2004/05 Full Year Results
Presentation to Investors

18 August 2005

Geoff Dixon
Chief Executive Officer

Group Highlights

		12 months to June 2005	12 months to June 2004	Increase/ (decrease) %
Sales and operating revenue	$m	**12,648.8**	**11,353.7**	**11.4**
Expenditure	$m	**(10,117.1)**	**(8,986.4)**	**12.6**
EBIT	$m	**1,121.7**	**1,098.2**	**2.1**
Net borrowing costs	$m	**(94.5)**	**(133.6)**	**(29.3)**
Profit before tax	$m	**1,027.2**	**964.6**	**6.5**
Net profit after tax	$m	**763.6**	**648.4**	**17.8**
Earnings per share	¢	**40.8**	**35.7**	**14.3**
Total dividend per share	¢	**20.0**	**17.0**	**17.6**

Group Strategy

- **To return the Qantas Group to a position where it generates a positive spread to its cost of capital by**
  - Developing our flying portfolio to provide the most competitive business models in all major markets and segments
  - Extending reforms to achieve permanent unit cost reductions and efficiency improvements in all areas of the business
  - Diversifying our portfolio to grow and smooth the earnings profile of the Group

Flying Strategy - International

- **Profitably grow network by focusing investment on core and high potential routes**
  - Particularly point-to-point markets
- **Improve overall returns by achieving permanent unit cost reductions and efficiency improvements**
- **Restructure flying on underperforming routes**
- **Invest in product and service for competitive advantage**

Flying Strategy - Domestic

- **Segmented approach to deliver most competitive customer proposition and economics in premium, leisure and regional markets**
- **Defend optimal Group market share of 65%**
  - Estimated market share of 65.9% for the year to May
- **Improve connectivity to preserve network integrity**
- **Maintain yield premium over Virgin Blue**
  - Around 40% as at June

Qantas

- **Profitably grow integrated full service network, covering major domestic and international markets**
  - New international services introduced
    - Sydney to London via Hong Kong
    - Sydney to Shanghai and Mumbai
  - New international services to be introduced
    - Sydney to Beijing
    - San Francisco
    - Vancouver
  - Domestic growth focused on core and business-purpose routes
    - East coast, East-West

Qantas

- **Profitably grow integrated full service network, covering major domestic and international markets**
  - Aggressively pursue permanent unit cost reductions and improved operating efficiency
    - Simplifying dealing models
    - Streamlining cost to serve customers
    - Improving inflight supply chain efficiency
  - Number two airline in the world in 2005 Skytrax World Airline Awards
    - Steady improvement in international and domestic customer satisfaction levels

QantasLink

- **Secure competitive advantage for Group by connecting regions with Australian capital cities**
  - Bombardier Q400s providing step change in operating efficiency
    - Cost effective capacity growth on key routes
    - Release aircraft to develop new routes
  - Reforming production and workforce models to drive productivity and cost improvements
  - Refining customer proposition to enhance value for money

Jetstar

- **Improve profitability on and grow leisure routes as lowest cost operator**
  - 10 A320s introduced, with remaining 13 by June 2006
  - Costs ahead of target
    - Lowest cost domestic airline in second half with unit cost of 7.62c/ASK
  - One of Australia's most recognised new brands
  - Product/service refinements for competitive advantage
  - Group benefit paramount

Australian Airlines

- **Deliver improved returns on niche leisure routes**
  - Five B767-300 aircraft
  - Focus on cost and efficiency to offset higher fuel prices
    - Lower cost base than Qantas
  - Introduced Cairns-Sapporo and Perth-Bali
    - New routes are being evaluated
  - Withdrew underperforming Sabah service

Value-based International

- **Achieve step change in economics in price-sensitive markets**
  - Jetstar's launch of Christchurch services
  - Complementary brand offering
  - Opportunity to grow leisure markets
    - Gold Coast-Christchurch
  - Continuing to evaluate opportunities

Asian Value-based Airlines

- **Participate in the growth of the Asian value-based airline market**
  - Valuair deal gives improved scale to pursue growth opportunities
  - Qantas stake of 44% in the combined entity
  - Investment to date of S$51.0 million
  - New routes are being assessed

Fleet Strategy

- **Aircraft added to service during 2004/05**
  - 4 A330-300s
  - 6 B737-800NGs
  - 9 A320-200s
  - 3 Dash 8-Q300s
  - 2 Bae146-100s
- **Aircraft retired/released from service during the year**
  - 2 B767-200s
  - 6 B737-300s
  - 3 Dash8-100s
  - 3 BAe146s (2 x 200 / 1 x 100)

