Supplementary Slides

Group Performance
Group Highlights

SM | 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

- **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

Monthly Yield (excluding FX) VLY

- International
- Domestic

Nov-08 Feb-09 May-09 Aug-09 Nov-09

Yield (excluding FX)

- 30%
- 25%
- 20%
- 15%
- 10%
- 5%
- 0%
- 5%
- 10%

Operating Expenditure

- 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

- 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 down 9.0%
  - Depreciation savings from grounded aircraft in the current period
  - Offset by depreciation on new aircraft including A380s

Unit Cost Reduced by 8.2%

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

- 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

<table>
<thead>
<tr>
<th>$M</th>
<th>1H10</th>
<th>1H09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-recurring items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- gain on sale of Qantas Holidays</td>
<td>-</td>
<td>86</td>
</tr>
<tr>
<td>- accelerated depreciation and impairment losses</td>
<td>(48)</td>
<td>(28)</td>
</tr>
<tr>
<td>- redundancies and restructuring</td>
<td>-</td>
<td>(62)</td>
</tr>
</tbody>
</table>

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
Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>1H10 SM</th>
<th>2H09 SM</th>
<th>VLY SM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets / Total Equity</td>
<td>5,755</td>
<td>5,765</td>
<td>(10)</td>
</tr>
<tr>
<td>Net debt¹</td>
<td>6,154</td>
<td>5,696</td>
<td>458</td>
</tr>
<tr>
<td>Net Debt to Equity ratio²</td>
<td>29 : 71</td>
<td>25 : 75</td>
<td></td>
</tr>
<tr>
<td>Net Debt to Equity ratio³</td>
<td>51 : 49</td>
<td>50 : 50</td>
<td></td>
</tr>
</tbody>
</table>

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

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

- 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
- 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

- 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

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**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
### Detailed Fleet at 31 December 2009

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H09</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>A380-800&lt;sup&gt;1&lt;/sup&gt;</td>
<td>5</td>
<td>3</td>
<td>+2</td>
</tr>
<tr>
<td>B747-400</td>
<td>22</td>
<td>24</td>
<td>-</td>
</tr>
<tr>
<td>B747-400ER</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>A330-200</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>A330-300</td>
<td>10</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>B767-300ER</td>
<td>27</td>
<td>29</td>
<td>(2)</td>
</tr>
<tr>
<td>B737-300</td>
<td>0</td>
<td>3</td>
<td>(3)</td>
</tr>
<tr>
<td>B737-400</td>
<td>21</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>B737-800NG</td>
<td>41</td>
<td>38</td>
<td>+3</td>
</tr>
<tr>
<td>Total Qantas</td>
<td>138</td>
<td>140</td>
<td>(2)</td>
</tr>
<tr>
<td>A320-200&lt;sup&gt;2&lt;/sup&gt;</td>
<td>40</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>A321-200</td>
<td>6</td>
<td>4</td>
<td>+2</td>
</tr>
<tr>
<td>A330-200</td>
<td>7</td>
<td>6</td>
<td>+1</td>
</tr>
<tr>
<td>Total Jetstar</td>
<td>53</td>
<td>50</td>
<td>+3</td>
</tr>
<tr>
<td>B717-200</td>
<td>11</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Q200/Q300</td>
<td>21</td>
<td>21</td>
<td>-</td>
</tr>
<tr>
<td>Q400&lt;sup&gt;3&lt;/sup&gt;</td>
<td>17</td>
<td>14</td>
<td>+3</td>
</tr>
<tr>
<td>Total QantasLink</td>
<td>49</td>
<td>46</td>
<td>+3</td>
</tr>
<tr>
<td>B737-300SF</td>
<td>4</td>
<td>4</td>
<td>-</td>
</tr>
<tr>
<td>Total Group</td>
<td>244</td>
<td>240</td>
<td>+4</td>
</tr>
</tbody>
</table>

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

#### 2H FY10 – FY18 deliveries

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>2H FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>A380-800</td>
<td>15</td>
</tr>
<tr>
<td>787 family</td>
<td>50</td>
</tr>
<tr>
<td>A320 family</td>
<td>60</td>
</tr>
<tr>
<td>A330-200</td>
<td>6</td>
</tr>
<tr>
<td>B737-800</td>
<td>28</td>
</tr>
<tr>
<td>Q400&lt;sup&gt;3&lt;/sup&gt;</td>
<td>4</td>
</tr>
</tbody>
</table>

