2005/06 Full Year Results Presentation to Investors

17 August 2006

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Chief Executive Officer

Group Highlights

		Year to June 2006	Year to June 2005 *	Increase/ (decrease) %
Sales and Other Income	$m	13,647	12,564	8.6
Expenditure	$m	(12,921)	(11,550)	11.9
EBIT	$m	726	1,014	(28.4)
Net finance costs	$m	(55)	(100)	(45.2)
Profit before tax	$m	671	914	(26.6)
Net Profit after tax	$m	480	689	(30.4)
Earnings per share	¢	24.9	36.8	(32.5)
Dividend per share	¢	22	20	10.0

* Comparative year has been restated under A-IFRS

Key Drivers

- Fuel costs +45 percent
- Net passenger revenue +9.7 percent
- 2.2 percent underlying unit cost reduction
- $282 million of net hedging benefits
- Strong net cash position, up $998 million to $2.9 billion

Group Strategy

- Developing the right flying models to generate strong returns and grow in core and developing markets
- Establishing competitive cost structures in every part of the Group
- Diversifying the Group portfolio to grow earnings and mitigate risk

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- Group market share of 67 percent in May 2006
- Maintaining yield premium of 35 percent
- Defending and strengthening leading corporate market position
- 4.6 million Frequent Flyer Program members (+7.6 percent)
- Regional capacity growth and network improvements

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- Transitioning to two brands for international markets
- Emulating successful domestic strategy
- Qantas focusing on premium two and three class markets
  - Growth on core and developing markets, eg. US, China
  - Product and service enhancements
  - Further development of alliance and codeshare relationships

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Jetstar

- Consolidation of domestic position, following move to all-A320 fleet
- Operating profit (EBDRIT) + 43.6 percent
  - Excluding international start-up costs of $10 million
- Passenger loads +1.6 percentage points, yield -4.9 percent
  - Yields +5 percent on a sector length-adjusted basis
- Maintaining cost advantage, despite fuel impact
  - Total CASK reduced to 7.87 cents, excluding international start-up costs
  - Second half CASK of 7.58 cents

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Jetstar

- Strong initial response to international launch in November*
- Quality two-class product, low fares and low cost structure
- Single brand and distribution approach for Jetstar Group
- Synchronisation of domestic, international and Asian networks
- Evaluating other joint venture opportunities in Asia

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*Subject to regulatory approval

Fleet

- First A380 expected around October 2007

- Four new A330-200s for delivery in 2007 and 2008
  - Qantas and Jetstar to use for international point-to-point growth

- Commenced specification work for B787

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Sustainable Future

- Accelerating reforms to achieve $1.5 billion target over next two years
- Removal of 1,000 management and administrative positions
- Further expansion of Jetstar
- Transformation of Qantas Engineering
- Restructure of Catering Operations

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Segmentation

- Extending program to drive faster structural reform
- Transition of cost centres to profit centres
- All businesses to stand alone and compete for investment
- Qantas and Jetstar to bid for routes
- Evaluating alternative structures to foster efficiency and growth

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Catering

- Benefiting from efficiency programs
- Competition is intense, putting pressure on pricing
- Strategic review led to decision to restructure
- Restructure offers better value than sale in current environment

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Qantas Holidays

- A valuable business - but model needs to change
- Impacted by changing trends in distribution
- Repositioning business following strategic review
  - Shifting more business to direct channels
  - Evaluating expansion in emerging markets, eg. China, India, Vietnam

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Freight

- Combined freight interests contributed around $100 million PBT
  - Including international operations grouped under Qantas mainline
- Focus for growth continues to be on domestic markets
  - Evaluating acquisition and joint venture opportunities
  - Establishing Express Freighters Australia

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Capital Management

- Net cash inflows from operations of $2 billion, down 3.6 percent
- Capital expenditure decreased by 15.5 percent to $1.5 billion
- A-IFRS gearing improved to 44:56 (including the new financial instruments hedge reserve) from 47:53 at June 2005 (under AGAAP)
- Confident that we can fund our future investment program through business cashflows and existing facilities

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Outlook

- High fuel prices are continuing to have a severe impact on the company
- While we expect the acceleration of reforms throughout the Group to continue to improve productivity and efficiency, they will have a cost
- Nevertheless, we remain confident that after these higher costs, the Group will deliver a result in line with the 2005/06 result

