Qantas Airways Limited
1H17 Results

Supplementary Presentation

23 February 2017

ASX:QAN
US OTC:QABSY

Group Performance

1H17 Key Group Financial Metrics

	1H17	1H16	VLY %[8]	Comments
Underlying PBT[1] ($M)	852	921	(7.5)	
Underlying PBT per share (c)	45.1	42.7	5.6	Reflecting value of share buy-back
Statutory Profit Before Tax ($M)	715	983	(27)	
Statutory Earnings Per Share (c)	27.3	31.9	(14)	Includes the benefit of reduction in shares on issue
Rolling twelve month ROIC[2] (%)	21.7	22.8	(1.1)pts	All segments delivering ROIC > WACC[9]
Revenue ($M)	8,184	8,463	(3.3)	
Transformation benefits realised to date ($M)	1,867	1,359	37	$212m delivered in 1H17
Operating cash flow ($M)	1,173	1,373	(15)	
Net Debt ($B)	6.0	5.6	(7.1)	Within target range; Capex weighted to first half
Unit Revenue (RASK)[3]	8.02	8.46	(5)	
Total Unit Cost[4] (c/ASK)	6.90	7.23	5	Unit Cost reduction includes fuel movements
Ex-fuel Unit Cost[5] (c/ASK)	5.00	4.90	(2)	Effect of right sizing aircraft, protects margin
Available Seat Kilometres[6] (ASK) (M)	75,732	74,650	1.4	Capacity increase largely directed Asian growth markets
Revenue Seat Kilometres[7] (RPK) (M)	61,348	60,652	1.1	

1. Underlying PBT is a non-statutory measure and is the primary reporting measure used by the 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 Qantas Group. All items in the 1H17 Results Presentation are reported on an Underlying basis. Refer to Supplementary slide 6 for a reconciliation of Underlying to Statutory PBT. 2. Return on invested capital. 3. Ticketed passenger revenue divided by available seat kilometres (ASKs). Group Domestic Unit Revenue declined 2% compared to 1H16. Group International Unit Revenue declined 7% compared to 1H16. 4. Underlying PBT less ticketed passenger revenue per available seat kilometre (ASK). 5. Underlying PBT less ticketed passenger revenue, fuel and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in FX rates, discount rates and other actuarial assumptions per ASK. 6. Available seat kilometres. Total number of seats available for passengers multiplied by the number of kilometres flown. 7. Revenue seat kilometres. Total number of passengers carried multiplied by the number of kilometres flown. 8. Variance to 1H16. 9. Weighted Average Cost of Capital calculated on a pre-tax basis.

Underlying Income Statement Summary

$M	1H17	1H16	VLY %	
Net passenger revenue	7,064	7,307	(3.3)	Unit Revenue decline of five percent with significant international market capacity growth and domestic resources decline. Partially offset by increase in flying activity embedded through increased utilisation
Net freight revenue	416	458	(9.2)	Excess international market freight capacity and reduction in fuel surcharges due to lower fuel prices
Other revenue	704	698	0.9	Growth in Loyalty adjacent businesses
Total Revenue	**8,184**	**8,463**	**(3.3)**	
Operating expenses (excluding fuel)	(4,885)	(4,883)	-	Transformation initiatives offsetting increases in activity and CPI
Fuel	(1,489)	(1,716)	13	Favourable hedging strategies and fuel transformation initiatives
Depreciation and amortisation	(677)	(585)	(16)	Aircraft operating lease refinancing and A330 and B738 reconfigurations
Non-cancellable aircraft operating lease rentals	(192)	(254)	24	Aircraft operating lease refinancing and the impact of FX on non-AUD denominated leases
Share of net profit/(loss) of investments accounted for under the equity method	8	6	33	
Total Expenditure	**(7,235)**	**(7,432)**	**3**	
Underlying EBIT	**949**	**1,031**	**(8.0)**	
Net finance costs	(97)	(110)	12	
Underlying PBT[1]	**852**	**921**	**(7.5)**	

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Items Not Included in Underlying PBT

$M	1H17	1H16	
Ineffectiveness and non-designated derivatives relating to other reporting periods	(1)	14	
Net gain on sale of property, plant and equipment	-	(201)	Gain on sale of Sydney Airport Terminal 3 in September 2015
Transformation costs	73	48	Redundancies, restructuring and other costs as part of the Qantas Transformation Program
Wage Freeze and Record Results employee bonuses[1]	80	67	Wage Freeze and Record Results bonuses announced in July 2015 and August 2016 respectively
Net impairment reversal	(20)	-	Reversal of impairment on Helloworld investment
Other	5	10	
Total items not included in Underlying PBT[2]	**137**	**(62)**	

1. Payable to non-executive employees. 2. Items which are identified by Management and reported to the 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 and other transactions outside the ordinary course of business.

