2002/03 Full Year Results Presentation to Investors

21 August 2003

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QANTAS

Highlights

		Twelve months to June 2003	Twelve months to June 2002	Increase/ (decrease) %
Sales and operating revenue*	$m	**11,374.9**	**10,968.8**	**3.7**
Expenditure*	$m	**(10,807.9)**	**(10,289.5)**	**5.0**
EBIT	$m	**567.0**	**679.3**	**(16.5)**
Net borrowing costs	$m	**(64.7)**	**(48.3)**	**34.0**
Profit before tax	$m	**502.3**	**631.0**	**(20.4)**
Net profit after tax	$m	**343.5**	**428.0**	**(19.7)**
Earnings per share	¢	**20.0**	**29.1**	**(31.3)**
Dividend per share	¢	**9.0**	**9.0**	**-**

* Passenger and freight revenue is now reported net of discounts and base commissions. Passenger revenue is now reported inclusive of passenger recoveries. Relevant expenditure categories and prior year comparatives have also been adjusted accordingly

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Structural Change to the Organisation

- **Establishment of at least eight stand-alone business segments, each with its own management and leadership**
- **Each business will:**
  - Have budgets and profit targets
  - Be required to produce targeted returns on assets
  - Operate to optimise the performance of the Qantas Group

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Structural Change to the Organisation

- **Three types of businesses:**
  - Flying Businesses
  - Flying Services
  - Associated Businesses
- **Supported by a Corporate Centre**

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Structural Change to the Organisation

- **Focus on accountability, collaboration and leadership**
- **Will allow the Qantas Group to better manage constant change and drive current and future initiatives**
- **Qantas Catering has been selected as the pilot business segment**

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Business Improvement - Sustainable Future Program

- **Cost initiatives:**
  - Reduce costs by $1 billion over the next two years
  - $800 million identified to date
  - $350 million targeted to be achieved in 2003/04
- **Details of identified savings:**
  - $385 million from increased labour productivity
  - $200 million in fleet simplification and overheads
  - $135 million through distribution initiatives
  - $80 million from refinement of domestic product

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Domestic

- **Convergence of operating costs with lower-cost competitor:**
  - Labour productivity
  - Fleet efficiency
  - Retention of a superior business and distribution mix
  - Use of fare initiatives

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Domestic

- **Retention of a superior business mix:**
  - Return punctuality performance to pre-Ansett levels
    - Since July, 95 per cent of flights between 6 and 8 am departed on time or within 15 minutes of scheduled time
  - Investment in lounges
  - Enhancement of Frequent Flyer program

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Domestic

- **Retention of a superior business mix :**
  - Investment in staff service training, new uniforms and the City*flyer* product
  - 'Right-sizing' of narrowbody business class
  - Higher quality meals and snacks delivered more cost efficiently
  - New domestic fare structure
  - New card offering with American Express

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Domestic

- **Continued migration of sales to qantas.com:**
  - Currently 25 per cent of all domestic bookings
  - Increase of almost 50 per cent in domestic revenue sourced online in July 2003
- **Address leisure market with a competitive product and pricing structure:**
  - Continue to review the appropriateness of a low cost response

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Domestic

- **Improve labour productivity:**
  - Wages increase of 3 per cent under current EBA
  - Improved work practices
    - Achieved and forecast reductions in lost time injury frequency rates provides a saving of around $20 million
  - Better rostering
    - Increase in domestic cabin crew block hours to pre-Ansett levels provides a saving of $19 million
  - Increased use of technology
    - E-enabling of corporate areas provides a saving of $25 million
  - More casual and part-time staff

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Domestic

- **Reduce fleet complexity:**
  - Move four A330-200 aircraft to international flying and replace with international B767-300 aircraft
  - Retirement of B767-200 fleet over next year
    - Leaves only one widebody aircraft type in domestic operation

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International

- Continue selective investment in product
- Re-align flying to the correct product
- Reduce fleet complexity
- Air New Zealand
- British Airways
- Other alliance partners

