



QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

**APPENDIX 4D AND
CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008**

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2008 \$m	December 2007 \$m	Change \$m	Change %
Sales and other income	7,919	7,785	134	up 2%
Profit after tax for the half-year attributable to members	210	618	(408)	down 66%

DIVIDENDS

31 December 2008 interim dividend - to be paid 8 April 2009	
Amount per security (cents)	6.0
Franked amount per security at 30% tax	6.0
Record date for determining entitlement to the dividend	6 March 2009
Date the dividend is payable	8 April 2009
Total dividend declared (\$m)^	117
^ Based on the number of shares issued as at 31 December 2008	
As announced on 21 August 2008, the Qantas Board reinstated the Dividend Reinvestment Plan (DRP) which will continue to operate in relation to the interim dividend declared above.	
Last date for receipt of election notice for participation in DRP	6 March 2009

EXPLANATION OF RESULTS

Please refer to the attached Press Release for an explanation of the results.
This information should be read in conjunction with the Qantas Airways Limited 2008 Annual Report and Consolidated Interim Financial Report for the six months ended 31 December 2008.
The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

OTHER INFORMATION

	December 2008 \$	June 2008 \$
Net Tangible Assets per Ordinary Share	2.55	2.79

Entities over which control was gained or lost during the half-year:

During the half-year, Qantas (through a controlled entity) acquired control of Jetset Travelworld Limited by disposing of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Limited in exchange for a 58 per cent interest in Jetset Travelworld Limited.

On 1 July 2008, the Group disposed of a 50 per cent interest in LTQ Engineering Pty Limited (formerly Jet Turbine Services Pty Limited) to Lufthansa Technik. The remaining 50 per cent interest has been equity accounted since that date.

In addition, the Qantas Group incorporated the following wholly-owned companies during the half-year:

- Qantas Domestic Pty Limited, A.C.N. 134 556 255;
- Qantas Frequent Flyer Operations Pty Limited A.C.N. 132 484 210;
- QF BNP 2008-1 Pty Limited A.C.N. 132 252 174;
- QF BNP 2008-2 Pty Limited A.C.N. 132 252 138;
- QF ECA 2008-1 Pty Limited A.C.N. 133 356 475;
- QF ECA 2008-2 Pty Limited A.C.N. 133 356 420;
- QF Dash 8 Leasing No. 2 Pty Limited A.C.N. 134 259 957; and
- QF Dash 8 Leasing No. 3 Pty Limited A.C.N. 134 259 975.

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2008 and the Independent Auditor's Review Report thereon.

DIRECTORS

The Directors of Qantas Airways Limited at any time during or since the end of the half-year were as follows:

Name	Period of Directorship
Leigh Clifford, AO <i>Chairman</i>	<i>Director since 9 August 2007 - appointed Chairman 14 November 2007</i>
Geoff Dixon <i>Chief Executive Officer</i>	<i>Director since 1 August 2000 - appointed Chief Executive Officer on 5 March 2001 - resigned 28 November 2008</i>
Alan Joyce <i>Chief Executive Officer</i>	<i>Director since 28 July 2008 - appointed Chief Executive Officer on 28 November 2008</i>
Peter Gregg <i>Chief Financial Officer</i>	<i>Director since 13 September 2000 - resigned 30 September 2008</i>
Colin Storrie <i>Chief Financial Officer</i>	<i>Director since 30 September 2008 - appointed Chief Financial Officer 30 September 2008</i>
Mike Codd, AC	<i>Director since 16 January 1992 - resigned 15 October 2008</i>
Peter Cosgrove, AC, MC	<i>Director since 6 July 2005</i>
Patricia Cross	<i>Director since 1 January 2004</i>
Richard Goodmanson	<i>Director since 19 June 2008</i>
Garry Hounsell	<i>Director since 1 January 2005</i>
Paul Rayner	<i>Director since 16 July 2008</i>
John Schubert	<i>Director since 23 October 2000</i>
James Strong, AO	<i>Director since 1 July 2006</i>
Barbara Ward	<i>Director since 19 June 2008</i>

REVIEW OF OPERATIONS

The Qantas Group achieved a profit before related income tax expense (PBT) for the half-year of \$288 million, representing a decrease of \$617 million or 68.2% on the comparative half-year.

Total revenue for the half-year was \$7.9 billion, an increase of \$134 million or 1.7 per cent on the prior comparative period compared to capacity growth, measured in Available Seat Kilometres (ASK), of 0.4 per cent.

Net passenger revenue including fuel surcharge recoveries decreased \$45 million or 0.7 per cent to \$6.4 billion. Traffic, measured in Revenue Passenger Kilometres (RPK), decreased by 2.4 per cent while yield improved by 1.2 per cent.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Total expenditure increased by \$751 million or 10.9 per cent to \$7.6 billion. Operating expenditure increased by \$710 million or 10.2 per cent which was mainly driven by fuel, manpower and aircraft operating variable costs. Ineffectiveness from open positions on financial instruments was a \$1 million gain in the current half-year compared to \$33 million in the comparative half-year. Net finance revenue and costs were down a net \$9 million compared to the prior half-year as interest rates decreased.

Sustainable Future Program (SFP) savings of \$171 million contributed toward a reduction in net expenditure.

The net effect of foreign exchange rate movements on overall PBT was a favourable impact of \$162 million.

The Qantas Airlines operations contributed a PBT of \$199 million, which was a decrease of \$637 million on the previous half-year. A 2.0 per cent capacity reduction resulted in Passenger revenue decreasing by \$156 million, or 3.4 per cent to \$5 billion. The revenue decline was driven by seat factor decrease of 2.7 per cent to 80.1 per cent which was partially offset by a 1.2 per cent increase in yield.

