Supplementary Slides

QANTAS

Group Performance

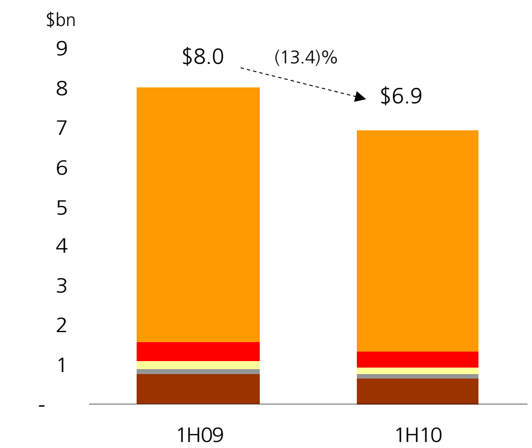
QANTAS

Group Highlights

$M	1H10	1H09	VLY
Net passenger revenue	5,576	6,408	(832)
Net freight revenue	397	493	(96)
Other	936	1,167	(231)
Revenue	**6,909**	**8,068**	**1,159**
Manpower and staff related	1,730	1,938	208
Aircraft operating variable	1,371	1,519	148
Fuel	1,564	2,050	486
Depreciation and amortisation	575	660	85
Other	1,526	1,626	100
Expenses	**6,766**	**7,793**	**1,027**
Statutory EBIT	**143**	**275**	**(132)**
Net finance costs	(53)	13	(66)
Statutory PBT	**90**	**288**	**(198)**
Add back:			
Non-recurring items	48	4	44
Ineffectiveness relating to other reporting periods	129	(253)	382
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

Revenue



RPKs (m) **50,889** — **1.2%** → **51,494**

ASK's (m) **63,853** — **(2.2%)** → **62,476**

Net passenger revenue down 13.0%

– Group RPKs up 1.2%, Group ASKs down 2.2%

– Group yield excluding FX down 15% driven by price discounting in competitive markets and lower demand in premium cabins

– Reduction in fuel surcharge impacted revenue

Net freight revenue down 19.5%

– Decline in yield as a result of global economic conditions

– Reduced fuel surcharges

Contract work revenue down 8.7%

– Reduced demand due to global economic conditions

– Exit of loss making third party ground handling & catering contracts

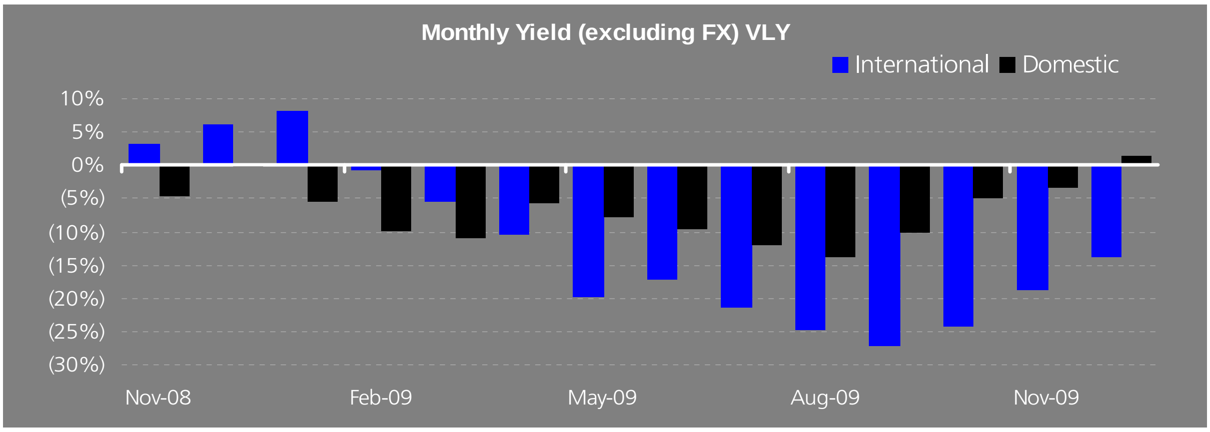
Tours and travel revenue down 17.0%

– Impacted by global economic conditions

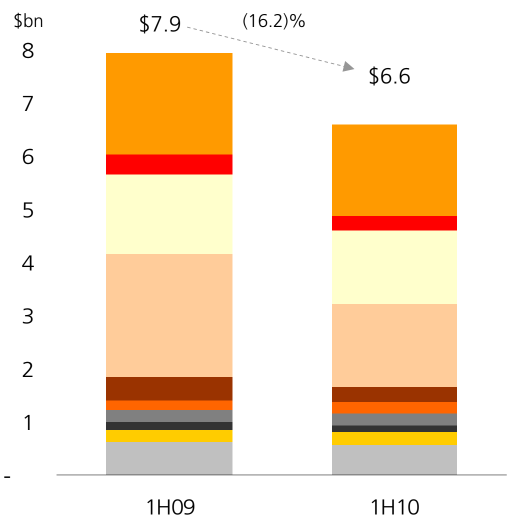
Revenue from other sources[1] down 14.2%

