ASX and Media Release

QANTAS ANNOUNCES $505 MILLION SHAREHOLDER DISTRIBUTION

SYDNEY, 20 August 2015: Qantas today proposed to distribute surplus capital to shareholders in the form of a $505 million capital return.

The proposed 23c per share cash distribution will be combined with a related share consolidation which will provide shareholders an earnings per share outcome similar to a share buy-back. The capital return and related share consolidation are subject to approval at Qantas' Annual General Meeting in October 2015

Qantas takes a disciplined approach to maintaining its optimal capital structure and, where surplus capital is identified, to assess how to enhance shareholder value with the appropriate mix of growth and shareholder returns.

Where surplus capital enables returns to be made to shareholders, Qantas will have regard to a range of factors to determine the most efficient form to return capital, including via share buybacks or capital returns, or a combination of these.

Qantas Group Chief Executive Officer Alan Joyce said Qantas was delighted to recommence shareholder distributions after making rapid progress with the $2 billion Qantas Transformation program.

"Our shareholders have been both patient and supportive as we have worked through the biggest and fastest business transformation in our history," Mr Joyce said.

"Our first priority has been to put Qantas on a strong footing for sustainable future growth. We are now well into that journey, and with the Group returning to its strongest balance sheet since before the Global Financial Crisis, it is fitting to recommence shareholder distributions."

"We will always be financially disciplined in everything we do, giving us the flexibility and options to consider future shareholder distributions alongside maintaining a strong balance sheet and investing in growth."

The share consolidation will be implemented in a manner which ensures that each shareholder's proportionate interest in Qantas remains unchanged following the distribution, subject to the rounding up of fractional entitlements.

The ratio to apply to the share consolidation is the volume weighted average sale price (VWAP) of Qantas shares over the consecutive 20 trading day period ending 18 August 2015, less the capital return as a proportion of the VWAP.

Based on this calculation, the consolidation ratio is 0.939 and, if approved, will reduce the number of shares on issue by approximately 6.1%.

Issued by Qantas Corporate Communication
Media contacts: M: 0418 210 005 E: qantasmedia@qantas.com.au
Investor Enquiries: SHRINVREL@qantas.com.au

Some frequently asked questions are set out below:[1]

1. How does the capital management initiative work?

If the proposed capital management initiative is approved by shareholders at the Annual General Meeting, for shares held on the register on 29 October 2015, Qantas shareholders will receive 23 cents per share as a cash distribution and have their shares consolidated. The proposed share consolidation will ensure that each shareholder's proportionate interest in Qantas remains unchanged following the payment of the 23 cent return of capital. The share consolidation will result in the reduction in the number of Qantas shares on issue from approximately 2,196 million to approximately 2,062 million (representing a 6.1 per cent reduction in the number of shares on issue).

The capital management initiative will be funded by Qantas' surplus capital and will reduce Qantas' cash balance by the amount of capital returned ($505 million).

The return of capital and the share consolidation both form part of Qantas' capital management initiative and are connected. As such, each item is conditional on the approval of the other item and one will not occur without the other.

The capital return and share consolidation will not apply to rights granted under Qantas executives' Long Term Incentive Plans.

2. What is the effect of the capital management initiative on Qantas?

The capital management initiative will be funded by Qantas' surplus capital and will reduce Qantas' cash balance by the amount of capital returned ($505 million).

In determining whether to propose the capital management initiative, the directors reviewed Qantas' assets, liabilities and expected cash flows and satisfied themselves as to Qantas' solvency and ability to pay its creditors following the capital management initiative. In the Board's view, the capital management initiative:

- is fair and reasonable to shareholders as a whole; and
- will not materially impact key credit metrics Qantas targets as part of the Group's broader financial and capital allocation framework; and
- does not materially prejudice Qantas' ability to pay its creditors.

No adverse tax consequences are expected to arise for Qantas and the level of Qantas' franking credits will remain unchanged as a result of the capital management initiative.

[1] Please note: the information contained in these frequently asked questions is not personal advice. Qantas advises that it is not licensed to provide financial product advice in relation to Qantas shares.

3. Why is Qantas returning capital this way, compared to other options?

Qantas evaluated various options for returning excess capital to shareholders and determined that a capital return, combined with a share consolidation, was the optimal mechanism because:

- due to the amount of the capital proposed to be returned ($505 million), compared to an on market share buy-back which could take up to 9 months to complete, a capital return is immediate;
- a capital return preserves flexibility for distributions in the future; and
- a capital return applies to all shareholders equally and shareholders' interests in the company remain unchanged.

4. How will the capital return work?

The terms of the proposed return of capital will be the same for all shareholders (with all shareholders receiving 23 cents per share), so the proposal will be an "equal reduction" of share capital and may be passed by an ordinary resolution of shareholders at a general meeting

If Qantas shareholders approve the proposed capital management initiative (being both the capital return and the share consolidation) at the 2015 Annual General Meeting on 23 October 2015, eligible Qantas shareholders will receive 23 cents per share as a cash distribution (collectively totalling approximately $505 million) on 6 November 2015. Eligible shareholders are the registered holders of Qantas shares as at the Record Date (being 4.00pm AEDT on Thursday, 29 October 2015).

