2008/09 Full Year Results Investor Briefing

QANTAS

Alan Joyce
Chief Executive Officer

QANTAS

Highlights of Result - Financial

- Aviation industry in losses
- Full year profit before tax of $181 million
- Operating cash flow $1.1 billion
- Increase in net cash of $1.0 billion to $3.6 billion
- Deferral and cancellation of US$7.9 billion capital expenditure[1]
- Gearing remains under 50%

QANTAS

1 Based on list price

Highlights of Result - Operational

- Demonstrated power of two brand strategy
- Successful introduction of the A380 and Premium Economy
- Restored customer satisfaction and domestic on time performance
- Strong Jetstar growth in Japan, New Zealand and Asia
- A330 maintenance agreement - Australia
- Qantas Frequent Flyer - strong growth and diversification

QANTAS

Colin Storrie
Chief Financial Officer

QANTAS

Summary of Financial Results

Year ended 30 June 2009	**$m**
Revenue	**14,552**
Underlying EBIT	**204**
Non Recurring Items	
Redundancies and restructuring	(106)
Gain on sale of Qantas Holidays	86
Frequent Flyer direct earn conversion*	84
Accelerated Depreciation / Impairment losses	(170)
Ineffective and non designated derivatives	105
Net finance costs	(22)
Reported Profit before tax	**181**

Results include the impact of:

	$m
• **Industrial action**	**(130)**
• **A380 introduction**	**(37)**
• **H1N1 in last quarter**	**(45)**

*Total benefit from Frequent Flyer change in accounting estimate $164 million

QANTAS

Financial Performance

Cash Flow	$bn	
Operating	1.1	Positive operating cash flow in first and second half
Investing	(1.2)	11 aircraft delivered including three A380s
Financing	1.1	Including debt funding $1.5bn, debt repayment $0.7bn, equity $0.5bn
Net increase in cash held	**1.0**	
Cash at end of year	**3.6**	Strong liquidity position

Balance Sheet	$m	Movement	
Total Assets	20,049	349	Capital expenditure, depr/asset write down and higher cash
Total Liabilities	14,284	319	New debt offset by repayments/improved working capital
Net Assets	**5,765**	**30**	Stable net asset position
Gearing			
Debt to Debt + Equity*	49:51		3 point increase on 2008

*** Includes off balance sheet debt excluding hedge reserve**

A Challenging Operating Environment

- First half FY2009
  - Record high fuel prices and industrial action
- Second half FY2009
  - Significant competitor growth in all markets
  - Severe global economic downturn
  - Demand pressures, mainly international and premium cabins
  - H1N109 influenza virus impacted later months

Decisive, Comprehensive and Rapid Response

- Dynamic capacity management
- Adjusted capital expenditure
- Revenue protection
- Reducing costs
- Financing and funding activities

Dynamic Capacity Management

- FY2009 - Planned growth 6 percent, actual reduction of 1.9 percent
  - International (2.7)%
  - Domestic (0.5)%
- Two brand strategy – Deployed Jetstar in Japan and New Zealand
  - Jetstar 14.4%
  - Qantas (5.0)%
- Grounding 8 aircraft and lower utilisation of 2 aircraft
- Retired 15 additional aircraft group-wide
- $152m aircraft write downs and provisions

Adjusted Capital Expenditure

- Qantas deferred and cancelled US$7.9 billion in aircraft deliveries[1]

Number of Aircraft	Model	Deferral Period
4	A380	10-12 months
12	737-800	14 months (Avg)
15	787-8	4 years
15	787-9	Cancelled