1. Excludes non-recurring items
Note: All revenue movements include FX
FX = Foreign exchange

Group Yield Performance



Operating Expenditure



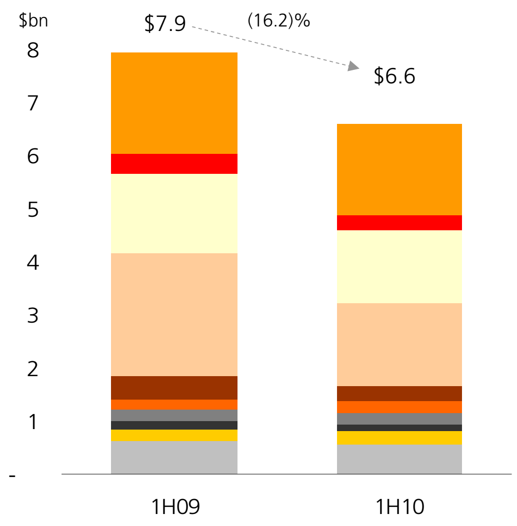
ASKs (m) **63,853** **(2.2%)** **62,476**

- **Manpower and staff related costs[1] down 7.8%**
  - Mix, activity savings and QFuture initiatives
- **Selling and marketing costs down 27.1%**
  - Decrease in commissions
  - Tactical savings in International marketing
  - More targeted campaigns
- **Aircraft operating variable costs down 9.7%**
  - Reduced aircraft utilisation
- **Fuel costs[1] down 32.5%**
  - Net hedged fuel price 30% lower than 1H09
  - Consumption decreased by $65 million
  - Fuel conservation initiatives delivered benefits of $15 million
- **Other expenditure[1] down 29.3%**
  - Lower legal & consulting fees
  - Lower one off costs in the current period

1. Excludes non-recurring items and the impact of derivatives that hedge exposures in other financial periods

Note: All expenditure movements include FX

Operating Expenditure



ASKs (m) **63,853** **(2.2%)** **62,476**

- **Property costs down 1.5%**
- **Computer and communications down 1.4%**
  - Lower project costs
- **Capacity hire costs down 15.3%**
  - Activity savings
- **Rentals expense up 18.2%**
  - Including 6 additional aircraft leased as a result of additional capacity in Jetstar
- **Depreciation and amortisation costs[1] down 9.0%**
  - Depreciation savings from grounded aircraft in the current period
  - Offset by depreciation on new aircraft including A380s

1. Excludes non-recurring items and the impact of derivatives that hedge exposures in other financial periods

Note: All expenditure movements include FX

Unit Cost Reduced by 8.2%

c/ASK	1H10	1H09	% VLY
Unit Cost	**8.37**	**9.12**	**(8.2)**
Fuel	(2.49)	(3.61)	(31.0)
Hedge Ineffectiveness	(0.21)	0.40	(152.2)
One off / Non-recurring items	0.04	(0.01)	1,126.4
Sector length adjustment	(0.13)		
Underlying unit cost	5.58	5.90	(5.5)

- Significant QFuture benefits
- Mix change

Financial Risk Management

- FY10 fuel costs 85% hedged at a worst-case price of US$88 per barrel[1]
    - 1H10 worst case hedge price US$83/bbl[1]
    - 2H10 worst case hedge price US$94/bbl[1]
    - 78% participation in fuel price movements from current levels
- FY11 fuel costs 28% hedged at a worst case price of US$88 per barrel[1]
    - 90% participation in fuel price movements from current levels
- Remaining FY10 operating FX 85% hedged - worst case rate of AUD 0.7800[1]
    - 78% participation in exchange rate moves from current levels
- FY11 operational FX 19% hedged at a worst case rate of AUD 0.7600[1]
    - 86% participation in exchange rate moves from current levels
- Aircraft capital expenditure is 80% hedged until June 2012
    - Worst case rate on outstanding hedging is AUD 0.7570[2]
    - 56% participation in exchange rate moves from current levels

1. Including option premium
2. Excluding option premium

Non-Recurring Items

- Aircraft write-downs of $48 million in 1H10 relate to impairments of aircraft which were, or planned to be, grounded

$M	1H10	1H09
Non-recurring items:		
- gain on sale of Qantas Holidays	-	86
- accelerated depreciation and impairment losses	(48)	(28)
- redundancies and restructuring	-	(62)

Prior period non-recurring items include:

- Profit on reverse acquisition of Jetset Travelworld Group by Qantas Holidays
- Write-down of B747-300s
- Restructuring costs associated with capacity reductions in FY09

Change in Estimate of Aircraft Residual Values

- Passenger aircraft now to be depreciated to a residual value of 10% at 20 years useful life, compared to the previous policy of:
    - 12.5% - 20% for narrow body aircraft
    - 20% for wide body aircraft
- Introduction of “next generation” aircraft and a reduction in secondary market demand has increased pressure on residual values
- Recent regulation changes in countries such as Russia, China and India have restricted the entry into service of aircraft older than 15 years
- These have been historically the strongest markets for older aircraft
- The above regulatory changes and the global financial crisis has adversely impacted the second hand aircraft market