Reconciliation to Underlying PBT

$M	1H17				1H16			
	Statutory	Ineffectiveness relating to other reporting periods	Other items not included in Underlying PBT	Underlying[1]	Statutory	Ineffectiveness relating to other reporting periods	Other items not included in Underlying PBT	Underlying[1]
Net passenger revenue	7,064	-	-	7,064	7,307	-	-	7,307
Net freight revenue	416	-	-	416	458	-	-	458
Other revenue	704	-	-	704	698	-	-	698
Total Revenue	**8,184**	**-**	**-**	**8,184**	**8,463**	**-**	**-**	**8,463**
Operating expenses (excl fuel)	(5,015)	-	138	(4,877)	(4,801)	-	(76)	(4,877)
Fuel	(1,488)	(1)	-	(1,489)	(1,729)	13	-	(1,716)
Depreciation and amortisation	(677)	-	-	(677)	(585)	-	-	(585)
Non-cancellable aircraft operating lease rentals	(192)	-	-	(192)	(254)	-	-	(254)
Total Expenditure	**(7,372)**	**(1)**	**138**	**(7,235)**	**(7,369)**	**13**	**(76)**	**(7,432)**
EBIT	**812**	**(1)**	**138**	**949**	**1,094**	**13**	**(76)**	**1,031**
Net finance costs	(97)	-	-	(97)	(111)	1	-	(110)
PBT	**715**	**(1)**	**138**	**852**	**983**	**14**	**(76)**	**921**

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Revenue Detail

Net passenger revenue down 3%

- Group Unit Revenue decreased five percent
  - Significant international market capacity putting pressure on yields
  - Moderating decline in resources sector demand
- Reduced domestic capacity offset by growth in international capacity through redeployment of existing Group fleet

Net freight revenue down 9%

- Impact of FX reducing inbound air freight demand
- International markets remain challenged with significant wide body capacity impacting yields
- Fuel surcharge reductions

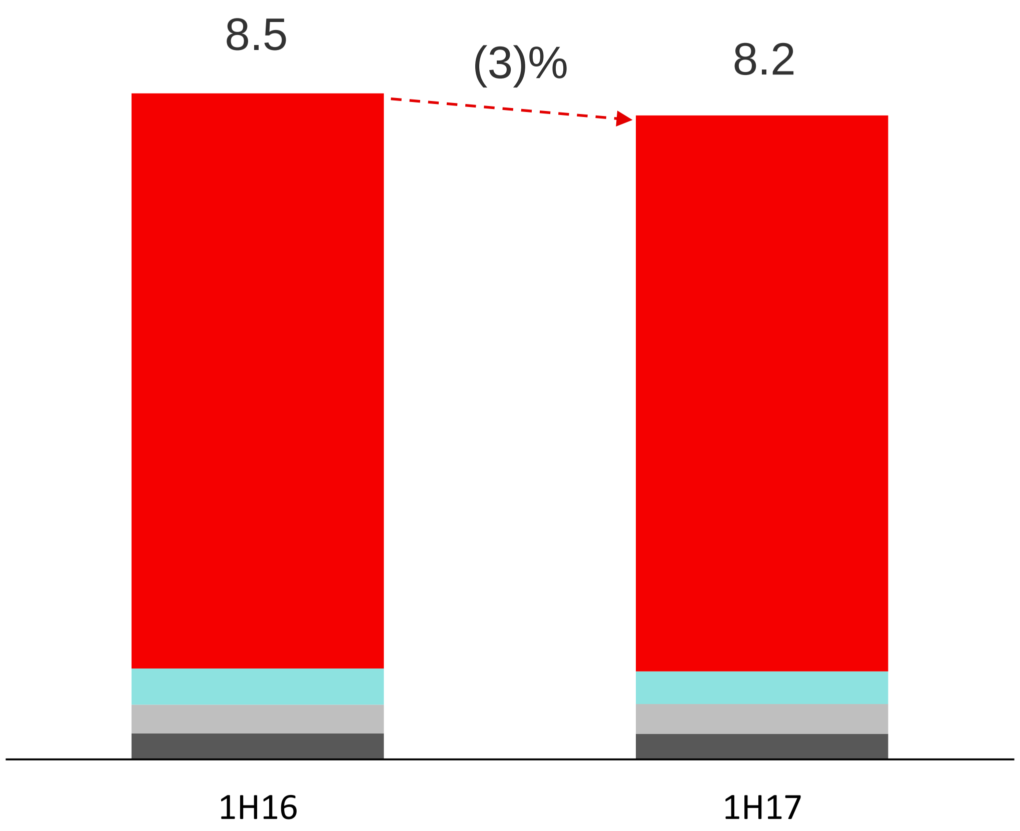
Frequent flyer redemption, marketing, store and other revenue up 2%

- Launch of Assure in March 2016
- Growth in adjacent businesses including Red Planet
- Impact of changes to Woolworths program

Revenue from other sources down 1%

- Reduction in retail advertising revenue following sale of Sydney Terminal in September 2015

Revenue ($B)



