Qantas Airways Limited
FY11 Results

24 August 2011

QANTAS

Overview

- Strong FY11 result under challenging conditions
  - Significant weather events and natural disasters
  - High fuel price environment
  - Grounding of A380 fleet – major operational challenge
- Demonstrated commitment to safety as our first priority
- Strategy to build long term shareholder value remains valid

Building on our strong domestic business

Profitably building on 65% market share through dual brands	Deepening FFP[1] member and partner engagement	Growing our portfolio of related businesses	Transforming Qantas International	Growing Jetstar in Asia

1. FFP = Frequent Flyer Program

FY11 Result

FY11 Progress Against Strategy

Building on our strong domestic business

- Profitably building on 65% domestic market share
- Deepening FFP[1] member & partner engagement
- Growing our portfolio of related businesses

- First and second most profitable airlines in the domestic market, and maintained 65% share
- 99.5% of corporate accounts renewed; maintaining share of Australian Government travel
- Expanding regional network; supporting resources market growth – Network Aviation
- Continued strong growth in Frequent Flyer members – now up 11% on FY10 to 8.0 million
- 68 new FFP[1] coalition partners in FY11 including South African Airways, China Eastern Airlines, S7 Airlines, Optus (telco), Caltex–Woolworths (petrol), One Path (life insurance)
- Qantas Freight joint ventures (AaE & Star Track Express) transformation project commenced
- Jetset Travelworld/Stella merger – created one of Australia's largest travel agencies

Transforming Qantas International

- Comprehensive strategic review of Qantas International business undertaken
- Four new A380s commenced service – improving economics and customer experience
- Network enhancements – new flight to DFW (American Airlines hub), A330 on AKL-LAX-JFK
- Exited poor performing routes – SFO and PER-NRT

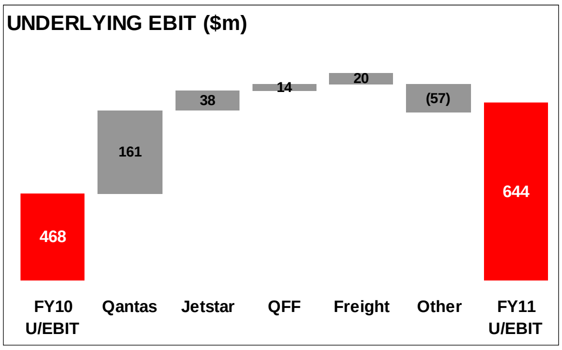
Growing Jetstar in Asia

- Profitably growing Jetstar Asia – 46% capacity growth
- Established Jetstar Asia low cost, long haul A330 base in Singapore

1. FFP = Frequent Flyer Program

FY11 Financial Highlights

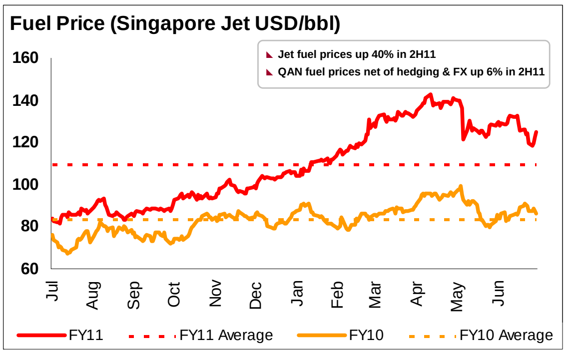
- Underlying PBT[1] is $552m, up 46%
  - Includes $224m impact of significant weather events and natural disasters
  - Qantas and Jetstar - two most profitable domestic airlines
  - Record result for Jetstar and Qantas Frequent Flyer
  - Qantas profit[2] up 240%, despite significant losses in Qantas International
- Group yield[3] 6% higher than FY10
- Unit cost[4] improved 1% adjusted for reduced sector length and impact of natural disasters
  - QFuture benefits of $470m, $1bn over last 2 years
- Operating cash flow of $1.8bn, up 32%
- Cash balance $3.5bn
- No final dividend declared
- Statutory NPAT is $249m, up 115%