Group Balance Sheet and Cash Flow

QANTAS

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

- Net debt increased by 8% due to higher gross debt from aircraft acquisitions and higher off balance sheet debt related to leased aircraft

Cash Flow

	1H10 $M	1H09 $M	VLY $M	% VLY
Cash at beginning of year	3,617	2,599	1,018	39.2
Operating	483	378	105	27.8
Investing	(1,009)	(991)	(18)	1.8
Financing	407	845	(438)	(51.8)
Net (decrease) / increase in cash held	(119)	232		
Cash at end of half year	3,498	2,831	667	23.6

- Operating cash flow higher due to income tax refunds and lower net interest payments
- Investing cash flow reached $1.0 billion, including aircraft acquisitions of $0.9 billion
- Financing cash flow of $0.4 billion included borrowings of $0.6 billion for new aircraft offset by the repayment of borrowings of $0.2 billion

Funding and Liquidity

- Cash balance of $3.5 billion
- Undrawn standby of $0.5 billion
- New funding in place
  - Mandated financings in place for over 90% of aircraft funding requirements to June 2011[1]
- All existing debt remains covenant free
- Capital expenditure forecast - FY10 $1.8 billion FY11 $2.6 billion
- No interim dividend will be paid

1. Subject to standard ECA approvals

Safety, Environment, Social and Governance

QANTAS

Safety

- Safety is our unwavering first priority
- Enhancing safety management systems through the implementation of the Qantas Management System
- Safety Management System instrument of approval (CASA) achieved across our Air Operating Certificates
- Providing flu vaccination inclusive of H1N1 to employees prior to the influenza season
- Preliminary reports from the Australian Transport Safety Bureau (ATSB) on QF 30 and QF72 indicate that Qantas has responded appropriately to all actions required by manufactures and regulators. Qantas continues to work with regulators on the final reports

People

- Enhanced talent management to ensure a strong and stable base for succession renewal
- Continued focus on increasing representation of females in manager roles
- Organisational behaviours designed to drive culture and engagement launched and cascaded
- Reconciliation Action Plan (RAP) Indigenous initiatives on target
- Agreements and negotiations
  - 42 Collective Agreements with employees and unions, the following agreements being negotiated across the Qantas Group:
    - June 2010 – ASU
    - December 2010 – LAME, Long Haul Pilots
    - June 2011 – TWU, Short Haul Cabin Crew
  - Qantas will continue with sustainable wage settlements

Environment

- On track to deliver savings of 40,000 tonnes of aviation fuel for FY10
- Targeting 1 million tonnes of carbon saved by FY10 from fuel conservation initiatives over the past 5 years
- Trigeneration energy system in Sydney expected to deliver 50% of the Group's electricity reduction target
- Carbon readiness plans in place for New Zealand, Australia and the EU
- 10% of customers booking online choose to offset their flights under the Group's two voluntary carbon offset programs
- Since inception, these programs have offset more than 710,000 tonnes of carbon (the equivalent of removing 158,000 cars from the road) through accredited energy efficiency initiatives

Social and Governance

Community and Public Affairs

- Sharing the Spirit: contributes to a range of charities including UNICEF's Change for Good, which raised almost $1 million in 1H10
- Qantas Foundation: donated $450,000 in 1H10 to charitable causes across the community, environment, education, the arts and disaster relief
- Reconciliation Action Plan: a range of initiatives to support Aboriginal and Torres Strait Islander communities and promote employment opportunities

Governance and sustainability

- New Group-wide policy framework implemented including Working Toward Our Vision, an overview of Qantas Group business practices available at qantas.com
  - Risk management framework including compliance with ASX Principle 7: Recognise and Manage Risk
- Qantas participates in the Dow Jones Sustainability Index and the FTSE4Good Index which demonstrate the company's performance in the area of sustainability

Dow Jones Sustainability Indexes Member 2008/09

AuSSI The Australian SAM Sustainability Index Member 2009

FTSE4Good

Group Fleet

Detailed Fleet at 31 December 2009

	1H10	2H09	Change
A380-800[1]	5	3	+2
B747-400	22	24	(2)
B747-400ER	6	6	-
A330-200	6	6	-
A330-300	10	10	-
B767-300ER	27	29	(2)
B737-300	0	3	(3)
B737-400	21	21	-
B737-800NG	41	38	+3
Total Qantas	138	140	(2)
A320-200[2]	40	40	-
A321-200	6	4	+2
A330-200	7	6	+1
Total Jetstar	53	50	+3
B717-200	11	11	-
Q200/Q300	21	21	-
Q400[3]	17	14	+3
Total QantasLink	49	46	+3
B737-300SF	4	4	-
Total Group	244	240	+4

- 11 additional aircraft[3]
- 3 x B737-300 sold
- 8 aircraft for sale
- Average fleet age improved from 8.8 to 8.6 years[2]
- Planned capacity growth
  - FY10 - Group +2%, QA (5%), JQ +33%
  - FY11 - Group +10%, QA +4%, JQ +30%

2H FY10 – FY18 deliveries	
A380-800	15
787 family	50
A320 family	60
A330-200	6
B737-800	28
Q400[3]	4

1. A380 number 6 was delivered in January 2010
2. Includes Jetstar Asia fleet
3. 2 x Q400 aircraft were delivered in December and began flying in 2H10. They are not included in the Group fleet in 1H10. Included in future deliveries above.

