ABN Amro
Australian Debt Conference
May 2002

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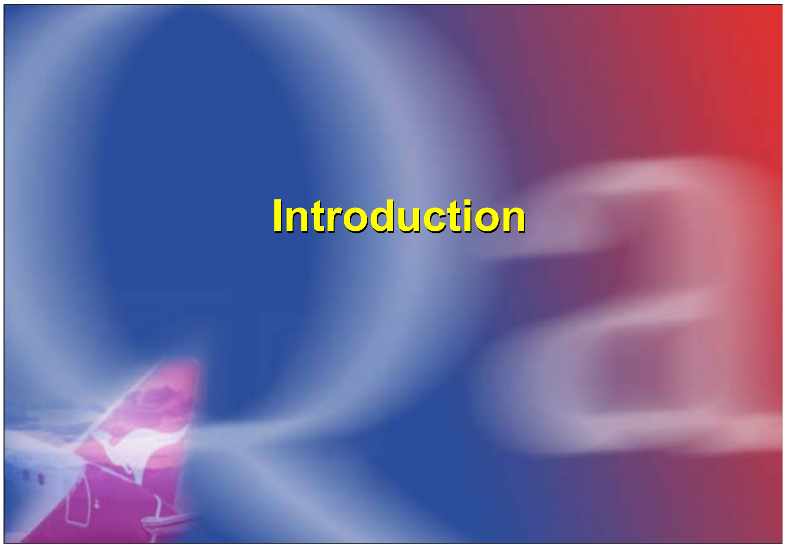


- In some ways airlines are unique companies when it comes to their financing. The majority of their financing requirements are driven by their investment in aircraft assets. These assets are highly tradeable, and from this has developed a number of sophisticated and cost effective funding mechanisms using the aircraft value as security.

- Before I speak in more detail on our funding strategy, I would like to give you a brief overview of Qantas, and what we are doing to ensure we remain profitable in what is undoubtably the most difficult period in the history of our industry.

- I will then spend some time outlining our capital management strategy, our funding needs going forward, and the challenges this presents for us.

- In doing so, I will also discuss how Qantas views its financing needs and how we weigh up the choice of unsecured debt and secured debt in structuring our debt portfolio which of course is only one of the issues we address in managing our capital needs.

- Firstly, a few historical details. Qantas was founded in November 1920 as Queensland and Northern Territory Aerial Services Limited. It is the world's second oldest airline and is the longest continuous running airline in the world.

- We rank 12th in the world in terms of kilometres flown by paying passengers or RPKs.

- The core airline has its operational hub in Sydney. The group also includes a regional airline and a diversified base of other activities including catering, freight and holiday tours.

- Qantas shares were listed on the Australian Stock Exchange in July 1995. At current prices, Qantas has a market capitalisation of around $7 billion and is in the top 20 publicly listed companies in Australia.

- Our current credit rating is BBB+ / Baa1, making us one of the highest rated airlines in the world.

- Qantas is Australia's leading airline carrier. Domestically we operate more than 5,000 flights a week to 73 destinations and internationally we operate around 550 flights per week to 65 destinations in 31 other countries.

- Qantas is an Australian icon, with an excellent reputation in terms of safety, operational reliability, maintenance and customer service. We are committed to maintaining this reputation.

- Qantas is also a founding member of the **one**world global alliance. Along with Qantas, the alliance now features eight of the world's leading airlines - Aer Lingus, American Airlines, British Airways, Cathay Pacific, Iberia, Finnair and LanChile, as well as 23 regional affiliates.

- That is some background on Qantas. I would now like to update you on the current competitive environment.

- Over the past 12 months the global aviation industry has changed significantly.

- Even prior to September 11, the international aviation industry was already in decline. Airlines globally were struggling with the impacts of a slowing world economy, high fuel prices and increasing competition from low cost carriers. The events of September 11 only served to put more pressure on this weak aviation sector.

- And with around 75 percent of its aircraft asset base deployed in the international market, Qantas is not immune to this difficult operating environment.