1. Underlying PBT is the primary reporting measure used by Management and the Board to assess the financial performance of the Group. Refer to slide 44 of the supplementary slides for a reconciliation of Underlying PBT to Statutory PBT.
2. Qantas result includes the financial impact of the grounding of the A380 fleet and the settlement agreed with Rolls-Royce which offsets the direct financial losses incurred.
3. Excluding FX
4. Refer to supplementary slide 39 for further detail.

FY11 External Environment

- High volatility in financial markets
  - Rapid rise in fuel prices
  - Record high Australian dollar
  - Unstable global macro economic environment
- International
  - High competitor capacity growth into Australia
  - Strong outbound travel market, inbound flat
  - Slower economic recovery in key US & UK markets
  - Rapid growth in Asian aviation market
- Domestic
  - High levels of capacity growth, moderating in 2H11
  - Business travel improved
  - Leisure demand robust
- Natural disasters resulted in operational disruptions



Impact of Natural Disasters & Weather Events on Underlying PBT	$m
UK/Europe Snow	(7)
QLD Floods & Cyclones	(90)
Christchurch Earthquake	(11)
Japan Earthquake	(67)
Volcanic Ash Cloud	(49)
TOTAL	**(224)**

Income Statement Summary

$m	FY11[1]	FY10[1]	VLY %	
Net Passenger Revenue	12,042	10,938	10	6% yield improvement (excl FX), 7% increase in capacity
Other Revenue	2,852	2,834	1	
Revenue	**14,894**	**13,772**	**8**	
Operating Expenses	(12,435)	(11,577)	7	QFuture benefits offset by higher fuel prices and increased activity
Depreciation and Amortisation	(1,249)	(1,200)	4	15 additional owned aircraft in FY11
Non-cancellable Operating Lease Rentals	(566)	(527)	7	9 additional aircraft leases in FY11
Underlying EBIT	**644**	**468**	**38**	
Qantas	*228*	*67*	*>100*	
Jetstar	*169*	*131*	*29*	
Qantas Frequent Flyer[2]	*342*	*328*	*4*	Normalised EBIT up 21%
Qantas Freight	*62*	*42*	*48*	
Jetset Travelworld Group[3]	*3*	*14*	*(79)*	FY11 only 3 months contribution prior to deconsolidation
Corporate	*(189)*	*(123)*	*54*	
Eliminations[2]	*29*	*9*	*>100*	
Net Finance Costs	(92)	(91)	1	
Underlying PBT[1]	**552**	**377**	**46**	

1. All line items adjusted to reflect Underlying result. Refer to slide 44 of the supplementary slides for a reconciliation of Underlying PBT to Statutory PBT
2. The Qantas Frequent Flyer result includes the impact of the change in accounting estimate, which has contributed $140m to the FY11 result and $161m to the FY10 result. Refer to supplementary slide 77 for further detail. Eliminations result also includes the impact of the change in accounting estimate, which has contributed $32m to FY11 and $2m to FY10.
3. Jetset Travelworld Group FY11 Underlying EBIT is for the period 1 July 2010 to 30 September 2010. From 1 October 2010, the equity accounted results of the Group's investment in Jetset Travelworld Group is included in the Qantas segment

Cash Flow and Balance Sheet Summary

Summarised Cash Flow

$m	FY11	FY10	VLY %	
Operating	1,782	1,351	32	Improved operating performance and net working capital
Investing	(2,478)	(1,645)	51	Purchase of 15 aircraft, progress payments, product investment, deconsolidation of JTG ($100m) and acquisition of Network Aviation
Financing	508	381	33	
Net change in cash held	(188)	87	>(100)	
Effects of FX on cash	(20)			
Cash at end of period	3,496	3,704	(6)	Planned reduction in cash balance with 8 new aircraft purchased with cash and the deconsolidation of JTG

