Qantas 1H11 Results

Achieving Strategic Objectives

Overview

- Solid progress on the path to recovery
- Management team is continuing to achieve strategic objectives
- Business has been presented with various operating challenges
  - Grounding of A380 fleet
  - Significant weather events
- Strategy to build long term shareholder value
  - Leverage dual brands to build on competitive advantage
  - Drive growth in Asia
  - Grow portfolio businesses
  - Continued investment in operations
- International business transformation – a high priority

1H11 Result

- 1H11 Underlying PBT[1] is $417m, an increase of 56% on 1H10
  - Includes impact of A380 disruptions of $55m comprised of lost revenues and incremental costs
- Dual Brands – maintained strong domestic position (65%) and yield premium
- Qantas – enhanced "Best for Business" credentials
- Jetstar – continued to grow the largest low fares airline in the Asia Pacific region[2]
- Qantas Frequent Flyer – enhanced our unique and powerful loyalty coalition
- No interim dividend declared

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 42 of the supplementary slides for a reconciliation of Underlying PBT to Statutory PBT
2. Based on gross revenue

Financial Highlights

- Strong improvement in all segments
- Record interim profits for Jetstar and Qantas Frequent Flyer
- Qantas recovering, result up 175%
- Group yield 7% higher than 1H10
- QFuture on track to achieve FY11 target benefits of $500m
- Unit cost[1] improved 1% after adjusting for impact of A380 disruptions and reduced sector length
- Operating cash flow of $743m, up 54% on 1H10
- Planned reduction in cash balance to $3.3bn at 31 December 2010
  - Includes 3 x A320 aircraft purchased with cash in 1H11
- Investment grade credit rating – maintained at BBB and Baa2

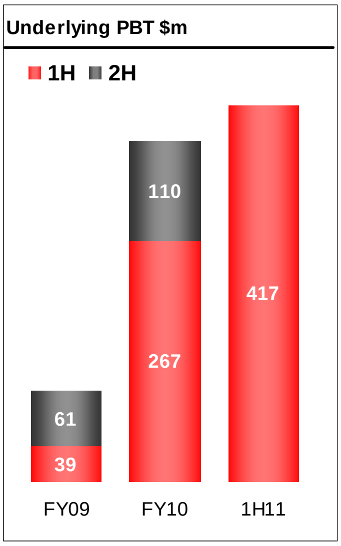
1. Based on Underlying PBT. Refer to slide 42 of the supplementary slides for more information

Achieving Strategic Objectives

- Demonstrated commitment to safety and customer care – A380 incident response
- Qantas clear leader as "Best for Business"
  - 650 major corporate customers
  - 98 out of 99 accounts renewed
  - 54 new SME customers secured
  - Compelling offer to Australian Government – Qantas maintaining share
- Strengthening network & partnerships – flights to Dallas, American Airlines hub
- Building domestic portfolio – Network Aviation acquisition
- Strong Jetstar growth – Australia, China, Japan, Singapore and Vietnam
- Robust growth in Frequent Flyer members – up 12% on 1H10 to 7.5 million
- Strategically adding loyalty coalition partners – Caltex-Woolworths, OnePath
- Completed JTG/Stella merger – creating one of Australia's largest travel agencies
- Demonstrated quality of people and depth of management

Operating Environment

- Business travel continues to recover
- Qantas domestic yield premium restored to pre-global financial crisis levels
- Domestically, Qantas Group most profitable and best positioned to manage increase in leisure capacity
- Demand on key international routes improving
- Rapid growth in Asian aviation market, currently low penetration of Low Cost Carriers (LCC)
- Fuel prices continue to increase
- Seasonally stronger first half
- Operational and financial impact from A380 disruptions of $55m in 1H11



Income Statement Summary

$m	1H11[1]	1H10[1]	VLY %	
Net Passenger Revenue	6,188	5,576	11	
Other Revenues	1,403	1,333	5	
Revenue	**7,591**	**6,909**	**10**	Improvement in yield and increased capacity partially offset by A380 disruptions
Operating Expenses	6,250	5,774	8	Higher fuel prices and increased flying
Depreciation and Amortisation	606	575	5	
Non-cancellable Operating Lease Rentals	283	253	12	14 additional aircraft leases since 1H10
Expenses	**7,139**	**6,602**	**8**	
Underlying EBIT	452	307	47	
Net Finance Costs	(35)	(40)	(13)	
Underlying PBT[1]	**417**	**267**	**56**	