Segment: Qantas

QANTAS

Qantas

- First half underlying EBIT of $60 million
- Passenger revenue down $1 billion, largely offset by capacity and fuel savings
- Global international premium cabin demand at historic lows
- Domestic business travel began recovering from September 2009
- Leisure demand in Australian market remained strong
- Capacity reduced in 1H10 (by 9.6%) to match demand
- Forecast FY10 ASK decline of 5%, returning to growth in FY11

	1H10	1H09	% VLY
Revenue	5,295	6,662	(20.5)
Fuel	1,224	1,941	(36.9)
Underlying EBIT	**60**	**98**	**(38.8)**
Yield			(13.9)
December Yield			(4.5)
ASKs (billion)	47.7	52.7	(9.6)

Qantas Commercial

- Corporate presence even stronger
  - Increase in number of Accounts
  - Increase in revenue share across account portfolio
- Whole of Australian Government tender – evaluation process currently underway
- SME Market growing off solid base
- Strengthening and deepening alliance partnerships
- Contracts held with all major industry partners

SME = Small to medium sized enterprises

qantas.com

- qantas.com is the largest travel site in Australia
  - A strength unique to Qantas
  - Global revenue $1.7 billion in FY10
- An integrated premium travel site with appeal to a global audience
  - qantas.com available in over 30 countries and 7 languages
  - Proven market reach with 8 million visits per month
  - Integrated sales of ancillary airline and travel products
  - Strong growth in customer servicing and communications
- Over 6.8 million Frequent Flyers supported by qantas.com
- 2 million red e-mail subscribers and growing

Qantas International Market

- Soft premium demand impacted yields
- Implemented 12.7% capacity reduction
- Strong seat factor
- Premium demand recovering, yield trend to last year expected to close in March quarter of FY10
- Leisure demand from Australian market has remained strong
- Introduction of sixth A380 aircraft in January 2010
- Forecast FY10 capacity decline of 8%, returning to growth in FY11

		1H10	1H09	% VLY
ASKs	m	30,602	35,054	(12.7)
RPKs	m	25,733	28,261	(8.9)
Passengers	'000	3,006	3,856	(22.0)
Seat factor	%	84.1	80.6	3.5pts
Market share	%	20.0	23.9	(3.9pts)

Source: BITRE, Qantas

US route - market dynamics

- Current market frequency between Australia and LAX/SFO is 65 services per week, 14 higher than last year (or 27%)
- The USA route remains highly contested
- A380 product advantage – daily from Sydney and 3pw from Melbourne (daily by early 2011)

Flights per week	NS08	NW08	NS09	NW09
Qantas	36	36	33	33
United	14	15	14	14
Delta	-	-	4	7
V Australia	-	-	7	11
All direct	**50**	**51**	**58**	**65**

Source: Company websites

UK route - market dynamics

- Total market capacity has increased by 26 services per week despite GFC (or 14%)
- Growth driven by Gulf carriers (Emirates, Etihad and Qatar from December 2009)
- Yields are recovering
- A380 fleet rollout a significant positive for 2010

Flights per week	NS08	NW08	NS09	NW09
Qantas	28	28	28	27
Asian hub carriers	77	77	77	77
Gulf carriers	59	66	84	96
British carriers	21	21	21	19
Total	185	192	210	218

Source: Company websites

Qantas Domestic Market

- Business demand recovering from September 2009, leisure demand remains strong
- Yields improving
- Strong seat factor
- 3% capacity added back from March 2010, with further growth in 2011
- OTP leader 9 out of last 12 months and lowest cancellation rates
- Airports of the future innovation

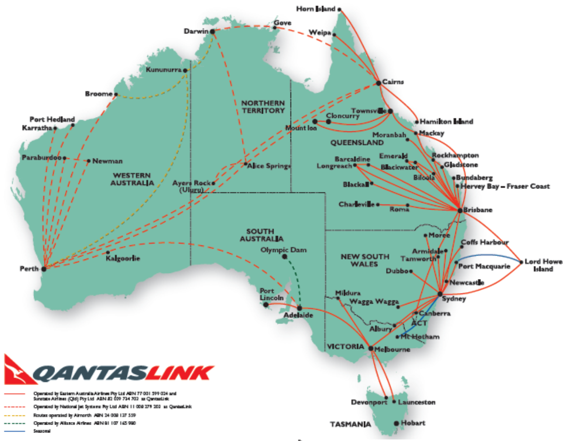
		1H10	1H09	% VLY
ASKs	m	14,932	15,473	(3.5)
RPKs	m	12,392	12,402	(0.1)
Passengers	'000	8,553	8,505	0.6
Seat factor	%	83.0	80.2	2.8pts
OTP[1]	%	86.5	74.4	12.1pts

