The Transformation Continues
Address by Alan Joyce, Qantas Group CEO
Macquarie Australia Conference
3 May 2013

Good morning everyone.

And thanks again to Macquarie for this opportunity.

As you know, the Qantas Group is in a period of transformation and renewal.

Across all parts of the Group we are making our business better and stronger in order to grow returns to our shareholders.

The level of activity and achievement has been immense.

If you take just the month of April we've:

- Launched our first new uniform in over a decade;
- Opened a state-of-the-art lounge in Singapore;
- Taken delivery of Jetstar's 100th aircraft;
- Hit a milestone of five million Jetstar customers in New Zealand;
- Opened a hangar in Brisbane to service our regional aircraft; and
- Launched a whole new world of travel with our partnership with Emirates.

This morning I'd like to take you through how we are turning around Qantas International; building on our strong domestic business; growing in Asia; unlocking the value of Qantas Loyalty; engaging our people; and enhancing the customer experience.

We've always made it clear that long term gain can't be achieved without the short term cost of transition.

We are certainly seeing the benefits begin to flow from initiatives already undertaken.

But there will be cost impacts within the second half of FY13, which is typically the weaker half in each year, as we implement our strategy.

And in fact, last we year we made an operating loss during that period.

But as we look forward to FY14, we will reap the benefits from: modernising our operations; maximising our partnerships; taking down costs; upgrading our product and service; and staying ahead of the competition.

Qantas International

Let me begin with Qantas International.

As you know, we launched our partnership with Emirates with ticket sales from 22 January 2013 and our first flight just five weeks ago on 31 March 2013.

It is based on a genuinely new vision for air travel: the world's best airline network offering. An excellent, consistent airline experience. Global recognition for frequent flyers. And the biggest rewards for customer loyalty.

The Emirates partnership is a milestone achievement for Qantas and is going to deliver major benefits over many years.

However, right now we are still managing through the transition phase, including the $50 million impact of transferring our hub from Singapore to Dubai.

As we predicted, we are also seeing aggressive short term responses from our competitors.

Over the longer term, this partnership is going to deliver benefits across all segments of the Qantas Group.

Clearly it is central to our turnaround plan for Qantas International.

We saw a significant increase in bookings to Europe on the joint network in the first nine weeks of sales, compared to the same period last year, which we knew reflected some pent-up demand.

Sales continue to perform very strongly.

A fantastic result.

It is also going to add value to our domestic and regional business.

Emirates is now selling to 32 Australian destinations, including our major capitals and regional centres.

The number of Emirates customers booked to travel on Qantas domestically is also well ahead of our previous partnership with British Airways.

And it is hugely important to our Loyalty proposition.

Many of you will be frequent flyers, and with the Emirates partnership, we've opened up a whole world of new opportunities to earn and redeem points.

Since the launch of the partnership, the number of points redeemed on partner airlines has more than doubled compared to the same period last year.

This is largely driven by Emirates.

Higher redemptions indicate a higher level of member engagement, which is the lifeblood of any successful loyalty program.

The partnership with Emirates is the jewel in the crown of our Qantas International four pillar, five year plan.

It forms the centrepiece of our **gateways to the world** to open up global travel for our customers, extending our reach without material capital investment.

Of course our gateway strategy extends beyond Emirates:

- Over the past two years we have put in place a strong partnership with American Airlines, flying daily into its hub of Dallas/Fort Worth;
- We have had preliminary discussions with LATAM to strengthen Santiago as the gateway to South America;
- We have our partnership with South African Airways opening up southern Africa via Johannesburg; and
- We have retimed flights to Hong Kong and Singapore as gateways to Asia, and significantly grown our partnership with China Eastern.

We are doing everything right to be **best for global travellers,** with our new era of global connectivity and unmatched benefits for frequent flyers.

We continue to receive fantastic feedback about our world leading A380 cabin fit outs, which have been extended into our Boeing 747s.

Customer satisfaction levels are at record highs.