- FY2009 capital expenditure $1.5 billion

- FY2010 capital expenditure forecast revised to $1.7 billion

QANTAS

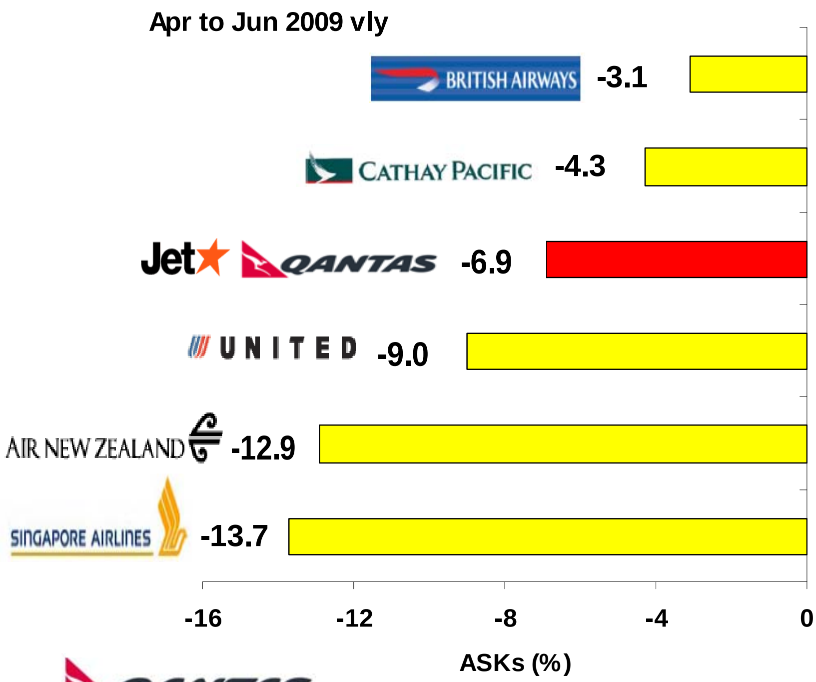
1 Based on list price

Revenue Protection

- Proactive sale activity in all markets
- Matching capacity with demand – sustained loads around 80%
- Retained all key corporate accounts
- Dynamic aircraft configuration
- Frequent Flyer redemption initiatives
  - Any Seat
  - Frequent Flyer Store

QANTAS

Matching Capacity with Demand



	Seat Factor vly	Seat Factor
British Airways	-0.1 pts	77.6
Cathay Pacific	-0.8 pts	78.5
Jetstar Qantas	+2.8 pts	79.6
United	-0.4 pts	82.0
Air New Zealand	+2.8 pts	79.0
Singapore Airlines	-5.2 pts	71.6

Airline published traffic statistics

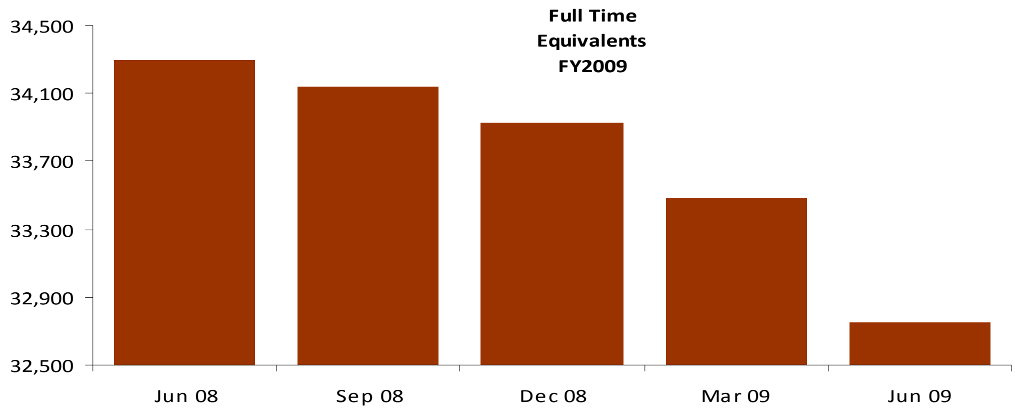
QANTAS

Unit Costs

- Normalised unit cost increased by 3.9% to 5.73 cents
  - 1H09 unit cost up 5.0%, against flat capacity
  - 2H09 unit cost up 2.6%, against (4.2%) lower capacity
- Strong focus on reducing fixed and semi variable costs
- Unit cost impacted by
  - Capacity reductions
  - Mix change
  - Foreign exchange
- Our Sustainable Future Program delivered benefits of $557 million

