



Qantas Group Strengthening the Business

Gareth Evans, Acting CFO Qantas

6 May 2010



Agenda



- ▀ Qantas Group strategy
- ▀ The power of Qantas and Jetstar
- ▀ Optimising portfolio businesses - Qantas Frequent Flyer (QFF)

Two Flying Brands



Portfolio Businesses



Qantas Group Strategy



2010 Key priorities

- Maximising power of two brand strategy
- Improving the international business
- Building on a profit maximising 65% domestic market share
- Optimising portfolio businesses and investments

The Power of the Two Brand Strategy



Aiming to be:

- ▶ World's best premium airline - Qantas
- ▶ World's best low fares airline - Jetstar

Unique diversification

- ▶ Premium and low fares
- ▶ International and domestic
- ▶ Business and leisure
- ▶ Short and long haul

Two Brand Strategy - Unique flexibility



- ▶ Growth rates adjustable based on returns
 - ▶ Qantas and Jetstar
 - ▶ International and domestic
- ▶ Fleet – A330 and B787 transferable between brands
- ▶ Operational efficiency
 - ▶ Jetstar - true LCC approach
 - ▶ Qantas - QFuture driving efficiency
- ▶ Enhancing the Group's market position
 - ▶ Successfully working together on 26 routes
 - ▶ Maintaining domestic market strength



2010 Key priorities

- ▶ Maximising power of two brand strategy
- ▶ Improving the international business
- ▶ Building on a profit maximising 65% domestic market share
- ▶ Optimising portfolio businesses and investments

7

QFF – What it brings to the portfolio

- ▶ Strong and stable cash flow generation
- ▶ Growing external points revenue stream
- ▶ Exposure to credit card growth
- ▶ Aids customer attraction and retention
- ▶ Enhances Qantas Airlines 'Best for Business' offering
- ▶ No plans to float QFF

8

Sources of Value

Revenue from
points sales

Working
Capital

Expired
Points

Less:

Operating Costs

Salaries

IT

Redemption
Costs

Admin



From This.....

- ▶ Airline Program
- ▶ Classic Awards only
- ▶ Membership satisfaction declining
- ▶ Growth capped by limited Classic Awards
- ▶ Bank disintermediation
- ▶ Function within marketing department

To This.....

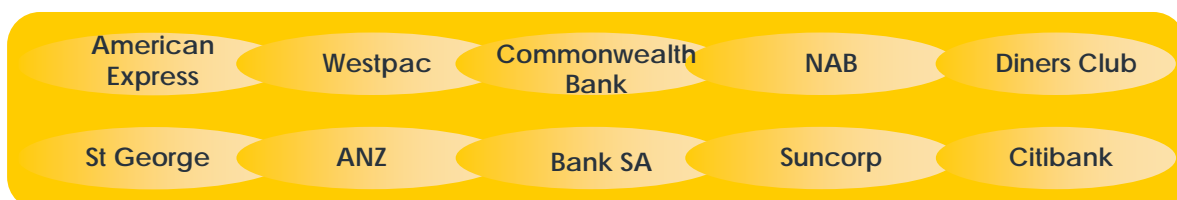
- ▶ **Australia's leading coalition program**
- ▶ Record member satisfaction
- ▶ Market leading awards
- ▶ Best earn proposition
- ▶ Membership growth from 4.9 million in 2007 to 7.0 million today
- ▶ Key partners in place

11

Successful Direct Earn Implementation



- ▶ Unique position
- ▶ Product with major banks and credit cards
- ▶ Member points balances & Qantas cash holdings permanently increased
- ▶ Billings already reached pre direct earn strategy levels
- ▶ Qantas now receives cash earlier
- ▶ Breakage benefits now with Qantas



12

- ▶ Alliance with Australia's largest retailer launched in 2009



- ▶ Airline loyalty significantly improved following Woolworths launch
- ▶ Caltex – Woolworths – launching 2010

"The alliance between Woolworths Everyday Rewards and Qantas Frequent Flyer will provide us with substantial competitive advantage, and is already resulting in a noticeable change in the behaviour of our shoppers"

Richard Umbers, General Manager Customer Engagement at Woolworths Limited.