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International

- **Maintain our premium service multi-cabin offering**
- **Continue selective investment in product:**
  - Installation of personal video screens in all classes
  - Upgrade of B747-300 aircraft up to B747-400 standard
  - Installation of Skybed in all B747-400 and A330-300 aircraft
- **Investment in staff service training:**
  - Introduction of Business First team

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International

- **Re-align flying to the correct product:**
  - Reconfiguration of eight B747-400 aircraft to two classes for Europe flying
    - Provides the equivalent of 1.3 additional B747-400 aircraft
  - Continued expansion of Australian Airlines into profitable leisure markets
    - Will operate five B767-300 aircraft from late October 2003
  - Use of Jetconnect for New Zealand and Trans Tasman flying

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International

- **Reduce fleet complexity:**
  - International fleet will comprise A330-200 and 300, B747-300, 400 and ER, and later A380 aircraft

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International

- **Air New Zealand**
  - Still in discussions with ACCC and NZCC
  - Expect final determinations by the end of September 2003
  - Other avenues of appeal if necessary
- **British Airways**
  - Expect permission to continue our Joint Services Agreement will be granted
- **Other alliance partners**
  - Enable us to maximise our potential in key international markets

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Subsidiary and Associated Businesses

- **Derive value from Core Airline**
- **Protect Qantas Group's earnings from variations in operating conditions**
- **Provide returns above cost of capital**
- **Grow and develop non-flying businesses:**
  - Qantas Flight Catering
  - Qantas Freight
  - Qantas Holidays
  - Qantas Defence Services
  - Others

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Summary and Outlook

- A credible result, achieved in difficult operating conditions
- New domestic fare structure and return of inbound market has stabilised domestic yields
- International yields are recovering as the 'SARS recovery' fares leave the market
- International capacity is still 10 per cent below September 2001 levels

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Summary and Outlook

- Targeting an improvement in performance during the coming year
- It is clear that the coming year will be a year of transition

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2002/03 Full Year Results
Supplementary Information

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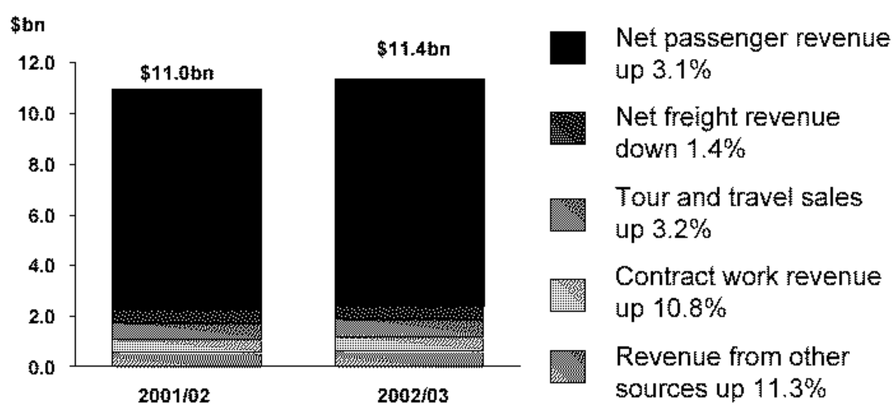
Revenue
(including exchange)



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Revenue (including exchange)

- **Sales and operating revenue up 3.7%**
  - Net passenger revenue up 3.1%:
    - Group RPKs up 2.8%
    - Group yield per RPK down 1.7% including exchange
  - Net freight revenue down 1.4%:
    - Reduction in saleable freight capacity associated with a 3.4% fall in international ASKs
    - Partially offset by an improvement of 2.8% in freight yield per RFTK including exchange

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Revenue (including exchange)