- Demand in our international markets following the terrorist attacks fell by an average of 20 percent, with the United States, our most profitable market, experiencing a decline of some 30 percent. To meet this situation we reduced its international capacity by an average of 13 percent on an annualised basis.

- To produce cash Qantas, along with most international carriers, discounted in most markets. This helped maintain our load factors at levels comparable with the prior year. However, the impact of the discounting has been felt in our international yield, which was down 2.1 percent, excluding exchange, for the six months to 31 December 2001.

- Currently our leisure demand is strong, but we are yet to see a sustained recovery in premium demand. As a result, we expect it may take up to two years for our international operations to return to the levels of profitability seen in the 2000 year, a year which benefited from the Sydney Olympics.

- In Australia during this period we also faced a very competitive domestic market, with a level of discounting that had driven domestic fares to an all time and, ultimately, unsustainable low.
- This intense competition, which previously saw Impulse taken over by Qantas, finally resulted in Ansett, our major domestic competitor, collapsing two days after September 11.
- Following Ansett's collapse we moved very quickly, and increased domestic capacity by over 40 percent, which represented around 80 percent of the market Ansett previously served. While some of this capacity increase was made possible by the redeployment of aircraft from our international operations, thus insulating us somewhat from the international problems, much of the increase was funded by costly short term wet-leased aircraft.
- We did this for two reasons:
  - Firstly, to prevent possible severe economic harm to business in general and the tourism and travel markets in particular, and
  - Secondly and unashamedly, to take advantage of the unprecedented opportunity to grow our domestic market share.

- Going forward, our operational strategies might be defined in four categories. They are to:

  - Service our markets through segmented product offerings - to ensure acceptable returns;

  - Grow our profitable non-passenger businesses;

  - Improve the efficiency of our labour cost base - to further increase our competitiveness; and to

  - Re-equip and grow our fleet - to take advantage of the new domestic environment and the changed international arena.

- Now let me run through each of these.

• Customer responsiveness is core to aviation success. For Qantas this means we grow our profitable markets and withdraw from unprofitable ones, or go back to our customers with a more appealing product. To do this successfully means carefully aligning our product and cost base with the yields available in each of our markets.

• Looking ahead we are planning to have a range of services:

- Our premium international carrier with a three and two class product, on which we are currently spending hundreds of millions of dollars to further improve;

- Australian Airlines, an all-economy international leisure carrier, initially operating between Cairns and Asian ports and potentially beyond; on routes where Qantas does not compete;

- CityFlyer, a two-class super shuttle between Melbourne, Sydney and Brisbane, principally using widebody aircraft;

- A full service two-class product for the other capitals including a trans-continental shuttle between Perth and the East Coast using new 300-seater A330 aircraft;

- An all-economy domestic service for trunk routes with little or no business class traffic demand; and
- Expansion of QantasLink, our lower cost jet and prop-jet operation, to service all of regional Australia in all states.

• This culture of flexibility extends to all aspects of scheduling. As I mentioned earlier, following September 11 we rapidly rationalised flights to many international ports. Now we are expanding services again in line with growing demand. We recently recommenced flights to New York, for example, and will reinstate a fourth daily service between Sydney and Los Angeles from 1 July.

• In Australia, a more rational domestic environment clearly represents a positive for Qantas. And Virgin Blue, with its new partners and any of the other rumoured competitors will maintain a healthy degree of competition.

- Understanding and exploiting value chain efficiencies is another area of concentration. Qantas businesses like Flight Catering, Holidays, our joint venture freight business with Australia Post and the Frequent Flyer Program are targeted for growth.

- The Qantas Flight Catering business will be boosted by the recent opening of the SnapFresh facility in Queensland. This is a world leading plant capable of providing 20 million high quality meals per annum. It will service the aviation market and other high volume customers such as hospitals.

- The Qantas Holidays business is the largest leisure travel and tour wholesaler in the southern hemisphere, and it continues to grow. Despite obvious difficulties in the last half year there was a strong performance in the Japan, UK, Fiji and Australian domestic markets. It is a great strategic asset, and a formidable distribution channel.