Summarised Balance Sheet

	FY11	FY10	Var $m
Net debt[1] ($m)	2,971	2,236	735
Equity excluding hedge reserves ($m)	6,071	5,896	175
Net debt to net debt + equity ratio[2]	53:47	51:49	

1. Includes fair value of hedges related to debt and aircraft security deposits
2. Includes off balance sheet debt (non-cancellable operating leases), excluding hedge reserves

Capital Management and Treasury

- Significant cash reserves ($3.5bn at 30 June 2011) and $300m Standby Debt Facility[1]
- $315m unsecured syndicated loan extended to April 2015 - upsized to $450m
- Mandated funding already in place for FY12 aircraft deliveries including 2 x A380, 10 x B737-800 and 3 x Q400
- Continue to leverage balance sheet strength to fund upcoming deliveries with a mix of cash, sale and leaseback, bank and ECA funding
- No financial covenants in any financing facilities
- Investment grade credit rating maintained
- Hedge profile reduces risks, enables substantial participation in favourable movements

Remainder FY12 Exposure	% Hedged	Effective price/rate[2]
Fuel costs[3]	54	USD 102.10 per barrel
Operating foreign exchange[3]	18	AUD/USD 0.9898
Aircraft capital expenditure[4] – FX	86	AUD/USD 0.9531

1. Undrawn
2. Effective rate / price refers to the rate / price that would be achieved based on current market prices as at 22 August 2011 (Spot Brent Crude oil price: USD108.50 per barrel, AUD/USD spot exchange rate: 1.0400)
3. Including option premium
4. Excluding option premium

Flexible Investment Profile

- Planned net capital expenditure of $2.5bn in FY12 and $2.8bn in FY13
- Fleet flexibility demonstrated to date
  - Deferred delivery of 6 x A380 aircraft
  - Early retirement of B744, B767 and B734 aircraft
  - Deferred delivery of B738 aircraft
  - Non renewal of B738 and A320 leases
- Future fleet plan includes flexibility to scale up or down to meet market demand
  - Contractual cancellation rights
  - Up to 95 narrow-body aircraft and 25 wide-body aircraft lease renewals over next 10 years with 43 over the next 3 years
  - Aircraft delivery reschedule rights
  - Up to 50 aircraft retirements over the next 5 years
  - Purchase options and purchase rights

Aircraft deliveries (indicative timing)

Aircraft Type	FY12	FY13 – FY18	FY19 – FY24
A380-800	2	2	6
A330-200	2	1	-
B787-8	-	15	-
B787-9	-	35	-
A320 Family [1]	9	80	42
B737-800	12	11	-
B717	2	-	-
Q400	3	3	-
F100	5	5	-
Total Deliveries	**35**	**152**	**48**

1. Includes recently announced A320 aircraft order, does not include 24 aircraft for Jetstar Japan and 10 aircraft for Jetstar Pacific

