



QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

**PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006**

ABN 16 009 661 901

ASX CODE: QAN

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RESULTS FOR ANNOUNCEMENT TO THE MARKET IN ACCORDANCE WITH AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS)

	30 June 2006	30 June 2005¹	Change	Change
	\$m	\$m	\$m	%
Sales and other income	13,646.7	12,563.9	1,082.8	up 8.6%
Profit for the period	479.5	688.5	(209.0)	down 30.4%

¹ 2005 comparative numbers have been restated and presented under A-IFRS.

DIVIDENDS

30 June 2006 interim dividend - paid 5 April 2006	
Amount per security (cents)	11.0
Franked amount per security at 30% tax	11.0
30 June 2006 final dividend - to be paid 4 October 2006	
Amount per security (cents)	11.0
Franked amount per security at 30% tax	11.0
Record date for determining entitlements to the dividend	6 September 2006
Date the dividend is payable	4 October 2006
Total dividend declared (\$m)	215.1
Qantas operates a Dividend Reinvestment Plan (DRP) under which shareholders can reinvest the dividends payable on participating shares in newly issued Qantas shares.	
Last date for receipt of election notice for participation in DRP	6 September 2006

EXPLANATION OF RESULTS

Please refer to the attached Press Release for an explanation of the Result.

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

OTHER INFORMATION

	June 2006	June 2005
	\$	\$
Net Tangible Assets per ordinary share	2.95	2.74

Entities over which control gained or lost during the year:

Express Freighters Australia (Operations) Pty Limited (a wholly-owned subsidiary) was incorporated on 11 April 2006 to provide technical crew associated with a freighter leasing operation.

Details of associates and joint venture entities				
Equity accounted associates and joint ventures	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit	
	June 2006 %	June 2005 %	June 2006 \$m	June 2005 \$m
Air Pacific Limited	46.32	46.32	8.4	8.6
Australian air Express Pty Limited	50.00	50.00	14.3	15.6
Hallmark Aviation Services LP	49.00	49.00	0.8	0.4
Harvey Holidays Pty Limited	50.00	50.00	1.0	0.9
HT & T Travel (Philippines) Inc.	28.13	-	-	-
Holidays Tours and Travel (Thailand) Ltd.	36.75	36.75	-	-
Holidays Tours and Travel Vietnam Joint Venture Company	36.75	-	-	-
Jet Turbine Services Pty Limited	50.00	50.00	(4.6)	(4.8)
Jupiter Air Oceania Limited	47.62	47.62	-	0.3
Orangestar Holdings Pte Limited ¹	45.04	49.00	(0.7)	(18.5)
Star Track Express Holdings Pty Limited	50.00	50.00	16.5	14.5
Tour East (TET) Ltd.	36.75	36.75	0.2	-
Thai Air Cargo Co., Ltd.	49.00	49.00	0.9	(1.3)
Travel Software Solutions Pty Limited	50.00	50.00	2.1	-
Total			38.9	15.7

¹ Formerly Jetstar Asia Pte Limited which merged with Valuair Airways Limited on 22 July 2005, now trading as Jetstar Asia.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2006

	June 2006 \$m	June 2005 \$m
Sales and other income		
Net passenger revenue	10,504.0	9,571.6
Net freight revenue	887.8	759.9
Tours and travel revenue	719.4	707.8
Contract work revenue	469.0	484.9
Other ^{1,2}	1,066.5	1,039.7
	13,646.7	12,563.9
Expenditure		
Manpower and staff related ³	3,321.7	3,163.5
Selling and marketing	469.6	501.6
Aircraft operating - variable	2,525.3	2,370.6
Fuel	2,802.3	1,931.7
Property	320.1	302.0
Computer and communication	487.5	502.8
Tours and travel	591.2	563.7
Capacity hire	369.6	341.0
Other	467.0	380.6
Depreciation and amortisation	1,249.8	1,241.3
Non-cancellable operating lease rentals	355.7	266.8
Share of net profit of associates and joint ventures	(38.9)	(15.7)
	12,920.9	11,549.9
Profit before related income tax expense and net finance costs	725.8	1,014.0
Finance income	163.3	117.0
Finance expense	(217.9)	(216.7)
Net finance costs	(54.6)	(99.7)
Profit before related income tax expense	671.2	914.3
Income tax expense	(191.2)	(225.0)
Profit for the year	480.0	689.3
Attributable to:		
Members of Qantas	479.5	688.5
Minority interest	0.5	0.8
	480.0	689.3
Earnings per share (EPS)		
Basic earnings per share (cents)	24.9	36.8
Diluted earnings per share (cents)	24.8	36.7

1 Delays in the delivery of 12 A380 aircraft has resulted in the recognition of \$104.4 million of liquidated damages from Airbus.