1. All line items adjusted to reflect Underlying result. Refer to slide 42 of the supplementary slides for a reconciliation of Underlying PBT to Statutory PBT

Cash Flow and Balance Sheet Summary

Summarised Cash Flow

$m	1H11	1H10	VLY %	
Operating	743	483	54	Improved operating performance
Investing	(1,076)	(947)	14	Purchased 6 aircraft, progress payments and product investment, offset by deconsolidation of JTG
Financing	(20)	345	>(100)	Utilised operating cash flows and cash balance to fund capex program
Net decrease in cash held	(353)	(119)	>100	
Effects of exchange rate changes on cash	(14)	-	-	
Cash at end of period	3,337	3,498	(5)	Provides ongoing flexibility to manage medium term capital expenditure and funding requirements, whilst preserving investment grade credit rating

Summarised Balance Sheet

	1H11	2H10	Var $m
Net debt[1] ($m)	2,558	2,209	349
Equity excluding hedge reserves ($m)	6,041	5,896	145
Net debt to net debt + equity ratio[2]	52:48	51:49	

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

Capital Management and Treasury

- Continue to utilise investment grade credit rating
- Fund upcoming deliveries with a mix of cash, sale and leaseback, bank and ECA funding
- Capital expenditure for 2H11 of $1.5bn
- Currently refinancing $315m syndicated loan maturing in February 2012
- Continuing to rollout Return on Invested Capital (ROIC) framework to segments
- Current hedge profile reduces risk, allows substantial participation in favourable moves

Remainder FY11 Exposure	% Hedged	Effective price/rate[1]	
Fuel costs[2]	74%	94.86	USD per barrel
Operating foreign exchange[2]	57%	0.9569	AUD/USD
Aircraft capital expenditure[3] - FX	96%	0.9445	AUD/USD

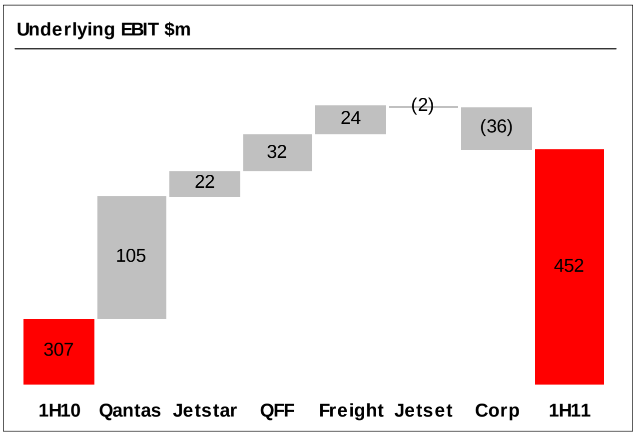
FY12 Exposure	% Hedged	Effective price/rate[1]	
Fuel costs[2]	27%	100.10	USD per barrel
Operating foreign exchange[2]	8%	0.9233	AUD/USD
Aircraft capital expenditure[3] - FX	75%	0.9103	AUD/USD

1. Effective rate / price refers to the rate / price that would be achieved based on current market prices as at 14 February 2011 (Spot Brent Crude oil price: USD101 per barrel, AUD/USD spot exchange rate: 0.9989)
2. Including option premium
3. Excluding option premium

Segment Performance

- Recovery continues – strong improvement in all businesses

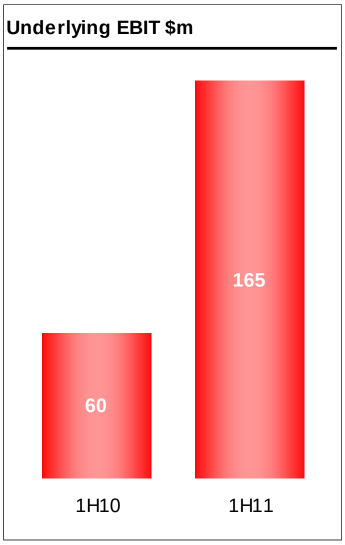
Underlying EBIT $m	1H11	1H10	VLY %
Qantas	165	60	175
Jetstar	143	121	18
Qantas Frequent Flyer[1]	189	157	20
Qantas Freight	41	17	141
Jetset Travelword Group[2]	3	5	(40)
Corporate / Eliminations	(89)	(53)	68
Underlying EBIT	452	307	47