RPKs (m)	60,652	1% →	61,348
ASKs (m)	74,650	1% →	75,732

Expenditure[1] Detail

Fuel costs down 13%

- Benefit from lower jet fuel prices compared to 1H16
- Improvement in fuel efficiency from Qantas Transformation fuel initiatives
- Offset by higher consumption from increased flying

Manpower and staff-related up 5%

- Operational head count increase with increase in flying activity
- Growth of Qantas Loyalty business headcount
- Benefits from workplace agreements with 18-month wages freeze, offset by increases for employee groups who have completed wages freeze

Aircraft operating variable costs up 1%

- One percent increase in flying activity

Depreciation and amortisation costs up 16%

- Refinancing of aircraft out of operating leases to unencumbered/owned aircraft
- Reconfiguration of A330 and B738 aircraft

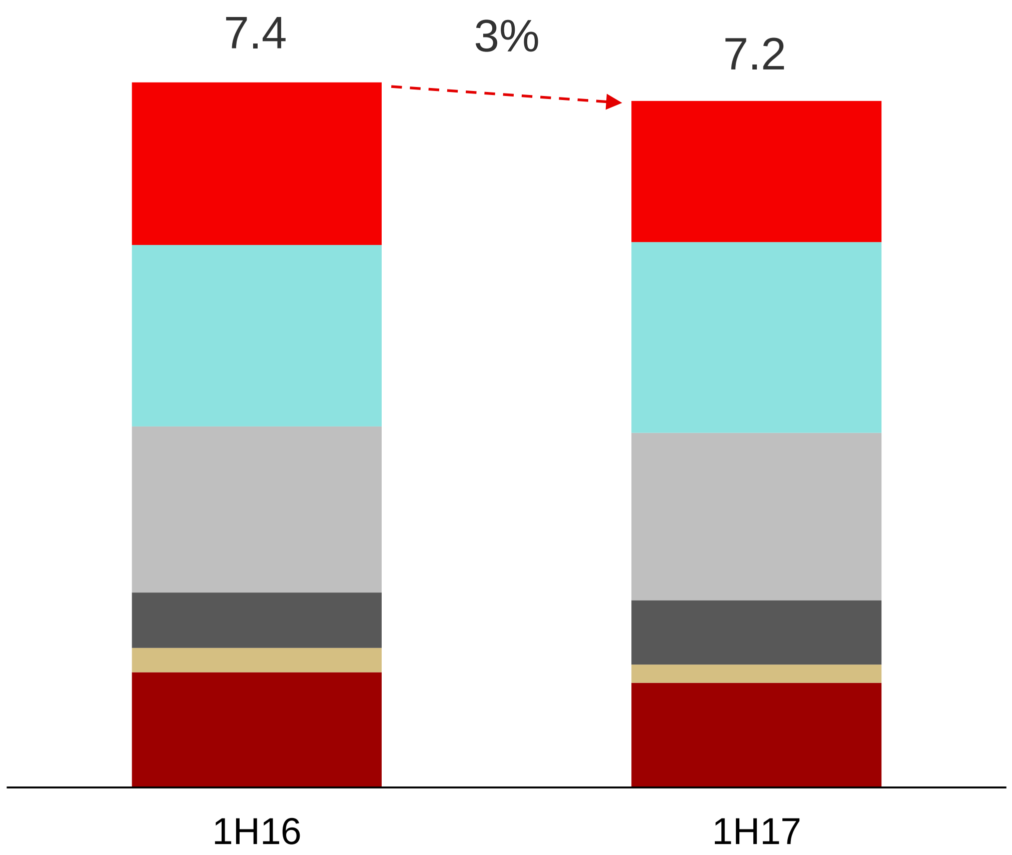
Lease rental expense down 24%

- Reduction in aircraft operating leases through refinancing of leased aircraft
- FX impact on USD-denominated leases
- Commencement of 2 x A321 leases

Other expenditure down 9%

- Non-cash impact of changes in discount rates and actuarial assumptions
- Reduction in commissions in line with revenue decline

Expenditure ($B)



ASKs (m) 74,650 → 1% → 75,732

1. All expenditure is presented on an Underlying basis which excludes hedge effectiveness relative to other reporting periods and other items not included in Underlying PBT.

Cash Flow

$M	1H17	1H16	VLY %
Operating cash flows	1,173	1,373	(15)
Investing cash flows (excluding aircraft operating lease refinancing)	(885)	(603)	(47)
Net free cash flow[1]	**288**	**770**	**(63)**
Aircraft operating lease refinancing	(327)	(587)	44
Financing cash flows	(271)	(807)	66
Cash at beginning of period	1,980	2,908	(32)
Effects of FX on cash	(2)	7	>(100)
Cash at end of period	**1,668**	**2,291**	**(27)**

- Positive net free cash flow[1] of $288m
  - Strong operating cash flows of $1.2b
    - 1H16 included $185m proceeds from the sale of Sydney Airport Terminal 3
  - Investing cash flows of $885m excluding aircraft operating lease refinancing
    - 1H16 included $350m proceeds from the sale of Sydney Airport Terminal 3
- $327m related to the refinancing of 9 aircraft out of operating leases
- New borrowings of $422m bond issuance and repayments of $227m short term amortising debt repayments
- 87m shares bought back during 1H17 for $275m
- Dividend payment of $134m

1. Cash from operating activities less net cash used in investing activities (excluding aircraft operating lease refinancing).