2 Revenue from other sources in the prior year includes the release of surplus revenue accounting provisions relating to previous periods of \$52.1 million.

3 Redundancy costs incurred during the year were \$108.6 million (2005: \$19.1 million).

The Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 7 to 9.

CONSOLIDATED BALANCE SHEET
as at 30 June 2006

	June 2006 \$m	June 2005 \$m
Current assets		
Cash and cash equivalents	2,902.0	1,903.8
Receivables	1,228.7	1,130.3
Other financial assets	476.7	-
Net receivables under hedge/swap contracts	-	185.1
Inventories	334.8	333.0
Assets classified as held for sale	24.2	-
Other	86.4	152.5
Total current assets	5,052.8	3,704.7
Non-current assets		
Receivables	237.6	287.7
Other financial assets	766.8	-
Net receivables under hedge/swap contracts	-	853.7
Investments accounted for using the equity method	372.9	356.0
Other investments	53.7	99.9
Property, plant and equipment	12,375.0	12,684.5
Intangible assets	311.7	318.9
Deferred tax assets	2.9	0.2
Other	9.9	84.8
Total non-current assets	14,130.5	14,685.7
Total assets	19,183.3	18,390.4
Current liabilities		
Payables	1,988.0	1,902.0
Interest bearing liabilities	440.8	315.0
Other financial liabilities	139.2	-
Net payables under hedge/swap contracts	-	142.8
Provisions	469.0	428.8
Current tax liabilities	72.4	93.2
Revenue received in advance	2,282.8	2,106.0
Deferred lease benefits/income	37.5	43.9
Total current liabilities	5,429.7	5,031.7
Non-current liabilities		
Interest bearing liabilities	5,334.8	5,599.7
Other financial liabilities	352.2	-
Net payables under hedge/swap contracts	-	450.0
Provisions	477.0	443.3
Deferred tax liabilities	701.2	518.2
Revenue received in advance	708.5	676.6
Deferred lease benefits/income	98.8	141.0
Total non-current liabilities	7,672.5	7,828.8
Total liabilities	13,102.2	12,860.5
Net assets	6,081.1	5,529.9
Equity		
Issued capital	4,382.2	4,181.5
Treasury shares	(23.8)	(17.8)
Reserves	329.3	14.6
Retained profits	1,388.5	1,347.4
Equity attributable to members of Qantas	6,076.2	5,525.7
Minority interests in controlled entities	4.9	4.2
Total equity	6,081.1	5,529.9

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 7 to 9.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

