Qantas Airways Investor Briefing

May 24 2007

Introduction

- APA bid protracted and difficult
- Continuity and stability now essential
- Executive Management commitment
- Orderly Board renewal

Introduction

- Brand remains strong despite publicity surrounding bid
- Staff have performed superbly despite “spotlight”
- Some concerns across company on job security and future
- Staff roadshows underway

Board on 17th May Endorsed Key Strategies

- Grow and defend domestic flying businesses
- Restructure and redirect international business
- Grow Jetstar
- Invest in new generation aircraft and product
- Consider consolidation opportunities
- Associated business rationalisation and growth
- Restructure supply businesses
- Cost reduction and efficiencies through Sustainable Future Program

Key Strategies

- Key strategies are those that Airline Partners Australia endorsed
- APA also proposed much more aggressive capital management
- Qantas will now conduct an extensive review of existing capital management strategies

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Capital Management Review

Alternatives to be considered include:

- Distributions to shareholders
  - Dividend policy
  - Share buy-back (on and/or off market)
  - De-merger
- Growth/acquisitions

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Operating Environment

The current operating environment is favourable:

- Strong global and Australian economies
- Capacity has been constrained
- Yields and loads good
- Net benefit from stronger $A
- Forward bookings positive

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Operating Environment

While this environment is expected to continue internationally for 12-18 months:

- Tiger's entry into domestic market will cause capacity push
- Oil and jet fuel prices remain high and could go higher
- Additional international capacity coming on-line

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Strategic Priorities

Specifically, our focus over the next 12-18 months will be:

- Capital Management
- Further enhancing Two Brand Strategy
- Expanding the Jetstar footprint
- Further leveraging the Frequent Flyer Program
- Developing an integrated freight business
- Introducing the A380 and B787 aircraft and product
- Realising greater efficiencies across all areas of the business

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Two Brand Flying Strategy

Matches product and cost base to markets

Qantas	Jetstar
• Business traveller • Full service/frequency • Focus on premium routes • International/Domestic/Regional connectivity	• Leisure focus • Low cost provider • Replace Qantas on low yield markets • Stimulates market growth

Flexibility

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Strategy Working Domestically

- Group market share March year-to-date 66.9%
- Qantas + QantasLink 51.9%
- Jetstar 15%

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Domestic Strategy - Qantas

- Capacity at record levels
- Share on key routes at ~60% and above
- Yield premium at ~35%
- Customer satisfaction at an all time high
- Beaten Virgin punctuality for the past four months (January-April)

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Domestic Strategy - Jetstar

- Lowest cost operator
- Network expanding
- High market awareness and appeal to leisure travellers
- Product enhancements
  - assigned seating, improved airport experience

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Domestic Challenges

Challenges

- Tiger entry
- Virgin Blue expansion

Response

- 65% line in the sand vital
- New aircraft: 9 x A320s, 4 x B767-300s, 3 x B717s, 2 x Bombardier Q400s
- Group domestic growth of ~ 9% in 2007/08 and 10%+ in 2008/09
- Flexibility to deploy Qantas or Jetstar for best returns
- Cabin refresh of Qantas domestic aircraft
- Lounge improvements

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Qantas International

- Strong structural positions on key routes
- 10 new routes (6 new destinations) launched in past 2.5 years
- Exited loss-making routes
- Consistently excellent Skytrax ratings
- High customer satisfaction levels
- Lounge upgrades, new in-flight amenities

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Qantas International

- A380 rollout
- Increase to daily services on Shanghai and more services to the US
- Evaluate new services to South America
- Fourth cabin
- Further product upgrades
- Transition leisure routes to Jetstar

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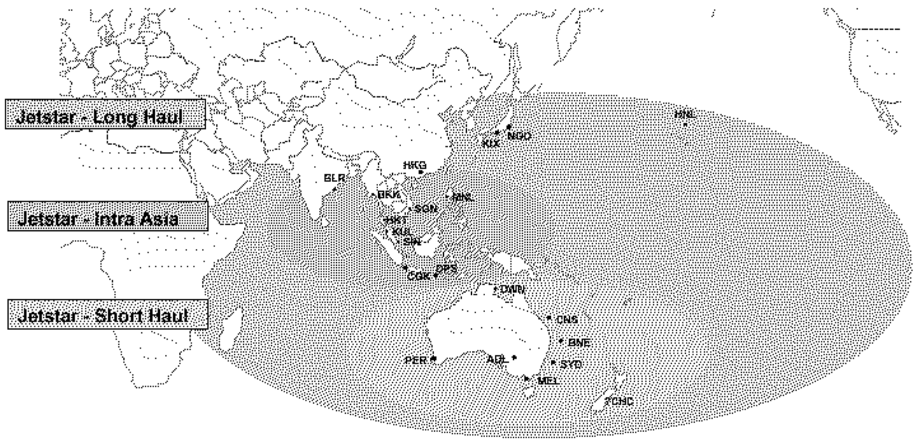
Jetstar International