1. The Qantas Frequent Flyer results include the impact of the change in accounting estimate, which has contributed $82m to the 1H11 result and $78m to the 1H10 result. Refer to supplementary slide 73 for further detail
2. Jetset Travelworld Group 1H11 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

Qantas

- Underlying EBIT of $165m, up 175%
- Strong revenue recovery across both international and domestic business
- Domestic yield premium restored to pre-global financial crisis levels
- Growing domestic and international capacity
  - 3% growth compared to 1H10
  - Planned increase in 2H11 – Domestic[1] 4.5%, International 4.3%
- Unit cost flat, after adjusting for the impact of A380 disruptions and reduced sector length
- Continued investment in customer experience leadership
  - Launch of faster, smarter check-in Perth, Sydney and Melbourne
  - Domestic product relaunch from November 2010 – including Business Lounges, Qantas Clubs and in-flight offering
  - Improving customer satisfaction – Net Promoter Score highest in the market
- QFuture benefits of $173m, on track for $500m by FY11

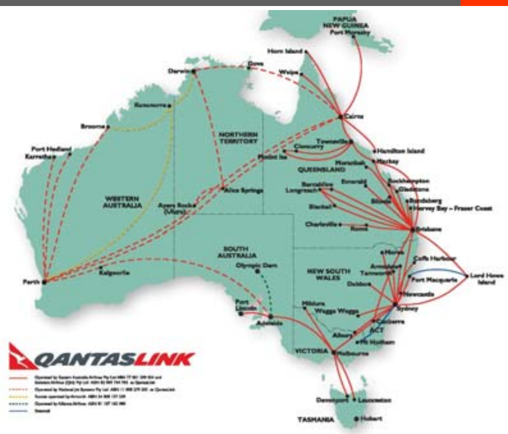


1. Including QantasLink

Qantas – Regional Expansion

- Largest regional fleet and network with capacity growing at 9% CAGR[1]
- New services: Perth – Exmouth services commencing 30 March 2011
- Added "Fly in Fly out" / Charter capability with acquisition of Network Aviation
  - Expanding fleet with purchase of 10 x F100 aircraft
- Regional Qantas Club Lounge expansion
  - Coffs Harbour lounge opened May 2010
  - Emerald and Gladstone announced
- Faster, smarter check-in rolling out to 16 regional destinations in FY11

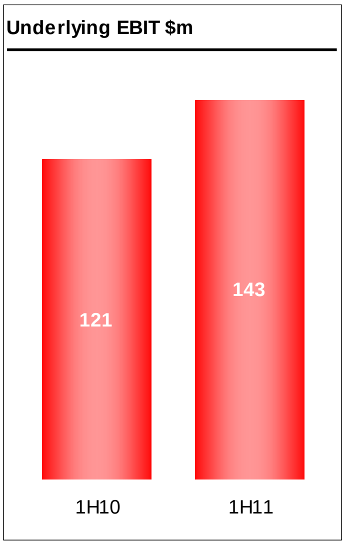
	Current	Already planned	New	Total
B717	11	-	2	13
DH8 – Q400	21	7[2]	-	28
DH8-Q200/Q300	21	-	-	21
E120[4]	6	-	-	6
F100[4]	2	-	10	12
	61	7	12	80[3]



1. RPKs over four years to FY10
2. 4 x DH8-Q400 by December 2011
3. Total fleet by 2015
4. Network Aviation fleet was not included in Group Fleet on supplementary slide 44 as acquisition was not complete at 31 December 2010