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2005/06 Full Year Results Supplementary Information

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Highlights

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EBIT	$m	**726**	**1,014**	**(28.4)**
Net finance costs	$m	**(55)**	**(100)**	**(45.2)**
Profit before tax	$m	**671**	**914**	**(26.6)**
Net profit after tax	$m	**480**	**689**	**(30.4)**
Earnings per share	¢	**24.9**	**36.8**	**(32.5)**
Total dividend per share	¢	**22**	**20**	**10.0**

* Comparative year has been restated under A-IFRS

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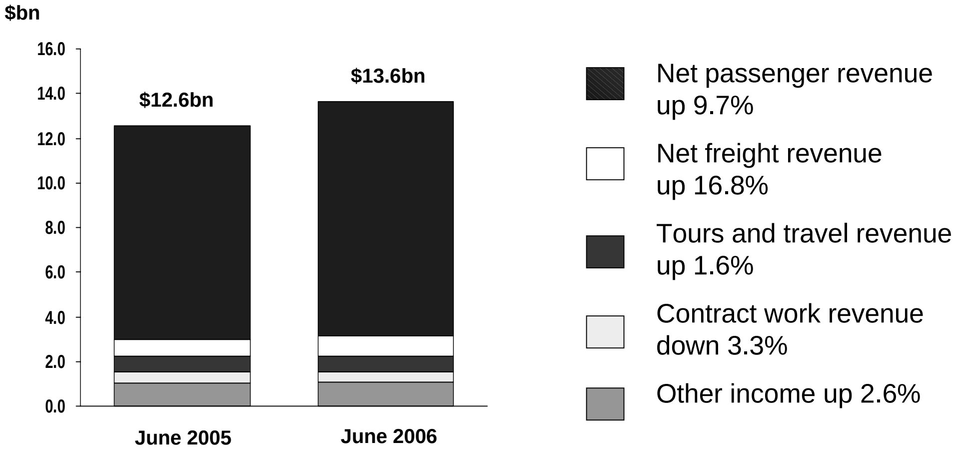
Revenue



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

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Revenue

- **Sales and operating revenue up 8.6% (up 9.4% excluding exchange)**
  - Net passenger revenue up 9.7% (up 10.7% excluding exchange)
    - Group RPKs up 4.5%
    - Group yield per RPK up 6.9% excluding exchange
  - Net freight revenue up 16.8% (up 17.6% excluding exchange)
    - Additional revenue from operation of wet-lease freighters
    - Freight yield per RFTK up 4.0% excluding exchange

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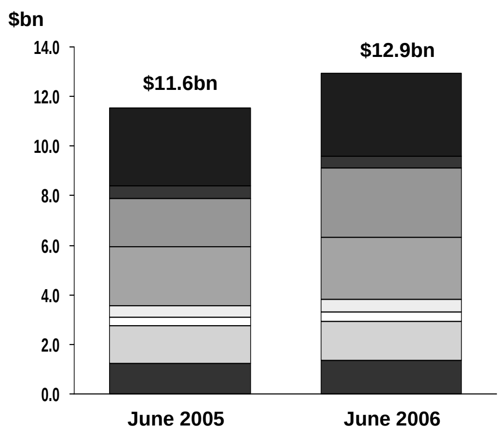
Revenue

– Tours and travel revenue up 1.6% (up 2.4% excluding exchange)

– Contract work revenue down 3.3% (down 3.3% excluding exchange)
  – Decline in third-party ground handling revenue

– Other income up 2.6% (up 1.7% excluding exchange)
  – Recognition of $104 million of liquidated damages recoverable from Airbus due to the delayed delivery of the A380 aircraft
  – Prior year included the release of a revenue provision of $52 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 5.0%
- Selling and marketing down 6.4%
- Fuel up 45.1%
- Aircraft operating variable costs up 6.5%
- Computer & communication down 3.0%
- Capacity hire up 8.4%
- Depreciation up 0.7%; Non-Canc rental costs up 33.3%
- Tours & Travel up 4.9%; Property up 6.0%; Other costs up 22.7%

