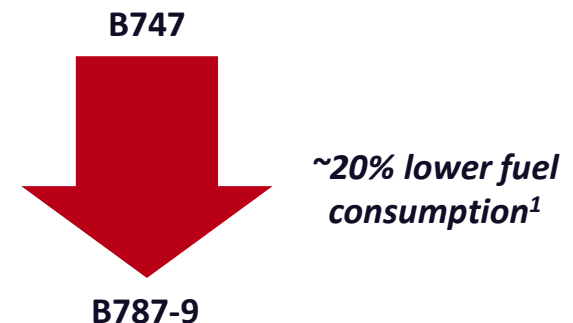
Flexibility in Group fleet planning



- Maximum fleet plan flexibility maintained with B787-9 order
 - 8 x B787-9 deliveries from 1H FY18
 - 5 x B787-9 options exercised
 - 3 x remaining B787-8 orders (previously for Jetstar International growth) reallocated to B787-9
 - 15 remaining options, 30 remaining purchase rights
 - Options and purchase rights span B787 family of aircraft
- Strategic and operational benefits of B787-9 vs B747
 - ~20% lower fuel consumption than B747¹
 - Increased direct range
 - Maintenance cost reduction of 15%, with no heavy maintenance check for 12 years
 - Significant passenger comfort enhancements
 - Greater network flexibility with smaller gauge

B787-9 Order, Option and Purchase Right Timing

Timing	Firm deliveries	Options	Purchase rights
FY17	-		
FY18	4		
FY19	4		
FY20	-		
FY25	-		
Total	8	15	30



1. Fuel consumption per ASK based on modelled B787-9 configuration.

Increased Direct Range of B787-9¹
(Range shown from East Coast Australia)

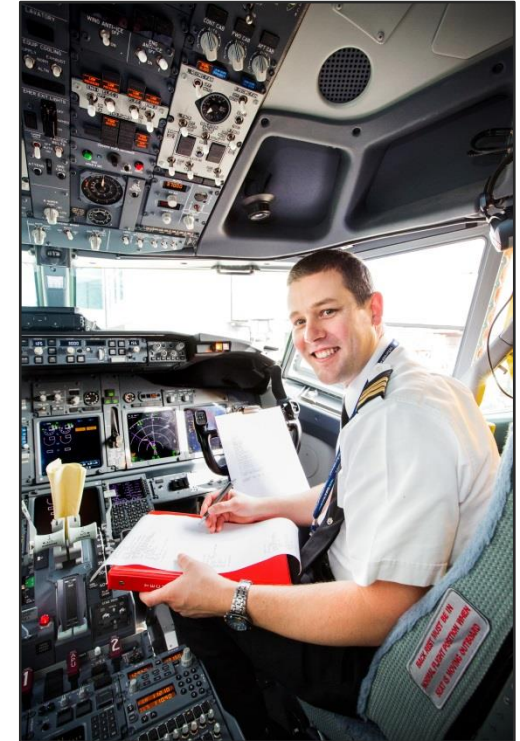
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- Note: Approximate aircraft range from East Coast Australia. Destinations shown for range illustration only.

Engaging Our People

Driving workplace change and improved culture



- Employee engagement maintained at 75% in 2015¹
 - Strong outcome amid accelerated business transformation of last two years
- Commitment to driving workplace change and improved culture
 - Three-year program focused on continuous improvement of people safety
 - 24,000 employees to participate in leadership and culture training over next 18 months
 - 8,000 people to complete third series of customer service training over next 18 months
- Building a more competitive and sustainable wages position
 - 18 agreements closed with 18-month wages freeze; Qantas long-haul pilots agreement in July 2015
 - All major unions have agreed to policy in at least one agreement
 - All employees covered by wages freeze policy to receive one-off bonus payment worth five per cent of base annual salary



1. Tower Watson employee engagement survey 2015.



Sustainability priorities

1. Formation of Sustainability and Resilience Committee (SRC)
 - Senior representative covering all material issues
2. Creating value by recognising and responding to risks and opportunities arising from macro sustainability trends
 - Group-wide materiality assessment
3. Aligning reporting with Group strategy and material issues
 - Combined financial and sustainability reporting from FY15