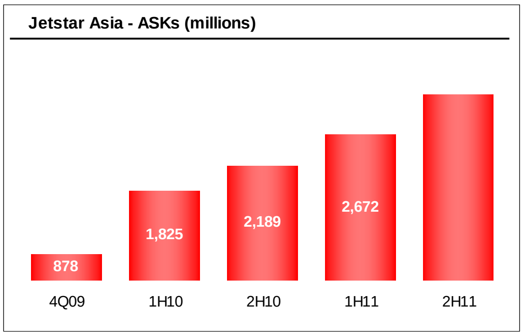
Jetstar

- Underlying EBIT of $143m, up 18% - record financial result
- Maintaining leadership position in Asia
- 19% growth in capacity compared to 1H10
- Strong competitive position
  - Unit cost down 2%[1] and flat sector length adjusted
  - Ancillary revenue >$20 per pax[2] - higher than major global LCCs
- Growing market share in all key markets
  - Servicing 17 countries, 52 cities, 379 flights per day, fleet of 77
  - Jetstar customer satisfaction and advocacy scores at record levels
  - Exit of less efficient competitors providing new growth opportunities
  - Continued investment and innovation – iPad, airport self-service



1. Gross unit cost excluding fuel
2. Includes equivalent of bag-fee built into JetSaver & JetFlex fares. Comparison versus competitor published results as at September 2010

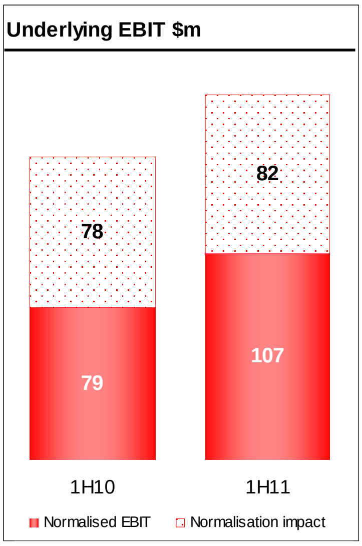
Jetstar in Asia



- Jetstar brand embedded in Asia
- Largest LCC in Singapore and Asia Pacific
- Significant growth in Greater China – now serving 7 ports
- Jetstar Asia strong profits and growing quickly
  - Underlying EBIT of SGD17m with 46% capacity growth on 1H10
- Launch of long-haul A330 base in Singapore

Qantas Frequent Flyer

- Normalised[1] EBIT of $107m, up 36% - record financial result
- Billings increased 9% to $518m
- Membership at 7.5 million, up 0.8 million or 12%
- New partners and products successfully launched
  - Caltex-Woolworths
  - OnePath (formerly ING Australia)
  - Woolworths Everyday Rewards Qantas credit card
  - Avis / Budget exclusivity
  - Qantas American Express annual fee free ‘Discovery’ card
- Customer satisfaction at record highs
  - Faster, smarter check-in for top tier members
  - iPhone app in market - 55,000 downloads

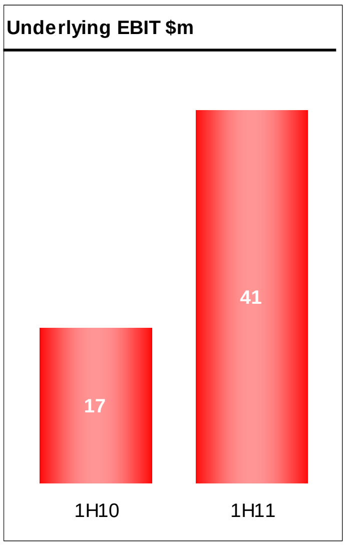


The change in accounting estimate impacts 3 financial years and is included in Underlying EBIT

1.The Qantas Frequent Flyer (QFF) results include the impact of the change in accounting estimate, which has contributed $82m to the 1H11 result and $78m to the 1H10 result. Refer to supplementary slide 73 for further detail.