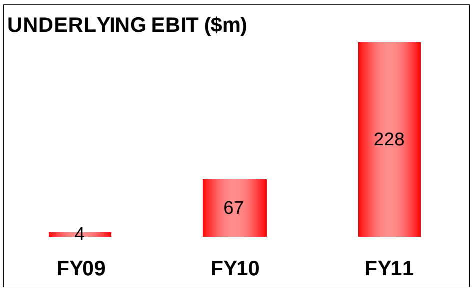
Disciplined Investment in Fleet

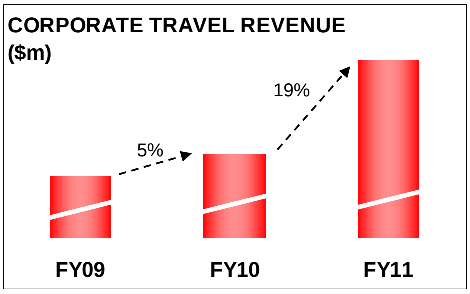
	Indicative Timing[1]	No. Aircraft & Type	Implications / Indicative Allocations		Flexibility
− Fleet Deferral & Capital Reduction	SHORT TERM FY14 - FY16	6 x A380	**Significantly reduced capital investment in Qantas International by $2.3bn[2]**		
	LONG TERM FY19+		6 x deferred A380 aircraft become replacement aircraft for 6 x B744ER from FY19		
+ New Fleet Order[1]	SHORT TERM FY13 - FY16	32 x A320	24 aircraft to Jetstar Japan **off QAN balance sheet**	8 aircraft to start **new premium airline based in Asia[3]**	Configured to enable flexible allocation
	LONG TERM FY16 - FY20	78 x A320neo	**Jetstar Group**: c50% will cover **lease expiries**	**Jetstar Group**: c50% will support **long-term growth of 4-6%pa for existing businesses**	Qantas Group has significant fleet flexibility including substantial reschedule rights, lease expiries and retirements

1. New fleet order contract has significant order and delivery flexibility including substantial reschedule rights and 2 options plus 32 rolling purchase rights (equivalent to 192 purchase rights)
2. Based on A380 list prices, actual prices paid are commercial-in-confidence
3. Initially 11 aircraft will be deployed to the investment in a new Asian-based airline with additional aircraft sourced from existing fleet orders

Qantas

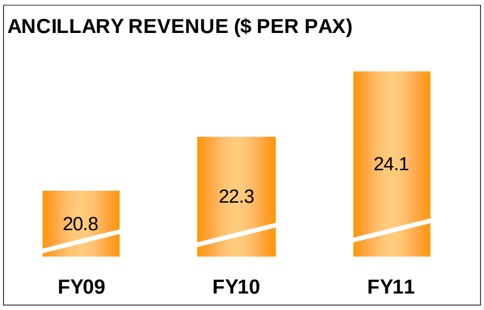
- Underlying EBIT of $228m, up 240% despite significant losses in Qantas International
- Corporate travel position strong
  - 99.5% of corporate accounts renewed
  - Corporate travel revenue growth 19%
- Unit cost increased 1%, adjusted for reduced sector length and natural disasters, driven by higher depreciation
  - FY11 QFuture benefits of $470m, $1bn over last two years
- Partnership strength delivering profitable revenue growth
  - American Airlines joint business agreement – positive draft determination
  - Dallas service launched in May 2011
- Regional network and capacity expansion – Network Aviation acquisition, Port Moresby service launched
- Highest level of customer advocacy in the Australian market
  - Four new A380s entered into service in FY11
  - Launched market leading check-in – won Airline Strategy Award for innovation in airline technology
  - Domestic product relaunch – enhancements to Business Lounges, Qantas Clubs & in-flight offerings
  - Better on-time performance than Virgin Australia in ten out of twelve months

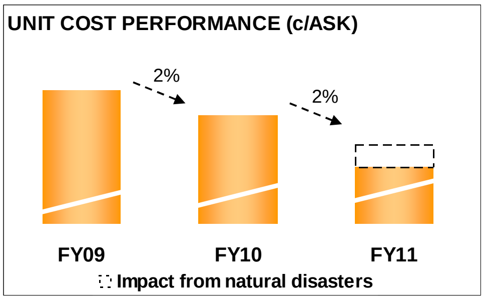




Jetstar

- Record profit
  - Underlying EBIT of $169m, up 29%
- 7th successive year of double digit capacity growth
  - 19% capacity growth and 14% passenger growth on FY10
- Maintaining leadership position in Asia
- Competitive position strengthening with growth and scale
  - Unit cost[1] down 2%, 3% adjusted for increased sector length and natural disasters
  - Industry leading ancillary revenue[2] >$24 per passenger
- Growing market share in all key markets
  - Servicing 17 countries, 56 destinations, 2,400 flights per week, fleet of 78[3] aircraft
  - Customer satisfaction and advocacy scores at record levels - SkyTrax award for best LCC Australia/Pacific
  - Continued investment and innovation – iPad, airport self-service, new call centre model, Required Navigational Performance (satellite guidance technology)