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.
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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>5,295</td>
<td>6,662</td>
<td>(20.5)</td>
</tr>
<tr>
<td>Fuel</td>
<td>1,224</td>
<td>1,941</td>
<td>(36.9)</td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>60</td>
<td>98</td>
<td>(38.8)</td>
</tr>
<tr>
<td>Yield</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December Yield</td>
<td></td>
<td></td>
<td>(13.9)</td>
</tr>
<tr>
<td>ASKs (billion)</td>
<td>47.7</td>
<td>52.7</td>
<td>(9.6)</td>
</tr>
</tbody>
</table>
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

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

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)

<table>
<thead>
<tr>
<th>Flights per week</th>
<th>NS08</th>
<th>NW08</th>
<th>NS09</th>
<th>NW09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas</td>
<td>36</td>
<td>36</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>United</td>
<td>14</td>
<td>15</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Delta</td>
<td>-</td>
<td>-</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>V Australia</td>
<td>-</td>
<td>-</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>All direct</td>
<td>50</td>
<td>51</td>
<td>58</td>
<td>65</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Flights per week</th>
<th>NS08</th>
<th>NW08</th>
<th>NS09</th>
<th>NW09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>27</td>
</tr>
<tr>
<td>Asian hub carriers</td>
<td>77</td>
<td>77</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>Gulf carriers</td>
<td>59</td>
<td>66</td>
<td>84</td>
<td>96</td>
</tr>
<tr>
<td>British carriers</td>
<td>21</td>
<td>21</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>185</td>
<td>192</td>
<td>210</td>
<td>218</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASKs m</td>
<td>14,932</td>
<td>15,473</td>
<td>(3.5)</td>
</tr>
<tr>
<td>RPKs m</td>
<td>12,392</td>
<td>12,402</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Passengers ‘000</td>
<td>8,553</td>
<td>8,505</td>
<td>0.6</td>
</tr>
<tr>
<td>Seat factor %</td>
<td>83.0</td>
<td>80.2</td>
<td>2.8pts</td>
</tr>
<tr>
<td>OTP1 %</td>
<td>86.5</td>
<td>74.4</td>
<td>12.1pts</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASKs m</td>
<td>2,150</td>
<td>2,197</td>
<td>(2.1)</td>
</tr>
<tr>
<td>RPKs m</td>
<td>1,499</td>
<td>1,553</td>
<td>(3.5)</td>
</tr>
<tr>
<td>Passengers ’000</td>
<td>2,162</td>
<td>2,142</td>
<td>0.9</td>
</tr>
<tr>
<td>Seat factor %</td>
<td>69.7</td>
<td>70.7</td>
<td>(1.0pt)</td>
</tr>
<tr>
<td>OTP %</td>
<td>89.4</td>
<td>83.0</td>
<td>6.4pts</td>
</tr>
<tr>
<td>Aircraft #</td>
<td>49</td>
<td>44</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>QFuture benefits</th>
<th>1H10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>81</td>
</tr>
<tr>
<td>IT transformation</td>
<td>24</td>
</tr>
<tr>
<td>Fuel conservation</td>
<td>15</td>
</tr>
<tr>
<td>Engineering</td>
<td>32</td>
</tr>
<tr>
<td>Airports, Catering</td>
<td>24</td>
</tr>
<tr>
<td>Other (Commercial, Flight Operations, Regional)</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>202</strong></td>
</tr>
</tbody>
</table>

$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 passengers1 – 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

---

1. Including Jetstar Asia

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

<table>
<thead>
<tr>
<th></th>
<th>1H10 $M</th>
<th>1H09 $M</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,131</td>
<td>958</td>
<td>18.1</td>
</tr>
<tr>
<td>Fuel</td>
<td>268</td>
<td>315</td>
<td>14.9</td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>121</td>
<td>43</td>
<td>181.4</td>
</tr>
<tr>
<td>Yield</td>
<td>(10.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit cost c/ASK</td>
<td>5.0</td>
<td>5.3</td>
<td>6.1</td>
</tr>
</tbody>
</table>

---

### Jetstar Footprint Growing

Jetstar Pacific

- Operated by Qantas International services
- Operated by Qantas Domestic services
- Operated by Jetstar Pacific
- Operated by Jetstar Australia services from Melbourne (Tasmania) to Brisbane commence 1 July 2010

Jetstar Asia

- Operated by Qantas International services
- Operated by Qantas Domestic NZ services
- Operated by Jetstar Asia
- Operated by Viva! Airlines

---

Note on Footprint: The footprint shows major cities and destinations served by Jetstar, highlighting the company’s extensive reach across Asia and Oceania.
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)