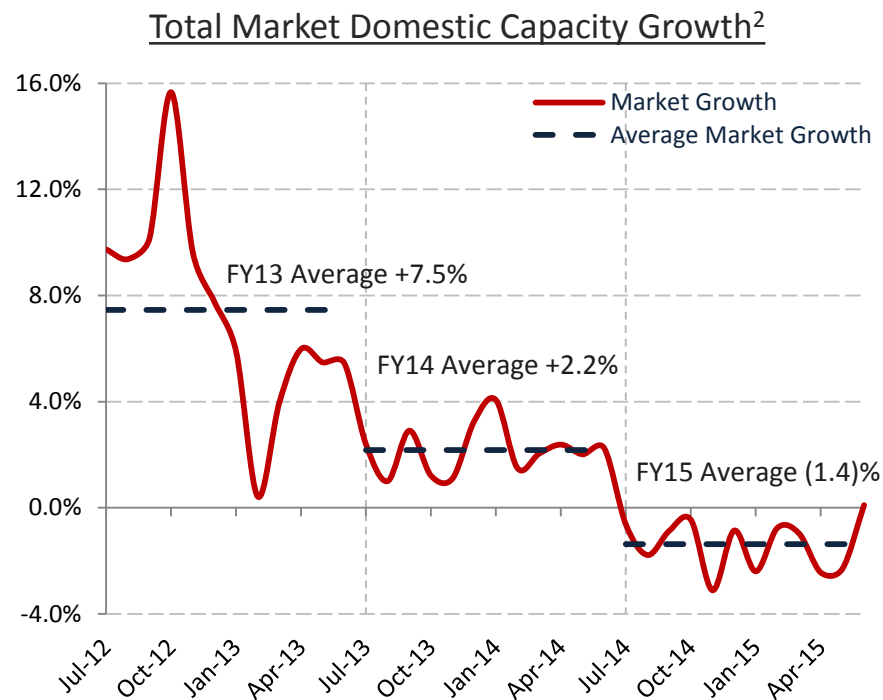


Highlights for FY15

- Reconciliation Action Plan awarded 'Elevate' status
- Fuel efficiency initiatives and fleet renewal contributing to a 5% reduction in carbon emissions since FY12¹
- Qantas Group voluntary carbon offsetting program the largest airline program of its kind²
- Anti-corruption strategy and policy developed by cross-functional, executive-led working group
- Qantas chairing IATA³ Safety Group and oneworld Safety Group for improved global approach



- FY15 market capacity contraction of 1.4%
- Demand profile remains mixed in 1H16
 - Resources sector continuing to soften in WA, QLD, planning for further demand decline
 - Stable to positive demand growth on East Coast
 - Leisure demand improving across price-sensitive and premium segments
 - Stable demand from non-resources corporate accounts
- Qantas Group domestic 1H16 capacity growth expected to be +0-1%, maintaining flexibility¹





- Economic factors including lower AUD, excess market capacity have led to moderating competitor growth compared to FY14 +9.5%¹
 - Full service international carriers adopting more seasonal approach to capacity into Australian market
 - Moderate LCC capacity outlook after 18% 5-year CAGR to FY15¹
- Qantas Group international 1H16 capacity growth
 - Qantas International growth driven by increased utilisation, growth into Japan and US markets with new routes launched 1H16
 - Jetstar² growth led by completion of B787-8 transition in September 2015 and impact of new routes introduced from December 2014

FY15 International Capacity Growth³



1H16 International Capacity Growth⁴



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
- Mitigating external risk through robust hedging program, capex and capacity flexibility

CONTROLLABLE LEVERS DRIVING MOMENTUM

- ✓ Delivery of all Transformation targets
- ✓ Disciplined investment to enhance long-term shareholder value
- ✓ Focus on customer experience, brand strength
- ✓ Flexible capacity management
- ✓ Maintaining optimal capital structure
- ✓ Driving workplace change and improved culture
- ✓ Hedging program providing protection against spikes, significant participation to lower prices

EXTERNAL FACTORS FAVOURABLE

- **Fuel**
 - Benefit from lower fuel price protected, 73% participation to lower prices in FY16
- **\$AUD**
 - Lower AUD positive for competitive position of Qantas International
- **Market Capacity**
 - 1H16 domestic and international market growth moderate after prolonged period of above-average growth





- Current Group operating expectations:
 - Qantas Group capacity expected to increase by 3-4% in 1H16 compared to 1H15
 - Group Domestic capacity expected to increase by 0-1% in 1H16 compared to 1H15
 - International capacity increase driven by utilisation, new route launches, B787-8 transition
 - FY16 Underlying fuel costs expected to be no more than \$3.94b¹, \$3.64²b at current forward AUD prices
 - FY16 depreciation and amortisation expense expected to increase by ~\$100m to \$1.2b
 - FY16 Transformation benefits (cost, fuel and revenue) expected to be \$450m
 - FY16 net capital expenditure to be between \$0.9b and \$1b
- No Group profit guidance provided at this time due to the high degree of volatility and uncertainty in global economic conditions, fuel prices and FX rates

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

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