

QANTAS GROUP RESPONSE TO S&P DOWNGRADE

SYDNEY, 6 December 2013: The Qantas Group notes today's announcement by Standard & Poor's that Qantas' credit rating of BBB- (outlook stable) has been lowered one notch to BB+ (outlook negative).

On December 5, the Group announced accelerated cost reductions totalling \$2 billion over three years in addition to a capital expenditure and structural review in response to fundamentally changed market conditions.

These measures will ensure the Group retains balance sheet strength and maximum flexibility through the current earnings pressures, protecting value for shareholders and debt holders.

Qantas Group Chief Financial Officer, Gareth Evans, said: "A downgrade was not unexpected following yesterday's market update. It highlights the unprecedented pressures that the Qantas Group is facing from several external forces but particularly from an uneven playing field in the Australian aviation market.

"The Qantas Group retains a strong financial position, including a large cash balance and a significant asset base.

"The cost cutting and structural review we announced yesterday is aimed at leveraging these strengths to ensure the Qantas Group continues to deliver for its shareholders and customers.

"It remains business as usual across the Qantas Group.

"We are in continuing discussions with the Australian Government regarding the uneven playing field in the local aviation sector, which has distorted the fundamentals of the market," said Mr Evans.

Qantas will provide an update on its structural review in February 2014.

As of 30 June 2013, Qantas retained a cash balance of \$2.8 billion, and a strong total liquidity position of \$3.4 billion, including undrawn loan facilities of \$630 million. Over the course of financial year 2013, gross debt was reduced by \$1 billion and the Group's debt maturity profile was significantly extended through a range of transactions.

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