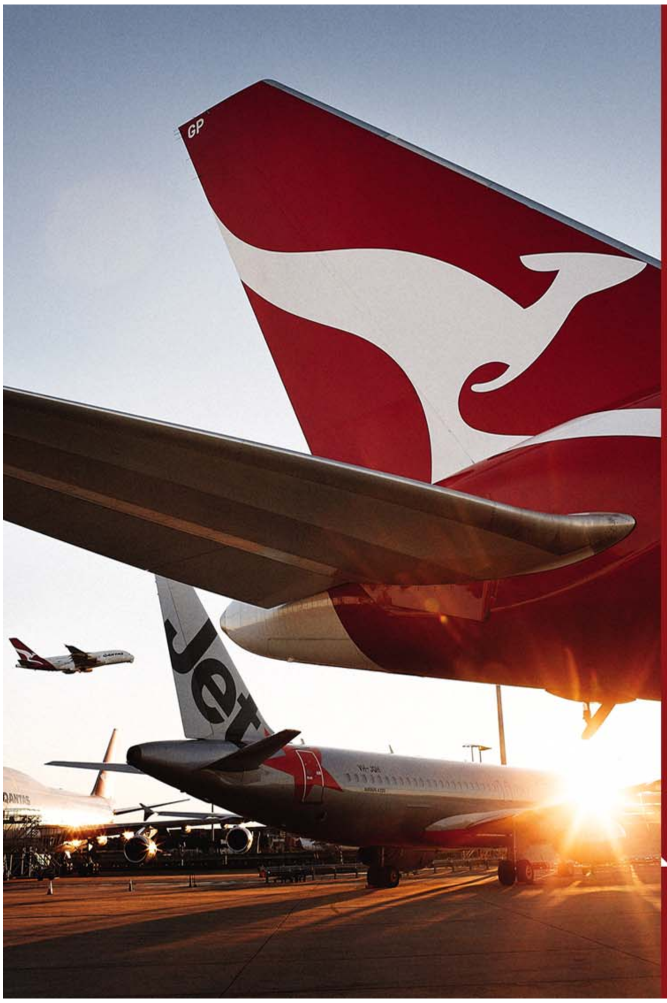

Qantas 1H10 Results Presentation

QANTAS

Highlights of Result - Financial

- Qantas Group half year 2010 Statutory PBT is $90 million
- Qantas Group half year 2010 Underlying PBT[1] is $267 million
- December 2009 Group yield recovered 16.5% from lows in August 2009
- Operating cash flow $0.5 billion
- Cash balance of $3.5 billion
- Unit cost down 8.2%
  - $202 million in 1H10 QFuture savings
- No interim dividend will be paid

1. Underlying PBT is a non-statutory measure which excludes non-recurring items and the impact of derivatives that hedge exposures in other financial period.
1H10 = Six months ended 31 December 2009

Highlights of Result - Operational

- Effective capacity management in Qantas and Jetstar
  - Qantas reduced 9.6%, Jetstar increased 32.9%
- Qantas is Australia's best on-time airline for 2009
- Strong Jetstar growth in Japan, New Zealand and Asia
- Qantas/Woolworths loyalty alliance launched - 1 million new members
- Investment of around $0.8 billion in new aircraft for Qantas and Jetstar
- Continued investment in product and service

1H10 Operating Environment

- Aviation industry remains in losses
- Economic downturn continued to impact earnings
- Signs of improvement in Australian consumer confidence
- Yield recovery underway in the domestic and freight markets
- Yield recovery slower in international business
- Competitors added 10% international capacity to/from Australia[1]

1. Source: BITRE

Income Statement Summary

$M	1H10	1H09	VLY	
Revenue	**6,909**	**8,068**	**1,159**	Economic downturn, capacity reduction and lower yield
Expenses	**6,766**	**7,793**	**1,027**	Capacity adjustments, lower fuel costs and cost initiatives
Statutory EBIT	**143**	**275**	**(132)**	
Net finance costs	(53)	13	(66)	Lower interest rates on cash balances, higher average gross debt
Statutory PBT	**90**	**288**	**(198)**	