1. OTP = On time performance. % arrivals within 15 minutes

QantasLink Market

- Profitable operations underpinned by Q400 expansion
- Seven[1] Q400 74-seat aircraft delivered
- Revenue base strengthening with demand and yield improvement
- Leading regional OTP across Australia
- Queensland charter operations established
- Forecast FY10 capacity growth of 3%, with growth continuing into FY11

		1H10	1H09	% VLY
ASKs	m	2,150	2,197	(2.1)
RPKs	m	1,499	1,553	(3.5)
Passengers	'000	2,162	2,142	0.9
Seat factor	%	69.7	70.7	(1.0pt)
OTP	%	89.4	83.0	6.4pts
Aircraft	#	49	44	



1. Five Q400 aircraft delivered in 1H10, two aircraft delivered in January 2010

QFUTURE

- Program to position Qantas for profitable growth
- Transformational change
- Over 30 major initiatives, many smaller projects
- Initiatives span across the business
- $202 million benefit achieved in first half
  - 76% of achievement relates to manpower, fuel conservation, IT and other direct costs
  - Minimal spend in 1H10

QFuture benefits	1H10
Commercial	81
IT transformation	24
Fuel conservation	15
Engineering	32
Airports, Catering	24
Other (Commercial, Flight Operations, Regional)	26
Total	**202**

$1.5 billion target over 3 years
QFuture is the key business change program within Qantas, designed to position the airline for profitable growth. It involves transformational change across the business – over 30 major initiatives have been identified, together with a range of small projects. Total benefits of $1.5 billion are targeted over the next 3 years. QFuture benefits are measured by reference to prior year actual performance.

QFUTURE

- $500 million benefit target - FY10
- $1.5 billion benefit target by FY12
- QFuture benefits will be partially offset by the natural inflationary cost increases relating to some non-fuel expenses

2010 Benefit Realisation Target $500m

- 2009 organisation and management restructure
- IT transformation
- Sales and distribution
- Fuel conservation
- Ancillary revenue

2011-2012 Benefit Realisation Target - $1bn

- Configuration
- Aircraft utilisation and scheduling
- Productivity
- Procurement
- Non-aircraft asset efficiency
- Fleet simplification/retirements

Segment: Jetstar

Jetstar

- Largest low cost carrier in Asia
- Record result
  - Underlying EBIT up $78 million
  - Strong progress on cost reduction - Unit cost (excl fuel & FX) down 6.1% to 5.0
  - 7.3 million passengers[1] – up 42%
  - Capacity up 33%
- In a tough operating environment
  - Yield (incl. FX) 10.9% lower
  - H1N1 impact
  - Increased competition
- Continued innovation building a competitive platform for future growth
  - World first Jetstar and AirAsia low cost carrier alliance
  - Transforming the airport experience
  - Growing and developing the Jetstar brand

	1H10 $M	1H09 $M	% VLY
Revenue	1,131	958	18.1
Fuel	268	315	14.9
Underlying EBIT	**121**	**43**	**181.4**
Yield			(10.9)
Unit cost c/ASK	5.0	5.3	6.1

1. Including Jetstar Asia
Note: Jetstar results for 1H10 include the consolidation of Jetstar Asia

Jetstar Footprint Growing

Jetstar Domestic

- Domestic operations profitable every year since start up
- Continued strengthening and refinement of position in the market
  - Strong progress on unit costs to deliver competitive platform
  - Yields improving
  - Transforming the airport experience
  - Significant capacity announced for FY10, with 77 new weekly services totalling >700,000 seats
- Further rollout of 2 brand strategy on key routes
  - SYD-PER (Sydney – Perth)
  - MEL-SYD (Melbourne – Sydney)
  - MEL-BNE (Melbourne – Brisbane)

		1H10	1H09	% VLY
ASKs	m	5,842	5,846	(0.1)
RPKs	m	4,885	4,727	3.3
Passengers	'000	4,299	4,186	2.7
Load	%	83.6	80.9	2.7pts
A320 utilisation	hrs	11.3	11.7	(3.4)
OTP	%	81	77	4pts

Jetstar International

- Australia
  - 3rd largest carrier with 8.1% market share
  - 26% ASK growth
  - Serving 11 destinations
- New Zealand
  - Successful start up
  - Strong operating performance, OTP of 83%
  - Continued brand strengthening and revenue performance
- Japan
  - One of the 100 Best Brands in Japan

		1H10	1H09	% VLY
ASKs	m	8,950[1]	5,283	69.4
RPKs	m	6,985[1]	3,945	77.1
Passengers	'000	3,018[1]	951	217.4
Load	%	78.0[1]	74.7	3.3pts
A330 utilisation	hrs	14.3	14.0	2.1
Market share[2]	%	8.1	5.9	2.2pts

1. Includes the first time consolidation of Jetstar Asia. International capacity is up 35% excluding Jetstar Asia consolidation
2. Australian based International operations only