	Issued Capital \$m	Treasury Shares \$m	Employee Compensation Reserve \$m	Hedge Reserve \$m	Fair Value Reserve \$m	Asset Revaluation Reserve \$m	Foreign Currency Translation Reserve \$m	Retained Earnings \$m	Minority Interest \$m	Total Equity \$m
Balance at 1 July 2004 (previous GAAP)	3,994.9	-	-	-	-	55.5	(1.1)	1,776.3	14.7	5,840.3
Transition to A-IFRS	8.2	(8.7)	3.7	-	-	(55.5)	1.1	(770.7)	-	(821.9)
Restated balance	4,003.1	(8.7)	3.7	-	-	-	-	1,005.6	14.7	5,018.4
Profit for the year	-	-	-	-	-	-	-	688.5	0.8	689.3
Own shares acquired	-	(9.6)	-	-	-	-	-	-	-	(9.6)
Shares vested to employees	-	0.5	(0.5)	-	-	-	-	-	-	-
Share based payments	-	-	10.5	-	-	-	-	-	-	10.5
Revaluation of assets on acquisition of minority interest in subsidiary	-	-	-	-	-	4.4	-	-	-	4.4
Acquisition of minority interest in subsidiary	-	-	-	-	-	-	-	7.1	(11.3)	(4.2)
Translation of foreign currency subsidiaries	-	-	-	-	-	-	(3.5)	-	-	(3.5)
Dividends to shareholders	178.4	-	-	-	-	-	-	(353.8)	-	(175.4)
Balance at 30 June 2005	4,181.5	(17.8)	13.7	-	-	4.4	(3.5)	1,347.4	4.2	5,529.9
Balance at 1 July 2005	4,181.5	(17.8)	13.7	-	-	4.4	(3.5)	1,347.4	4.2	5,529.9
Impact of initial adoption of AASB 132 & AASB 139	10.8	-	-	379.0	(28.8)	-	-	(36.0)	-	325.0
Restated balance	4,192.3	(17.8)	13.7	379.0	(28.8)	4.4	(3.5)	1,311.4	4.2	5,854.9
Profit for the year	-	-	-	-	-	-	-	479.5	0.5	480.0
Transfer of hedge reserve to profit	-	-	-	(351.6)	-	-	-	-	-	(351.6)
Share of movement in joint venture's hedge reserve	-	-	-	(1.1)	-	-	-	-	-	(1.1)
Own shares acquired	-	(9.8)	-	-	-	-	-	-	-	(9.8)
Shares vested to employees	-	3.8	(3.8)	-	-	-	-	-	-	-
Share based payments	-	-	13.8	-	-	-	-	-	-	13.8
Recognition of effective cash flow hedges on capitalised assets	-	-	-	48.9	-	-	-	-	-	48.9
Effective portion of changes in fair value of cashflow hedges	-	-	-	257.0	-	-	-	-	-	257.0
Change in fair value of assets available for sale	-	-	-	-	(6.6)	-	-	-	-	(6.6)
Recognition of deferred tax liability on revalued assets	-	-	-	-	-	(0.4)	-	-	-	(0.4)
Translation of foreign currency subsidiaries	-	-	-	-	-	-	8.3	-	0.2	8.5
Dividends to shareholders	189.9	-	-	-	-	-	-	(402.4)	-	(212.5)
Balance at 30 June 2006	4,382.2	(23.8)	23.7	332.2	(35.4)	4.0	4.8	1,388.5	4.9	6,081.1

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2006

	June 2006 \$m	June 2005 \$m
Cash flows from operating activities		
Cash receipts in the course of operations	14,396.1	13,229.9
Cash payments in the course of operations	(12,086.8)	(10,878.3)
Interest received	165.3	116.9
Interest paid	(322.9)	(291.8)
Dividends received	37.0	28.1
Income taxes paid	(162.7)	(102.9)
Net cash from operating activities	2,026.0	2,101.9
Cash flows from investing activities		
Payments for property, plant and equipment ¹	(1,527.1)	(1,806.3)
Proceeds from sale of property, plant and equipment	47.4	71.4
Proceeds from financing of non-current assets ¹	627.8	257.9
Payments for investments, net of cash acquired	(37.3)	(44.6)
(Advances)/repayment of investment loans	(0.4)	1.9
Net cash from investing activities	(889.6)	(1,519.7)
Cash flows from financing activities		
Repayment of borrowings	(563.3)	(1,118.3)
Proceeds from borrowings/swaps	632.2	1,248.3
Receipts from aircraft security deposits	5.0	1.3
Dividends paid	(212.1)	(175.0)
Net cash from financing activities	(138.2)	(43.7)
Net increase in cash and cash equivalents held	998.2	538.5
Cash and cash equivalents at the beginning of the financial year	1,903.8	1,365.3
Cash and cash equivalents at the end of the financial year	2,902.0	1,903.8

Non-cash financing and investing activities

During the period 55,333,681 (2005: 52,474,143) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the period totalled \$189.9 million (2005: \$178.4 million).

¹ Included in the proceeds from financing of non-current assets was \$412.2 million (2005: \$18.8 million) in relation to 19 (2005: six) aircraft. The rights to these aircraft were sold prior to delivery of the aircraft to a lessor and leased back via operating lease.

The Statement of Cashflows is to be read in conjunction with the Notes to the Financial Statements set out on pages 7 to 9.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 1. Basis of Preparation of Preliminary Final Report

The Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited Financial Report. The Financial Report has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act.