Add back:				
Non-recurring items:				
- gain on sale of Qantas Holidays	-	(86)	86	
- accelerated depreciation and impairment losses	48	28	20	Deterioration in values of aircraft held for sale
- redundancies and restructuring	-	62	(62)	
Ineffectiveness relating to other reporting periods	129	(253)	382	Timing differences driven by option volatility
Underlying PBT[1]	**267**	**39**	**228**	

1. Underlying PBT is a non-statutory measure which excludes non-recurring items and the impact of derivatives that hedge exposures in other financial periods
VLY = Variance to last year, six months ended 31 December 2008

Cash Flow and Balance Sheet Summary

Summarised Cash Flow

	1H10 $M	1H09 $M	VLY $M	
Operating	483	378	105	Operating cash flow growth
Investing	(1,009)	(991)	(18)	Investment in 11 aircraft
Financing	407	845	(438)	New financing for 11 aircraft and $213 million in debt repayments
Net increase/ (decrease) in cash held	(119)	232		
Cash at end of period	3,498	2,831	667	Maintained strong levels of liquidity

Summarised Balance Sheet

	1H10 $M	2H09 $M	VLY $M
Net Assets / Total Equity	5,755	5,765	(10)
Net debt[1]	6,154	5,696	458
Net Debt to Equity ratio[2]	29 : 71	25 : 75	
Net Debt to Equity ratio[3]	51 : 49	50 : 50	

1. Includes capitalisation of Jetstar Asia leased aircraft
2. Excludes off balance sheet debt and hedge reserve
3. Includes off balance sheet debt excluding hedge reserve

Segment Performance

	1H10 $M	1H09 $M	VLY $M
Qantas	60	98	(38)
Jetstar	121	43	78
Qantas Frequent Flyer[1]	157	73	84
Freight	17	49	(32)
Jetset	5	17	(12)
Corporate / Eliminations	(53)	(220)	167
Underlying EBIT	**307**	**60**	**247**

- All segments profitable
- Record return for Jetstar and Qantas Frequent Flyer
- Reduced corporate costs – lower overheads, including consulting and legal fees

1. The Qantas Frequent Flyer result includes the current half-year impact of the change in accounting estimate implemented on 1 January 2009, which has contributed an additional $78 million to the 1H10 result

Qantas

- First half underlying EBIT $60 million down from $98 million
- Domestic yield upturn in December quarter
- Slower international recovery
- QFuture benefits of $202 million in 1H10
- Fleet renewal - Delivery of 2 x A380, 3 x B738, 5 x Q400 in 1H10
- Strong brand recovery
- Investment in product
- Corporate presence even stronger – Growth in share and number of accounts
- qantas.com largest travel site in Australia – Strength unique to Qantas
- SME growing off a strong base
- Profitable growth of QantasLink

Jetstar

- First half underlying EBIT $121 million, up $78 million
- Continued strong growth
  - 33%[1] increase in capacity
  - Largest low cost carrier in Asia – based on revenues
- Pan Asia strategy performing well
  - World first low cost carrier alliance – Jetstar and Air Asia
  - 217%[1] growth in international passengers
  - Established Changi Airport, Singapore as Asian hub
- Strong innovation and technology
  - Move towards a 100 per cent customer self service model for domestic services

1. Includes the first time consolidation of Jetstar Asia in 1H10. Capacity and international passenger growth excluding Jetstar Asia is 17% and 107% respectively.

Qantas Frequent Flyer

- First half underlying EBIT $157 million[1] up from $73 million
- Membership at 6.8 million
  - Over 1 million new Frequent Flyer members since June 2009
- Customer satisfaction at record highs
- Woolworths Group alliance successfully launched
- Improvement to the member experience including:
  - Classic Airline Partners increased to 27
  - Ability to redeem on additional 46 airlines to 100 destinations
  - Improved Qantas and Jetstar Anyseat booking engine
  - Record redemptions on the Frequent Flyer store, up 7%
- Committed investment in market leading customer relationship management (CRM) systems

1. The Qantas Frequent Flyer result includes the current half-year impact of the change in accounting estimate implemented on 1 January 2009, which has contributed an additional $78 million to the 1H10 result

Freight

- First half underlying EBIT $17 million, down from $49 million
- Economic downturn impacted Freight demand
- Early signs of demand recovery in air freight market
  - 24% year on year market growth in December 2009
  - Peak season demand strong – November to December
  - Improving activity on China to US freighter routes
- Yield environment remains competitive
- Improved performance of Domestic Express joint ventures