- Tour and travel sales up 3.2%:
  - Unfavourable operating environment offset by demand generating activities in Qantas Holidays' Australian operation
- Contract work revenue up 10.8%:
  - Increase in work performed by Qantas Defence Services during the period
- Revenue from other sources up 11.3%:
  - Higher aircraft lease revenue

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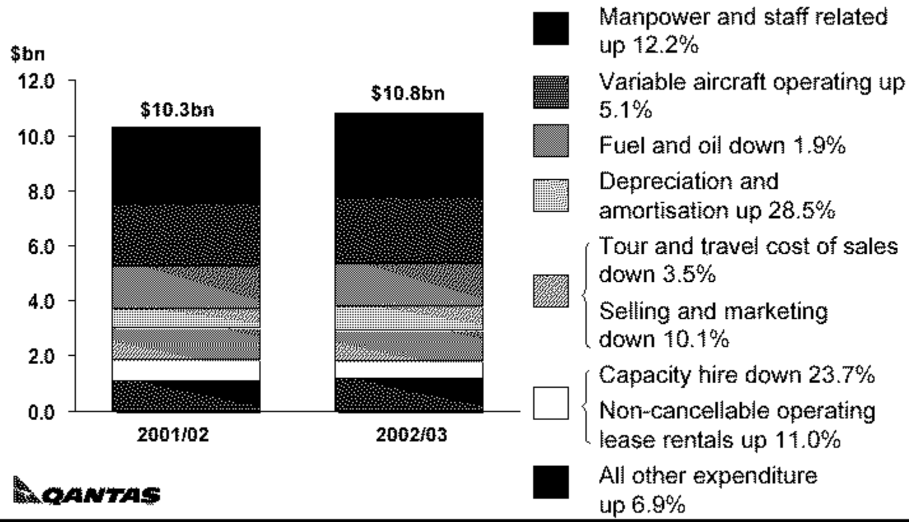
Expenditure (including exchange)



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Expenditure (including exchange)

- **Expenditure, excluding net borrowing costs up 5.0%**
  - Manpower and staff related costs up 12.2%:
    - 3% increase in wage rates under current EBAs and bracket creep
    - Increase in domestic activity, which requires higher levels of manpower per ASK than international
    - $115 million redundancy provision
    - Higher superannuation contributions offset by staff incentives paid in prior year

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Expenditure (including exchange)

- Variable aircraft operating costs increased by 5.1%:
  - Higher airport and security charges
  - Higher ground handling charges and passenger expenses in line with 3.7% increase in Group ASKs
- Fuel and oil costs down 1.9%
  - Increase of $209.2 million due to 15.8% increase in fuel prices
  - Decrease of $107.6 million due to hedging benefits
  - Decrease of $5.3 million due to more fuel efficient new aircraft offset by higher ASKs
  - Decrease of $125.9 million due to favourable foreign exchange movements

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Expenditure (including exchange)

- Depreciation and amortisation costs up 28.5%
  - Acquisition of new aircraft and full year impact of aircraft delivered during the prior year.
  - Increase of $91 million reflects accelerated depreciation due to early retirement of B767-200 fleet
- Tour and travel cost of sales fell by 3.5%
  - Compares with a 3.2% increase in tour and travel revenue
- Selling and marketing costs down 10.1%
  - Continued migration of domestic sales to qantas.com
  - Online sales currently account for 25 per cent of all domestic bookings and approximately 6 per cent of international bookings

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Expenditure (including exchange)

- Capacity hire costs down 23.7%
  - Termination of post-Ansett wet-leases and conversion of wet-leases to short-term operating leases
  - Impulse aircraft leases reflected here in the prior year
  - Partially offset by higher codeshare costs, notably Lan Chile and Origin Pacific
- Non-cancellable operating lease rentals up 11.0%:
  - Conversion of some post-Ansett aircraft wet-leases to short-term operating leases
  - Inclusion of Impulse aircraft in this category during the current period
- Property costs up 8.4%:
  - Higher property costs associated with T2 in Sydney and the ex-Ansett hangars in Sydney and Melbourne