Jetstar International

- Singapore
  - Positive performance in competitive market
  - 46% growth committed this year
  - $20 million of integration synergies underway
  - Long term deal with Changi Airport
- Vietnam
  - 34% growth in passengers
  - Market share up 5pts to 23%
  - Posted first profit in July 2009

Jetstar Asia		1H10
ASKs	m	1,825
RPKs	m	1,453
Passengers	'000	1,046
Load	%	79.6

Jetstar / AirAsia Alliance

- World first alliance between Asia Pacific's two leading low cost, low fare carriers
- Non-equity alliance
- Strong focus on costs
- Establishes new model for achieving reduced costs and increased efficiency
- Key areas of cooperation in agreement
  - Future fleet specification
  - Airport passenger and ramp handling
  - Shared aircraft parts and 'pooling'
  - Procurement
  - Passenger disruptions arrangements
- Working together to identify other areas of cooperation

Jetstar Fleet

- Bringing forward A320 deliveries to fund growth
- Taking A330 fleet to 12 as a backstop for B787 delays and to consolidate international growth
- FY10 Deliveries
  - 8 x A320
  - 1 x A321
  - 1 x A330
- FY11 Deliveries
  - 8 x A320
  - 3 x A330

	1H10	2H09	VLY
Jetstar Australia & Singapore based Operations			
A320-200	40	40	-
A321	6	4	+2
A330-200	7	6	+1
Sub Total	**53**	**50**	**+3**
Jetstar Pacific[1]			
A320-200	1	1	-
B734	5	5	-
Sub Total	**6**	**6**	**-**
Total Jetstar Group	**59**	**56**	**+3**

1. Jetstar Pacific not included in Group fleet

Segment: Qantas Frequent Flyer

QANTAS

Financials

- Underlying EBIT up 115% at $157 million[1]
- Membership at 6.8 million
- Billings down 8% at $477 million
  - Up 1% after adjusting in FY09 for direct earn strategy rush billings
- Strong cash flow and growing points balance
  - Deferred revenue balance over $2 million
  - Total points balance has grown by 12% since December 2008
- Record redemptions on the Frequent Flyer Store, up 7%
- Total cost per point redeemed has reduced by 2.3%

	1H10	1H09	% VLY
Revenue	547	482	13.5
Underlying EBIT[1]	**157**	**73**	**115.1**
Billings	477	520	(8.3)
Members (m)	6.8	5.4	25.9
Satisfaction levels	7.0	6.8	2.9

1. The Underlying EBIT 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.

Financial Services

- Direct Earn Strategy Success
  - Member points balances and QFF cash holdings permanently increased. Value over $30 million per annum based on cost of capital
  - Billings have already reached levels seen pre direct earn strategy
  - Cash now received earlier and breakage benefits now accrue to QFF
- Growth in the number of new direct earn accounts continuing
- Credit Card spend impacted by GFC

Airline

- Airline loyalty significantly improved following Woolworths Group launch
  - Existing Frequent Flyer members linked with Woolworths - travel up 11.7%
  - Existing Frequent Flyer members not linked with Woolworths - travel down 2.8% (impacted by capacity reductions)
  - New members (joined since Woolworths launch) have flown over 330,000 sectors since June, approximately 50% of these members being new to the airline
- Point billings to the Airline in line with prior year
  - Capacity reductions have been offset by increased numbers of Frequent Flyer members and existing members travelling more

Woolworths Partnership

- In excess of 2 million QFF members joined or linked at Woolworths since June 2009
- Billings in line with forecast
- Launched in 2009
  - Woolworths & Safeway Supermarkets and Liquor launched in June 2009
  - Big W launched in July 2009
  - BWS launched in October 2009
  - Tandy & Dick Smith Electronics launched in November 2009
- Growth Opportunities
  - Caltex –Woolworths – launching mid 2010

Member

- It took 30 weeks to hit 2 million linked customers with Woolworths
  - Within 5 weeks 20% of all AU Platinum members had already linked to Woolworths
- 25,000 members have earned points at restaurants, at an average of 800 points per transaction
- 'Your activity' is consistently the number one clicked item on enews, representing over a third of all clicks

Accounting adjustment

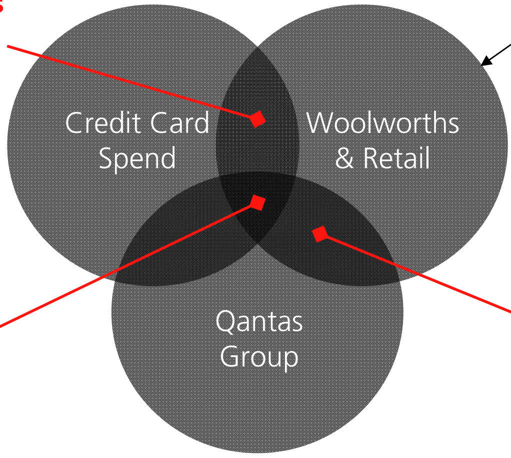
	1H10	1H09
Underlying EBIT	157	73
Revenue recognition adjustment	(78)	-
	79	73