Strategic Priorities for 2010

- International business improvement
- Continued deployment of two brands
- Profit maximising 65% domestic market share
- Optimising portfolio businesses and investments
- Investment in product, fleet and service
- People and leadership – investment in workforce engagement
- Continuation of QFuture implementation

International Business Improvement

- Wide ranging measures underway

Network

- Capacity
- Best for Business

QFuture

- Transformational change

Alliances

- Deepening alliances and bilateral partnerships

Jetstar Pan Asia strategy

Product

- Reconfiguration of A380 and B747

Product and Configuration

Configuration

- 29 aircraft (B747-400 and A380) to be reconfigured, commencing end of 2011
- Reconfiguration driven by longer term trends in shifting consumer demand
- Increased flexibility in fleet and optimises classes to match capacity

Investment

- $400 million over four years
- Improves revenue

Premium Airline

- First class to remain on key routes to match demand – LAX / LHR to SYD / MEL
- Investment maintains premium airline product

Customer

- Consistency in product improves customer experience
- Customers will experience the latest inflight product on all international routes serviced by B747 and A380

Product and Configuration

A380

- First class to remain on key routes to match demand – SYD,MEL
- 12 A380 with four class configuration, remaining eight delivered with three class configuration

B747-400

- B747-400 upgraded with new product (seats in all classes and inflight entertainment), consistent with A380
- Three class configuration in nine aircraft

Medium term long haul fleet	Aircraft
Four class A380 *(First, Business, Premium Economy, Economy)*	12
Three class A380 *(Business, Premium Economy, Economy)*	8
Three class B747-400 *(Business, Premium Economy, Economy)*	9

Fuel Costs

- Fuel costs are currently forecast to increase $200 million[1] in 2H10 compared to 1H10 due to higher forward jet fuel prices, higher fuel hedging costs and increased flying activity
- 2H10 fuel costs are 76% hedged at 'worst case' of $US94 per barrel [2]
  - 78% participation in falling fuel prices
- FY11 fuel costs 28% hedged at a 'worst case' price of US$88 per barrel[2]
  - 90% participation in falling fuel prices
- The market value of fuel hedging beyond FY10 is currently close to nil

2H10 – Six months ending 30 June 2010
1. Estimate based on current market prices and will vary subject to actual prices in 2H10
2. Includes option premium

Underlying PBT

- The principle of Underlying PBT is to remove the volatility caused by the accounting treatment in AASB 139 and match all hedge derivative gains and losses in the same reporting period as the underlying exposures
  - The volatility resulting from AASB 139 cannot be forecast and does not reflect the underlying economic outcomes of the Group's hedging strategy
  - Non-recurring items such as aircraft impairments and redundancy costs are also removed
- Qantas uses Underlying PBT / EBIT internally to assess performance of its segments and the Group
- In future, if guidance is provided, it will be to Underlying PBT as it reflects the operational performance of the business and is more capable of being forecast

Change in Estimate of Aircraft Residual Values

- Reduced air travel demand, the introduction of "next generation" aircraft and regulatory changes in Russia, India and China have led to a reduction in secondary market demand, increasing the pressure on residual values
- Passenger aircraft now to be depreciated to a residual value of 10% at 20 years, compared to the previous estimate of 12.5% - 20% at 20 years
- $50 million additional depreciation in 2H10, $92 million additional depreciation in FY11

FY11 – Twelve months ending 30 June 2011

Outlook

- Remaining uncertainty in the economic outlook, particularly in international markets, industry capacity, passenger and freight demand and high levels of volatility in fuel prices and exchange rates continue
- Passenger revenue in 2H10 is expected to be higher than 1H10 as yields continue to improve
- At current prices fuel costs would be $200 million higher in 2H10 than in 1H10
- The reassessment of residual values for passenger aircraft from 12.5% - 20% to 10% at 20 years will result in $50 million additional depreciation in 2H10
- Qantas expects Underlying PBT[1] for the full year ending 30 June 2010 to be in the range of $300 - $400 million

1. Underlying PBT is a non-statutory measure which excludes non-recurring items and the impact of derivatives that hedge exposures in other financial periods