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Expenditure (including exchange)

- Computer and communications up 1.0%:
  - Higher Computer Reservation System costs
  - Partially offset by lower IT spend
- Other costs up 5.1%:
  - Higher insurance costs
  - Higher contract materials costs associated with Qantas Defence Services
- Net impact of foreign exchange movements on statement of financial performance:
  - Favourable variance of $106.8 million to prior year

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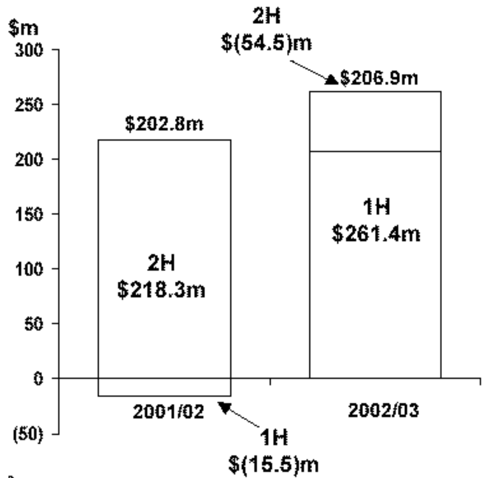
International - including Australian Airlines



- EBIT of $206.9m, or 38.5% of Group EBIT
- RPKs down 0.4%, ASKs up 0.4%
- Seat factor down 0.6% pts to 77.6%
- Yield excluding exchange increased by 2.0%
- Only the Continental Europe, South East Asia and domestic New Zealand route groupings posted an EBIT loss for the year
- Australian Airlines was profitable until March 2003, but recorded an EBIT loss of $14.7m, including start up costs of $6.2m, for the year

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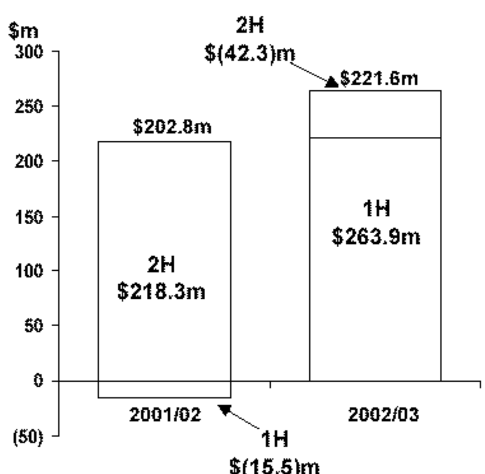
International - Qantas



- EBIT of $221.6m, or 39.1% of Group EBIT
- RPKs down 3.3%
- ASKs down 3.4%
- Seat factor up 0.1% pt to 78.3%
- Yield excluding exchange increased by 2.1%

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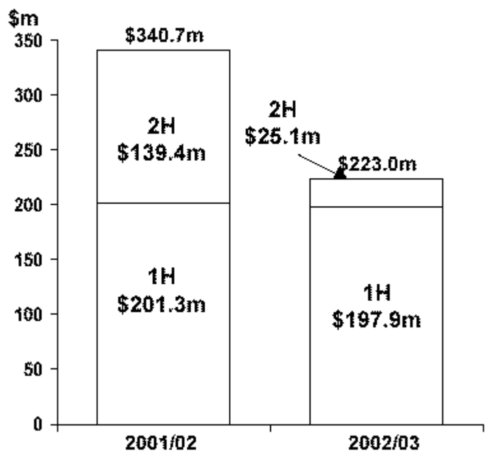
Domestic - including QantasLink



- EBIT of $223.0m, or 39.3% of Group EBIT
- RPKs up 10.2%, ASKs up 11.4%
- Seat factor down 0.9% pts to 77.6%
- Yield excluding exchange decreased by 6.3%
- Reflects:
  - Sharp decline in international oncarriage, which represents 15 per cent of Qantas' domestic business
  - Partially offset by an increase in domestic demand, but confined to deep discount travel
  - Negative yield impact of ticket taxes and surcharges