Fleet Strategy

- **Major fleet investment program over next 10 years**
- **Up to 100 new wide body aircraft to replace B747s and B767s**
- **A380 will deliver operating cost benefits on thick routes to slot constrained ports**
  - Working with Airbus to minimise impact of Program delay
- **Assessing B787 and A350**
  - May offer step cost benefits on point-to-point routes
  - Bypass hubs for competitive advantage

Sustainable Future Program

$ million	TOTAL BENEFIT Achieved in 2003/04	TOTAL BENEFIT Achieved in 2004/05	TARGET 2005/06	**3 YEAR CUMULATIVE TOTAL**
Labour productivity	**156**	**150**	**169**	**475**
Fleet simplification, product initiatives and overheads	**211**	**279**	**269**	**759**
Distribution initiatives	**145**	**116**	**85**	**346**
Total	**512**	**545**	**523**	**1,580**

Sustainable Future Program

- **Delivering results**
  - Net unit cost per ASK down 5.8 percent, excluding fuel and exchange
  - Net unit cost per ASK steady (-0.2 percent), including fuel and exchange
  - Progress to date ahead of target

Sustainable Future Program II

- **Extending Program, with a target of $3 billion of savings over five years to June 2008**
  - Management leading the way
    - 15% headcount reduction
  - Lean Sigma to be rolled out across Group
  - Continued process simplification

Business Reorganisation

- **Delivering a broad range of benefits**
  - Improved transparency of financial performance
  - Recharges from Qantas to subsidiaries have increased by approximately $99 million compared to prior year
  - Assisting portfolio management

Freight

- **Profitably grow the business and increase revenues to Qantas flying segments**
  - Introduction of three dedicated freighters
    - Sydney to US and Frankfurt via Shanghai, Sydney to Hong Kong
    - Charters
  - Australian air Express and Star Track Express continuing to strengthen position in domestic freight
    - Investment in infrastructure, facilities

Qantas Holidays

- **Strengthen position as market leader in travel services**
  - Growing online channels, eg. ReadyRooms
    - Expanding offering with 365-day product, international destinations
    - ‘Unbundling’ trend increasing importance of land-only product
  - 30th birthday largest ever multi-destination holiday sale
  - Introduction of Phuket charters

Qantas Catering

- **Restructuring to improve profitability**
  – Performance affected by price reductions and change in revenue mix
  – Flight catering market remains very competitive
  – Focus on cost and efficiency improvements through process redesign and new business models

Capital Management

- **Maintain investment grade credit rating**
- **Current capital expenditure forecast is $4.6 billion between 2005/06 and 2007/08**
  - Nearly half on A380 aircraft and equipment
- **Operating cashflow covered capital expenditure in 2004/05**
  - Positive free cash flow of $267.1 million
- **Gearing including off balance sheet debt improved from 49 per cent at June 2004 to 45 per cent at June 2005**

Capital Management

- **Full year dividend of 20 cents per share (up 17.6%)**
  - Reflects confidence in ability to fund future growth and reinvestment
  - In line with active capital management strategy to maximise shareholder value
- **No plans to raise equity other than the continued operation of the Dividend Reinvestment Plan**
- **No commitment to underwrite future dividends**

Government

- **Continuing to cooperate with review of industry policy**
  - Policy and regulatory settings must take account of structural inequities in global aviation
  - Market liberalisation should be carefully paced and sequenced
  - Consolidation is inevitable ...and Qantas must take part
  - We look forward to the outcome of the review later this year - which will provide greater certainty as we make key strategic decisions

A-IFRS

- **In June 2005, Qantas announced preliminary impacts of A-IFRS, which results in a reduction in retained earnings of $842.0 million**
  - Numbers have been updated for June 2005 actual results
  - June 2005 Financial Report and this announcement are prepared using existing Australian Accounting Standards
  - Financial results for half year to December 31, 2005 and full year to June 30, 2006 will be prepared under A-IFRS
  - No change to cash flows, capital management, credit rating or business strategy

Outlook

- **Sustained higher fuel prices present a major challenge for Qantas and the industry generally**
  - New hedging cover more expensive
  - Additional surcharge a limited solution
- **Competitive pressures continue**
  - Foreign competitors increasing capacity ahead of demand
  - Domestic competition remains intense

Outlook

- **Considering these factors, the current year will be challenging**
  - Do not expect to fully recover higher fuel costs
  - Second half will be more difficult than first
  - Therefore, will not achieve the same levels of profitability in the current financial year
  - However we are confident our strategies will continue to strengthen underlying business performance