Qantas Freight

- Underlying EBIT of $41m, up 141%
- Continued strong recovery in international airfreight market
- Yield up 12% (excluding FX) compared to 1H10 reflecting strong market improvement
- Significant improvement in freighter performance
  - Reflects stronger volumes and yields on the key China-USA routes
- Strategic focus to optimise core Freight assets – review of domestic joint ventures progressing well and close to being finalised



Strategic Objectives

- Core strategies have not changed:
  - Safety is our first priority
  - Building sustainable competitive advantage through dual brands and customer experience
  - Profitably building on 65% domestic market share
  - Transforming the international business
  - Optimising portfolio businesses and investments
  - Engaging our people and developing talent
  - Building on strong sustainability credentials

Safety is Our First Priority

- Demonstrated world class safety leadership
- 4 Nov 2010 – uncontained Rolls Royce engine failure on QF32 A380 service
- Exceptional response by Qantas flight crew and staff
- Qantas A380 services suspended immediately, pending safety investigation
- Customer care focus maintained
  - Promptly cleared customer backlog
  - Extensive communication effort
  - Network maintained – 98% of international flights operated
- 27 Nov 2010 – safely resumed A380 flights to London
- 16 Jan 2011 – safely resumed A380 flights to Los Angeles

Dual Brand Strategy

- Two strong and complementary brands – each offering a unique customer proposition
  - Qantas – “Best for Business”
  - Jetstar – low fares leader in Asia Pacific
- Maintaining market leading domestic position, circa 65% market share since FY05
  - Opportunity in the leisure market by forcing competitive change
- Compelling competitive position with 1st and 2nd most profitable airlines in domestic market
- Jetstar is driving organic growth in Asia, the world’s largest aviation market

Qantas – Best for Business

- Competitive advantage driven by
  - Leadership in corporate market
  - Significant customer base and deep relationships
    - 650 major corporate customers
    - 7.5 million Qantas Frequent Flyer members
  - Leverage of key assets that competition cannot easily replicate – world-class lounges; exclusive Chairman’s Lounge; faster, smarter check-in and wide body fleet
  - Integrated international and domestic offering
  - Partnerships that are mature and supported with systems, processes and people
- Yield premium driven by
  - Network presence and frequency – almost double the domestic network reach of nearest competitor
  - Ability to genuinely influence and differentiate the customer experience
  - Qantas Frequent Flyer program – unrivalled member proposition, differentiated rewards

Jetstar – Low Fare Leader in Asia Pacific

- Leading low cost brand across all key markets
- Well positioned for future growth in world's largest aviation market
  - Largest LCC across Asia Pacific[1]
  - Jetstar capacity growth of 19% with 46% growth in Jetstar Asia
- Successful business model, continuously profitable since 2004 start-up
  - Global leader in ancillary revenue
  - Continuous cost reduction since launch
- Underpinned by continual investment and innovation
- Currently pursuing multiple new growth opportunities

1. Based on gross revenue

Customer Experience

- Qantas continuing to set the bar for the highest standard in both domestic and international travel experience
  - Deep knowledge of customer base
  - Focus on
    - Operational excellence
    - Consistent delivery – end to end, trip to trip
    - Faster, smarter check-in
    - Enhancements to loyalty offer
- Jetstar lowest fares commitment while delivering on target customer needs
  - Continued innovation focus including
    - Process improvement and problem resolution
    - Mobile solutions
    - iPad entertainment technology

International Business Transformation

- Continue to invest in product
  - Growing A380 fleet to 12 aircraft by November 2011
  - Upgrading product on 9 youngest B747 to A380 standard
  - First B787 delivery now expected end of 2012
- Network enhancements – right aircraft, right route
- Deepening alliances and bilateral partnerships
- Enhanced focus on delivering best-in-class international service
- Continue QFuture transformation agenda – focus on cost reduction
- Leverage major events – Oprah, G'Day USA to stimulate markets
- Undertaking a review of Qantas international business

