2005/06 Half Year Results
Presentation to Investors

16 February 2006

Group Highlights

		6 months to Dec 2005	6 months to Dec 2004	Increase/ (Decrease) %
Sales and operating revenue	$m	**6,846.8**	**6,308.1**	**8.5**
Expenditure	$m	**(6,335.8)**	**(5,716.7)**	**10.8**
EBIT	$m	**511.0**	**591.4**	**(13.6)**
Net borrowing costs	$m	**(27.5)**	**(90.8)**	**(69.7)**
Profit before tax	$m	**483.5**	**500.6**	**(3.4)**
Net profit after tax	$m	**352.6**	**390.2**	**(9.6)**
Earnings per share	¢	**18.4**	**21.0**	**(12.3)**
Dividend per share	¢	**11.0**	**10.0**	**10.0**

QANTAS

Group Strategy

- **To return the Qantas Group to a position where it generates a positive spread to its cost of capital by**
  – Developing our flying portfolio to provide the most competitive business models in all major markets and segments
  – Extending reforms to achieve permanent unit cost reductions and efficiency improvements in all areas of the business
  – Diversifying our portfolio to grow and smooth the earnings profile of the Group

Qantas

- **Creditable performance**
  - Despite cost and competitive pressures
- **Managing capacity to match demand**
  - Driving revenue, efficiency improvements
- **New services to strengthen international network**
  - Channelling growth towards profitable, growing and developing markets

Qantas

- **Consolidating position on premium domestic routes**
  - Maintaining yield premium and improving efficiency
  - Group domestic share above 65%
- **Further reductions in cost of sale**
- **Improving corporate dealing model**
- **Investment in customer service**
  - A380, end-to-end customer experience

QantasLink

- **Strong turboprop performance**
  - Queensland, Canberra
- **B717s replacing BAe146s**
- **Bombardier Q400s will drive growth**
  - Meet Queensland demand
  - Cascade to other markets

Australian Airlines

- **Loss driven by difficult trading conditions**
  - Japan, Sabah, Bali
- **Airline has delivered on original mandate**
  - But market dynamics have changed
- **Reviewing best fit within Group flying portfolio**

Jetstar

- **Strong contribution in high growth phase**
  - 46% increase in capacity in December half
- **Maintaining competitive cost position**
- **‘Free sale’ codeshare yielding positive results**
- **Improving Group position in high growth leisure markets**

Jetstar

- **Preparations advanced for long haul international launch**
  - Strengthen footprint, initially in Asia Pacific
  - Then longer haul markets in Europe and the US
- **Initial fleet of four A330-200s, moving to six**
- **Significant cost advantage over competitors**

Jetstar Asia

- **Challenging first 12 months**
- **Consolidation has improved outlook**
- **Integration within Jetstar Group**
- **Strong platform to build network in the region**
  - New joint ventures

Fleet

- **Aircraft added to service during first half**
  - 2 B737-800s
  - 2 A330-300s
  - 8 A320s
- **Aircraft to be added during second half**
  - 4 B737-800s
  - 1 A330-300
  - 6 A320s
  - 5 Bombardier Q400s

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Fleet

- **A380 deliveries to commence April 2007**
- **Committed to minimum 65, up to 115 B787s**
  - Engine Request For Proposal to be issued shortly
- **Evaluating options for B747-400 replacements**
  - Locked in pricing on A380, B787 options/rights
  - Monitoring ultra-long range developments
  - Next generation B747

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Sustainable Future Program

$ million	Benefit Achieved in 2003/04	Benefit Achieved in 2004/05	Benefit Achieved in Dec half 05	Target for 2005/06	3 Year Cumulative Total
Labour productivity	**156**	**150**	**73**	**138**	**444**
Fleet simplification, product initiatives and overheads	**211**	**279**	**92**	**282**	**772**
Distribution initiatives	**145**	**116**	**50**	**103**	**364**
Total	**512**	**545**	**215**	**523**	**1,580**

Sustainable Future

- **On track to meet targets:**
  - Original $1.5 billion over three years to June 2006
  - Extended $3 billion over five years to June 2008
  - $1 billion of remaining target identified

- **Realigning cost base to meet new conditions**
  - Meet investment commitments
  - Achieve profit projections
  - At an underlying crude price above $US60 a barrel.