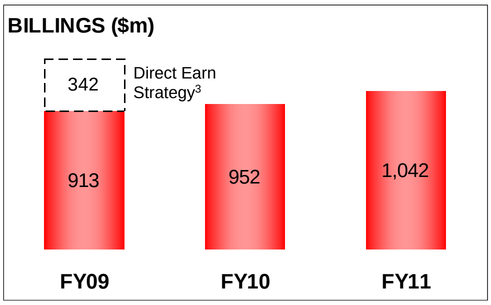


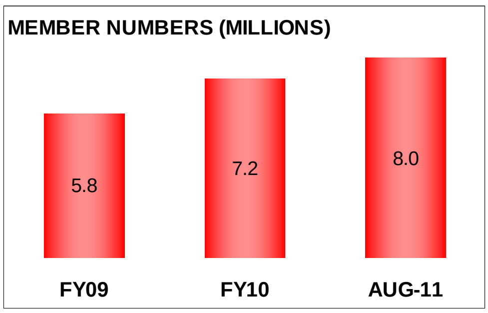


1. Gross unit cost excluding fuel
2. Includes bag fees sold as bundle in JetSaver & JetFlex fares until May 2011. Bag fees all sold separately after May.
3. Includes Jetstar Pacific

Qantas Frequent Flyer

- Record profit
  - Underlying EBIT of $342m
  - Normalised[1] EBIT of $202m, up 21% – represents profit from external billings[2]
  - Billings of $1,042m, up 9%
- Membership now at 8.0 million, up 11%
- 4.4 million awards redeemed, up 10%
- Optus partnership finalised
- Major airline program enhancements
  - Expansion of points earn on Jetstar flights
  - New tier for our most frequent flyers – "Platinum One"
  - Doubled points bonus in premium cabins
  - Increased Silver and Gold points bonus
- Pursuing growth strategies
  - epiQure launched – online food and wine club
  - Acquisition of Wishlist

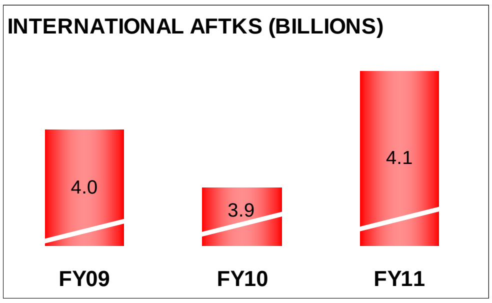


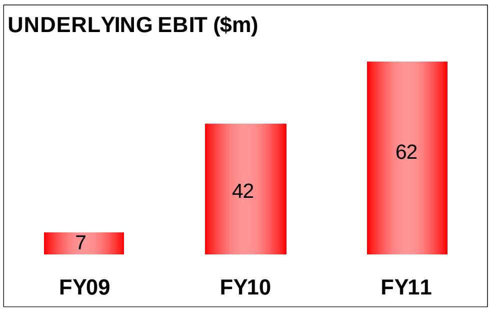


1. Normalised EBIT restates redemption revenue to the fair value of awards redeemed and recognises the 'marketing revenue' when a point is sold
2. No profit is derived from transfer pricing between Qantas Frequent Flyer and Qantas Group airlines
3. Direct Earn Strategy is the one off benefit from the additional inflow of points following the transition to a direct-only relationship with credit card partners