Expenditure

- **Expenditure excluding net finance costs up 11.9% (up 12.7% excluding exchange)**
  - Manpower and staff related costs up 5.0% (up 5.1% excluding exchange)
    - Includes $109 million of redundancy costs under the Sustainable Future Program (SFP)
    - Group ASKs up 3.6%
    - Increase in wages of 3% under current EBAs
    - Partially offset by SFP benefits
    - Average FTEs down 1.9%
    - Manpower cost per ASK (excluding SFP costs) down 2.7%

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Expenditure

- Fuel costs up 45.1% (up 45.2% excluding exchange)
  - Underlying cost increase of $1.1 billion before hedging benefits of $0.3 billion
  - 42.5% increase in average US$ into-plane jet fuel prices after hedging
  - Consumption increase of $90 million due to a 3.4% increase in flying hours including freighter aircraft
- Variable aircraft operating costs up 6.5% (up 7.1% excluding exchange)
  - Higher airport fees and en-route charges associated with an increase in domestic departures
  - Increased security costs and additional airside screening requirements

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Expenditure

– Depreciation and amortisation costs up 0.7%
  – New aircraft between July and December 2004 (4 x A330-300, 3 x B737-800)
  – New aircraft between January and June 2005 (3 x B737-800)
  – New aircraft between July and December 2005 (2 x A330-300)
  – New aircraft between January and June 2006 (1 x A330-300, 4 x Q400)
  – Aircraft retired between July 2004 to June 2005 (2 x B767-200, 2 x B737-300)
  – Aircraft retired since June 2005 (1 x B747-300, 2 x B737-300, 2 x Dash 8)
  – Accelerated depreciation on a B747-300 aircraft
  – Offset by a reduction in inventory levels

Expenditure

– Tours and travel cost of sales up 4.9% (up 5.3% excluding exchange)
  – Compares with a 1.6% increase (up 2.4% excluding exchange) in tours and travel sales

– Selling and marketing costs down 6.4% (down 5.3% excluding exchange)
  – Lower advertising due to cost of "I Still Call Australia Home" campaign in the prior year and scaling back of non-essential advertising
  – Reduced commissions as sales continue to migrate toward direct channels

Expenditure

- Capacity hire costs up 8.4% (up 9.2% excluding exchange)
  - Increased B747 freighter aircraft wet-lease costs
  - Partially offset by the return of four AWAS B737-300 aircraft between September 2004 and March 2005
- Non-cancellable operating lease rentals up 33.3% (up 33.5% excluding exchange)
  - Jetstar's lease of 15 new A320-200 aircraft
  - Qantas Mainline's lease of six new and three previously owned B737-800 aircraft
  - Full year effect of eight Jetstar A320-200 leases acquired in 2004/05
  - Partially offset by the return of seven wet-leased BAe146 aircraft

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Expenditure

- Property costs up 6.0% (up 6.2% excluding exchange)
  - Increased rents at domestic airport terminals
  - Increased general property contract maintenance including baggage and conveyor belt maintenance
- Computer and communications down 3.0% (down 3.0% excluding exchange)
  - Deferral of some eQ initiatives
  - Lower infrastructure costs following the replacement of the 30-year old data centre in the prior year

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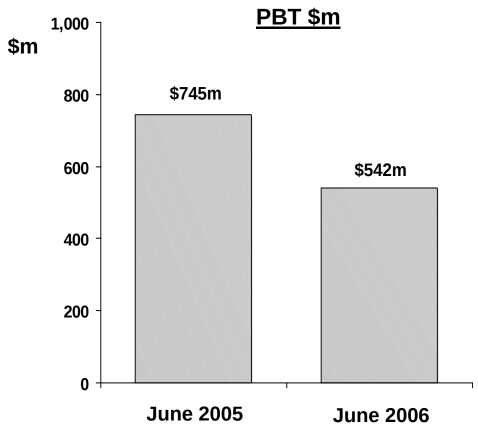
Expenditure

- Other costs up 22.7% (up 38.1% excluding exchange)
  - Largely due to the recognition of A-IFRS fair value changes
  - Write down of the investment in Jetstar Asia
- Net finance costs down 45.2% (down 42.0% excluding exchange)
  - Due to interest received from higher average cash balance
  - Aircraft financing mix changes from ownership to operating leasing

Expenditure

- Net expenditure per ASK excluding fuel and SFP costs improved by 2.2%
- Net foreign exchange movements of $2 million adversely impacted the Qantas Group result

