



Media Release

QANTAS RESPONSE TO MOODY'S CREDIT RATING DECISION

SYDNEY, 31 January 2012: The Qantas Group today reaffirmed its strong financial position despite the decision by Moody's to downgrade the company's credit rating.

The Group's credit rating with Moody's remains investment-grade at Baa3 / stable. Qantas continues to be one of only two airline companies rated investment-grade by both Moody's and S&P.

With operating cashflow strengthening this financial year, a cash balance of more than \$3 billion and the ability to adjust capital investment as appropriate, the Qantas Group remains in a strong funding position. The Group has mandated financing in place for its 2011/12 aircraft deliveries and intends to fund the balance of its future capital commitments from operating cashflow, cash reserves and available debt.

There has been a significant deterioration in the global aviation operating environment over the past 12 months. Fuel prices have reached the highs of 2008 again and remain at elevated levels, adding around \$450 million to the Group's fuel bill in the first half of 2011/12, and the sovereign debt crisis in Europe has brought further uncertainty to global travel markets.

However, the depth of the Group's portfolio of businesses gives it the flexibility and resilience to manage the effects of operational disruptions and economic volatility, Qantas, Jetstar, Qantas Frequent Flyer and Qantas Freight generate diverse revenue streams that stabilise earnings through the cycle.

The Group has a clear strategy for the future, based on its strong domestic airline businesses, turning around Qantas International, the continued growth of Qantas Frequent Flyer and targeted expansion in Asia. Business transformation initiatives are underway across the Group to increase efficiency and competitiveness.

This strategy is underpinned by a prudent approach to capital management. The Group will only allocate capital where it delivers sustainable returns and will not hesitate to remove capital from underperforming business areas – as demonstrated by the international strategy announcement in August 2011.

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