- On the 1st of January 2009 Qantas Frequent Flyer changed the estimates used to recognise revenue for frequent flyer points. Revenue is recognised:
  - When points are sold for the 'marketing' element
  - When points are redeemed for the fair value of the award element
- Under accounting standards existing points at 1 January 2009 will continue to recognise revenue at the previous higher estimates until all these points are extinguished. This will result in higher earnings for approximately 2 years

The Coalition Effect

- The coalition of partners drives value to all stakeholders and additional billings to QFF
- Segmented marketing campaigns deliver billings growth by targeting members who can earn points in new ways

- New QFF members taking up new direct earn credit cards
- Members earn awards faster by earning points with multiple partners



- Over 1 million new members have joined QFF since June 2009
- 336,000 new flight segments flown from new QFF members (through Woolworths)
- ≈50% of these bookings are new customers for the airline

Segment: Qantas Freight Enterprises

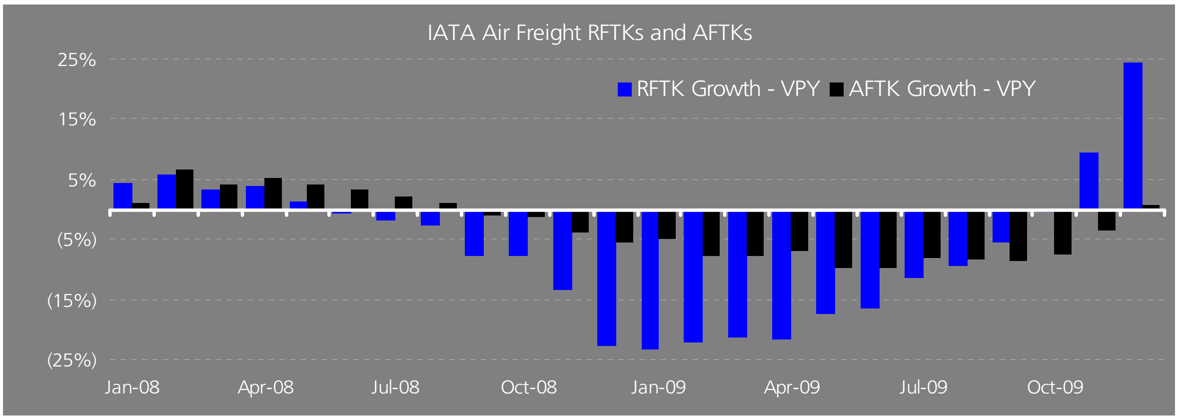
Qantas Freight Enterprises

- Underlying EBIT of $17m – down 65%
  - Freight performance in line with gener industry trend
  - Foreign revenue impacted by strong Australian dollar
- Capacity reduced by 6% overall
  - Passenger aircraft capacity down 11%
  - Added leased B767 freighter to Trans-Tasman routes June 2009 – performing well
- Yields affected by competitive pressures
  - December 2009 yield (excluding FX) recovered to December 2008 levels
- RFTK (freight uplift) up 1% in 1H10
  - Notable improvement in activity in 2Q FY10

		1H10	1H09	% VLY
Revenue	$M	494	628	(21.3)
Underlying EBIT	**$M**	**17**	**49**	**(65.3)**
Profit in associates	$M	8	4	100
Yield (incl FX)	c/RFTK	29.3	38.1	(23.1)
Yield (excl FX)	c/RFTK	31.4		(18.0)
Load	%	59.9	55.2	4.7pts

- Terminals performing in line with expectation
  - Tonnage handled for 1H10 is 310,768 tonnes
  - Up 3% reflecting improved activity in second quarter

Air Freight



- "2009 marked the deepest demand recession seen by the industry"[1]
- Economic recovery noted in the last quarter has lead to a recovery in the air freight market
  - 24% year on year market growth in December 2009, from a very low base
  - Volumes still below December 2007 levels

1. Source: IATA

Domestic Express Joint Ventures

- Australian air Express
  - AaE revenue 11% unfavourable – lower volume
  - Significant cost base restructuring more than offset a notable reduction in volumes
- Star Track Express
  - Star Track Express revenue 5% unfavourable due volume drop
  - Savings in variable costs and other initiatives offset some of the revenue decrease
- Qantas and joint venture partners are working together to improve efficiencies and maximise returns

Jetset Travelworld Group

QANTAS

Jetset Travelworld Group

- Underlying EBIT of $5m – down 71%
  - Prior period had buoyant pre-GFC trading
  - Growth on previous six months trading
- Highlights
  - Launched ReadyRooms.com.au
  - Launched ***trip*** agent incentive program
  - Completed integration of merged companies
- Recovery patchy
  - Growth in leisure volumes and margin supported by increased consumer confidence and favourable exchange rates
  - Subdued corporate travel volumes and yields

		1H10	1H09	% VLY
TTV	$M	1,050	1,334	(21.3)
Revenue	$M	68	82	(17.5)
Underlying EBIT	**$M**	**5**	**17**	**(70.6)**
Cash	$M	109	114	(4.3)

TTV = Total Transactional Value

- Ownership 58% (ASX Listed)
  - Operates as an autonomous and independent business
- Dividend 1.6 cents