- Successful international launch
- Performance ahead of business case
- 6 ports launched by end March
- Customer feedback exceeding expectations
- Expanding Japan (NGO in August and NRT in 2008)
- Malaysia (KUL) from September 2007 (subject to regulatory approval)
- Group launch vehicle for B787
- Bangkok crew base established
- Alliances – JAL codeshare

Jetstar Brand Footprint

Jetstar Businesses In 2007/08



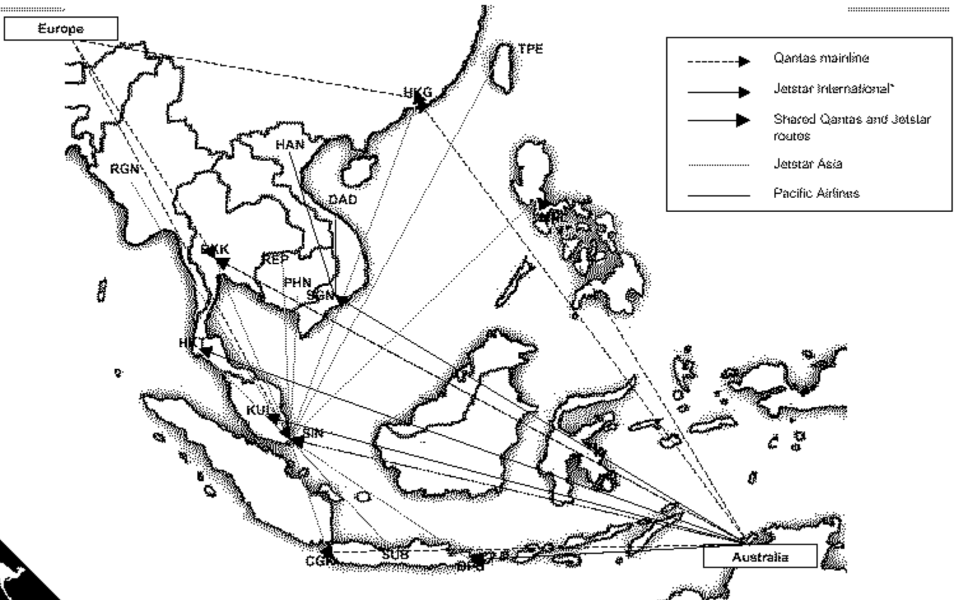
•6 JQ International A330s, 29 JQ Domestic A320s & 6 Jetstar Asia A320s

(A320s: 26 in Australia, 2 in New Zealand, 1 CNS/DRW/SIN and 6 in Singapore)

Asian Value-Based Airlines

- Jetstar Asia
  - Improved result forecast for 2007/08
  - Greater coordination with Jetstar Australia
- Pacific Airlines
  - Vietnam offers attractive demographics and growth
  - Completion target for end July 2007
  - Harmonise operations with Qantas Group standards
  - Assist with restructure to low cost model
  - Develop domestic and, over time, international network
- Non-airline opportunities in Vietnam
  - Ancillary services
  - Infrastructure
  - Freight
- Other opportunities under consideration

Two Brands Create New Group Network Opportunities



*Some JQ routes subject to regulatory approval

Frequent Flyer Program

- 4.9 million Qantas Frequent Flyer Members
- Average approx. 28,000 new members per month
- 23 airline partners/150 non-airline partners
- Over 3 million seats redeemed per year

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Frequent Flyer Program

- Review commenced in mid 2006, now moving to implementation during the next 12 months
- Team established to work on strengthening our position as Australia's leading Loyalty Program by:
  - Broadening loyalty earn and redeem partners
  - Access to any seat
  - Introducing a Jetstar loyalty program
  - Strengthening consumer analysis capabilities
  - Reviewing ownership
  - Execution risk