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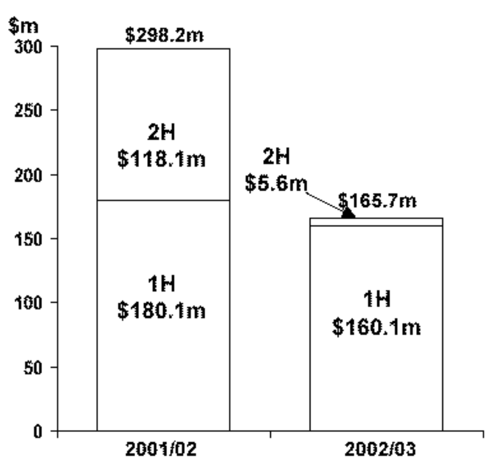
Domestic - Qantas



- EBIT of $165.7m, or 29.2% of Group EBIT
- RPKs up 11.5%
- ASKs up 13.3%
- Seat factor down 1.3% pts to 78.2%
- Yield excluding exchange decreased by 5.8%

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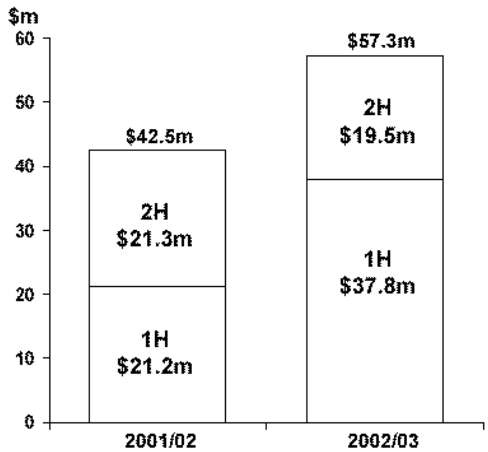
Domestic - QantasLink



- EBIT up by 34.8% to $57.3m
- RPKs down 1.1%
- ASKs down 3.0%
- Seat factor up 1.4% pts to 72.1%
- Yield excluding exchange decreased by 4.7%

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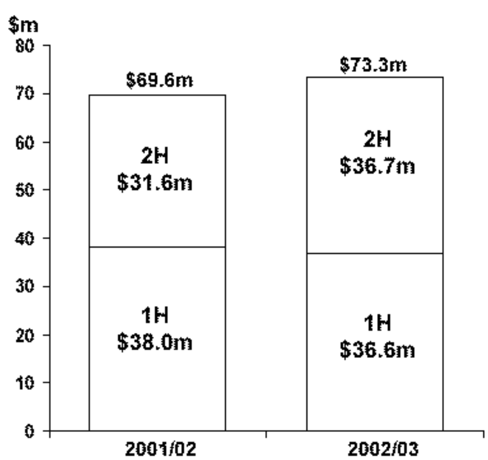
Qantas Flight Catering



- EBIT up by 5.3% to $73.3m
- Total meals produced up 4.5%
- Total flights handled up 6.6%
- Reflects:
  - Negative volume impact of war and SARS, offset by new contracts
  - Further integration of Snapfresh
  - Comprehensive cost saving program

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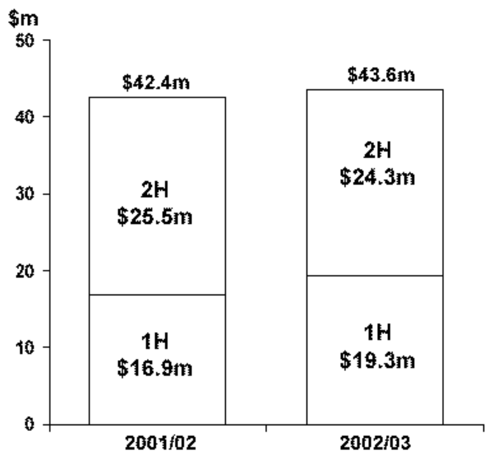
Qantas Holidays