- Discipline on costs is hugely important. With labour comprising 25 percent of our total cost base we see no option but to bring our staff costs down, in line with our competitors. In the past year we undertook a staff reduction of 1,500 positions, an executive salary freeze, and a freeze on the appointment of consultants, contractors and non-operational staff. This year, we have proposed a 12 month wage freeze in return for a profit-based incentive scheme, which all of our workforce have accepted. We will continue to strive for productivity improvements through increased flexibility, removal of outdated work practices and by encouraging our employees to review the way in which they work and what they expect in return.

- What we are trying to do is make ourselves more efficient and get our costs in line with new, modern "greenfields" carriers who aren't burdened with the higher cost structures of incumbent airlines. While we've gained acceptance for our wage pause, the entire union movement will need to work with management to provide better productivity so Qantas can get its costs down, retain employment and grow.

- This year we embarked on a major fleet re-equipment program, which will lift efficiency as well as capacity. The new B737-800, for example, has a 25 percent lower unit operating cost than the aircraft it replaces. Again we have focused on flexibility. We have negotiated 'slide rights', which enable us to slip the delivery dates of new aircraft to better fit with changing capacity requirements. An example of this flexibility in practice is our decision last year to defer the delivery of three A330 aircraft. We also have flexibility in the retirement dates of our older aircraft. So we are retiring six aircraft early, which produces considerable savings while lifting the quality of our product.

- This re-equipment program reflects our long term positive view. We need to re-equip to compete. That's why we forge ahead despite the low Australian dollar and continuing nervousness about the future of air travel. We think it is in our interests to remain at the aviation forefront, one of the reasons the 600 seat A380 will come into our fleet in 2006. If we are to re-equip and grow, we need to acquire aircraft now, even with the Australian dollar at these low levels.

- The slide you see details our current aircraft orders over the 10 years of our fleet plan. The total value of these commitments is in the order of A$11.5 billion. Of these 48 aircraft, some 24 deliver in the period January 2002 to June 2003.

- It is no wonder that one of our key capital management strategies this year and last was to ensure we had sufficient funding for this delivery program.

- Before I speak in detail regarding our capital management strategy, I would like to explain our stance with respect to special government legislation called the Qantas Sale Act.

- The Qantas Sale Act is legislation enacted by the Australian Government during our privatisation, requiring Qantas to be 51 percent Australian owned, and which restricts ownership by a single foreign investor to 25 percent and by multiple airlines to a maximum of 35 percent.

- For some time now Qantas has petitioned the Australian Government to repeal the Act. We believe the Act places an unnecessary restriction on Qantas' ability to access the international equity capital markets and consequently, has effectively increased our reliance on debt financing.

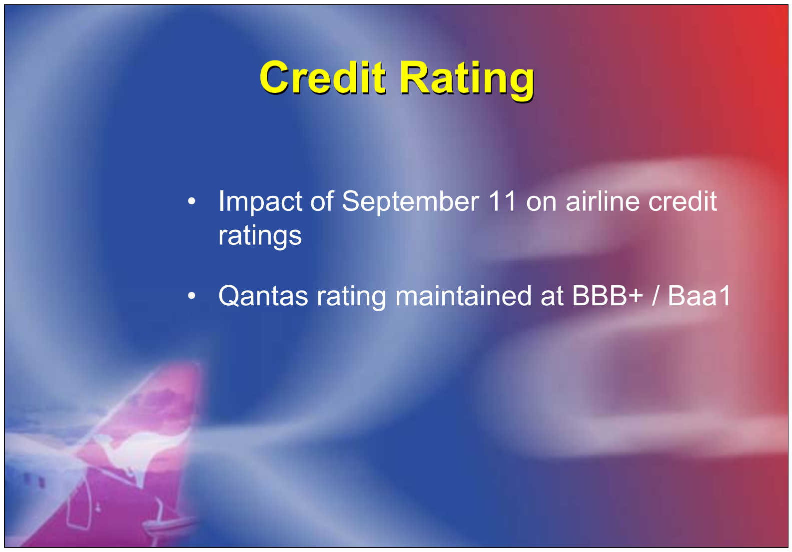
- While we have no agreement on removal of the Act to date, both the government and the major opposition political party in Australia have indicated our arguments have some validity in the current environment. We are confident our request for the Act to be repealed will be given every consideration sometime this year.