Qantas Freight

- Underlying EBIT of $62m, up 48%
- Continuation of international airfreight market recovery
- Yield up 8% (excluding adverse FX)
- International airfreight focused on growth in Asia Pacific
  - Expansion of B767 freighter program
  - Marketing Jetstar Asia capacity
- Freight joint ventures' results up 50%
- Joint ventures transformation project announced May
  - Leverage strengths of two leading express freight brands
  - Star Track Express to focus on retail, offering services via road and air
  - AaE to focus on domestic air linehaul and cargo terminal operations





Recognition of Sustainability Performance

- Best Environmental, Social and Governance (ESG) disclosure by an Australasian Company at the 2010 Australasian Investor Relations Association awards
- One of only four airlines in the Dow Jones Sustainability Index series
- One of only seven airlines in the FTSE4Good Index and the only airline included in the Australia 30 Index
  - Scored 97 out of 100 in the Travel and Leisure sector by the FTSE4Good ESG ratings
- Listed in the 2010 Carbon Disclosure Project Leadership Index for Australia and New Zealand
  - The only industrial company included in the top 10 Carbon Performance Leaders list

Dow Jones Sustainability Indexes
Member 2010/11

FTSE4Good

CARBON DISCLOSURE PROJECT

Note: See our website for more details www.qantas.com.au/sustainability

Strategy

Qantas Group Strategy

Deliver Sustainable Returns to Shareholders

Safety is always our first priority

Building on our strong domestic business

- Profitably building on 65% market share through dual brands
- Deepening FFP[1] member and partner engagement
- Growing our portfolio of related businesses

Transforming Qantas International

Growing Jetstar in Asia

Evolving the customer and dual brand strategy

Engaging and developing our people

1. FFP = Frequent Flyer Program

Building On Our Strong Domestic Business

Powerful domestic franchise underpins Group's success

QANTAS | Frequent flyer | Jetstar

Sustainable Competitive Advantages

QANTAS

- Superior in-flight experience and on-time performance
- Largest wide-body fleet
- Greater frequency, biggest network
- Strongest regional franchise
- Deep partnerships & alliances
- Owned terminals
- World class lounges
- Market leading check-in technology
- Largest travel website (qantas.com)

Frequent flyer

- 8.0 million members
- World class customer insights
- Deep home market penetration
- Extensive award opportunities
- Faster earn capabilities
- Record high member engagement
- World leading coalition of partners

Jetstar

- Simple, high quality product
- Market leader in ancillary revenue
- Low cost leader
- Strong brand & customer perception
- Extensive leisure network
- Common A320/1 aircraft fleet

Strategic Priorities

QANTAS

- Setting standards for customer experience
- Deepening Corporate market strength
- Supporting resources sector growth
- Cost transformation
- Best fleet

Frequent flyer

- Enhancing member proposition
- Adding to world leading partner portfolio
- Diversifying revenue streams
- Leveraging IP and member penetration

Jetstar

- Singularly focused on price sensitive market
- Maintaining low cost position
- Driving ancillary revenue
- Best fleet

Growing Related Portfolio Businesses

QANTAS | Frequent flyer | Jetstar

Logistics

QANTAS Freight | STAR TRACK EXPRESS | Australian airExpress

Online Retail

wishlist | epiQure by Frequent flyer

Travel Distribution

The Jetset Travelworld Group

Qantas Frequent Flyer (QFF) Business Model

Building the World's Best Loyalty Business

Sustainable Growth from Existing Business

- Share of Wallet
- Member Retention
- Member Acquisition
- New Partners

People

Innovate and Expand the Loyalty Value Chain

- Leverage IP and Member Penetration

Drivers of Growth

Market Growth
- Airline
- Credit Card
- Retail

Membership Growth

Partner Growth

Cross Partner Rate Growth

Online Retail

Data Analytics

Operate Other Loyalty Programs

- epiQure online club launched, more clubs planned
- Wishlist acquisition
- Business Process Outsourcing