Invested Capital Calculation

$M	12 mths to Dec 16	12 mths to Dec 15
Receivables (current and non-current)	971	967
Inventories	352	337
Other assets (current and non-current)	590	459
Investments accounted for using the equity method	238	193
Property, plant and equipment	12,168	11,578
Intangible assets	956	837
Assets classified as held for sale	14	88
Payables	(2,161)	(1,944)
Provisions (current and non-current)	(1,143)	(1,134)
Revenue received in advance (current and non-current)	(4,787)	(4,910)
Capitalised operating leased assets[1]	2,112	2,537
Invested Capital	**9,310**	**9,008**

Average Invested Capital[2]	**8,708**	**8,936**

- Refinanced 9 operating leased aircraft to unencumbered owned aircraft
  - Decrease in capitalised operating leased assets
  - Increase in property, plant and equipment
- Capex > depreciation with FY17 capex weighted to 1H17

1. For calculating ROIC, capitalised operating leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing AVAC) 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 reported within Invested Capital as capitalised operating leased aircraft assets. 2. Equal to the 12 months average of monthly Invested Capital.

Net Debt

$M	1H17	FY16	VLY
Current interest bearing liabilities on balance sheet	439	441	(2)
Non-current interest bearing liabilities on balance sheet	4,653	4,421	232
Fair value of hedges related to debt	(3)	(2)	(1)
Cash at end of period	(1,668)	(1,980)	312
Net on Balance Sheet Debt[1]	**3,421**	**2,880**	**541**
Capitalised aircraft operating lease liabilities[2]	2,546	2,766	(220)
Net Debt[3]	**5,967**	**5,646**	**321**

- Two medium term notes of $425m at favourable rates and long tenor of 7 and 10 years[4]
- Repayment of $227m in short term amortising debt repayments borrowings, largely secured debt
- Reduction in aircraft operating lease liabilities with the refinancing of an additional 9 aircraft out of operating leases

1. Net on balance sheet debt includes interest-bearing liabilities and the fair value of hedges related to debt reduced by cash and cash equivalents. 2. Capitalised aircraft operating lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis akin to a finance lease. Residual value of capitalised aircraft operating lease liability denominated in foreign currency is translated at the long-term exchange rate. 3. Net debt includes on balance sheet debt and capitalised aircraft operating lease liabilities under the Group's Financial Framework. 4. A$250m with a semi-annual coupon of 4.40% per annum, maturing in October 2023, and A$175m with a semi-annual coupon of 4.75% per annum, maturing in October 2026.

Net Debt Movement

$M	
Opening Net Debt (30 June 16)	**5,646**
Net cash from operating activities	(1,173)
Principal portion of aircraft operating lease rentals	(119)
Funds From Operations	(1,292)
Net cash from investing activities	1,212
Aircraft operating lease refinancing	(327)
New operating leases	138
Net Capex	1,023
Dividend paid to shareholders	134
Payments for share buy-back	275
Shareholder Distributions	409
Payment for treasury shares	65
FX revaluations and other fair value movements	116
Closing Net Debt (31 December 16)	**5,967**

Total Unit Cost

C/ASK	1H17	1H16	VLY %
Total Unit Cost[1]	**6.90**	**7.23**	**(5)**
Excluding:			
Fuel	(1.97)	(2.30)	
Change in FX rates	-	(0.02)	
Impact of changes in the discount rate and other actuarial assumptions	0.06	(0.02)	
Share of net profit/(loss) of investments accounted for under the equity method	0.01	0.01	
Ex-Fuel Unit Cost[2]	**5.00**	**4.90**	**(2)**

1. Underlying PBT less ticketed passenger revenue per ASK. 2. Underlying PBT less ticketed passenger revenue, fuel and share of profit/(loss) of investments accounted for under the equity method, adjusted for the impact of changes in FX rates, discount rates and other actuarial assumptions per ASK.