Qantas Engineering

- Close to making decision
- Either extensive restructuring in Australia or outsource large parts offshore
- Targeting 15-20% cost and efficiency improvement

Government

- **Awaiting outcome of review of aviation industry policy**

- **Seeking balanced, considered approach to future liberalisation**
  - That reflects uneven playing field

- **Clarity on policy settings so we can take strategic decisions**

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Business Reorganisation

- **Streamlining organisational and executive structure**
  - Smaller top team with broader responsibilities
  - Aligned to business focus
  - Greater segment freedom to pursue independent strategies
  - Increased accountability
- **Promote strategic coordination and collaboration**
  - Network value
  - Optimise Group performance

Freight Operations

- **Solid performance from StarTrack Express**
- **AaE impacted by higher maintenance costs**
- **Qantas to establish freighter operation**
  - Wet-lease B737-300s to AaE
- **Excellent assets with strong market positions**
  - Evaluating options to develop portfolio

Qantas Holidays

- **Profitability impacted by difficult trading conditions**
  - Unbundling, migration to on-line
  - Competitive pressures
  - Stronger $A
- **Successful launch of ReadyRooms 365**
- **Reviewing options to reposition towards higher growth segments**

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Catering

- **Improved contribution driven by efficiency programs**

- **Strategic Review well advanced**
  - In discussions to sell all or part of business
  - Alternatively, will restructure extensively

Capital Management

- **Major focus in driving shareholder value**
- **Increased dividend to 11 cents, fully franked**
  - Reflects confidence in ability to drive improved profitability and fund future growth and investment
- **Net cash up $300 million to $2.2 billion at Dec 2005**
  - Operating cashflows reflect reduction in EBDRIT and higher operating lease rentals
  - Focus on controlling capital expenditure

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Outlook

- While further reforms in the business are underway, and coupled with the high fuel price, we do not expect to achieve the same level of profitability in the current financial year that we did in 2004/05

2005/06 Interim Results
Supplementary Information

Highlights

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*** Comparative half-year has been restated under A-IFRS**

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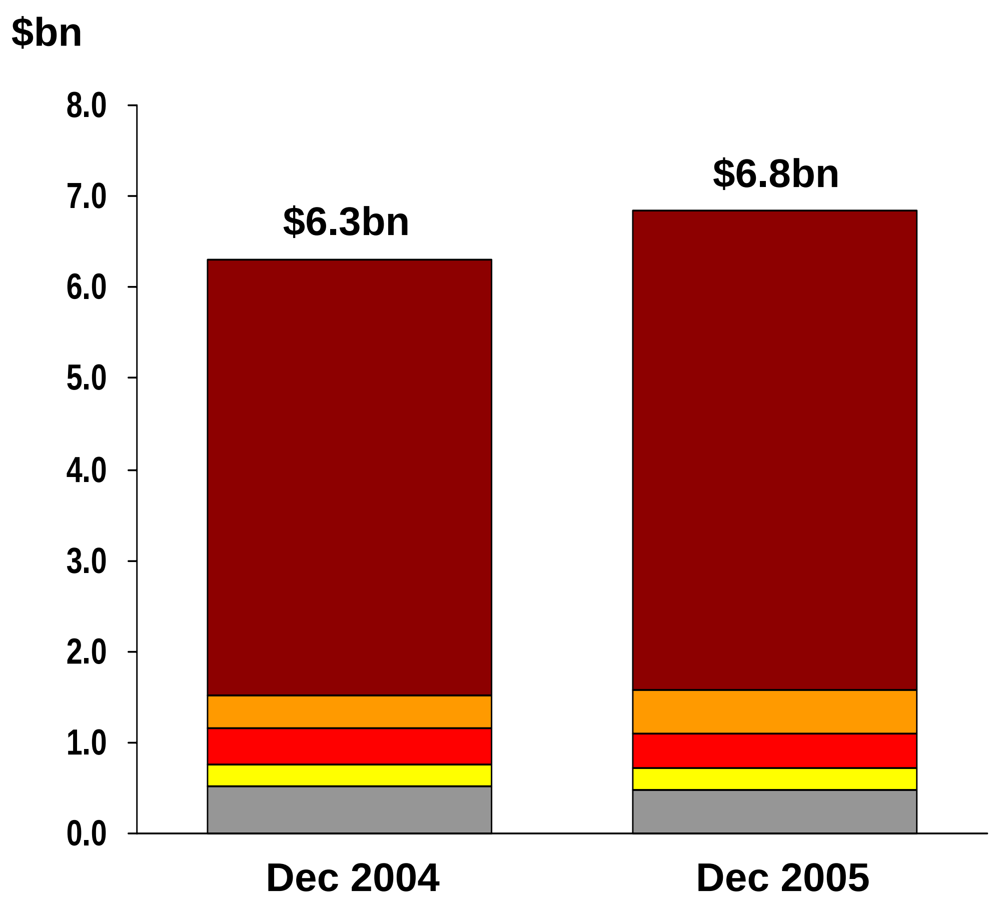
Revenue