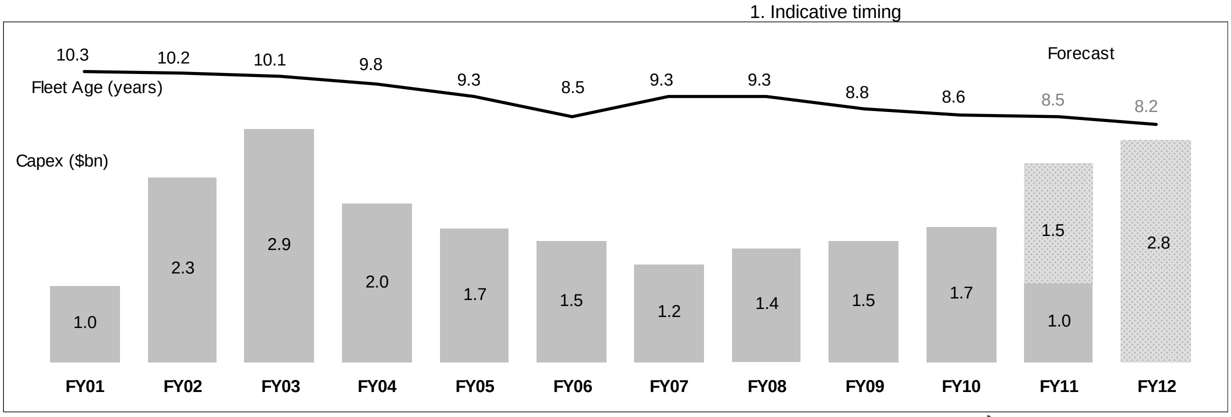
Continued Fleet Modernisation

- Improving yields, customer satisfaction, operational efficiency, cost reduction and environmental credentials
- Allows sustainable reinvestment in fleet over the long term
- Strong, flexible aircraft order book
- Investment builds long term shareholder value

Aircraft deliveries

Aircraft Type	1H11	2H11[1]	FY12[1]
A380-800	1	3	2
A330-200	2	1	2
A320 Family	10	-	15
B737-800	-	6	15
B717	-	-	2
Q400	-	1	3
F100	-	3	4
Total	**13**	**14**	**43**

1. Indicative timing



People

- Continued focus on employee engagement and talent management across all staff groups
- Investment in leadership development at all levels
- Continued focus on increasing representation of women in senior roles, with 31%[1] of senior roles occupied by female employees
- Achieved a key milestone to employ 300 Indigenous Australians
- Focus on fair and sustainable wage settlements
  - Many collective agreements with employees and unions across the Group
  - Currently negotiating a number of key agreements

1. The definition of senior roles has been revised to capture Executive Job Grades 1 to 4.

Recognition of Sustainability Performance

- Best ESG (Environmental, Social and Governance) 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
- 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

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

Summary

- Solid progress on path to recovery
- Management team continuing to deliver against strategic objectives
- Strategy to drive long term shareholder value
  - 1st & 2nd most profitable airlines in domestic market
  - Record profits in Jetstar and Qantas Frequent Flyer
  - Recovery in Qantas profitability continues
  - Investing to improve long term business performance and build shareholder value
  - Continuing to engage our people and develop talent
- Well positioned for growth
  - Leveraged to premium market recovery
  - Increasing Jetstar presence in world's largest aviation market – Asia
  - Enhancing our unique and powerful loyalty coalition in Qantas Frequent Flyer

Outlook

- The general operating environment continues to improve:
  - Forward bookings indicate yields in 2H11 will be higher than 2H10, noting that the first half is typically a stronger revenue period due to seasonal factors;
  - The Group expects to increase capacity in 2H11 by 11% compared to 2H10 whilst maintaining flexibility; and,
  - As at 14 February 2011, underlying fuel costs for 2H11 are estimated to increase to circa $2.0bn 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.
- However, a number of significant weather events are impacting current trading conditions including the Queensland floods (estimated to impact 2H11 Underlying PBT by up to $55m) and Cyclone Yasi in North Queensland (estimated to impact 2H11 Underlying PBT by up to $15m).
- Qantas Group estimates the A380 disruptions will have an impact of $25m in 2H11 in addition to the $55m impact in 1H11. Qantas remains in discussions with Roll-Royce in relation to compensation for the economic loss incurred. No agreement has been reached at this stage. Any compensation will be recognised in the Group's Underlying PBT in the relevant period.
- Given the first half result, Underlying PBT for FY11 is expected to be materially stronger than FY10.
- However, changes in fuel prices, FX rates, general trading conditions and the impact of significant weather events could rapidly impact earnings. It is therefore not possible to provide a more specific forecast at this time given the volatility and uncertainty of the aviation market.