420+ Partners including:

Restaurants & Entertainment

- ▶ 200 + Restaurants
- ▶ Big Pond Movies
- ▶ Magshop.com.au
- ▶ Qantas Box Office

Finance and Business

- ▶ GE Money
- ▶ Snap Printing
- ▶ LJ Hooker
- ▶ Macquarie Bank

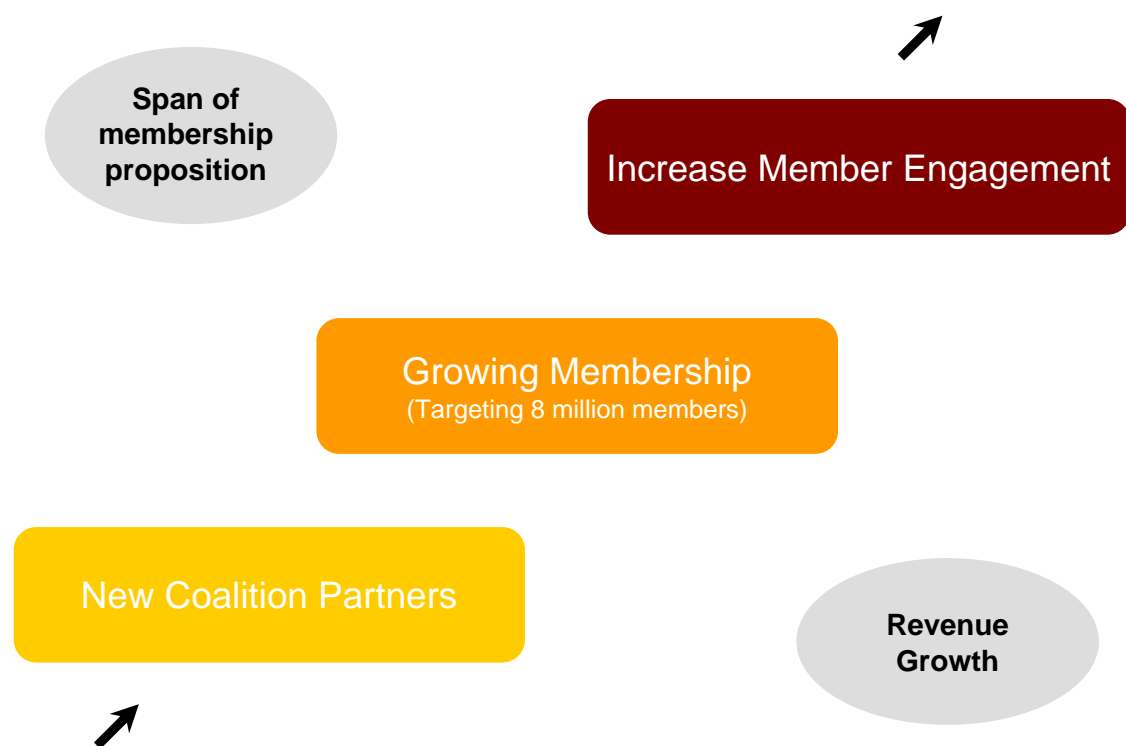
Travel & Travel Services

- ▶ Travelex
- ▶ Qantas Holidays
- ▶ In Sky Shopping
- ▶ QBE Travel Insurance

Shopping and Cars

- ▶ Cellarmasters
- ▶ Frequent Flowers
- ▶ Trivett
- ▶ Avis

Sources of Growth

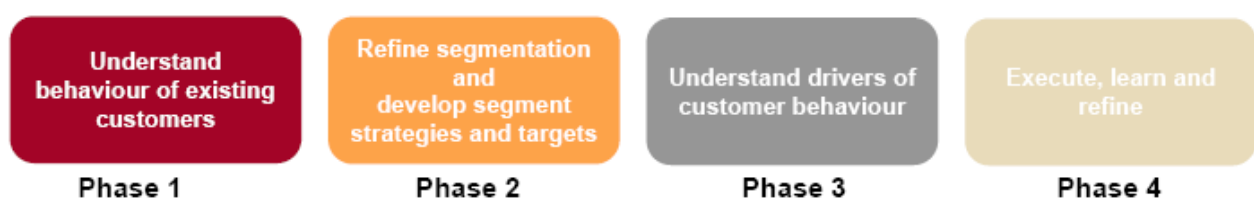


15

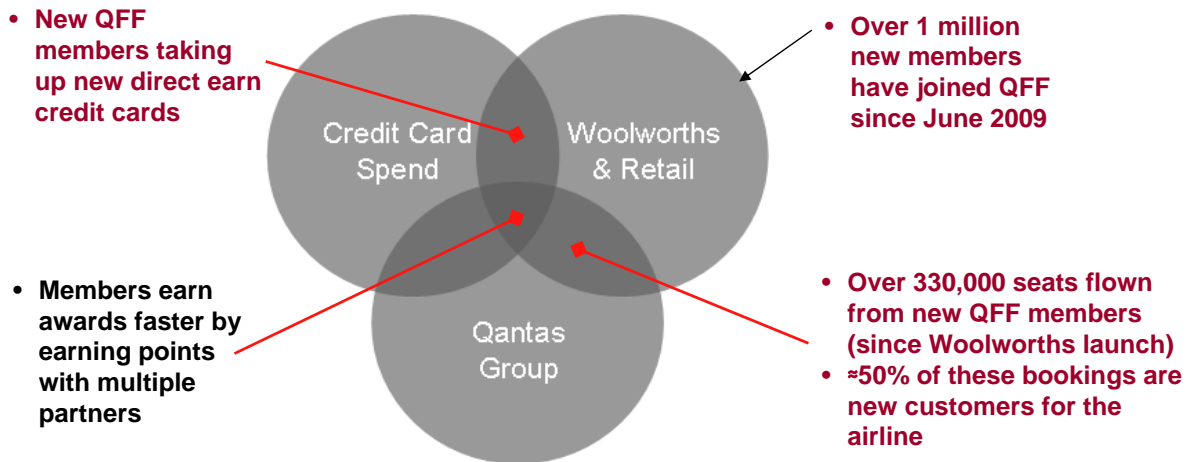
Driving Member Engagement