The proposed return of capital amounts will be calculated on a pre-consolidated basis and are not eligible to participate in any Dividend Reinvestment Plan.

A full list of key dates for the return of capital process is provided below and more details will be provided in the Notice of Meeting for the 2015 Annual General Meeting, to be sent to shareholders by 18 September 2015.

5. How will the share consolidation work?

As part of the proposed capital management initiative, Qantas proposes to consolidate its share capital through the conversion of every one Qantas share into 0.939 shares, reflecting the size of the proposed return of capital to shareholders.

If approved by shareholders, the proposed share consolidation will:

- ensure that each shareholder's proportionate interest in Qantas remains unchanged following the payment of the return of capital, subject to rounding up of fractional entitlements to the next whole number of shares; and

- reduce the number of Qantas shares on issue from approximately 2,196 million to approximately 2,062 million (representing a 6.1 per cent reduction in the number of shares on issue).

The share consolidation ratio of 0.939 was calculated by referencing the amount of the return of capital as a proportion of the volume weighted average sale price of Qantas shares traded on the ASX over the consecutive 20 day trading period ending on 18 August 2015, being $3.77, as follows:

($3.77 - $0.23) / $3.77 = 0.939

If approved by shareholders (together with approval of the capital return) by ordinary resolution at the 2015 AGM on 23 October 2015, the share consolidation will take effect in relation to those shares registered on 29 October 2015.

A full list of key dates for the share consolidation process is provided below. More details will be provided in the Notice of Meeting for the 2015 Annual General Meeting, to be sent to shareholders by 18 September 2015.

6. What is the expected effect of the capital management initiative on Qantas' share price?

The proposed return of capital and the share consolidation both form part of Qantas' capital management initiative and are connected. As such, each item will be conditional on the approval of the other item and one will not occur without the other.

Shares may trade at a lower price from the 'post return of capital' date than they otherwise may have done if the return of capital was not approved. This would be due to the outflow of funds to shareholders. However, all else being equal, the share consolidation is expected to neutralise the effect of the return of capital on forward earnings per share (EPS) expectations and, therefore, similarly neutralise any reduction in the share price specifically relating to the return of capital.

The combination of the return of capital and share consolidation will enable Qantas to provide an EPS outcome relating to the return of capital similar to that which would result from a share buy-back, while also ensuring that all shareholders receive an equal cash distribution per share.

7. **What are the tax implications of the proposed capital management initiative?**

   No adverse tax consequences are expected to arise for Qantas and the level of Qantas' franking credits will remain unchanged as a result of the capital management initiative.

   The following information set out below is general in nature and should not be relied on as advice.

   Tax implications for individual shareholders will depend on the circumstances of the particular shareholder. All shareholders should therefore seek their own professional advice in relation to their tax position. Neither Qantas nor any of its officers, employees or advisers assumes any liability or responsibility for advising shareholders about the tax consequences of the return of capital and/or share consolidation.

   Qantas intends seeking a Class Ruling from the Australian Tax Office (ATO) to confirm Qantas' understanding of the likely income tax consequences for shareholders who are tax residents of Australia. It is expected that there should be no immediate tax liability relating to the return of capital for most shareholders who are tax residents of Australia who hold their shares on capital account (the tax cost base of shares will instead be reduced and will defer tax payable by shareholders until they dispose of the shares unless no cost base exists, in which case the cash receipt will be assessable). Any ATO Class Ruling would be published after payment of the return of capital.

   Shareholders who are not tax residents of Australia should seek specific advice in relation to the tax consequences arising from the return of capital under their own local laws.

   Additional information will be provided in the Notice of Meeting for the 2015 Annual General Meeting to be sent to shareholders by 18 September 2015.

8. What is the expected timeline for the proposed capital management initiative?

The following timetable is indicative only at this time, and Qantas reserves the right to vary it. Any variation to the timetable set out above will be publicly announced and posted on Qantas' website and on the ASX. The timetable will also be included in the Notice of Meeting for the 2015 Annual General Meeting to be sent to shareholders by 18 September 2015.

Thursday, 20 August 2015	Capital management initiative (comprised of a return of capital and share consolidation) announced with FY2015 results
Friday, 18 September 2015	Qantas to complete dispatch of the Notice of Meeting for the 2015 Annual General Meeting (AGM), including proposed shareholder resolutions and explanatory notes on the capital management initiative
Friday, 23 October 2015	AGM, at which shareholders approve the capital return and share consolidation
Monday, 26 October 2015	Last day for trading in pre-consolidated shares and on a pre-return of capital basis
Tuesday, 27 October 2015	Commencement of trading in consolidated shares on a deferred settlement basis. Commencement of trading on a post return of capital basis.
Thursday, 29 October 2015	Record date for determining entitlement to participate in the capital return (entitlements for the capital return determined with reference to Qantas' pre-consolidation capital). Last day to register transfers of shares on a pre-consolidated basis and on a pre-return of capital basis.
Friday, 6 November 2015	Last day for updating the share register. Payment date for the capital return and notices issued to shareholders including: • confirmation of the number of shares held following the consolidation; and • capital return payment advice
Monday, 9 November 2015	Normal trading resumes
Thursday, 12 November 2015	Settlement of trades conducted on a T+3 basis and the first settlement of on-market trades conducted on a deferred settlement basis