Underlying PBT

Executive Summary

- Qantas uses derivatives exclusively to hedge underlying risks and exposures
- Accounting rules result in certain mark-to-market movements in hedge derivatives being recognised in periods that differ from the underlying exposures
- This results in significant earnings volatility that cannot be forecast and does not reflect the underlying economic outcomes of the Group's hedging strategy
- The principle of Underlying PBT is to remove the volatility caused by this accounting treatment and match all hedge derivative gains and losses in the same reporting period as the underlying exposures
- Qantas has elected to provide any future guidance to Underlying PBT as it better reflects the operational performance of the business and can be more accurately forecast

Introduction

- Qantas hedges the following risks and exposures:
  - Fuel purchases
  - Foreign Currency (Operating revenue and expenditure)
  - Foreign Currency (Capital expenditure)
  - Interest rates
- Via derivatives including:
  - Options
  - Swaps
  - Forwards

Accounting Rules

- Whilst the underlying exposure or transaction may occur in one period, accounting rules result in certain mark-to-market movements to be recognised in different periods
- Why?
  - Mark-to-market movements deemed by AASB 139[1] as 'ineffective' must be recognised immediately in the profit and loss rather than being deferred and recognised along with the underlying transaction as are other 'effective' hedge mark-to-market movements
- For Qantas, the major impact of the AASB 139 rule is in relation to options

1. AASB 139 (IAS39) is currently under comprehensive review by the International Accounting Standards Board

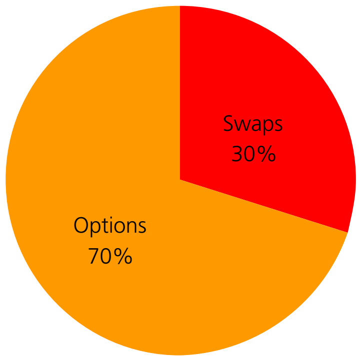
Options

- Economically, options protect from downside risks whilst retaining exposure to upside opportunities - protecting or enhancing shareholder value
- The maximum financial exposure over the life of an option used as a hedge instrument is the premium paid
- AASB 139 requires any movements in the non-intrinsic value (largely time value and volatility) of the option to be recognised immediately in the Profit and Loss
- Given the nature of the variables which affect this non-intrinsic value, the profit and loss impact is not able to be forecast
- This creates significant volatility and an accounting timing mismatch with the underlying transaction

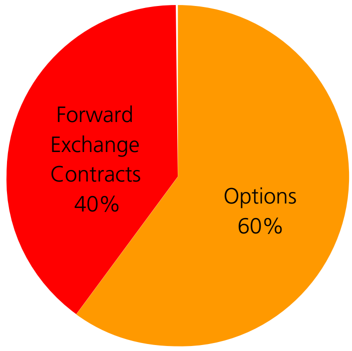
Options

- Current fuel hedging totals approximately 16 million barrels, of which 85% are hedged using option contracts
- Capital expenditure hedging has ranged between $2 billion and $3 billion face value

Fuel Hedging



Capital Expenditure Hedging



Options and Capital Expenditure

- Qantas uses options to protect against adverse foreign exchange variances on capital expenditure
- AASB 139 results in all movements in the non-intrinsic value being expensed over the life of the option and not capitalised into the asset with other hedging gains and losses
- Options used to hedge capital expenditure will often remain open across numerous reporting periods causing profit and loss volatility in each that in total cannot exceed the original premium paid
- Alternatively if Qantas used a currency forward to hedge the same exposure all mark to market movements would be capitalised onto the asset at maturity
- The accounting treatment between these two valid hedging instruments is inconsistent and 'Underlying PBT' addresses this by removing the relevant movements from the Profit and Loss

Underlying PBT Principles

- Qantas uses derivatives exclusively to hedge underlying risks and exposures. Underlying PBT matches all hedge derivative mark-to-market movements in the same reporting period as the underlying exposure.

Methodology

- Current year derivative mark-to-market movements associated with Current Year exposures remain in Underlying PBT
- Current year derivative mark-to-market movements associated with future year underlying exposures and capital expenditure are excluded from Underlying PBT
- Derivative mark-to-market movements recognised in previous reporting periods statutory profit associated with current year underlying exposures are brought in to Underlying PBT

Qantas Half Year Result

	1H10	1H09	FY09
Statutory PBT	**90**	**288**	**181**
Underlying PBT Adjustments:			
Current Year mark-to-market movements associated with Current Year remain	No adjustment	No adjustment	No adjustment
Current Year mark-to-market movements associated with Future Years are excluded	38	(106)	(56)
Current Year mark-to-market movements associated with CAPEX options are excluded	71	(87)	(55)
Prior Year gains/(losses) associated with Current Year Brought In	7	(26)	(43)
Mark-to-market movements affecting net finance costs associated with other reporting periods	13	(34)	(13)
Underlying PBT (including Non-recurring)	**219**	**35**	**14**
Non-Recurring Items	48	4	106
Underlying PBT	**267**	**39**	**120**