We have our superb new lounge in Singapore, two more on the way in Los Angeles and Hong Kong; and we now have access to Dubai's state-of-the-art A380 terminal.

And we've got the aviation trifecta: three of the world's best who happen to be Australian: industrial designer Marc Newson, Chef Neil Perry and fashion designer Martin Grant.

Marc, Neil and Martin are helping Qantas lead the way in airline passenger comfort, amenity, style, food and wine, and brand image.

Growing with Asia is the third pillar for the Qantas Group.

Today we have over 140 direct flights per week to 11 destinations in Asia, seven on Qantas and five with partners, including Kuala Lumpur with Emirates.

Our new Asian schedule provides improved on-connectivity to 90 destinations across the region, with a transfer time of less than four hours.

We are upgrading all 10 international A330s with new flat seats in business, better economy cabins and inflight entertainment.

And we have just commenced a major expansion of our codeshare agreement with China Eastern.

Customers can now choose from 17 direct Qantas or China Eastern services between Australia and mainland China each week, with onward connections via Shanghai to 11 domestic destinations.

Asia is a long game for us, but we are making all the right moves, and building the long term partnerships for success.

Underpinning all these initiatives is the need to **build a stronger, more viable Qantas**.

Major reform continues as we:

- Update our maintenance practices in line with 21st century fleet and regulatory standards;
- Move from three to two heavy maintenance bases on the way to one;
- Modernise our catering practices; and
- Improve the economics of our fleet through reconfiguration and simplification.

We still have more to do, and we continue to look for opportunities to reduce costs and improve productivity.

However there is a one-off operating cost of $25 million in back pay associated with resolving the enterprise agreement with our long haul pilots.

As you know, we recently announced reductions to our forecast capital expenditure.

But everything we do demonstrates our capacity to deliver excellence on behalf of our customers, within a cost-conscious mindset and rigorous capital allocation.

Strong Domestic business

Turning to our domestic business.

Qantas and Jetstar remain the market leaders in business and leisure with our dual brand strategy.

We've got the full package of assets – the scale, network, frequency and distribution, all backed up by our Loyalty program which is now better than ever.

We are resolute in maintaining our profit maximising 65% market share.

Our domestic position remains strong with our dual brand strategy, and the depth of our corporate customer support.

However we still face a tough environment with a high degree of capacity growth in the market, pushing down yields and profitability.

While we do not expect any improvement this half, capacity growth is alleviating, which will lead to a healthier domestic capacity position in FY14.

Meanwhile we continue to strengthen our position through our commitment to operational excellence and customer focus.

The metrics highlight our success.

Qantas' on-time performance so far this year has significantly outperformed our major competition.

We continue to see record levels of customer satisfaction.

We've kept our corporate customers and they remain loyal.

But we are never complacent.

We're improving our fleet and product, upgrading our domestic A330s with new flat seats in business class, a refreshed economy cabin and new inflight entertainment for all east-west services.

Quite simply this will represent the best domestic offering anywhere in the world.

It will also enable the retirement of our Boeing 767s by the end of FY15, which in turn will significantly reduce our domestic cost base.

In addition, our older Boeing 737-400s will be retired by the end of this calendar year.

We're also improving the offering on the ground.

Later this year QantasLink will move into Terminal 3 at Sydney Airport, making travel better for over one million customers each year, with reduced check-in times, smoother flight connections and better access to premium facilities.

We've opened our expanded Qantas Club at Perth Airport, increasing lounge space by almost a third.

We continue to open regional lounges to meet demand, the most recent at Tamworth.

QantasLink is important in the domestic story.

With Network Aviation it continues to support our regional and resource sector growth.

The Network Aviation F100 fleet has grown from just two to 11 in the past 18 months, with the twelfth F100 to be delivered later this month.

All of our 13 B717 aircraft are being refreshed this year, improving seat economics by nine per cent.

And an additional five new B717s will be delivered from November this year.

Jetstar

Turning to Jetstar.

Jetstar is progressing strongly as it builds the scale in Asia necessary for long term success.