Qantas is required to report under A-IFRS from 1 July 2005. The Financial Report as at 30 June 2006 will be the first annual report including a full set of note disclosures prepared under A-IFRS and includes adjusted comparative financial information. AASB 139 - Financial Instruments: Recognition and Measurement (AASB 139) and AASB 132 - Financial Instruments: Disclosure and Presentation (AASB 132) also apply from 1 July 2005, however, comparative information is not required under these standards.

An explanation of how the transition to A-IFRS has impacted the reported Income Statement, Balance Sheet and cashflows of the Qantas Group was reported in the condensed consolidated interim Financial Report for the half-year ended 31 December 2005.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical costs except in accordance with relevant accounting policies where assets and liabilities are stated at their values in accordance with relevant accounting policies. The accounting policies adopted in this report are the same as those disclosed in the condensed consolidated interim financial report for the half-year ended 31 December 2005, with the exception of AASB 2005-9 Amendment to Australian Accounting Standards (September 2005) which had no impact on the interim Financial Report.

The accounting policies adopted in this report have been consistently applied by each entity in the consolidated entity and, other than noted above, are consistent with those of the previous year.

This Report is based on the Financial Report which is in the process of being audited.

The current reporting year in the preliminary final report is the year ended 30 June 2006 while the prior year is the year ended 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 2. Tax Reconciliation

The prima facie income tax on profit before tax differs from the income tax expense charged in the Income Statement and is calculated as follows:

	June 2006 \$m	June 2005 \$m
Profit from ordinary activities	671.2	914.3
Prima facie income tax expense @ 30%	201.4	274.3
Utilisation of previously unrecognised capital losses	(22.7)	-
Less: tax consolidation benefit	-	(52.1)
Less: initial recognition of tax losses	-	(9.6)
Add: other items	12.5	12.4
Income tax expense	191.2	225.0

Note 3. Dividends

A fully franked final dividend of 10 cents (2005: 9 cents fully franked) per ordinary share was paid on 28 September 2005 in relation to the financial year ended 30 June 2005. The total amount of the dividend declared was \$189.9 million (2005: \$166.1 million).

A fully franked interim dividend of 11 cents (2005: 10 cents fully franked) per ordinary share was paid on 5 April 2006 in relation to the financial year ended 30 June 2006. The total amount of the dividend declared was \$212.4 million (2005: \$186.8 million).

Note 4. Contingent Liabilities

The contingent liabilities disclosed in the 30 June 2005 Preliminary Final Report remain unresolved. There have been no new material claims made against the Qantas Group during the period arising outside the normal course of business, where the probability of future payments is not considered remote.

As part of its investigation into alleged price fixing in the air cargo market particularly relating to fuel and other surcharges, the US Department of Justice (DOJ) has served subpoenas to produce documents on a number of cargo operators. As part of this investigation a subpoena was served on Qantas Freight in the USA in May. The ACCC, the European Commission (EC) and other regulators are conducting similar investigations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2006

Note 4. Contingent Liabilities (continued)

In addition to ensuring compliance with the DOJ subpoena, Qantas immediately undertook a detailed review of its cargo operations to review whether it had, at all times, complied with the law. During this investigation, Qantas has learnt that the practice adopted by the cargo industry to fix and impose fuel surcharges may have breached relevant international competition laws. Qantas is co-operating fully with all regulators and will be providing them with all relevant information to permit them to undertake their investigations.

At this stage, it is not possible to quantify any liability associated with this matter.

Note 5. Post Balance Date Events

Qantas Engineering is currently negotiating a potential agreement with two external suppliers to supply expendable and recoverable spares to the Qantas Engineering business to support the maintenance of Qantas and third party aircraft. If an agreement is signed, this will result in the sale of up to \$300 million of inventory.

The Directors declared a fully franked final dividend of 11 cents per ordinary share on 16 August 2006 in relation to the financial year ended 30 June 2006. The total amount of the dividend declared was \$215.1 million.

With the exception of the items disclosed above, there has not arisen in the interval between 30 June 2006 and the date of this report, any event that would have had a material effect on the financial statements at 30 June 2006.