- Last year, Qantas undertook a comprehensive capital management review in preparation for the perceived challenges of financing the new fleet. One of the key findings of this review was that we believe shareholder value is maximised at an investment grade credit rating. The two key reasons for this is that it:

  - maximises our access to capital, given our previously mentioned reliance on debt; and also
  - acts as a cushion against volatility that can occur in our industry, allowing Qantas to capitalise on opportunities which may arise.

- We are committed to retaining our investment grade rating - and the last eight months have certainly reinforced the importance of maintaining a strong capital structure. This is highlighted in our decision to partly fund our domestic fleet expansion through a $663 million equity placement we undertook in October last year.

- While our cashflow analysis at the time indicated that we could finance this expansion through a combination of cashflow and debt, we recognised this would place our financial structure under stress and as such, took an active capital management decision to raise equity.



- Post September 11, Qantas was one of few airlines in the world not to be downgraded. Our outlook was changed from stable to negative by Standard and Poor's and there was no change in the Moody's rating.

- It is true that our rating was supported by the improvement in our domestic position following the collapse of Ansett, and by our raising $663 million in equity, however to see those as the only factors would be too simplistic.

- Firstly, the equity raising was in support of a $1.5 billion commitment for the purchase of 15 737-800 aircraft. So while we did add significant equity to our balance sheet, we also added debt. We were also committing to $1.5 billion of expenditure at a time when most airlines were more concerned with solvency than expansion.

- I believe that the rating agencies looked at the totality of our situation. The improvement in our domestic situation was looked upon favourably. However, the strong business case for the 737-800's, our consistent track record of profitability and of delivering on our forecasts, our flexible plan towards capacity and capital expenditure, and the diversity of our cash flows were all important factors.

- The rating strength of Qantas has been recognised this year. Initially, after September 11, the unsecured bond spreads of all airlines were severely downgraded. However this year, Qantas bonds are one of the top performers and I have current indications in some markets that we have returned to 1999 issuing levels.

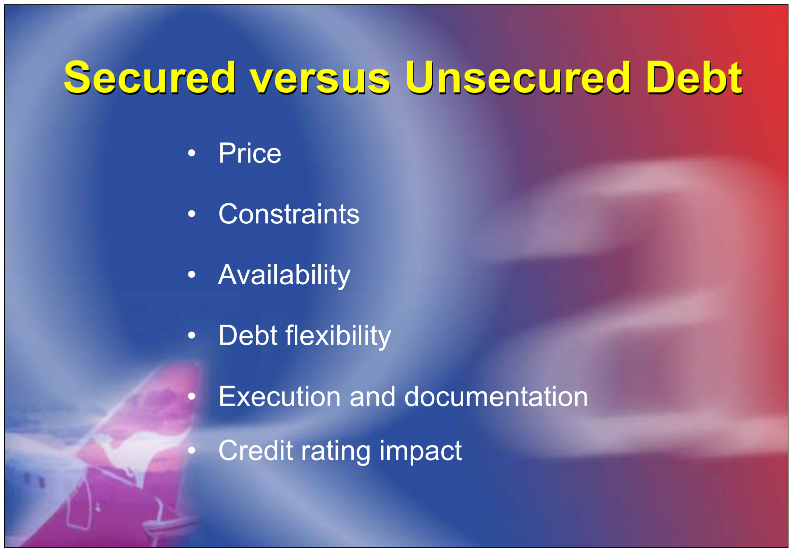
- In many ways our financings during the last year reflect how things have changed for Qantas and the need for us to remain flexible and opportunistic.