QANTAS

Workforce Initiatives



- Overall FTE’s reducing, with engineering FTE’s increasing
- FY2010 capacity cuts will reduce 1,250 FTE equivalent
  - Minimising impact on employees via leave options, attrition and job sharing

QANTAS

Financial Management

- Cash balance of $3.6 billion
- Undrawn standby $0.5 billion
- $1.1 billion of funding facilities for future aircraft deliveries
- No significant debt re-financing requirements until February 2011
- Maintained covenant free debt and investment grade credit rating
- No FY2009 final dividend will be paid

QANTAS

Hedging Performance

- FY2009 fuel costs highly hedged against record fuel prices
- Options allowed high levels of participation in the >US$100 fall in fuel prices
- Volatile fuel and FX resulted in net hedging gains of US$9 per barrel
- Offset by option premium costs which totalled US$9 per barrel
- Outperformed airline peers

Fuel and FX Hedging Update

- FY2010 fuel costs 80% hedged at a worst case price of US$89 per barrel (including option premium)
  - 78% participation in falling fuel prices at current levels
- FY2010 operational FX 51% hedged at a worst case rate of around AUD 0.7800 (including option premium)
- Aircraft capital expenditure is 89% hedged until Jun 2011 at a worst case rate of around AUD 0.7700

Alan Joyce
Chief Executive Officer

QANTAS

Positioning for the Future

- Leveraging two brand strategy
  - Creating an integrated Qantas
  - Growing the Jetstar franchise
  - Leveraging power of networks
- Group FY2010 forecast capacity growth close to zero
- Investing in customer service excellence
- Enhancing complementary portfolio businesses
- Leading focus on safety, environment and our people

QANTAS

Revised Segmentation

QANTAS

Jet

Frequent flyer

QANTAS Freight

The Jetset Travelworld Group

QANTAS

Two Brand Strategy – Overview

- Building two leading brands
- Aiming to be:
  - World's best premium airline - Qantas
  - World's best low fares airline - Jetstar
- Unique diversification
  - International and domestic
  - Premium and low fares
  - Business and leisure
  - Short and long haul

QANTAS

Group International Strength

- International competitors added >10% capacity despite falling demand
- Cohesive response - deploy optimal brand in each market segment
- Decisive action positions the Group to strongly contest key markets
- Qantas and Jetstar fleet investment – A380, B737, A330, A320, B787
- Significant growth plans for Jetstar Asia – including mainland China
- Qantas enhancing business purpose proposition

QANTAS

Group Domestic Leadership

- Deployed Jetstar to capture price sensitive leisure segment
- Qantas to maintain high frequency business purpose schedule
  - Qantas targeting SME segment
  - Leverage strong corporate market position
- Qantas and Jetstar enhancing the Group's market position together
  - Jetstar launching 5 daily SYD – MEL from October 2009
  - Follows successful market segmentation of other routes
  - Jetstar will reduce SYD – AVV flights from 7 daily to 4 daily