Net passenger revenue up 10.1%

Net freight revenue up 27.0%

Tours and travel revenue down 3.1%

Contract work revenue up 3.7%

Revenue from other sources down 7.7%

Note: All revenue movements include the impact of foreign exchange rate movements

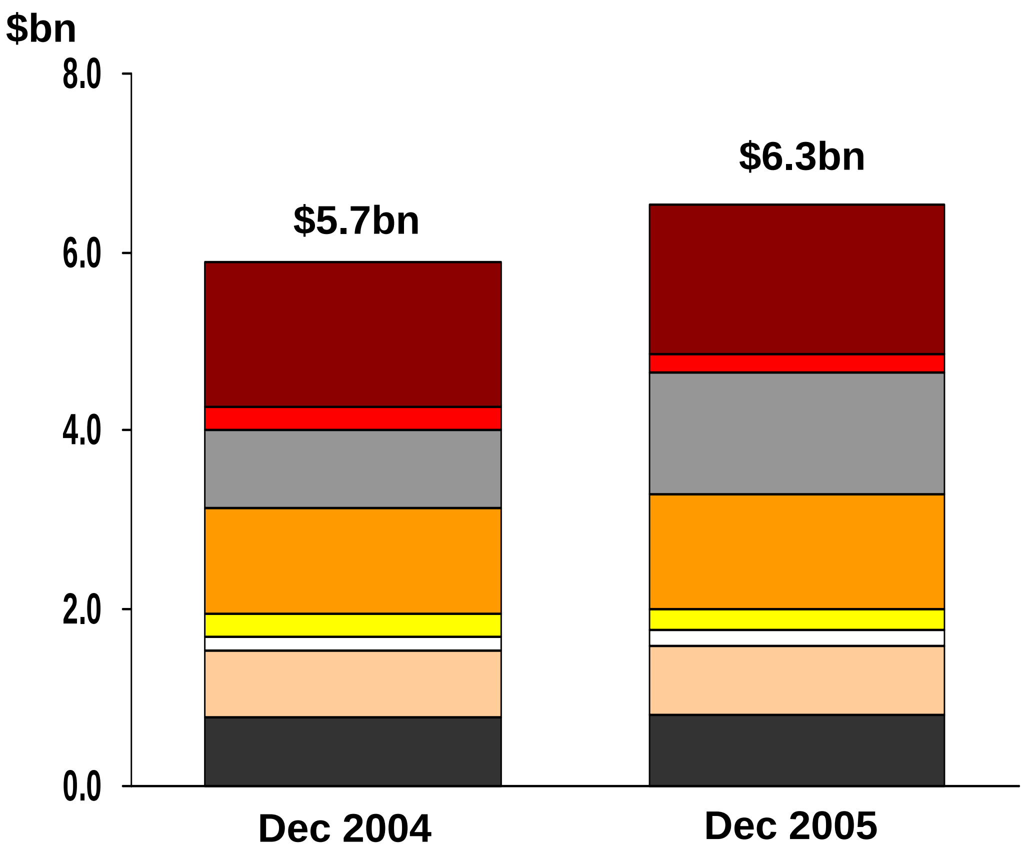
Revenue

- **Sales and operating revenue up 8.5% (up 10.0% excluding exchange)**
  - Net passenger revenue up 10.1% (up 11.7% excluding exchange)
    - Group RPKs up 4.3%
    - Group yield up 7.1% (excluding exchange)
  - Net freight revenue up 27.0% (31.1% excluding exchange)
    - Additional wet-lease freighter revenue
    - Freight yield per RFTK up 6.1% (excluding exchange)

Revenue

- Tours and travel revenue down 3.1% (down 3.2% excluding exchange)
  - Decline in passenger numbers due to Bali bombings in October 2005
- Contract work revenue up 3.7% (up 3.7% excluding exchange)
  - Increase in work performed by Qantas Defence Services
- Revenue from other sources down 7.7% (down 8.5% excluding exchange)
  - Comparative half-year included the release of a revenue provision of $52.1 million related to the IRIS revenue accounting system migration

Expenditure



Note: All expenditure movements include the impact of foreign exchange

- Manpower and staff related costs up 3.2%
- Selling and marketing down 16.6%
- Fuel and oil up 58.0%
- Aircraft operating variable costs up 7.8%
- Computer & communication down 10.1%
- Capacity hire up 21.6%
- Depreciation down 3.0%
  Rental costs up 46.3%
- Tours & Travel down 1.4%
  Property up 6.2%
  Other costs down 13.7%

Expenditure

- **Expenditure excluding net borrowing costs up 10.8% (up 13.0% excluding exchange)**

  – Manpower and staff related costs up 3.2% (up 3.4% excluding exchange)

    – Includes redundancy costs under the Sustainable Future Program (SFP)
    – Group ASKs up 2.9%