Qantas Transformation Scorecard

ACHIEVING OUR TARGETS

	Target		Progress to Date
	Metric	Timeframe	
Accelerated Transformation Benefits	$2.1b gross benefits >10% Group ex-fuel expenditure reduction[1]	FY17	$1.9b benefits realised Ex-fuel expenditure reduced by 9%[2]
	5,000 FTE reduction	FY17	4,735 FTE reduction[3]
Deleverage Balance Sheet	>$1b debt reduction[4]	FY15	Delivered on schedule
	Debt / EBITDA[5] < 3.5x FFO / net debt[6] > 45%	FY17	Delivered ahead of schedule
Cash Flow	Sustainable positive free cash flow[7]	FY15 onwards	Delivered on schedule
Fleet Simplification	11 fleet types to 7	FY16	8 fleet types Retaining 2 x non-reconfigured B747
Customer And Brand	Customer Advocacy (NPS)	Ongoing	Strong NPS results across the business[8]
	Maintain premium on-time performance at Qantas Domestic	Ongoing	Premium on-time performance at 86% with shorter turn times[9]

1. Target assumes steady FX rates and capacity. 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, adjusted for movements in FX rates and capacity. 1H17 vs 1H14. 3. Actioned Full Time Equivalent employee reduction as at 31 December 2016. 4. Reduction in net debt including capitalised operating lease liabilities. 5. Management's estimate based on Moody's methodology. 6. Managements estimate based on Standard and Poor's methodology. 7. Net free cash flow is operating cash flows less investing cash flows (excluding aircraft operating lease refinancing). 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. 8. Measured as average 1H17 Net Promoter Score. 9. Qantas mainline operations (excluding QantasLink) for 1H17 compared to 1H16. Source: BITRE.

Group Operational Information

Fleet at 31 December 2016

Aircraft Type	1H17	FY16	Change
A380-800	12	12	-
B747-400	5	5	-
B747-400ER	6	6	-
A330-200	18	18	-
A330-300	10	10	-
B737-800NG	75	75	-
Total Qantas	**126**	**126**	**-**
B717-200	20	20	-
Q200/Q300	14	14	-
Q400	31	31	-
Total QantasLink	**65**	**65**	**-**
F100	17	14	3
Total Network Aviation	**17**	**14**	**3**
Q300	5	5	-
A320-200[1]	71	71	-
A321-200	8	6	2
B787-8	11	11	-
Total Jetstar	**95**	**93**	**2**
B737-300SF	4	4	-
B767-300SF	1	1	-
Total Freight[2]	**5**	**5**	**-**
Total Group	**308**	**303**	**5**

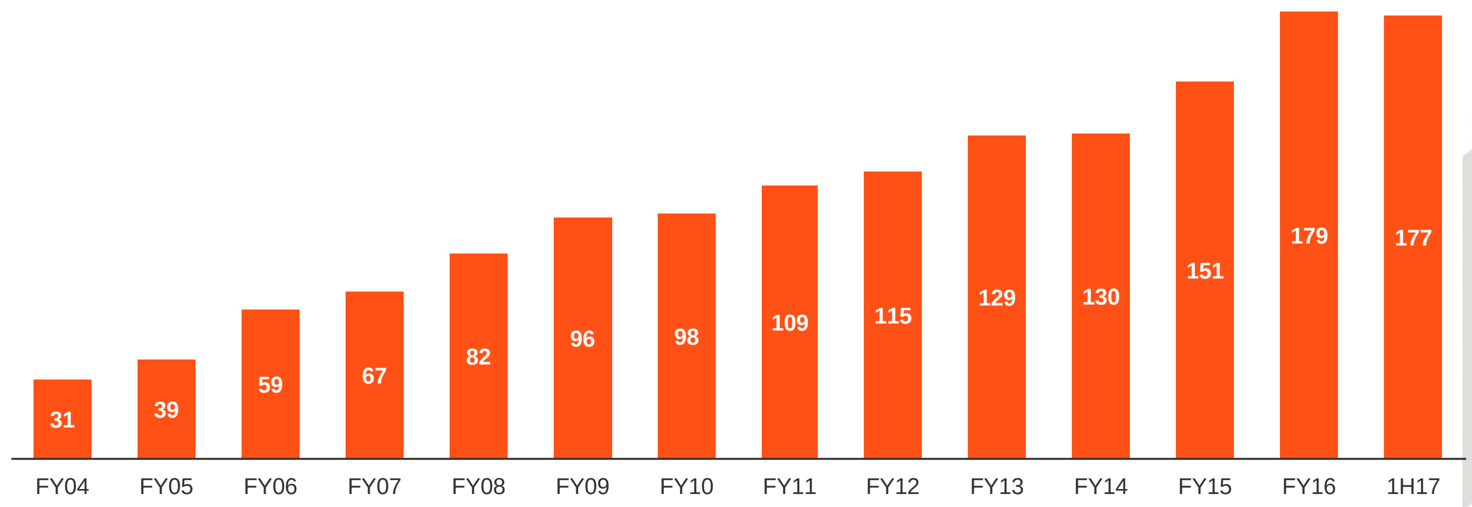
- Net addition[3] of 5 aircraft in 1H17
  - 2 x A321-200
  - 3 x F100
- Increased cross-utilisation of A330-200 and B737-800 between Qantas International and Qantas Domestic, optimising capacity to match demand
- Ongoing capacity right sizing in the domestic markets to meet demand through:
  - Down gauge of B737-800 services to B717 services
  - Down gauge of B717 services to F100 services
  - Down gauge of B717 services to Q400 services

1. Includes Jetstar Asia fleet (18 x A320), excludes Jetstar Pacific, and Jetstar Japan. 2. Qantas Group wet leases 2 x B747-400 freighter aircraft and 4 x BAe146 freighter aircraft (not included in the table).
3. Includes purchased and operating leased aircraft.

