2004/05 Full Year Results
Presentation to Investors
18 August 2005

Geoff Dixon
Chief Executive Officer
## Group Highlights

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

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