    – Increase in wages of 3% under current EBAs
    – Partially offset by SFP benefits
    – Average FTEs down 0.4%
    – Manpower cost per ASK (excluding SFP costs) down 2.6%

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Expenditure

- Aircraft operating variable costs up 7.8% (up 9.3% excluding exchange)
  - Higher airport fees and en-route charges associated with an increase in domestic departures
  - Increased engine maintenance including the establishment of Sydney Centre of Excellence
- Fuel and oil costs up 58.0% (up 64.5% excluding exchange)
  - Underlying cost increase of $689.8 million before hedging benefits of $214.7 million
  - 57.9% increase in average US$ into-plane jet fuel prices after hedging
  - Consumption increase of $74.9 million due to a 5.8% increase in flying hours plus freighter aircraft
  - Offsetting this was a favourable foreign exchange movement of $55.4 million

Expenditure

- Depreciation and amortisation costs down 3.0% (down 3.0% excluding exchange)
  - New aircraft between July and December 2004 (4 x A330-300, 3 x B737-800)
  - New aircraft between July and December 2005 (2 x A330-300)
  - Aircraft retired since June 2004 (2 x B767-200, 4 x B737-300)
  - Comparative half-year included accelerated depreciation of aircraft modifications on refinanced aircraft and asset write-offs

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Expenditure

- Tours and travel cost of sales down 1.4% (down 1.7% excluding exchange)
  - Compares with a 3.2% decrease (3.2% decrease excluding exchange) in tours and travel sales
- Selling and marketing costs down 16.6% (down 14.8% excluding exchange)
  - Lower advertising due to cost of “I Still Call Australia Home” campaign in the comparative half-year and the scaling back of non essential campaigns
  - Reduced commissions as sales continue to migrate toward direct channels