- We have raised in excess of $4 billion over the last twelve months. This has included an unsecured $2.1 billion globally syndicated term loan and standby facility, a $100 million domestic unsecured bond, $663 million in an equity offering, $350 million in a secured bilateral bridge loan, $700 million in Ex-Im secured debt, $350 million in bank secured debt overlayed with US cross border leases and $250 million in a short term unsecured syndicated bank loan.

- We have accomplished this by keeping our gearing around 50 percent debt to total capital.

- However, what I would like to highlight is that by being committed to our investment grade rating the unsecured debt markets have remained open for Qantas. This in turn has widened our access to capital, not only allowing us to be opportunistic, but allowing us to be confident in our ability to finance the fleet expansion.

- It is also worth noting that both unsecured and secured financing feature heavily.

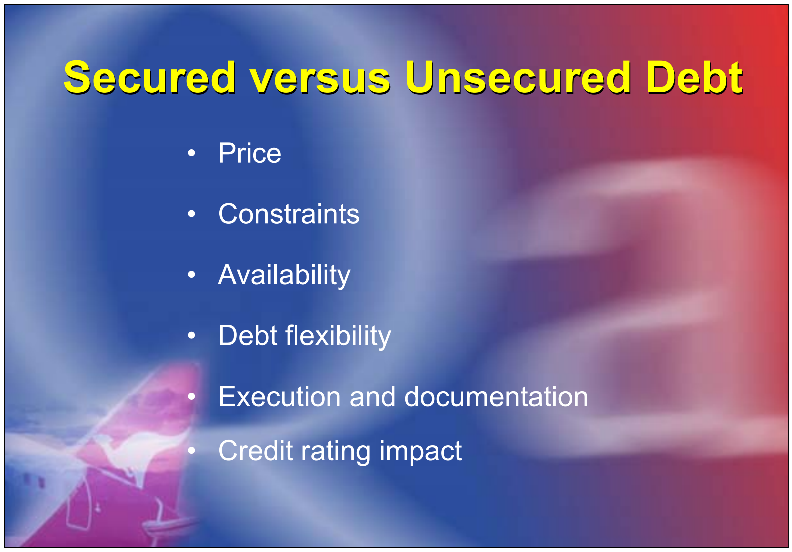


- So what are the key determinants of whether Qantas selects secured or unsecured debt.

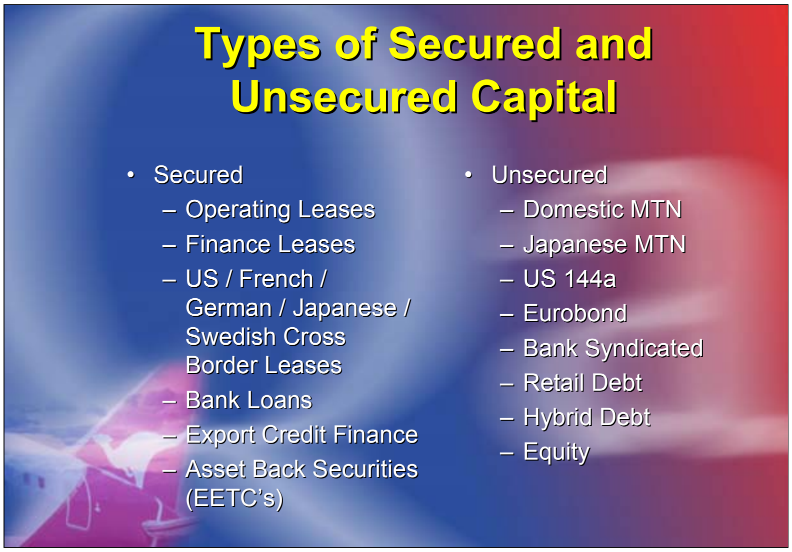
- First and foremost is price. Our aim is always to gain the lowest cost form of capital. However price must be tempered by assessing the constraints which may come with a financing. The constraints generally surround the asset which is being secured, credit and tax risk, the tenor of a financing and any other covenants. These constraints must be analysed very carefully as in some cases they can be quite onerous. Qantas has in the past not taken the financing with the cheapest headline price, because we considered the cost of certain constraints in the financing prohibitive.

