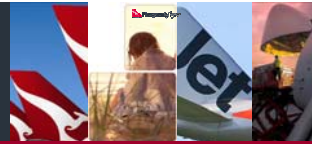




Market Update  
25 November 2008

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## Operating environment is increasingly challenging



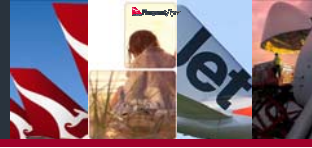
Since our 2007/08 Full Year Results announcement:

- 46 per cent decline in spot price of Singapore Jet fuel
- 2008/09 fuel bill has reduced significantly, however it remains A\$750 million higher than last year at current prices
- Australian dollar 29 percent weaker against US dollar
- Global financial crisis has hit consumer confidence since mid-September
- Decline in booking intakes, mainly international

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## Diversification is helping us to manage volatility

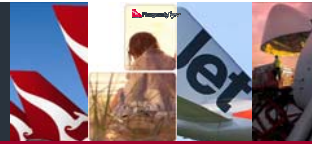


- Two brand strategy provides flexibility in a changing market
- Successful repositioning of Qantas Frequent Flyer
- Strong focus on efficiency in all parts of the business
- Qantas' international business is most impacted by current downturn
- Qantas' domestic operations, Jetstar, Qantas Frequent Flyer and Qantas Freight continue to perform well
- Decisive action to mitigate impact and ensure long term competitiveness



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## Qantas Group has responded swiftly to changing market conditions



### Previously

- Asian Crisis
- September 11
- SARS

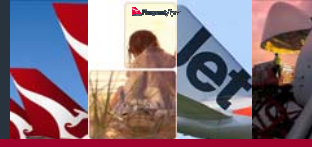
### Recently

- ASKs reduced by 5% in May/June - equivalent to grounding six aircraft
- Capacity growth reduced to zero in July and 16 more aircraft removed
- 1,500 jobs removed and 1,200 new positions cancelled
- Executive pay freeze
- Reductions to non-essential operating and capital expenditure



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## Further capacity cuts over the next 18 months are required

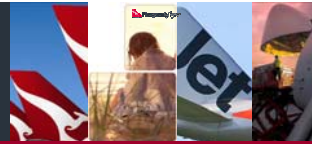


- Will not take 2 x A330-200 leases
- Will remove equivalent of another 10 aircraft
  - 6 x B747-400s
  - 3 x B767-300s
  - 1 x A320 – 200
- Second half 2008/09 capacity will be 4% lower than pcp (full year -2%)
- Planned 2009/10 capacity growth will be cut from 10% to 2%



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## Network and schedule changes will preserve flexibility

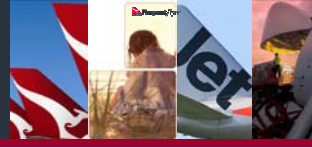


- Qantas and Jetstar domestic network growth will be close to zero for the next 12 months
- Reduced frequencies on underperforming international routes
- Dynamic schedule management to match capacity to demand
- Selective growth opportunities still being pursued
- Building in flexibility to restore and grow capacity when conditions improve



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## Focus on immediate cost reduction opportunities, as well as permanent improvements

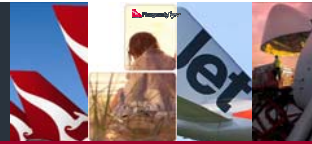


- Sustainable Future Program expanded to include immediate cost reduction opportunities
- \$550 million of sustainable improvements identified
- \$240 million of short-term savings, including capacity related reductions
- Staff requirements to be managed, where possible, by adjusting rosters and through accelerated leave and attrition

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## Hedging approach provides protection and flexibility

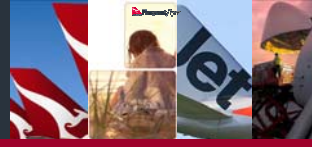


- 97% of 2008/09 crude oil requirements hedged at a worst-case rate of US\$106/bbl, including option premium
  - At current prices, 86% participation in falling prices for remainder of year
- 97% of total USD operating cost base hedged at a worst case AUD/ USD rate of US85c, including option premium
- Approximately \$7.5 billion of AUD / USD capital expenditure hedged to June 2011 at a worst case rate of 78c, including option premium

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## Balance Sheet fundamentals remain robust

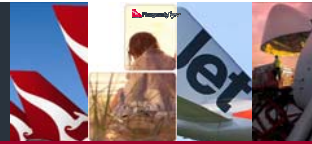


- Strong liquidity – \$2.5 billion of cash
- More than \$1 billion of underwritten financing facilities
- Another \$1 billion of financing facilities mandated and nearing completion
- In addition to the above, expect to fund future aircraft deliveries through secured debt including Export Credit Agency funding, cashflows and operating leases
- 2008/09 total capital expenditure reduced from \$2.5 billion to \$2.1 billion
- Stable debt maturity profile with limited unsecured refinancing requirements until late 2010
- Few debt covenants and with no fixed ratio requirements or ratings triggers



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## 2008/09 Outlook



- Taking into account the Group's year to date performance and the current demand outlook, we expect 2008/09 profit before tax to be around \$500 million
- This is within the current range of analyst estimates and remains subject to no further significant change in market conditions



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# Questions?

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