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Expenditure

- Capacity hire costs up 21.6% (up 24.8% excluding exchange)
  - Increased B747 freighter aircraft wet-lease costs
  - Partially offset by reduced Qantas mainline leased in capacity and return of four AWAS B737-300 aircraft between September 2004 and March 2005
- Non-cancellable operating lease rentals up 46.3% (up 47.1% excluding exchange)
  - Jetstar’s lease of 17 A320-200 aircraft since July 2004
  - Qantas mainline’s lease of five B737-800 aircraft since July 2005
  - Partially offset by the return of five wet-leased BAe146 aircraft

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Expenditure

- Property costs up 6.2% (up 6.5% excluding exchange)
  - Increased rents at domestic airport terminals
  - Increased general property contract maintenance including baggage and conveyor belt maintenance.
- Computer and communications down 10.1% (down 9.0% excluding exchange)
  - Lower project contractor costs principally related to the eQ program and Jetsmart
  - Savings from ongoing trend towards internet based reservations

Expenditure

- Other costs down 13.7% (up 6.3% excluding exchange)
  - Largely gains from derivative instruments under A-IFRS
  - Lower insurance premiums from successful renegotiations

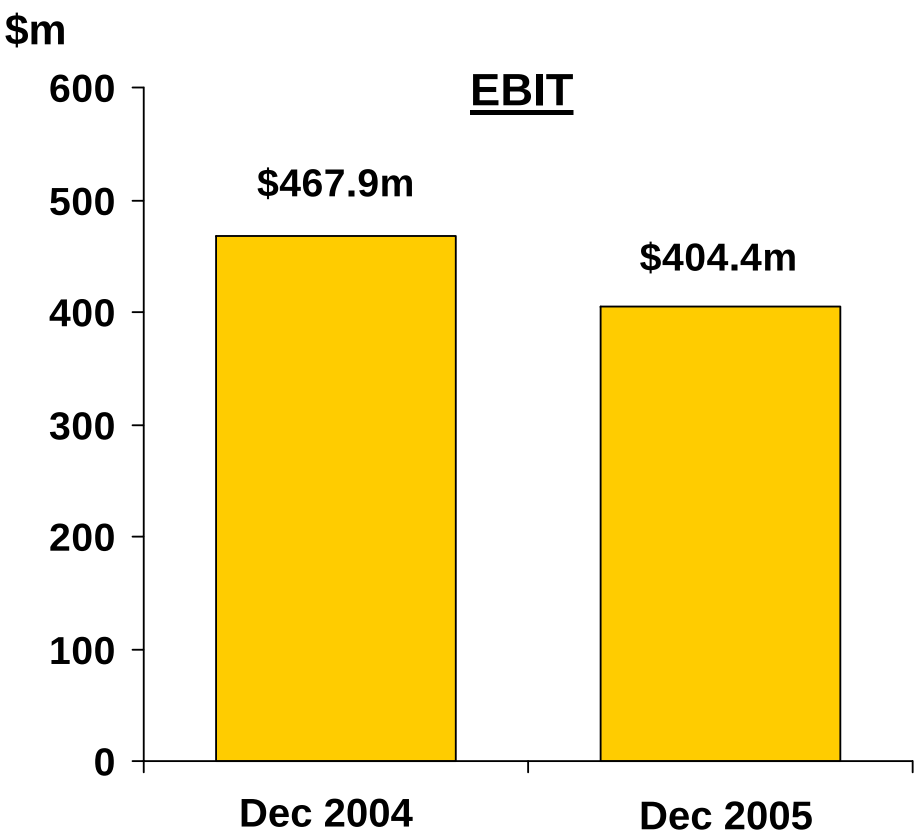
- Net borrowing costs up 69.7% (up 67.5% excluding exchange)
  - Due to higher cash balance and lower debt
  - Interest rate gains from a favourable debt currency mix

Expenditure

– Net expenditure per ASK excluding fuel and SFP costs improved by 5.7% (improved by 3.9% excluding exchange)