However there are costs and losses associated with the start-up and ramp-up of Jetstar Japan and Jetstar Hong Kong.

Jetstar is one of Australia's business pioneers in Asia.

The strategy is to build scale across Asia, the fastest growing aviation market in the world, and cement a position as the leading low fares carrier in the region.

Success is underpinned by superior branding, smart use of ancillary revenues, and skilled network coordination.

Already the Jetstar Group flies to over 60 destinations and has 3,000 weekly flights across 16 countries and territories.

It is bigger than Ryanair or Easyjet at the same age and is the biggest low cost carrier in the Asia Pacific by revenue.

Over the past 12 months, Jetstar has reached some significant milestones:

- Carried its 100 millionth passenger;
- Taken delivery of its 100th aircraft;
- Reached almost $4 billion in revenue; and
- Launched its fifth airline, Jetstar Japan.

With Jetstar Asia and Pacific strengthening, and Japan growing rapidly following its launch last year, Jetstar Hong Kong is the next piece of the jigsaw.

Jetstar Hong Kong is working its way through regulatory processes and we anticipate it will get approval before the end of the calendar year.

And later this year Jetstar will take delivery of its first B787 aircraft, a fantastic aircraft that, given its lower operating costs, will cement Jetstar's leadership position.

An update on Jetstar Japan.

Since launching last July it has grown from five to nine announced destinations, carried one million passengers, and by 30 June 2013 it will have 13 aircraft.

It has the most competitive cost base of the new low cost airlines.

Its customer satisfaction ratings are ahead of the competition.

And it is winning on load factors and on-time performance.

We are comfortable with how we are tracking against the business plan, and with the accelerated ramp-up necessary to maintain our scale advantage.

We remain confident of achieving a profit in year three.

While the devaluation of the Japanese Yen over the past six months presents an added challenge, we believe Japan remains a significant and exciting long term opportunity for the Jetstar Group.

Our priorities for Jetstar are to:

- Build scale, realising the growth potential of both established and new ventures;
- Having received ACCC approval, better integrate the various Jetstar airlines, and maximise logical linkage points such as that between Japan and Queensland; and
- Continue to add value for customers, through closer alignment with Qantas Loyalty and improving Jetstar's customer service proposition.

Qantas Loyalty

Qantas Loyalty is the glue binding the Qantas Group.

It is a big asset today and it will only get better.

Its success reflects the strength of the Group's customer proposition across Qantas domestic, international and Jetstar.

All of its profit is generated from partners external to the Group.

Our latest initiative is the next generation Frequent Flyer member card.

This will be the ideal single card for travel purposes: loyalty membership, airline check-in and boarding, everyday purchases, and travel money card.

All while earning Qantas Frequent Flyer points for making eligible purchases on the card.

Qantas Loyalty has achieved a record positive Net Promoter Score, and we know the Qantas-Emirates partnership will further strengthen the relationship between Qantas and our frequent flyers.

People and Customers

A few words about our people.

There's no doubt that the past few years of significant change have been challenging, and there have been some testing times.

But we have invested heavily in front-line training, and we are equipping our people with the latest tools and technologies to improve their performance and personalise service for our customers.

We have already seen great results in terms of improved customer satisfaction and Net Promoter Scores across Domestic, International and Loyalty.

Now we are starting to see the significant improvements in our employee engagement scores as well – in fact the highest engagement scores ever for our customer-facing staff.

We believe there is further potential to improve.

Our aim is to keep expanding this virtuous circle with happy, committed employees providing wonderful service to satisfied customers.

Group Debt Profile

Before I conclude, I want to highlight the improvement to our debt profile.

The Group has moved through the high levels of capital expenditure associated with our extensive fleet renewal program.

FY13 and FY14 capital expenditure is forecast at $1.6 billion and $1.5 billion respectively, and we expect capital expenditure to remain around maintenance levels going forward.

We are now focused on debt reduction.

Since 31 December 2012 the Group's refinancing and debt maturity profiles have improved.

