



28 August 2014

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

Dear Sir/Madam

Standard & Poor's confirms Qantas rating not impacted

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

Yours faithfully

Andrew Finch
Company Secretary



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RatingsDirect®

Bulletin:

Qantas Airways Ltd.'s Full-Year Earnings And Asset Impairments Have No Immediate Impact On Ratings

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MELBOURNE (Standard & Poor's) Aug. 28, 2014--Standard & Poor's Ratings Services said today that Qantas Airways Ltd.'s announcement of a statutory and underlying loss for the year ended June 30, 2014, has no immediate impact on the 'BB+/Negative/B' ratings or outlook on the company. Qantas reported an underlying loss before tax of A\$646 million for fiscal 2014, down A\$832 million on the previous fiscal period's performance. Qantas' announcement of a new holding structure and a corporate entity for Qantas International has no immediate impact on the ratings. Statutory results included A\$2.56 billion impairment of Qantas International. No final dividend was declared.

Qantas' full-year results are broadly consistent with our expectation for the rating. The impairment charge is noteworthy but of lesser importance for Qantas' overall creditworthiness than the underlying performance. The charge is noncash and in our view does not affect Qantas' fundamental risk profile.

Despite posting a negative underlying full-year result, Qantas recorded a neutral, free-cash-flow position, which was achieved through the airline scaling back its capital expenditure. Furthermore, liquidity remains strong and the debt profile has improved. There are early indications that some key drivers are moving in Qantas' favor: yields are expected to improve through more manageable capacity additions in both domestic and international markets, and the improved unit costs provide evidence of progress with Qantas' transformation program. Nevertheless, we are mindful of the speed at which

Qantas' operating environment can change, as well as the sizable restructuring task still ahead.

The outlook on the rating remains negative. Key rating considerations include the competitive dynamic of the domestic market, containment of losses in the international operations, and continuing evidence that Qantas' transformation program accomplishes its targets.

AUSTRALIA

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