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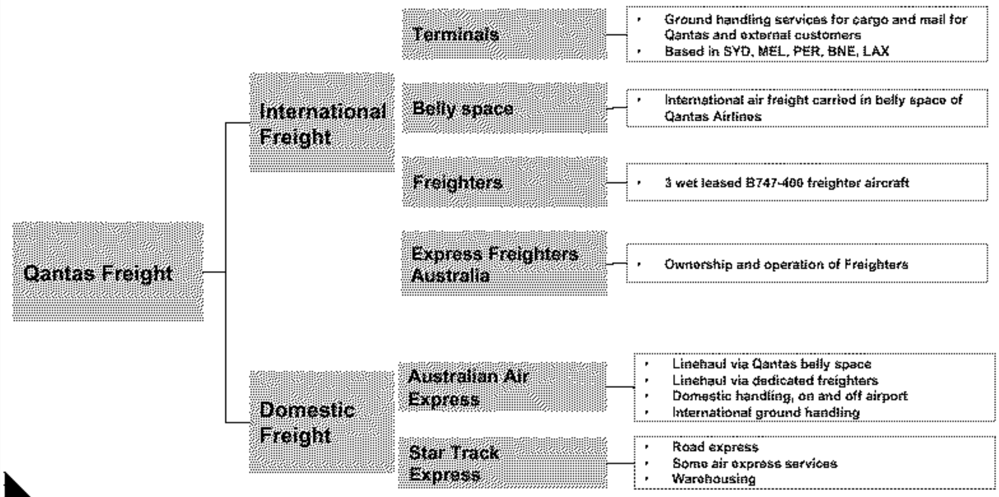
Freight

- Valuable set of strategic freight assets
- Progressing plans to create an integrated Asia Pacific freight and logistics company
  - finalising a small strategic acquisition in Asia
  - developing joint ventures Star Track Express and Australian air Express with Australia Post
  - Looking at intra-Asian air freight opportunities with Pacific Airlines and Jetstar Asia
  - Assessing other opportunities
- Will announce more detailed plans in due course
- Separation and transparency to the market

Freight



Aircraft and Product

- A380, 787 due to arrive in same month (August) next year
- Massive operational task - milestone for Qantas and Jetstar
- 15-20% cost/ASK advantage will drive improvement in operating margins before financing costs
- Decisions to be made over next 12 months
  - Firm up additional B787 options
  - Rollover options for B747-400 fleet past 2010

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Ten Year Fleet Plan

Overarching principles:

- Profitable capacity growth to meet market growth
  - Match best vehicle - Qantas or Jetstar - to market characteristics
- Lower cost/ASK by taking advantage of new technology
- Minimise complexity (fleet and engines)
- Flexibility to adapt capacity to changing market conditions
- Optimise timing of fleet rollover

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Qantas Holidays

- Largest travel wholesaler in Australia
- Valuable brand
- Wholesaling market undergoing significant changes
- Transitioning business mix from general wholesale to on-line direct
- First roll-out of new product to commence first quarter of 2007/08

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Sustainable Future Program

- More than $1.9 billion of cumulative benefits since Program commenced
- On track to take this to $3 billion by mid-2008
- This has been achieved by:
  - Engaging employees in the change program
  - Improving productivity
  - Increasing efficiency and utilisation
  - Transitioning to lower cost production models
  - Migrating to direct distribution and streamlining sales channels to reduce our cost of sale
  - Investing in new technologies
  - Outsourcing or offshoring work where appropriate

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Sustainable Future Program

- Focus on further efficiency improvements as we grow
- Investigate new approaches
- Focus on linkages between businesses and reducing complexity
  - Consolidate
  - Streamline
  - Review appropriate ownership structures

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Engineering

- Transformation started 2005 to address 20% cost gap to 'world's best practice'
- Closing gap but more work needs to be done
- Restructuring of wide-body and narrow-body heavy maintenance
- Outsourcing of expendable and recoverable spares management

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Catering

- Restructuring progressing ahead of plans
- Separation of Qantas/client work in Sydney
- Standardisation and simplification of processes
- Improved demand forecasting
- Reduction of overheads and support function
- On track to deliver EBIT improvement of $15m upon completion

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Flight Operations Training

- Qantas has extensive expertise in pilot training
- Intend to develop stand-alone business and expand cadet scheme to:
  - Meet Group's growing requirements for qualified pilots
  - Meet broader demand for pilots in Australia and the Asia Pacific region
  - Extract efficiency benefits through shared services model
- Launch by end of 2007 / joint venture partners

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There Are Always Challenges

- End-of-line carrier constraints
- Government ownership of airlines
- Industry consolidation
- Price of oil and jet fuel
- Uneven playing field
- Qantas Sale Act

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However, We Are Well Positioned

- Qantas is a world class airline group
- Successful and unique two brand flying strategy
- Strong domestic business
- Rapidly expanding low cost model
- Further efficiency gains through restructuring and cost reduction
- Iconic brand that assists portfolio growth opportunities

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