We have:

- Repaid in full US$450 million in unsecured notes that were due this year;
- Successfully refinanced, out to 2017, $430 million of our unsecured syndicated loan facility; and
- Issued $125 million in seven-year unsecured fixed rate notes.

Through over-subscriptions, we have also increased our committed undrawn funding lines – providing an additional source of liquidity.

As a result, at 30 June 2013 we are targeting a total Group liquidity position of between $2.5 and $3 billion.

For the first time in approximately 20 years, the Group's average fleet age will be below eight years at 30 June 2013.

This not only puts our fleet up with the world's best, but provides additional flexibility in moderating future capital expenditure requirements.

Summary

To sum up, the Qantas Group is taking all the right steps to succeed and prevail, executing on our strategy in order to provide sustainable returns to shareholders.

We are a $16 billion revenue business with exposure to numerous external and global forces, where a small shift can create a significant movement in our earnings.

These include fuel prices, foreign exchange and broader economic and competitive developments.

Given this high degree of volatility and uncertainty, the Group continues to be unable to provide profit guidance at this time.

We are well aware that, in aviation, you can expect the unexpected, and we continue to have the flexibility to adapt to any changing circumstances.

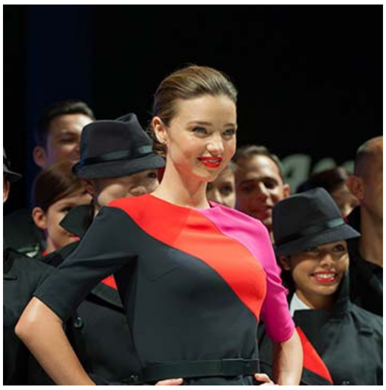
Our plans are in place, and progressing.

We remain extremely confident about the Group’s strategy, and our future.

Qantas Airways Limited
Alan Joyce, CEO Qantas Airways

Macquarie Australia Conference
3 May 2013

Qantas Group: April 2013




Delivering on the Group’s Strategic Priorities

- Turning around Qantas International
- Building on our strong Domestic business
- Growing in Asia
- Unlocking the value of Qantas Loyalty
- Engaging our people and enhancing the customer experience

EXECUTING THE STRATEGY TO DELIVER SUSTAINABLE RETURNS TO SHAREHOLDERS

Qantas-Emirates Partnership
Successful launch

Turning around Qantas International
Four Pillar Strategy

GATEWAYS TO THE WORLD

- Improvement of network proposition
- Establishment of key alliances
- Deepening existing partnerships

1

BEST FOR GLOBAL TRAVELLERS

- Delivering consistent customer excellence
- Enhanced end-to-end product
- Market leading loyalty proposition

2

QANTAS INTERNATIONAL TRANSFORMATION

On track to return to profit

GROWING WITH ASIA

- Improved network connectivity
- Enhanced codeshare partnerships
- Establishment of further alliances

3

A STRONG VIABLE BUSINESS

- Network optimisation
- Margin improvement
- Cost reduction

4

Turning around Qantas International
Four Pillar Strategy

	TRANSFORMATION INITIATIVE	INDICATIVE TIMING		
		FY13	FY14	FY15
Gateways to the World	Launch of Qantas-Emirates partnership			
	North America-daily flights to AA hub (DFW)[1]			
	South America flights to LATAM Airlines hub (SCL)[2]			
	Further enhancements to alliance and network offering			
Best for Global Travellers	Superior opportunities for frequent flyers			
	SIN, LAX, HKG[3] lounge refurbishments			
	Aircraft interior reconfigurations – A380, B747, A330			
	Enhanced training for Customer Service Managers			