Supplementary Segment Information

Jetstar Group

Jetstar Group – Network of Routes[1]



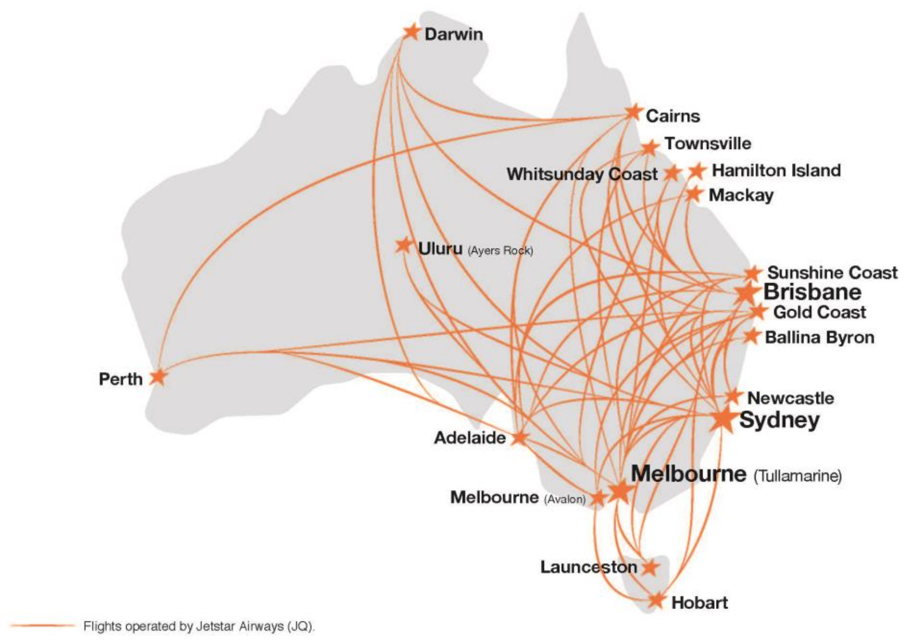
BUSINESS	OWNERSHIP[2]	LAUNCH	AIRCRAFT
1 Jetstar Australia	100%	2004	52 x A320s/A321s
2 Jetstar International	100%	2006	11 x B787s
3 Jetstar New Zealand[3]	100%	2009	9 x A320s 5 x Q300s
4 Jetstar Asia (Singapore)	49%	2004	18 x A320s
5 Jetstar Japan	33%	2012	20 x A320s
6 Jetstar Pacific (Vietnam)[4]	30%	2008	14 x A320s/A321s[5]

1. Including Jetstar Australia and New Zealand, Jetstar Asia, Jetstar Pacific and Jetstar Japan. 2. Based on voting rights. 3. Includes Jetstar Trans-Tasman services commenced in 2005, Jetstar New Zealand (Domestic) services commenced in 2009, Jetstar New Zealand (Regional) services commenced in December 2015. 4. Jetstar Pacific rebranded in 2008. 5. Excludes three seasonal wet lease aircraft.

Jetstar Domestic

- Underlying EBIT of $151m
- Consistent strong earnings[1] with healthy operating margins[2], ROIC > WACC
- Continuing to leverage fleet size, network and frequency advantage over competitors
- Entry into service of two additional leased A321 aircraft in December 2016
- Continued innovation and investment in customer, cost reduction and revenue enhancement

Jetstar Domestic		1H17	1H16	VLY %
ASKs	M	9,662	9,750	(0.9)
RPKs	M	8,080	8,273	(2.3)
Passengers	‘000	6,831	6,962	(1.9)
Seat factor	%	83.6	84.8	(1.2)pts



MAINTAIN LCC LEADERSHIP IN THE AUSTRALIAN DOMESTIC MARKET

1. Underlying EBIT. 2. Operating margin calculated as Underlying EBIT divided by total segment revenue.

Jetstar International
(Australia outbound and New Zealand)

- Record half year earnings[1] driven by B787-8 performance
- Long-haul business focused on Asian markets where Jetstar is strategically advantaged
  - Growth in key outbound leisure markets of Bali and Phuket
  - Linking Australia with Jetstar airlines in Asia to leverage and further strengthen the brand across the region
  - New market development with two direct services to Vietnam departing Sydney and Melbourne from May 2017[2]
- Dual brand strategy in the New Zealand market performing strongly
  - Confirmed as a New Zealand Government domestic travel supplier
  - New Zealand regionals performing ahead of expectations