QFF Expansion Opportunities

Offshore Loyalty Programs

Joint Ventures with Airlines

Operate other Airlines' Programs

Direct Marketing

Leveraging assets

Data Analytics

Customer Insights and Behaviour

Onshore Loyalty Diversification

epiQure

Wishlist

Transforming Qantas International

- Five Year Transformation Plan – clear financial objectives defined

	Short term	Long term
Objectives	**Return Qantas International to profitability**	**Sustainably exceed cost of capital for Qantas Airline segment[1]**
Milestones	Reduce losses of Qantas International business then improve profitability Rationalise and restructure unprofitable capital, selectively invest in transformational opportunities	Profitably grow earnings of International business Consider capital reinvestment, pursue growth opportunities

Building long term shareholder value

1. As defined in the 2011 Preliminary Final Report (page 16). Qantas represents the Qantas passenger flying businesses and related businesses, and excludes Jetstar, Qantas Freight and Qantas Frequent Flyer.

Transforming Qantas International

Initial Phase[1]

Customer excellence

- Enable our people to deliver consistent excellence to our customers
- 21 of our largest fleet to feature award-winning A380 product
- New and refreshed premium lounges in LAX, SIN and HKG
- Build on market leading loyalty proposition of Qantas Frequent Flyer

Strengthen Asia

- Intention to invest in a new premium, full-service airline based in Asia under a new brand
  - Participate in the frequency and network advantage of being a hub carrier
  - Leverage the Group's customer base, corporate relationships and experience in Asia
  - Premium configuration, utilising next-generation in-flight and seat technologies
  - Fleet requirements – initially 11 x 320 aircraft

Deepen and broaden alliances

- Restructure and strengthen Joint Services Agreement with British Airways
  - BKK and HKG will leverage partner network adjacency - eliminate unprofitable, asset-intensive flying
  - Qantas to retain ownership of slots at LHR and lease to British Airways
  - Release 4 x B744 for retirement
- South American network enhanced – replaced Buenos Aires with 3 x weekly service to Santiago

Ongoing business improvement

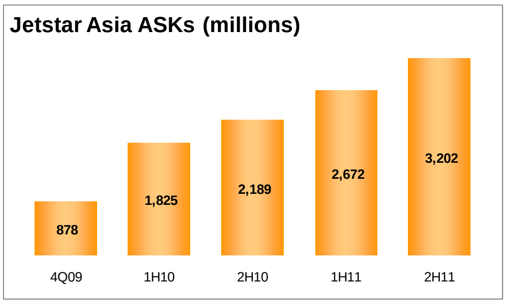
- Significantly reducing capital investment by US$2.3bn[2] in underperforming Qantas International
- Deferred delivery of 6 x A380 from FY14-FY16 to FY19 and beyond
- Continued focus on right aircraft, right route, network optimisation and margin improvement

Qantas International transformation costs for the initial phase are still being assessed. Preliminary estimates are in the range of $350m to $450m with more than half being non-cash charges.

1. For further details refer to 'Building a Stronger Qantas' investor presentation -http://www.qantas.com.au/infodetail/about/investors/BuildingaStrongerQantasInvestorPresentation.pdf
2. Based on A380 list prices, actual prices paid are commercial-in-confidence

Growing Jetstar in Asia

- Jetstar Group is one of the fastest growing airlines in the Asia Pacific region
  - Operations based across two continents and four countries
  - Servicing 17 countries, 56 destinations
  - Combined operating fleet of 78 aircraft[1]
  - 2,400 flights per week and growing
- Jetstar brand embedded in Asia
  - Significant growth into China - now serving 9 ports, 12 by the end of 2011
  - Launch of long-haul A330 base in Singapore
- Jetstar Asia strong profits and growing
  - Normalised PBT[2] of SGD18m with 46% capacity growth



1. Including Jetstar Pacific aircraft
2. Adjusted for SGD10m of long-haul start-up costs but including other start-up costs from organic growth of narrow body operations