1. American Airlines; Dallas – Fort Worth 2. Santiago, Chile 3. Singapore; Los Angeles; Hong Kong

Turning around Qantas International
Four Pillar Strategy

TRANSFORMATION INITIATIVE		INDICATIVE TIMING		
		FY13	FY14	FY15
Growing with Asia	Stronger links to key Asian hubs of SIN[1] and HKG[1]			
	New Asia Schedule for greater connectivity			
	Greater access to China with China Eastern			
	Further growth opportunities			
A Strong Viable Business	Exit of major loss making routes – including SIN-FRA[2]			
	Consolidation of engineering and catering facilities			
	Improving fleet economics and simplification			
	Ongoing cost out programs			

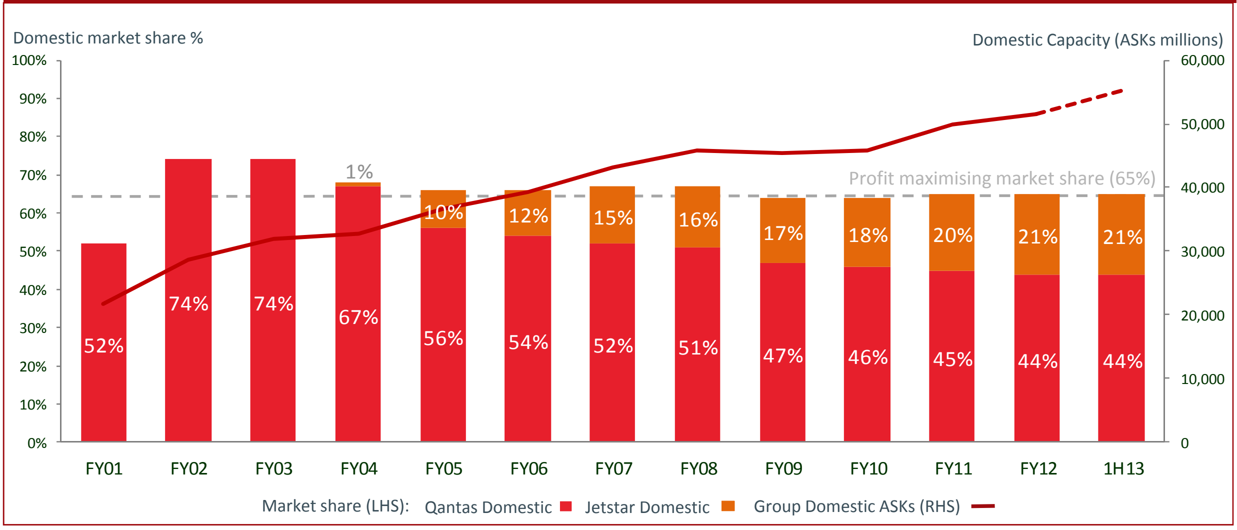
1. Singapore; Hong Kong 2. Bangkok, Hong Kong-London Heathrow exited March 2012, Auckland-Los Angeles exited May 2012, Singapore-Mumbai exited May 2012, Singapore-Frankfurt exited 15 April 2013.

Building on our Strong Domestic Business
Maintaining 65% market share

- Domestic strategy well positioned:

✓Dual-brand ✓Distribution ✓Scale ✓Network ✓Frequency ✓Loyalty program

DOMESTIC MARKET SHARE

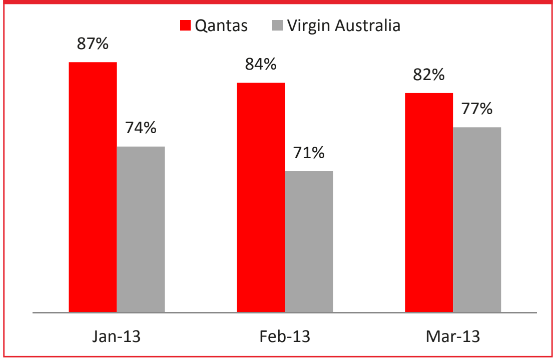


Source: Bureau of Infrastructure, Transport and Regional Economics (BITRE), Qantas. Group Domestic ASKs for FY13 are forecast only, based on 1H13 actuals and 2H13 guidance provided to the market.