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASKs</td>
<td>m</td>
<td>5,842</td>
<td>5,846</td>
</tr>
<tr>
<td>RPKs</td>
<td>m</td>
<td>4,885</td>
<td>4,727</td>
</tr>
<tr>
<td>Passengers '000</td>
<td></td>
<td>4,299</td>
<td>4,186</td>
</tr>
<tr>
<td>Load %</td>
<td></td>
<td>83.6</td>
<td>80.9</td>
</tr>
<tr>
<td>A320 utilisation hrs</td>
<td></td>
<td>11.3</td>
<td>11.7</td>
</tr>
<tr>
<td>OTP %</td>
<td></td>
<td>81</td>
<td>77</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASKs</td>
<td>m</td>
<td>8,950</td>
<td>5,283</td>
</tr>
<tr>
<td>RPKs</td>
<td>m</td>
<td>6,985</td>
<td>3,945</td>
</tr>
<tr>
<td>Passengers '000</td>
<td></td>
<td>3,018</td>
<td>951</td>
</tr>
<tr>
<td>Load %</td>
<td></td>
<td>78.0</td>
<td>74.7</td>
</tr>
<tr>
<td>A330 utilisation hrs</td>
<td></td>
<td>14.3</td>
<td>14.0</td>
</tr>
<tr>
<td>Market share2</td>
<td>%</td>
<td>8.1</td>
<td>5.9</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Jetstar Asia</th>
<th>1H10</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASKs</td>
<td>m</td>
</tr>
<tr>
<td>RPKs</td>
<td>m</td>
</tr>
<tr>
<td>Passengers</td>
<td>‘000</td>
</tr>
<tr>
<td>Load</td>
<td>%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H09</th>
<th>VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jetstar Australia &amp; Singapore based Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A320-200</td>
<td>40</td>
<td>40</td>
<td>-</td>
</tr>
<tr>
<td>A321</td>
<td>6</td>
<td>4</td>
<td>+2</td>
</tr>
<tr>
<td>A330-200</td>
<td>7</td>
<td>6</td>
<td>+1</td>
</tr>
<tr>
<td>Sub Total</td>
<td>53</td>
<td>50</td>
<td>+3</td>
</tr>
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</table>

Jetstar Pacific¹

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H09</th>
<th>VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>A320-200</td>
<td>1</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>B734</td>
<td>5</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Sub Total</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
</tbody>
</table>

Total Jetstar Group

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>2H09</th>
<th>VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>59</td>
<td>56</td>
<td>+3</td>
</tr>
</tbody>
</table>

¹ Jetstar Pacific not included in Group fleet

Segment: Qantas Frequent Flyer
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%

\(^1\) 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.

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>547</td>
<td>482</td>
<td>13.5</td>
</tr>
<tr>
<td>Underlying EBIT(^1)</td>
<td>157</td>
<td>73</td>
<td>115.1</td>
</tr>
<tr>
<td>Billings</td>
<td>477</td>
<td>520</td>
<td>(8.3)</td>
</tr>
<tr>
<td>Members (m)</td>
<td>6.8</td>
<td>5.4</td>
<td>25.9</td>
</tr>
<tr>
<td>Satisfaction levels</td>
<td>7.0</td>
<td>6.8</td>
<td>2.9</td>
</tr>
</tbody>
</table>

---

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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying EBIT</td>
<td>157</td>
<td>73</td>
</tr>
<tr>
<td>Revenue recognition adjustment</td>
<td>(78)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>79</td>
<td>73</td>
</tr>
</tbody>
</table>

- 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 general 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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>$M</td>
<td>17</td>
<td>49</td>
</tr>
<tr>
<td>Profit in associates</td>
<td>$M</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Yield (incl FX)</td>
<td>c/RFTK</td>
<td>29.3</td>
<td>38.1</td>
</tr>
<tr>
<td>Yield (excl FX)</td>
<td>c/RFTK</td>
<td>31.4</td>
<td>(18.0)</td>
</tr>
<tr>
<td>Load</td>
<td>%</td>
<td>59.9</td>
<td>55.2</td>
</tr>
</tbody>
</table>

- 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”
- 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

- 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

<table>
<thead>
<tr>
<th></th>
<th>1H10</th>
<th>1H09</th>
<th>% VLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTV $M</td>
<td>1,050</td>
<td>1,334</td>
<td>(21.3)</td>
</tr>
<tr>
<td>Revenue $M</td>
<td>68</td>
<td>82</td>
<td>(17.5)</td>
</tr>
<tr>
<td>Underlying EBIT $M</td>
<td>5</td>
<td>17</td>
<td>(70.6)</td>
</tr>
<tr>
<td>Cash $M</td>
<td>109</td>
<td>114</td>
<td>(4.3)</td>
</tr>
</tbody>
</table>

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 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.

---

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

Options and Capital Expenditure Hedging

- 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

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