- EBIT up by 2.8% to $43.6m
- Reflects:
  - Negative impact of war and SARS
  - Positive impact of demand generating activities, such as 'Spirit Escape' sales and Star Cruises
  - Positive impact of wide-ranging cost savings

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Other Subsidiaries and Associates

- Australian Air Express:
  - EBIT of $2.8 million
  - Impacted by a negotiated increase in the rates paid for freight capacity leased from Qantas
- Qantas Defence Services:
  - EBIT of $4.5 million
  - Benefited from increased contract work during the period
- Air Pacific:
  - EBIT of $5.7 million
  - Benefited from an increase in Fiji's popularity as a travel destination

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Other Subsidiaries

- Other remaining subsidiaries and associates:
  - Combined EBIT of $7.2 million
  - Predominantly contributions by other financing vehicles that are wholly-controlled entities of Qantas
- Prior year includes an $18.1 million cumulative equity accounting adjustment on initial recognition of associate net profit

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Balance Sheet and Cashflow

		June 2003	June 2002	Increase/ (decrease) %
Capital expenditure	$m	**3,137.2**	**2,463.4**	**27.4**
Capitalised interest	$m	**82.7**	**77.0**	**7.4**
Operating cashflow	$m	**1,290.8**	**1,143.3**	**12.9**
Net debt *	$m	**5,299.2**	**3,903.8**	**35.7**
Total equity **	$m	**5,165.8**	**4,038.9**	**27.9**
Leverage *	%	**51**	**49**	**2 pts**
Interest cover ***	times	**3.3**	**5.8**	**(43.1)**

* Includes off balance sheet debt and revenue hedge receivables
** Adjusted for capitalisation of non-cancellable operating leases
*** Calculated as EBIT divided by gross interest expense

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Group Operational Aircraft Fleet

	June 2003	June 2002	Increase/ (decrease)
Boeing 747-400ER	**4**	-	**4**
Boeing 747-400	**24**	25	**(1)**
Boeing 747-300	**6**	6	**-**
Boeing 747-200	**-**	2	**(2)**
Boeing 767-300ER	**29**	29	**-**
Boeing 767-200ER	**6**	7	**(1)**
Boeing 737-800	**18**	9	**9**
Boeing 737-400	**22**	22	**-**
Boeing 737-300	**21***	17	**4**
Airbus A330-200	**4**	-	**4**
Total Core Fleet	**130**	117	**13**
Total QantasLink Fleet	**62**	76	**(14)**
Total Qantas Fleet	**192**	193	**(1)**

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* Includes four aircraft previously obtained under capacity hire arrangements

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Variances to Prior Year (excluding exchange)

	Increase/ (decrease) %
Sales and operating revenue	**5.0**
Net passenger revenue	**4.6**
Net freight revenue	**1.5**
Tour and travel sales	**(1.0)**
Contract work revenue	**10.8**
Revenue from other sources	**11.8**
Group yield per RPK	**(0.4)**
Freight yield per RFTK	**5.8**

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Variances to Prior Year (excluding exchange)

	Increase/ (decrease) %
Expenditure	**7.5**
Manpower and staff related	**12.4**
Selling and marketing	**(8.5)**
Variable aircraft operating	**7.2**
Fuel and oil	**6.1**
Property	**8.9**
Computer and communication	**5.9**
Depreciation and amortisation	**28.5**

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Variances to Prior Year (excluding exchange)

	Increase/ (decrease) %
Expenditure	**7.5**
Non-cancellable operating lease rentals	**17.4**
Tour and travel cost of sales	**1.0**
Capacity hire	**(21.6)**
Other expenditure	**2.9**
Share of net profit of associates	**(73.4)**
Group cost per ASK	**1.2**
Group cost per ASK (excluding 'one off' items)	**(0.2)**

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