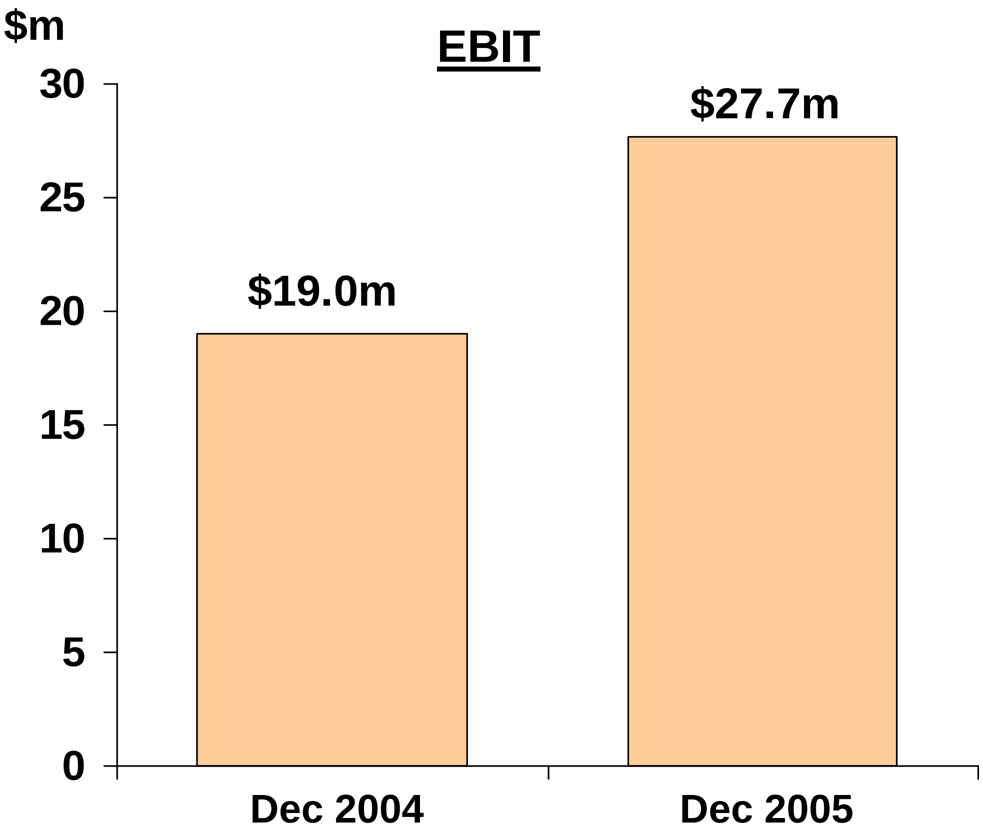
– Net impact of foreign exchange movements on statement of financial performance
    – Favourable variance of $36.3 million when compared to the comparative half-year