Building on our Strong Domestic Business
Qantas Domestic

- Superior on time performance
- Record customer satisfaction levels
- Corporate market share maintained
- Improving customer offering
  - A330 lie-flat beds on east-west
  - Expanded Perth lounge
  - QantasLink to benefit from T3 operations
- Supporting regional growth
  - Improved fleet economics – 5 (of 13) B717 reconfigurations complete
  - 8 F100s added in past 12 months

2013 ON TIME PERFORMANCE (OTP)[1]



1. Source: BITRE January 2013 – March 2013.

Growing Jetstar's Footprint
100 million passengers, 100 aircraft

- Market leading ancillary revenue model
- Significant growth into key Asian ports
- Structural improvements to customer offering
  - ACCC approved network coordination
  - Enhanced frequent flyer redemptions

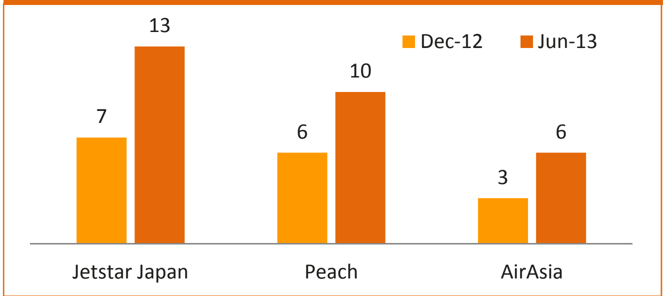
BUSINESS	OWNERSHIP	LAUNCH	BASED AIRCRAFT[3]
1 Jetstar Australia	100%	2004	49xA320s/A321s
2 Jetstar Asia (Singapore)	49%	2004	20xA320s
3 Jetstar International	100%	2006	11xA330s
4 Jetstar Pacific (Vietnam)[1]	30%	2008	5xA320s
5 Jetstar NZ	100%	2007	9xA320s
6 Jetstar Japan	33%	2012	10xA320s
7 Jetstar Hong Kong[2]	50%	2013	-

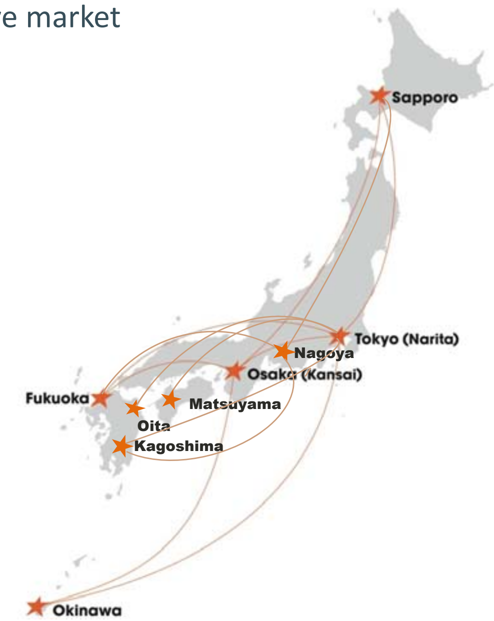
Route Map as at 31 December 2012.
1. Jetstar Pacific rebranded in 2008. 2. Subject to regulatory approval. 3. As at 31 March 2013.

Jetstar Japan
Strong ramp-up since July 2012 launch

- Maintaining scale and cost advantages in competitive market
  - 9 destinations announced
  - 1 million passengers carried
- Leading LCC[1] loads, OTP[1] and customer feedback
- Significant growth opportunity
  - Japanese market 6x larger than Australian

LCC FLEET SIZE[2]





Route Map as at 31 March 2013. Kagoshima commencing 31 May 2013, Matsuyama commencing 11 June 2013.
1. Low cost carrier; on time performance. 2. Qantas Group estimates.

