2005/06 Full Year Results
Presentation to Investors

17 August 2006

Geoff Dixon
Chief Executive Officer

Group Highlights

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

* 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
Qantas

- 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

Qantas

- 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
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

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

*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

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
## 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

## 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
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

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
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

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
## Highlights

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* Comparative year has been restated under A-IFRS
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
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

<table>
<thead>
<tr>
<th>$bn</th>
<th>June 2005</th>
<th>June 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>$11.6bn</td>
<td>$12.9bn</td>
<td></td>
</tr>
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</table>

- 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%

Note: All expenditure movements include the impact of foreign exchange
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%

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
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

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
## 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

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## 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%

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
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.

Other Subsidiary Businesses

<table>
<thead>
<tr>
<th>PBT</th>
<th>12 months to June 2006</th>
<th>12 months to June 2005*</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qantas Flight Catering</td>
<td>37</td>
<td>24</td>
<td>13</td>
</tr>
<tr>
<td>Qantas Holidays</td>
<td>45</td>
<td>64</td>
<td>(19)</td>
</tr>
<tr>
<td>Qantas Defence Services</td>
<td>9</td>
<td>10</td>
<td>(1)</td>
</tr>
<tr>
<td>Share of net profits of Associates and JVs</td>
<td>39</td>
<td>16</td>
<td>23</td>
</tr>
<tr>
<td>Other Subs &amp; Eliminations</td>
<td>(11)</td>
<td>20</td>
<td>(31)</td>
</tr>
<tr>
<td>Total Portfolio Businesses</td>
<td>119</td>
<td>134</td>
<td>(15)</td>
</tr>
</tbody>
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## Equity Accounted Investments

### Contribution to Net Profit

<table>
<thead>
<tr>
<th></th>
<th>12 months to June 2006 $m</th>
<th>12 months to June 2005* $m</th>
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<tbody>
<tr>
<td>Australian Air Express</td>
<td>14.3</td>
<td>15.6</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Star Track Express</td>
<td>16.5</td>
<td>14.5</td>
<td>2.0</td>
</tr>
<tr>
<td>Air Pacific</td>
<td>8.4</td>
<td>8.6</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Jetstar Asia / Orangestar</td>
<td>(0.7)</td>
<td>(18.5)</td>
<td>17.8</td>
</tr>
<tr>
<td>Jet Turbine Services</td>
<td>(4.6)</td>
<td>(4.8)</td>
<td>0.2</td>
</tr>
<tr>
<td>Thai Air Cargo</td>
<td>0.9</td>
<td>(1.3)</td>
<td>2.2</td>
</tr>
<tr>
<td>Travel Software Solutions</td>
<td>2.1</td>
<td>-</td>
<td>2.1</td>
</tr>
<tr>
<td>Other</td>
<td>2.0</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38.9</strong></td>
<td><strong>15.7</strong></td>
<td><strong>23.2</strong></td>
</tr>
</tbody>
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## Balance Sheet and Cashflow

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<thead>
<tr>
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<th>Increase/ (decrease) %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Expenditure</td>
<td>$m</td>
<td>1,527</td>
<td>1,806</td>
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<tr>
<td>Operating cashflow</td>
<td>$m</td>
<td>2,026</td>
<td>2,102</td>
</tr>
<tr>
<td>Net Debt</td>
<td>$m</td>
<td>2,248</td>
<td>3,438</td>
</tr>
<tr>
<td>Total Equity</td>
<td>$m</td>
<td>6,081</td>
<td>5,530</td>
</tr>
<tr>
<td>Leverage*</td>
<td>%</td>
<td>46:54</td>
<td>47:53</td>
</tr>
</tbody>
</table>

* 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.
<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>30/06/2005</th>
<th>FY06 In</th>
<th>FY06 (Out)</th>
<th>Transfers</th>
<th>30/06/2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Qantas</strong></td>
<td></td>
<td></td>
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<tr>
<td>B747-300</td>
<td>6</td>
<td></td>
<td>(1)</td>
<td>5</td>
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</tr>
<tr>
<td>B747-400</td>
<td>24</td>
<td></td>
<td></td>
<td>24</td>
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</tr>
<tr>
<td>B747-400ER</td>
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<tr>
<td>B767-300ER</td>
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<td>B767-33ER</td>
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<td>B737-300</td>
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<td>B737-300JC</td>
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<tr>
<td>B737-400</td>
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<td>B737-800NG</td>
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<tr>
<td>A330-200</td>
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<td>A330-300</td>
<td>7</td>
<td>3</td>
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<tr>
<td><strong>TOTAL MAINLINE FLEET</strong></td>
<td><strong>150</strong></td>
<td><strong>9</strong></td>
<td>(3)</td>
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<td><strong>136</strong></td>
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<tr>
<td><strong>Australian Airlines</strong></td>
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<td>B767-300ER</td>
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<td><strong>Jetstar</strong></td>
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<tr>
<td>Boeing 717-200</td>
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<td>A320-200</td>
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<tr>
<td>Turbo Props</td>
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<td>4</td>
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<td><strong>TOTAL GROUP FLEET</strong></td>
<td><strong>200</strong></td>
<td><strong>28</strong></td>
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<td><strong>216</strong></td>
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