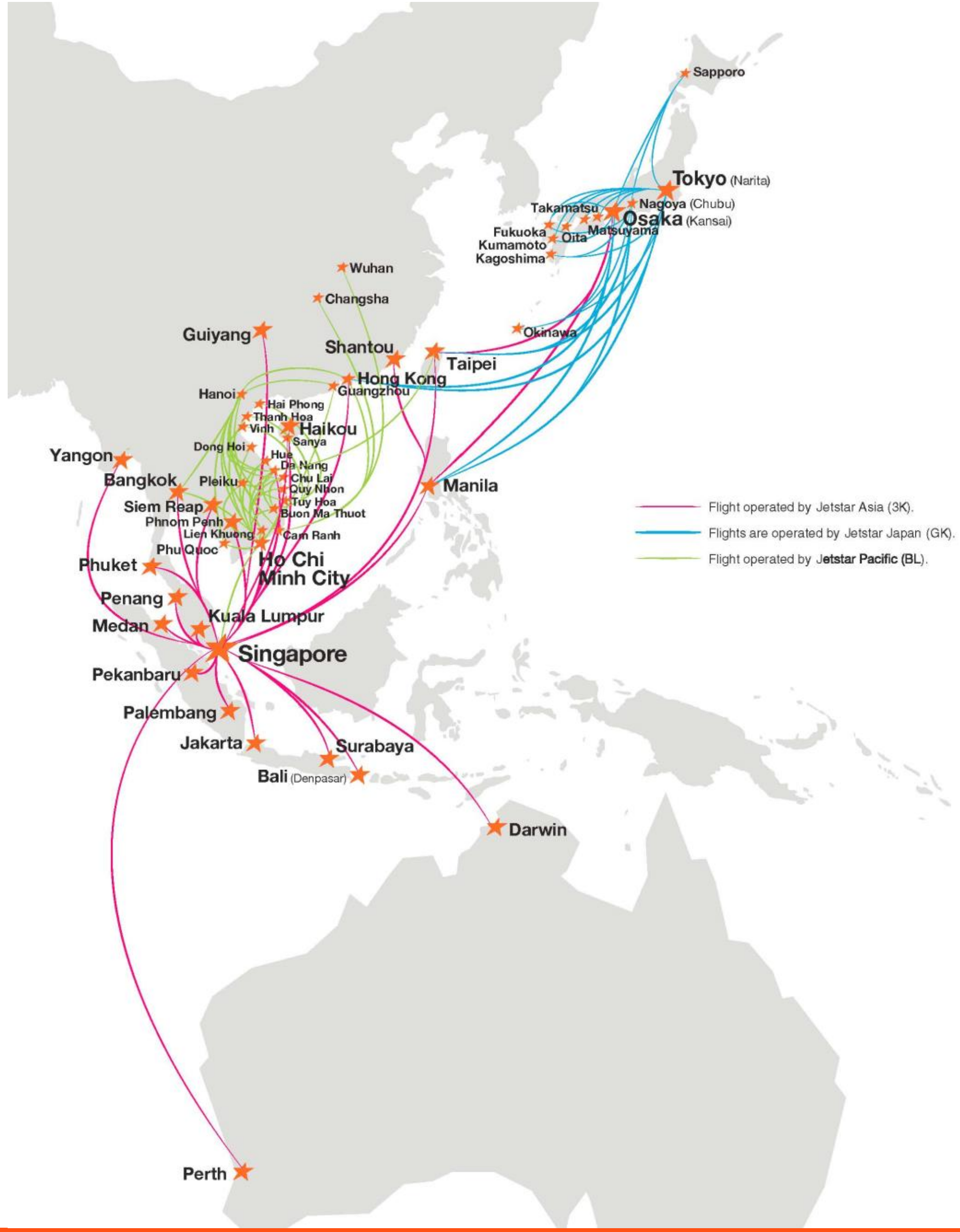
Jetstar International (incl. New Zealand Domestic and Regional, excl. Jetstar Asia)		1H17	1H16	VLY %
ASKs	M	11,007	10,535	4.5
RPKs	M	9,188	8,481	8.3
Passengers	'000	3,135	2,720	15
Seat factor	%	83.5	80.5	3.0pts

RECORD EARNINGS, IMPROVED NEW ZEALAND PERFORMANCE

1. Underlying EBIT. 2. Subject to government and regulatory approval.

Jetstar Airlines in Asia[1]

- Earnings[2] improvement compared to 1H16
  - Jetstar Japan scale grows with international expansion, largest Japanese LCC[3] in market[4], profitability[2] continues to improve
  - Jetstar Asia (Singapore) remains profitable[2] despite competitive market, enhanced by interline and codeshare agreements
  - Jetstar Pacific incurring losses[2] as Vietnam domestic capacity growth intensifies
- Strong customer advocacy[5] driven by localised Jetstar market positioning and customer experience



WELL POSITIONED FOR SUCCESS IN THE FASTEST GROWING PASSENGER MARKET IN THE WORLD[6]

1. Jetstar Airlines in Asia includes Jetstar Asia (Singapore), Jetstar Japan and Jetstar Pacific. 2. Underlying EBIT. 3. Low Cost Carrier. 4. Measured as percentage of market share. Source: Diio. 5. Measured as Net Promoter Score (NPS) for Jetstar Asia (Singapore), and Jetstar Pacific. Based on Jetstar internal reporting. 6. Source: International Air Transport Association (IATA) 18 October 2016.