Qantas Mainline



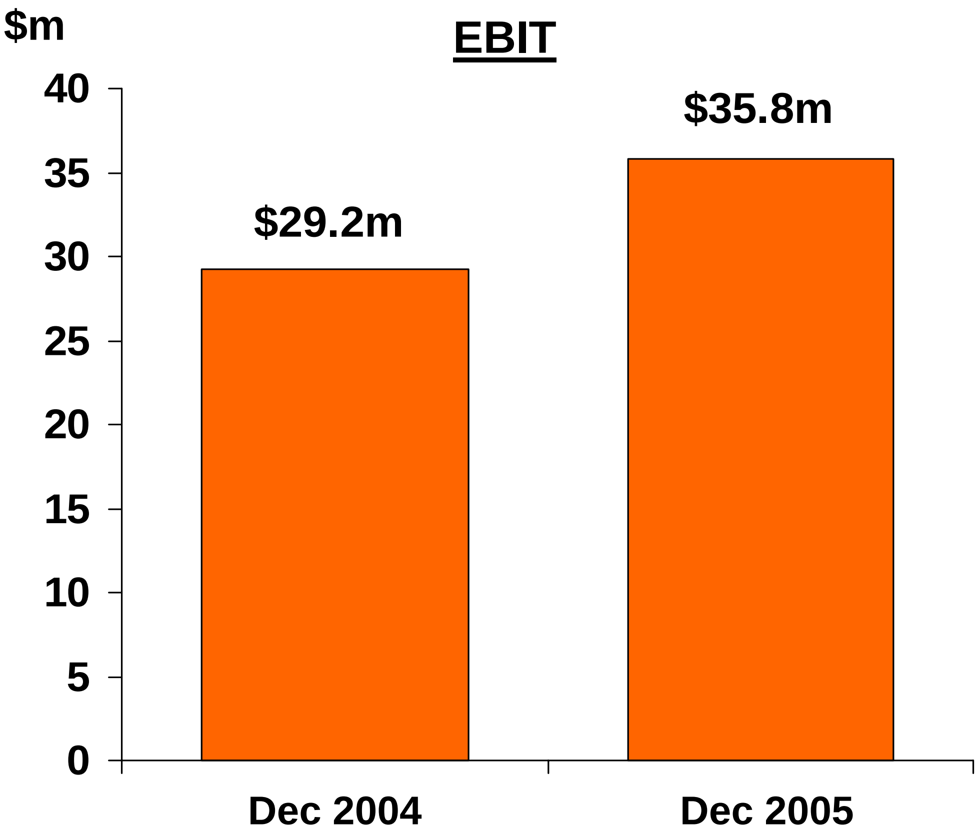
- EBIT of $404.4m, or 79.1% of Group EBIT
- RPKs up 2.0%
- ASKs up 0.1%
- Seat factor up 1.4% pts to 78.4%
- Yield excluding exchange increased by 8.0%

Jetstar



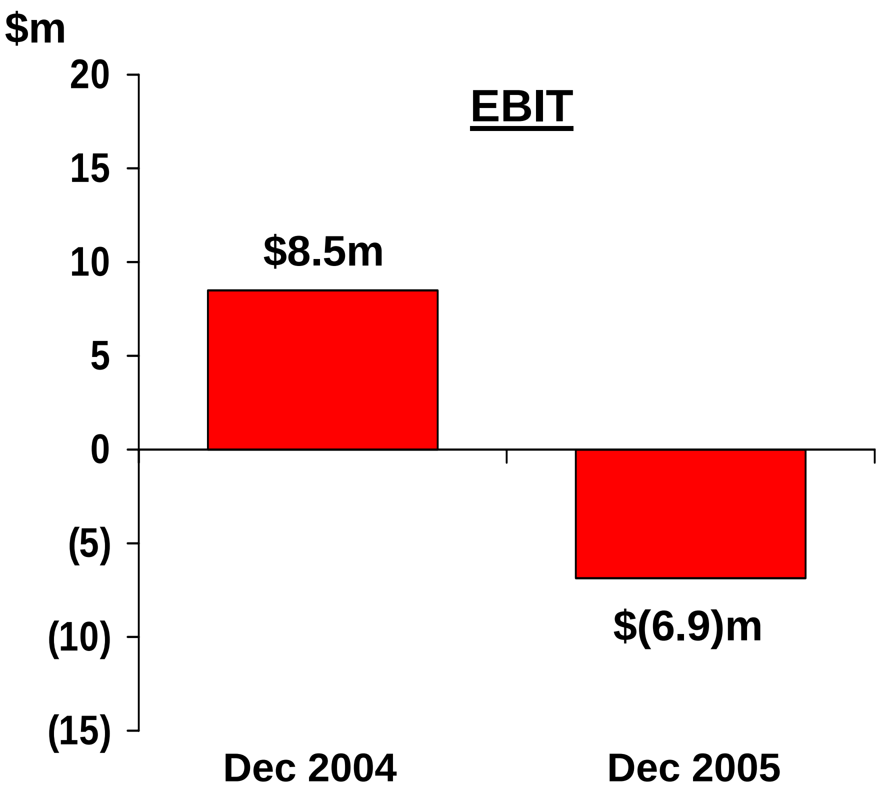
- EBIT of $27.7m, or 5.4% of Group EBIT
- RPKs up 51.8%
- ASKs up 46.0%
- Seat factor up 2.9% pts to 75.7%
- Yield excluding exchange decreased by 5.6%