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

OPERATIONAL STATISTICS
for the year ended 30 June 2006

(Unaudited)		Year Ended 30 June 2006	Year Ended 30 June 2005	Percentage Increase/ (Decrease)
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	8,440	8,589	(1.7)
Revenue passenger kilometres (RPK)	m	56,395	54,725	3.1
Available seat kilometres (ASK)	m	72,755	72,188	0.8
Revenue seat factor	%	77.5	75.8	1.7 pts
Revenue freight tonne kilometres (RFTK)	m	2,633	2,329	13.1
AUSTRALIAN AIRLINES - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	748	812	(7.9)
Revenue passenger kilometres (RPK)	m	3,553	3,906	(9.0)
Available seat kilometres (ASK)	m	5,257	5,646	(6.9)
Revenue seat factor	%	67.6	69.2	(1.6) pts
QANTAS DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	15,772	16,145	(2.3)
Revenue passenger kilometres (RPK)	m	22,449	22,473	(0.1)
Available seat kilometres (ASK)	m	28,347	28,077	1.0
Revenue seat factor	%	79.2	80.0	(0.8) pts
QANTASLINK - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	3,316	3,058	8.4
Revenue passenger kilometres (RPK)	m	2,092	1,879	11.3
Available seat kilometres (ASK)	m	3,048	2,595	17.5
Revenue seat factor	%	68.6	72.4	(3.8) pts
JETSTAR - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	5,799	4,384	32.3
Revenue passenger kilometres (RPK)	m	6,410	4,346	47.5
Available seat kilometres (ASK)	m	8,663	6,004	44.3
Revenue seat factor	%	74.0	72.4	1.6 pts
QANTAS GROUP OPERATIONS¹				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	34,075	32,658	4.3
Revenue passenger kilometres (RPK)	m	90,899	86,986	4.5
Available seat kilometres (ASK)	m	118,070	114,003	3.6
Revenue seat factor	%	77.0	76.3	0.7 pts
Aircraft in service at year end	#	216	200	16 units
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	¢	10.94	10.34	5.8
<u>PRODUCTIVITY</u>				
Average full-time equivalent employees	#	34,832	35,520	(1.9)
RPK per employee	000	2,610	2,449	6.6
ASK per employee	000	3,390	3,210	5.6

¹ Qantas and Jetstar prior year statistics include the effect of a domestic codeshare agreement between the two airlines. However the effect of this codeshare is only included once in the prior year statistics for the Qantas Group operations.

QANTAS AIRWAYS LIMITED				
ABN 16 009 661 901				
CONSOLIDATED PROFIT BEFORE RELATED TAX EXPENSE				
for the year ended 30 June 2006				
(Unaudited)	Year Ended 30 June 2006 \$m	% of Group Total	Year Ended 30 June 2005 \$m	% of Group Total
Qantas	541.6	80.7	744.7	81.5
Jetstar ¹	10.8	1.6	35.6	3.9
Total Flying Operations	552.4	82.3	780.3	85.4
Other Subsidiaries:²				
Qantas Holidays Group	45.0	6.7	63.5	6.9
Qantas Flight Catering Group	37.0	5.5	24.4	2.7
Qantas Defence Services	9.3	1.4	10.2	1.1
Equity Accounting	38.9	5.8	15.7	1.7
Other Subsidiaries	(11.4)	(1.7)	20.2	2.2
Total Other Subsidiaries	118.8	17.7	134.0	14.6
Group Profit Before Tax	671.2	100.0	914.3	100.0

Notes

1 The current year Result for Jetstar includes \$10.2 million of start up costs incurred in establishing Jetstar International.

2 Subsidiary operations profit before tax includes profit earned on services provided to Qantas Airways Limited.

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

**CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF
NON-CANCELLABLE OPERATING LEASES**

as at 30 June 2006

(Unaudited)	As at 30 June 2006 \$'m
Balance Sheet Equity	6,081.1
Hedge Reserve	(332.2)
Equity excluding Hedge Reserve	5,748.9
On Balance Sheet Debt ¹	
Current Debt	440.8
Non-current Debt ²	5,334.8
Cash and Cash Equivalents ³	(3,031.6)
Fair value of hedges relating to debt ⁴	(495.7)
Net On Balance Sheet Debt	2,248.3
Off Balance Sheet Debt	
Non-Cancellable Operating Leases ⁵	2,670.8
Net Debt including Off Balance Sheet Debt	4,919.1
Balance Sheet including Off Balance Sheet Debt	
Total Assets ⁶	21,932.0
Total Liabilities	15,780.2
Total Equity including Hedge Reserve	6,151.8
Less: Hedge Reserve	(332.2)
Total Equity excluding Hedge Reserve	5,819.6
Net Debt to Net Debt and Equity	27 : 73
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt and Hedge Reserve)	44 : 56
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt and excluding Hedge Reserve)	46 : 54
Working Capital Ratio	48 : 52