- Availability and flexibility are also important. For example, we initially obtained Ex-Im support for our 737-800 aircraft deliveries, as this gave us certainty that finance would be available, during the very uncertain period which followed September 11. However equally importantly, we retained the flexibility to later roll a portion of these deliveries into cross-border leases, which has acted to lower the overall funding cost of the transaction.

- Execution and documentation plays a smaller part but is also a factor which needs to be considered. The Treasury motto is “No Surprises”. As such we do not like high execution risk, nor do we like documentation which has significant risk of changing throughout a transaction.



- Finally, we move to rating agencies where the most recent development has been the focus by S&P on the Secured Debt to Total Assets ratio. Essentially this creates a cap on secured debt, and when this cap is breached a company's rating can be negatively impacted. Last November S&P downgraded nine airlines because of the high level of secured debt in their portfolio. Qantas is still assessing the ramifications of this new development. Clearly this ratio has no impact on the capital structure of Qantas, rather it reflects a subordination of unsecured creditors. Currently we have one of the lowest ratios of any airline in the world.



- During this presentation I have mentioned a number of different types of financing which Qantas has either used or considered. This slide summarises the forms of capital available to Qantas.

- It is worth noting that there is no one source which is best or worse. Different circumstances and different financing requirements will dictate whether one source will be preferable over another.

- What Qantas considers important is to be abreast of, and maintain access to, all these sources.

- In closing, what I have tried to do today is give you an insight into how we look at financing at Qantas and the challenges going forward.

- You can see that both secured and unsecured debt have important roles at Qantas and will continue to do so in the future.

Q: You have raised large amounts of debt offshore in recent years. Do you anticipate you will issue into the Australian or Asian markets at some future point?

A: Qantas has very successfully accessed the international bond and bank markets, and the domestic equity, bank and Commercial Paper markets.

Ultimately, in terms of our debt requirements going forward, we will access whichever markets provide the best outcome in terms of our key criteria, which are price, flexibility, and obviously, demand.

Q: Do you think we can expect an upward revision of your credit rating in the future?

A: I would not like to second-guess the rating agencies – their rating decisions are based on a myriad of criteria. I would like to think that Qantas management can look after the business, and that our credit ratings in turn will look after themselves.

Q: Does Qantas have any intentions with regard to Air New Zealand?

A: Qantas remains of the view that Air New Zealand would be a good partner for Qantas. We believe many synergies would arise from such a relationship. However, that decision ultimately rests in the hands of the New Zealand Government.

Q: How do you perceive the ongoing value of global airline alliances?

A: I believe that the oneworld alliance has delivered, and will continue to deliver into the future, exactly what we expected – which was a marketing relationship that has allowed Qantas customers to access a global airline network on which to earn and redeem frequent flyer points.

It is Qantas' bilateral relationships which are more important in operational terms. Qantas has important and successful bilateral relationships with British Airways and American Airlines, who are both members of the oneworld alliance. However, importantly, I believe, Qantas is not restricted to dealing solely with oneworld carriers – for example, we also have a very successful bilateral relationship with Japan Airlines.

Q: What is Qantas' current hedging level for the 2002/03 financial year?

A: We currently have cover of more than 50 percent, at an average of approximately USD25 per barrel for the 2003 fiscal year.

Q: What aircraft will Australian Airlines use, and how will this fleet requirement be funded?

Australian Airlines will commence operations in October this year, initially with a fleet of four Boeing 767-300 aircraft. These aircraft will be provided, via lease arrangement, to Australian from Qantas' existing aircraft fleet.

Australian Airlines will build to a fleet of twelve aircraft over two years. Australian has the flexibility to source these aircraft via whichever means are most suitable to them.