QANTAS

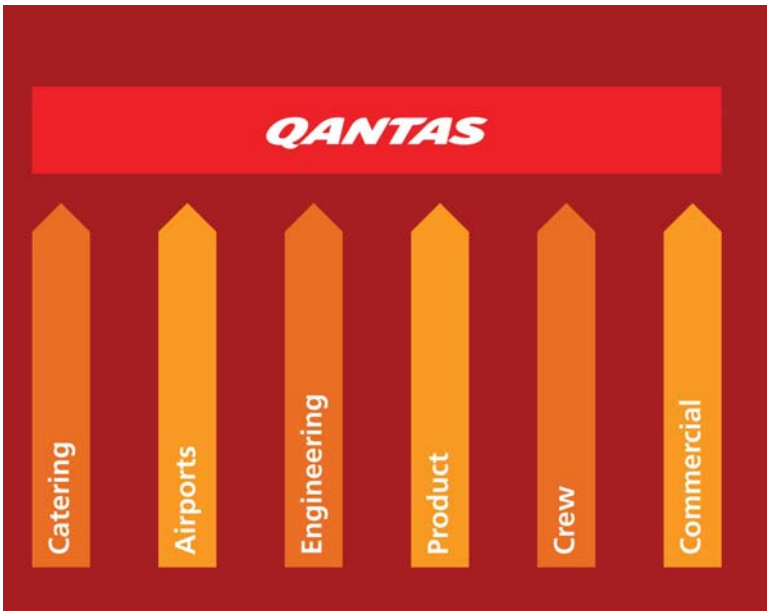
Qantas

- Underlying EBIT of $4 million
- Reported EBIT after non-recurring items ($77m)
- Result includes the impact of
  - Industrial action ($130m)
  - A380 introduction ($37m)
  - H1N1 in last quarter ($25m)
- Continued profitable growth of QantasLink
- Economic downturn significantly impacted business and premium traffic
- Operational improvement
- Strong recovery of customer satisfaction

QANTAS

Qantas – Integrated Airline

- Simplified structure
- Faster decision making
- Remove duplicate corporate functions
- Focus on costs
- Integrated management



QANTAS

FUTURE

- Three year transformation program

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

QANTAS

Qantas - Best for Business

- Value enhancing partnerships with corporate clients
- Strong focus on SMEs
- Best schedule offering – Domestic, Regional and International
- Leading loyalty program
- Premium business facilities
- Upgraded airport lounges and meeting rooms

QANTAS

Qantas - Best for Business

	Leader On Time Arrivals	Leader On Time Departures
Jul 08	Virgin Blue	Virgin Blue
Aug 08	Virgin Blue	Virgin Blue
Sep 08	QANTAS	Virgin Blue
Oct 08	QANTAS	Virgin Blue
Nov 08	QANTAS	QANTAS
Dec 08	QANTAS	QANTAS
Jan 09	QANTAS	QANTAS
Feb 09	QANTAS	QANTAS
Mar 09	QANTAS	QANTAS
Apr 09	Virgin Blue	Virgin Blue
May 09	QANTAS	QANTAS
Jun 09	QANTAS	QANTAS

Qantas Industrial dispute

QANTAS

Source: BITRE

Investment for the Future

- Award winning products
- A380 – exceptional customer reaction
- Full roll-out of Premium Economy
- Premium passenger lounges
- Centre of Service Excellence
- Strengthening brand value
- Investment in fleet – A380, B737, A330, B787

QANTAS

Jetstar

- Improving profitability
  - Underlying EBIT $107 million – increase of 4.9%
  - Record PBT* $137 million – increase of 18%
  - Profit impacted by H1N1 in the last quarter - $20 million
- Continued strong growth
  - 14.4% increase in capacity
  - Largest low cost carrier in Asia (in revenue)
- Low fares leadership
- Building product and service offering
- Continued innovation with technology
- Successful transition of Japan and New Zealand services

* Includes an allocation of interest based on net working capital balance

QANTAS

Jetstar New Zealand and Japan

- Transfer of Japan routes generated significant PBT turnaround
  - Largest airline between Japan and Australia
  - Protecting group slots in Tokyo
  - Top 100 brand in Japan
- New Zealand domestic operation launched in June 2009
  - First full month of operations profitable
  - On time performance improved
  - Actively pursuing growth options

QANTAS

Jetstar Pan Asia

- Increased alignment between Jetstar and Jetstar Asia
  - Foundation for further Pan Asian growth
  - Operating synergies of S$20m per annum
- Singapore network leveraged to improve group offer
  - 12 destinations added to the group offer
- Jetstar Pacific
  - Commercial, operational and regulatory advances achieved
  - Qantas investment increased to 27%
- Committed to growth in Asia
  - 46% growth in Singapore over next 12 months
  - Planned entry into mainland China