Qantas Loyalty
Unlocking the growth in Loyalty

- 9.1 million members[1] – over 50% of Australian households
- Unparalleled partner reach – all major banks, supermarket, retail, telecommunication
- Superior program enhancements through Qantas-Emirates partnership
  - Reciprocal recognition and priority benefits
- Continued innovation – Qantas Cash, Loyalty Professional Services
- Record positive Net Promoter Score (NPS)

AUSTRALIA'S LEADING LOYALTY PROGRAM – OVER 9 MILLION MEMBERS[1] AND GROWING

1. As at 31 March 2013.

Qantas Loyalty
Creating value for Qantas Group and External partners

Qantas Group benefits

- External billings
- Members fly Qantas/Jetstar
- Customer retention
- Customer analytics

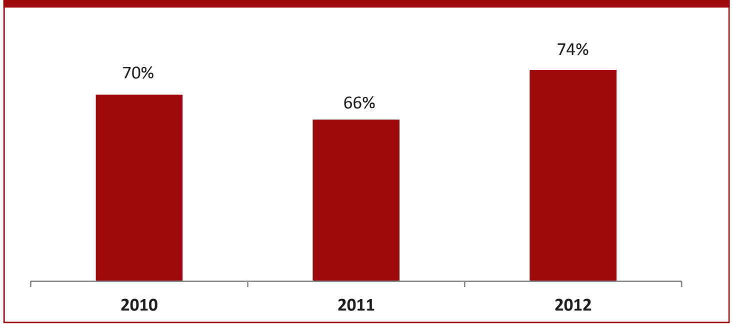
External partners benefits

- Customer insights
- Ability to influence behaviour
- Superior redemption options

Engaging our People
Generating record customer satisfaction

- Improved employee engagement scores to record levels across Qantas, up 8 points
- Active engagement towards Qantas' future
- Evidenced through sustained record high customer satisfaction and NPS results across Qantas Domestic, International and Loyalty

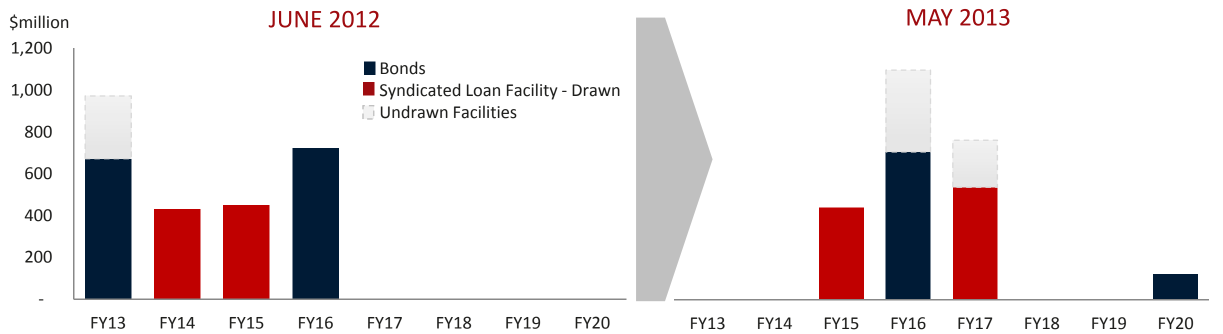
QANTAS GROUP EMPLOYEE ENGAGEMENT



Debt Profile
Extension of unsecured debt maturities

- Reduced refinance risk through improved debt maturity profile
  - — US$450 million unsecured notes repaid in full 2H13
- Targeting liquidity position of $2.5-$3 billion by June 2013[1]
  - — Increased committed but undrawn funding lines – improves financial flexibility
- Planned net capital expenditure $1.6 billion in FY13 and $1.5 billion in FY14
- Continued focus on debt reduction

UNSECURED DEBT MATURITY PROFILE



1. Includes cash and cash equivalents and undrawn banking facilities.

Summary

- Delivering key transformation milestones
- Executing on strategy to deliver sustainable returns to shareholders
  - Building on our strong domestic business
  - Turning around Qantas International
  - Growing in Asia
  - Unlocking the value of loyalty
  - Engaging our people and enhancing the customer experience

POSITIONING THE GROUP FOR A STRONG, SUSTAINABLE FUTURE

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