QantasLink



- EBIT of $35.8m, or 7.0% of Group EBIT
- RPKs up 5.2%
- ASKs up 10.4%
- Seat factor down 4.7% pts to 69.7%
- Yield excluding exchange increased by 7.7%

Australian Airlines



- EBIT loss of $6.9m
- RPKs down 7.2%
- ASKs down 1.9%
- Seat factor down 3.9% pts to 68.1%.
- Yield excluding exchange increased by 5.8%

QANTAS

Yields

- Total Domestic yield* (Qantas, QantasLink and Jetstar domestic operations) excluding exchange for the financial year to December 2005 increased by 5.5 per cent when compared with the same period last year

- Total International yield* (Qantas, Australian Airlines and Jetstar Trans-Tasman operations) excluding exchange increased by 7.5 percent over the same period

* Year to date yield trends reflect accounting adjustments for the adoption of A-IFRS and associated reclassifications.

Other Subsidiary Businesses

	EBIT		
	December 2005 $m	December 2004* $m	Increase/ (decrease) $m
Qantas Flight Catering	**16.1**	**12.0**	**4.1**
Qantas Holidays	**18.4**	**27.1**	**(8.7)**
Qantas Defence Services	**4.1**	**4.0**	**0.1**
Share of net profits of Associates and JVs	**6.8**	**11.6**	**(4.8)**
Other Subs & Eliminations	**4.6**	**12.1**	**(7.5)**
Total Portfolio Businesses	**50.0**	**66.8**	**(16.8)**

*** Comparative half-year has been restated under A-IFRS**

QANTAS

Equity Accounted Investments

Contribution to Net Profit

	December 2005 $m	December 2004* $m	Increase/ (decrease) $m
Australian Air Express	**5.6**	**11.0**	**(5.4)**
Star Track Express	**9.7**	**8.3**	**1.4**
Air Pacific	**2.4**	**2.8**	**(0.4)**
Jetstar Asia / Orangestar	**(12.2)**	**(9.7)**	**(2.5)**
Jet Turbine Services	**(2.3)**	**(1.9)**	**(0.4)**
Thai Air Cargo	**0.7**	**0.2**	**0.5**
Travel Software Solutions	**2.2**	**(0.1)**	**2.3**
Other	**0.7**	**1.0**	**(0.3)**
Total	**6.8**	**11.6**	**(4.8)**

*** Comparative half-year has been restated under A-IFRS**

QANTAS

Balance Sheet and Cashflow

		December 2005	December 2004	Increase/ (decrease) %
Capital Expenditure	$m	**820.0**	**1,199.0**	**(31.6)**
Operating cashflow	$m	**985.5**	**1,090.9**	**(9.7)**
Net Debt	$m	**2,457.7**	**3,655.1**	**(32.8)**
Total Equity	$m	**6,070.9**	**5,529.8**	**9.8**
Leverage*	%	**43:57**	**47:53**	**(4)pts**

* Includes off balance sheet debt and revenue hedge receivables

QANTAS

Group Operational Aircraft Fleet

Aircraft Type	30/06/2005	1H06 In	1H06 (Out)	Transfers	31/12/2005
Qantas					
B747-300	6				6
B747-400	24				24
B747-400ER	6				6
B767-300ER	17				17
B767-336ER	7				7
B737-300	2		(2)		-
B737-300JC	9				9
B737-400	21				21
B737-800NG	27	2			29
A330-200	4				4
A330-300	7	2			9
TOTAL MAINLINE FLEET	**130**	**4**	**(2)**	**-**	**132**
Australian Airlines					
B767-300ER	5				5
Jetstar					
Boeing 717-200	14			(5)	9
A320-200	9	8			17
QantasLink					
Boeing 717-200	-			5	5
BAe 146	9		(5)		4
Turbo Props	33				33
TOTAL GROUP FLEET	**200**	**12**	**(7)**	**-**	**205**

* Aircraft movements are reflected as and when they enter into service.

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