Notes

1. On balance sheet debt includes bank and other loans and lease liabilities.
2. Non-current debt excludes debt available to be set-off against non-current assets.
3. Cash and cash equivalents includes bills of exchange and promissory notes, negotiable securities and security and term deposits. The non-current bills of exchange and aircraft security deposits have been pledged as security to providers of aircraft finance.
4. Fair value of hedges relating to debt represents the fair value of derivatives hedging debt in accordance with AASB 139.
5. Non-cancellable operating leases has been calculated assuming the assets are owned and debt funded and is not consistent with the disclosure requirements of AASB 117 - Leases.
6. Total assets including assets related to off balance sheet debt has been calculated as the sum of total assets on the balance sheet and operating lease assets capitalised.

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

**CONSOLIDATED DEBT, GEARING AND CAPITALISATION OF
NON-CANCELLABLE OPERATING LEASES**

as at 30 June 2005

(Unaudited)	As at 30 June 2005 \$'m
Balance Sheet Equity	5,529.9
On Balance Sheet Debt ¹	
Current Debt	315.0
Non-current Debt ²	5,599.7
Cash and Cash Equivalents ³	(2,031.2)
Financial Instruments ⁴	(446.0)
Net On Balance Sheet Debt	3,437.5
Off Balance Sheet Debt	
Non-Cancellable Operating Leases ⁵	1,599.2
Net Debt including Off Balance Sheet Debt	5,036.7
Revenue Hedge Receivables ⁶	(228.4)
Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivables	4,808.3
Balance Sheet including Off Balance Sheet Debt	
Total Assets	20,168.8
Total Liabilities	14,465.3
Total Equity	5,703.5
Net Debt to Net Debt and Equity ⁷	38 : 62
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt) ⁷	47 : 53
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt and Revenue Hedge Receivables) ⁷	46 : 54
Working Capital Ratio	42 : 58

Notes

1. On balance sheet debt includes bank and other loans and lease liabilities.
2. Non-current debt excludes debt available to be set-off against non-current assets.
3. Cash and cash equivalents includes bills of exchange and promissory notes, negotiable securities and security and term deposits. The non-current bills of exchange and aircraft security deposits have been pledged as security to providers of aircraft finance.
4. Financial instruments represent interest rate derivatives recognised at book value.
5. Non-cancellable operating leases has been calculated assuming the assets are owned and debt funded and is not consistent with the disclosure requirements of AASB 117 - Leases.
6. Under previous GAAP, revenue hedge receivables were included in the balance sheet until the revenue to which they related was realised.
7. Debt to equity shown in this table is inclusive of foreign exchange movements which are effectively hedged by the balance deferred in the balance sheet. The debt to equity calculation has therefore been shown on both a hedged and unhedged debt position.

QANTAS AIRWAYS LIMITED

ABN 16 009 661 901

**CONSOLIDATED NET INTEREST AS A PERCENTAGE OF
AVERAGE NET DEBT**

as at 30 June 2006

(Unaudited)	Year Ended 30 June 2006 \$m	Year Ended 30 June 2005 \$m
Borrowing Costs		
Net Borrowing Costs	54.6	99.7
Capitalised Interest	68.4	74.4
Interest on Non-cancellable Operating Leases	201.3	123.5
Adjusted Net Interest Expense	324.3	297.6
Interest Cover	13.3	10.2
Average Net Debt¹		
Average Net Debt Including Off Balance Sheet Debt ²	4,977.9	5,305.5
Adjusted Net Borrowing Costs as a Percentage of:		
Average Net Debt Including Off Balance Sheet Debt ²	6.5	5.6
<p>1 Average Net Debt balances are calculated on a weighted average basis.</p> <p>2 Prior year comparative included a revenue hedge receivable of \$228.4 million. Current year includes net other financial assets of \$794.5 million relating primarily to the fair value of hedge derivatives recognised on balance sheet in accordance with AASB 139.</p>		