Jetstar Investment in the Future

- Investing in Jetstar growth
- A320 family deliveries advanced to provide FY2010 growth
  - 3 incremental aircraft for Singapore business
  - 4 incremental aircraft for Australian/New Zealand businesses
  - 2 new aircraft to replace existing older aircraft
- 4 to 5 additional A330-200s for Jetstar International growth
- Investing to build strong foundations
  - New reservation, operations and engineering systems
  - Investing in airport experience – kiosks, self tagging and boarding process

Qantas Frequent Flyer

- Underlying EBIT up 77% at $226 million
  - Reported EBIT, including direct earn rush, up 142% at $310 million
- Record PBT* up 64% at $384 million
- Record billings, up 35% at $1,255 million
- Membership now over 6 million
- Membership satisfaction at record highs throughout the year
- Fastest growing and leading Frequent Flyer program

QANTAS

* Includes an allocation of interest based on net working capital balance

Qantas Frequent Flyer

- Qantas Frequent Flyer Store and Any Seat Awards launched
- Direct earn strategy successful
- Contracts with over 200 Restaurants
- Alliance launched with Woolworths

"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, Woolworths Limited

QANTAS

Qantas Freight Enterprises

- Underlying EBIT of $7 million
- Air Freight impacted by worldwide reduction in demand
- Diversification within Freight portfolio reduced impact of downturn
- Strong position in Express businesses - proven to be more resilient
- Freighter network optimised to better match demand
- Revenue generation and cost reduction initiatives implemented

Jetset Travelworld Group

- Qantas owns 58% of Jetset Travelworld Group (JTG)
- Underlying EBIT $16 million
- No debt
- JTG Cash balance $113.7 million
- Growing outlet network
- Cost base ‘right sized’ for economic turnaround

Safety is our First Priority

- Safety policies, systems and procedures reflect this commitment
- Reduced workplace injury frequency rates
  - focus on injury prevention
- Significant challenges to operations

A Challenging Year

- QF30 B747-400 to Manila
- QF72 A330-300 to Learmonth
- Investigations continue, no suggestion that incidents caused by Qantas
- CASA maintenance review – post engineering industrial action
  - Technical performance back to pre-industrial action levels
- Continuous improvement in safety governance, reporting and data analysis

Sustainable Environmental Strategy

- Investment in fuel efficient aircraft and technology
- Strong focus on fuel conservation - 100% improvement on prior year
- 16.5% improvement in fuel efficiency targeted by 2020
- Involvement in efforts to develop sustainable aviation fuel
- Inclusion in sustainability indices
  - FTSE4 Good Global Index, Australia 30 Index
  - Dow Jones Sustainability Index (DJSI) - Asia Pacific

QANTAS

Our People

- Focus on employee engagement
  - Better employee communications
  - eXcel employee recognition program
  - Front line leader training
- Investment in leadership development and succession planning
- Driving performance management
- Emphasis on customer service training
- Employee Relations
- Continuing to invest in graduates and apprentices

QANTAS

New Executive Team In Place

- Executive team remuneration levels reset
  - Total remuneration down by 25-30%
- Executive management salary and director fee freeze in place since 2007
- Flatter, leaner organisation structure
  - Reducing management and senior award positions by 590 since Jan 2009
  - Expected annual saving $90 million
- No 2009 cash bonuses

Recap

- Decisive action taken
- Strengthened financial position
- Strong portfolio - unique diversification
- Qantas ‘best for business’
- Jetstar largest low fares airline in Asia Pacific with significant growth opportunities
- Fastest growing and leading Frequent Flyer program
- Positioned well now and for the future

Outlook

- There are signs of an improvement in passenger volumes. In addition, yields have stabilised at the levels experienced in the second half of the 2009 financial year. High levels of volatility in the economic outlook, industry capacity, passenger demand, fuel prices and exchange rates continue.

- Given the high level of uncertainty it is not possible to provide any profit guidance.