Growing Jetstar in Asia – Japan

- Jetstar Japan to launch in 2012
- First true LCC in Japanese market
- JAL and Mitsubishi strong local partners
  - Economic interests – Jetstar and JAL 42%, Mitsubishi 16%
  - Equal voting interests
- Large market with low LCC penetration
- Leverages strong Jetstar brand position
- Rapid growth to 24 aircraft[1] in first few years
- Focus on domestic and international leisure destinations
- Qantas Group investment of c¥5b (c$64m) over 3 tranches

Jetstar

Reinforcing Jetstar as the largest LCC in Asia Pacific[2]

1. Off balance sheet for Qantas Group
2. Based on gross revenues

Evolving the Customer Experience

Customer priorities

QANTAS

Setting the highest standard in both domestic and international travel experience

- Leverage deep customer insight
- Operational excellence
- Consistent delivery of the experience – every time, end to end, trip to trip
- Extend faster, smarter check-in
- Enhance loyalty offer

Jetstar

Commitment to the lowest fares while delivering on target customer needs

- Process improvement
- Problem resolution
- Mobile solutions
- iPad entertainment technology

Frequent flyer

Unrivalled member and partner program engagement

- New iPhone app innovations
- On-line clubs to enhance engagement
- New partners with high consumer appeal
- Added focus to new 'mass' consumer segments - eg. 'Woolworths Auto Redeem'

Engaging and Developing our People

Attract and Retain Great People
The future of Qantas Group is about great people who are skilled, motivated and supported to do great things

Continued focus on employee engagement and talent management across all employee groups

Continued investment in leadership development at all levels

Industrial relations

- Focused on fair and sustainable wage settlements
  - 48 collective agreements with employees and unions across the Group
  - Currently negotiating key agreements with AIPA, ALAEA, FAAA and TWU[1]
  - Negotiations continue with the aim of reaching sustainable outcomes for all parties

1. Australian and International Pilots Association (AIPA); Australian Licensed Aircraft Engineers Association (ALAEA); Flight Attendants Association of Australia (FAAA) and Transport Workers Union (TWU)

Summary

- Strong FY11 result under challenging conditions
- Qantas Group Strategy remains valid
  - Safety is our first priority
  - Build on our strong domestic franchise
  - Transform the strategically important Qantas International
  - Maintain leadership position in Asia LCC market with Jetstar
  - Leverage our unique dual-brand expertise internationally
  - Commitment to our customers and our people is central to Group success
- Initial phase of Qantas International transformation announced and underway
- Disciplined and prudent approach to capital management
- Right business model, well positioned to succeed
- Building long term shareholder value

Outlook

- The general operating environment is challenging and extremely volatile. At this stage:
  - Yield in 1H12 is expected to be higher than 1H11;
  - The Group expects to increase capacity in 1H12 by 8% compared to 1H11 whilst maintaining flexibility; and
  - As at 22 August 2011, underlying fuel costs for 1H12 are estimated to increase by circa $500m from $1.7bn in 1H11 to circa $2.2bn due to higher forward market jet fuel prices and increased flying. Fuel surcharges, fare increases and hedging are being used to mitigate the impact of fuel price rises but are unlikely to fully offset the cost increase.
- The FY11 result included a change in estimates for Frequent Flyer accounting, with a total favourable impact of $172m[1] (Qantas Frequent Flyer $140m, Group Eliminations $32m). The adjustment in 1H12 to Group Eliminations is expected to be less than $5m with no further impact in future periods.
- With a high degree of volatility and uncertainty in global economic conditions, fuel prices, FX rates and the industrial relations environment, as well as a major transformational change agenda underway, it is not possible to provide profit guidance at this time.
- The Group will continue to actively manage capital to support measured growth, manage the business in uncertain times and maintain an investment grade credit rating and will review the potential for dividends in the future in that context.

1. The total favourable impact for 1H11 was $89m.