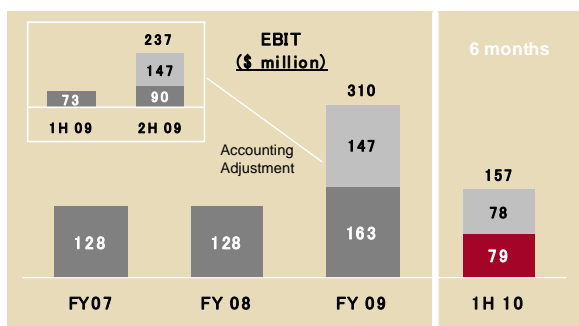
- ▶ 7 million existing members
- ▶ Focus on member attributes using advanced analytics
- ▶ Targeted marketing initiatives
- ▶ Achieve a greater 'share of wallet'



16

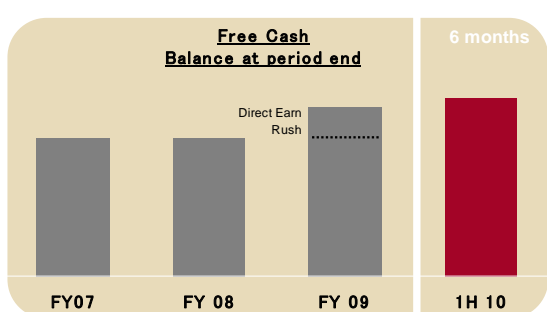


Financials



Growth is being achieved in both earnings and free cash holdings

- Earnings growth achieved following relaunch
- Deferred revenue balance over \$2 billion
- Cash benefit from direct earn rush expected to permanently increase free cash balance
- New members expected to grow their point balances over time



Questions