QANTAS

Media Release

QANTAS EXTENDS CONTRACT FOR CEO

SYDNEY, 19 August 2004: The Chairman of Qantas, Margaret Jackson, announced today that the Chief Executive Officer of Qantas, Geoff Dixon, had agreed to continue in his role until 1 July, 2007.

Ms Jackson said that Mr Dixon's current contract was due to expire in December 2005.

"Qantas' performance has been outstanding under Geoff's leadership, a period that has been described as the most tumultuous in civil aviation history," Ms Jackson said.

"The Board believes it is important that Geoff continue to provide leadership stability over the next three years while Qantas faces the ongoing challenges of the global aviation industry, implements a range of growth and efficiency programs and completes an internal restructure."

Ms Jackson said that Mr Dixon's new employment contract provided an appropriate balance of fixed and variable pay in line with best practice remuneration design and the Australian Stock Exchange Corporate Governance Guidelines.

The key terms and conditions relating to Mr Dixon's contract include:

- a 3 year term ending on 1 July, 2007;
- a Fixed Annual Remuneration (FAR) of $2 million that is inclusive of superannuation and subject to annual review; and
- a cash bonus equal to 60 per cent of FAR that is dependent on the company and Mr Dixon achieving agreed targets.

Mr Dixon continues to participate in incentive equity schemes that are subject to shareholder approval and operate under their own terms and conditions outside the contract of employment.

Pre-existing end of contract retirement payments which were negotiated under prior contracts continue to be recognised under this new employment agreement. Further details of the remuneration package are included in the attachment to this announcement.

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Media Enquiries: Michael Sharp - Telephone 02 9691 3469

Summary of the key terms and conditions of Mr Dixon's new employment contract

Contract term

Mr Dixon's new employment contract is for a 3 year term. It is effective 1 July 2004 and will end on 1 July 2007.

Salary

Mr Dixon's fixed annual remuneration (FAR) is $2 million (inclusive of superannuation). Fixed pay will be reviewed by the Board on 1 January each year to take into account Mr Dixon's performance over the past year and to ensure that his remuneration remains competitive. The annual FAR review will include external advice and benchmarking.

Short-term incentive (STI)

Under the Performance Cash Plan, Mr Dixon will be rewarded with a cash bonus for meeting or exceeding key performance measures that are approved by the Board on an annual basis and that are aligned with Qantas' core business objectives.

Mr Dixon's target STI opportunity is equal to 60 per cent of FAR.

In order for Mr Dixon to receive any payment under this program in the 2004/05 financial year, Qantas must achieve a Return on Total Gross Assets (RoTGA) target consistent with the board approved business plan objectives. The requirement to achieve the challenging financial performance targets in the aviation industry has meant that payments under the STI have not been made in two of the past four years.

Mr Dixon must also satisfy individual key performance measures set by the Board on an annual basis. The Board reviews performance against these objectives at the end of each financial year.

Equity based incentives

In addition to his contractual entitlements, Mr Dixon participates in shareholder approved equity plans. As with other Qantas Executives, these are subject to their own Terms and Conditions outside of the contract of employment. All allocations from previous years are detailed in the 2003 Annual Report. Proposed allocations for the current year are subject to shareholder approval at the 2004 Annual General Meeting, and will be disclosed in the Annual Report.

There are two equity programs that are subject to shareholder approval and have measurable performance hurdles:

- a medium-term incentive component delivered as deferred shares based on a balance scorecard of strategic key performance indicators linked to the Qantas business plan. The Balanced scorecard involves assessment against the key Customer, Operational, Financial and People measures for the Qantas Group;

  Stringent performance criteria must be achieved, based on a Balanced scorecard of key Corporate measures set by the Board at the beginning of each year.

- a long-term incentive component delivered as performance rights that will vest if Qantas delivers total shareholder return that exceeds the S&P/ASX Top 100 Index and listed international airlines.

This provides the right to receive one share for each right issued, subject to achievement against a performance hurdle - ie comparative performance on a Total Shareholder Return (TSR) measure over three years against two comparator groups, the S&P/ASX Top 100 and an index of listed Global Airlines. Performance against these comparator groups would be on a vesting scale, with full vesting only on achieving 75th percentile performance against both hurdles. Qantas must rank at the 51st percentile in order for any rights to be exercised.

Previously agreed retirement payments

Mr Dixon has over 10 years' continuous employment at Qantas. On his retirement from Qantas, Mr Dixon will have had over 20 years in aviation with 14 years at Qantas with approximately 10 years as CEO / Deputy CEO.

Under Mr Dixon's previous employment contracts he is entitled to receive 37.2 months FAR plus $500,000 (current value of $6.7m) upon retirement, which may be converted to superannuation, or part thereof, at no further cost to Qantas. These retirement amounts would be payable to him from 31 December 2004.

In keeping with the intention of his original employment contracts, Mr Dixon will now be paid these entitlements upon retirement on 1 July, 2007. Mr Dixon's new employment contract does not contain any new retirement entitlements.

Termination provisions

Completion of employment contract

Upon his retirement, Mr Dixon will receive the above mentioned retirement payments as well as any shares which are received from various equity plans approved by shareholders provided that both time-based and performance-based vesting conditions have been achieved.

Resignation by Mr Dixon

The CEO may terminate his employment at any time during the contract period by giving Qantas six months' written notice. Qantas may elect to pay the CEO an equivalent amount.

All unvested equity is forfeited if Mr Dixon's resigns, however the Board may elect to vest his entitlements in special circumstances eg: unexpected illness.

Termination by Qantas with notice during the contract period

During the contract period, Qantas may terminate the CEO's employment by giving 12 months' written notice to the CEO or paying an equivalent amount.

Performance rights and deferred shares are treated the same as resignation, detailed above.

Termination without Notice

Qantas may terminate Mr Dixon with immediate effect. In this event all equity not already granted will be forfeited.