Overview of Qantas Loyalty Value Chain

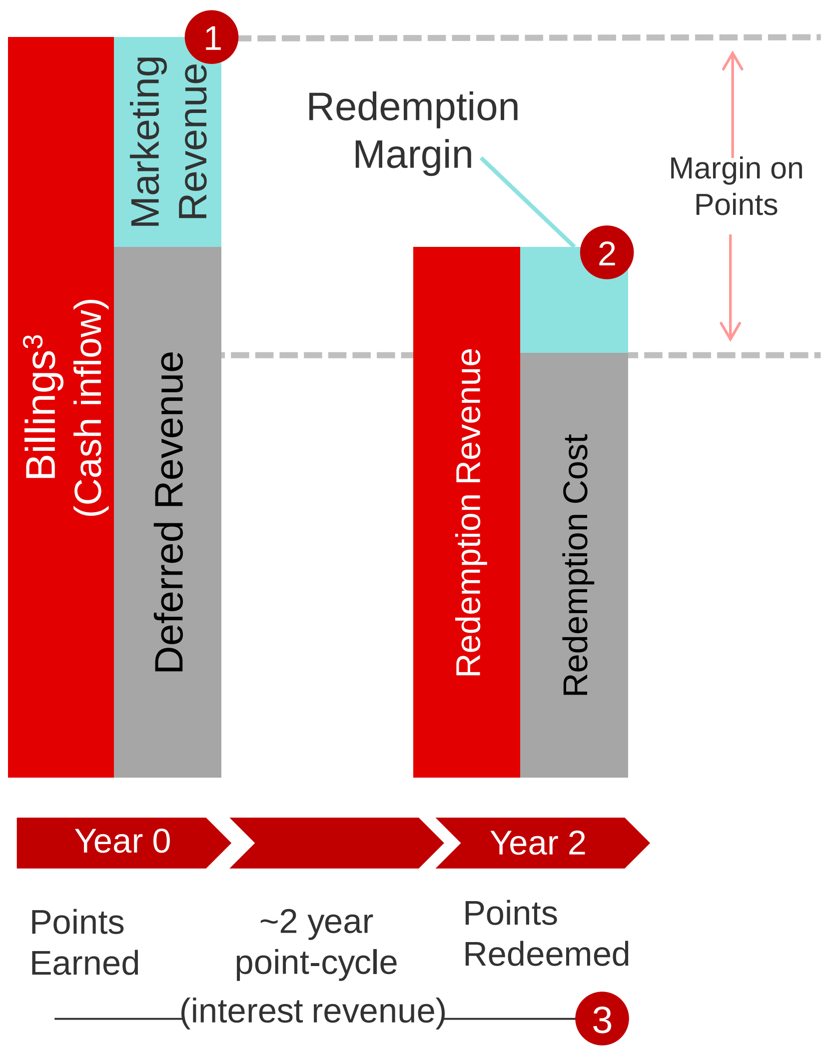
Business Model

Coalition Loyalty

Core earnings stream (QFF[1] + QBR[2])

Adjacent Businesses

Leveraging core to diversify & grow



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Diversification	Qantas Assure
	Red Planet
Core Innovations	Taylor Fry
	Qantas Cash
	Qantas Golf
	Qantas epiQure
	Accumulate

Sources of Value

1. Marketing Revenue: percentage of price per point recognised upfront for the service Loyalty provides its Earn Partners. An allowance for breakage[4] is factored into the percentage.

2. Redemption Margin: the difference between redemption revenue and redemption cost.

   Redemption Revenue: recognises the deferred value of the award (price per point less marketing revenue) at time of redemption.

   Redemption Cost: recognises the cost of the award at the time of redemption.

3. Working Capital: interest income on the cash held.

4. Other Revenue: Income from adjacent businesses, breakout growth and core innovations.

1. Qantas Frequent Flyer. 2. Qantas Business Rewards. 3. External plus internal Billings. 4. Breakage is recognised at the time of points earn / issuance based on an estimated breakage rate. There is no further recognition of breakage at the time of points expiry. However, the actual rate of breakage is used to inform the estimated breakage rate for initial recognition.

Disclaimer & ASIC Guidance

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

Summary information
This Presentation contains summary information about Qantas and its subsidiaries (Qantas Group) and their activities current as at 23 February 2017, unless otherwise stated. The information in this Presentation does not purport to be complete. It should be read in conjunction with the Qantas Group's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

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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 2016 unless otherwise stated.

Future performance
Forward looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

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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 2016 which has been reviewed by the Group's Independent Auditor.