Qantas Mainline



- PBT of $542m, or 80.7% of Group PBT
- RPKs up 1.8%
- ASKs up 0.8%
- Seat factor up 0.7% pts to 77.2%
- Yield excluding exchange increased by 7.9%

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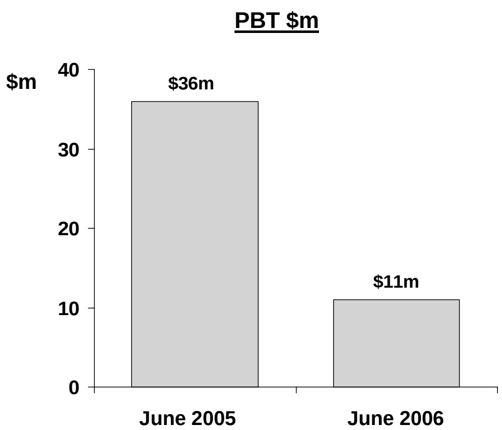
Jetstar



- PBT* of $11m, or 1.6% of Group PBT
- RPKs up 47.5%
- ASKs up 44.3%
- Seat factor up 1.6 % pts to 74.0%
- Yield excluding exchange decreased by 4.9%

* FY06 includes trans-Tasman and Jetstar International start-up costs of $4m and $10m respectively

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Yield

- Total Domestic yield* (Qantas, QantasLink and Jetstar) excluding exchange for the financial year to June 2006 increased by 4.4% when compared with the last year
- Total International yield* (Qantas, Australian Airlines and Jetstar Trans-Tasman operations) excluding exchange increased by 8.0% over the same period

* Yield trends reflect accounting adjustments for the adoption of A-IFRS and associated reclassifications.

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Other Subsidiary Businesses

	PBT		
	12 months to June 2006 $m	12 months to June 2005* $m	Increase/ (decrease) $m
Qantas Flight Catering	**37**	**24**	**13**
Qantas Holidays	**45**	**64**	**(19)**
Qantas Defence Services	**9**	**10**	**(1)**
Share of net profits of Associates and JVs	**39**	**16**	**23**
Other Subs & Eliminations	**(11)**	**20**	**(31)**
Total Portfolio Businesses	**119**	**134**	**(15)**

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

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Equity Accounted Investments

Contribution to Net Profit

	12 months to June 2006 $m	12 months to June 2005* $m	Increase/ (decrease) $m
Australian air Express	**14.3**	**15.6**	**(1.3)**
Star Track Express	**16.5**	**14.5**	**2.0**
Air Pacific	**8.4**	**8.6**	**(0.2)**
Jetstar Asia / Orangestar	**(0.7)**	**(18.5)**	**17.8**
Jet Turbine Services	**(4.6)**	**(4.8)**	**0.2**
Thai Air Cargo	**0.9**	**(1.3)**	**2.2**
Travel Software Solutions	**2.1**	**-**	**2.1**
Other	**2.0**	**1.6**	**0.4**
Total	**38.9**	**15.7**	**23.2**

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

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Balance Sheet and Cashflow

		12 months to June 2006	12 months to June 2005	Increase/ (decrease) %
Capital Expenditure	$m	**1,527**	**1,806**	**(15.5)**
Operating cashflow	$m	**2,026**	**2,102**	**(3.6)**
Net Debt	$m	**2,248**	**3,438**	**(34.6)**
Total Equity	$m	**6,081**	**5,530**	**10.0**
Leverage*	%	**46:54**	**47:53**	**n/a**

* Equity used for June 2006 leverage, including off balance sheet debt, excludes a new Hedge Reserve under A-IFRS (leverage was 44:56 including this reserve). June 2005 leverage is shown under AGAAP.

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Group Operational Aircraft Fleet

Aircraft Type	30/06/2005	FY06 In	FY06 (Out)	Transfers	30/06/2006
Qantas					
B747-300	6		(1)		5
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	6			33
A330-200	4				4
A330-300	7	3			10
TOTAL MAINLINE FLEET	**130**	**9**	**(3)**	**-**	**136**
Australian Airlines					
B767-300ER	5				5
Jetstar					
Boeing 717-200	14			(8)	6
A320-200	9	15			24
QantasLink					
Boeing 717-200	-			8	8
BAe 146	9		(7)		2
Turbo Props	33	4	(2)		35
TOTAL GROUP FLEET	**200**	**28**	**(12)**	**-**	**216**

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

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