Jetstar Brands achieved a PBT of \$72 million, compared to the previous half-year result of \$139 million. Total revenue increased \$76 million or 9.2 per cent and included foreign exchange hedging gains on liquidated damages receivable. Passenger revenue improved \$111 million or 15.5 per cent to \$824 million, largely driven by a 13.4 per cent increase in capacity, arising from the expansion of the Jetstar International network and capacity reductions from Qantas. Despite the capacity increase, seat factor marginally decreased by 0.6 per cent to 77.9 per cent while yields improved 2.7 per cent.

The newly combined Jetset Travelworld Group contributed \$22 million PBT. The Jetset Travelworld merger was effected in July 2008. There is no directly comparable result for the new group, as the prior year PBT of \$22 million only includes Qantas Holidays.

The Qantas Frequent Flyer Segment reported a PBT of \$119 million. The result included revenue of \$482 million which was a 20.8 per cent increase from the same period last year, driven mainly by the new and enhanced Any Seat and Retail Choices programs.

Qantas Freight Enterprises (QFE) reported a PBT of \$41 million for the half-year ended 31 December 2008, compared to \$46 million in the prior year. This largely reflects lower equity profits from QFE's associates and jointly controlled entities.

DIRECTORS' REPORT (continued)

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF
THE CORPORATIONS ACT 2001**

The Directors have received the Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001.

The Lead Auditor's Independence Declaration is set out on page 20 and forms part of the Directors' Report for the half-year ended 31 December 2008.

ROUNDING

The Qantas Group is of the kind referred to in Australian Securities Investment Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Signed pursuant to a Resolution of the Directors:



LEIGH CLIFFORD
Chairman



ALAN JOYCE
Chief Executive Officer

Sydney
4 February 2009

CONSOLIDATED INCOME STATEMENT
for the half-year ended 31 December 2008

	Note	December 2008 \$m	December 2007 \$m
Sales and other income			
Net passenger revenue		6,443	6,488
Net freight revenue		523	490
Tours and travel revenue	2	106	72
Contract work revenue		206	226
Other		641	509
		7,919	7,785
Expenditure			
Manpower and staff related		1,938	1,719
Aircraft operating variable		1,558	1,370
Fuel		2,193	1,707
Selling and marketing		393	331
Property		203	171
Computer and communication		215	236
Capacity hire		151	134
Ineffective and non-designated derivatives - closed positions		63	15
Other		62	303
Depreciation and amortisation		660	766
Non-cancellable operating lease rentals		214	200
Share of net profit of associates and jointly controlled entities		(5)	(17)
		7,645	6,935
Operating result		274	850
Ineffective and non-designated derivatives - open positions		(1)	(33)
Profit before related income tax expense and net finance revenue/costs		275	883
Finance income		115	142
Finance costs		(102)	(120)
Net finance revenue		13	22
Profit before related income tax expense	3, 4	288	905
Income tax expense	5	72	287
Profit for the half-year		216	618
Attributable to:			
Members of Qantas		210	618
Minority interest		6	-
		216	618
Earnings per share (EPS) attributable to members of			
Basic earnings per share (cents)		10.9	31.6
Diluted earnings per share (cents)		10.9	31.6

The Consolidated Income Statement is to be read in conjunction with the Notes to the Consolidated Interim Financial Statements set out on pages 11 to 18.

CONSOLIDATED BALANCE SHEET
for the half-year ended 31 December 2008

	December 2008	June 2008
Note	\$m	\$m
Current assets		
Cash and cash equivalents	2,831	2,599
Receivables	1,277	1,435
Other financial assets	2,236	1,076
Inventories	274	216
Assets classified as held for sale	-	41
Other	292	249
Total current assets	6,910	5,616
Non-current assets		
Receivables	637	532
Other financial assets	1,183	347
Investments accounted for using the equity method	424	404
Other investments	3	3
Property, plant and equipment	12,700	12,341
Intangible assets	629	448
Deferred tax assets	3	1
Other	8	8
Total non-current assets	15,587	14,084
Total assets	22,497	19,700
Current liabilities		
Payables	2,037	2,174
Interest-bearing liabilities	829	587
Other financial liabilities	2,037	960
Provisions	510	484
Current tax liabilities	14	113
Revenue received in advance	3,155	3,267
Deferred lease benefits/income	17	19
Total current liabilities	8,599	7,604
Non-current liabilities		
Interest-bearing liabilities	5,378	3,573
Other financial liabilities	589	475
Provisions	511	423
Deferred tax liabilities	630	757
Revenue received in advance	1,100	1,083
Deferred lease benefits/income	42	50
Total non-current liabilities	8,250	6,361
Total liabilities	16,849	13,965
Net assets	5,648	5,735
Equity		
Issued capital	4,168	3,976
Treasury shares	(82)	(61)
Reserves	265	454
Retained earnings	1,248	1,362
Equity attributable to members of Qantas	5,599	5,731
Minority interest	49	4
Total equity	5,648	5,735

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Consolidated Interim Financial Statements set out on pages 11 to 18.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2007

	Issued Capital \$m	Treasury Shares \$m	Employee Compensation Reserve \$m	Hedge Reserve \$m	Asset Revaluation Reserve \$m	Foreign Currency Reserve \$m	Retained Earnings \$m	Minority Interest \$m	Total Equity \$m
Balance at 1 July 2007	4,481	(33)	27	120	4	(3)	1,038	6	5,640
Net profit for the half-year	-	-	-	-	-	-	618	-	618
Share-based payments	-	-	41	-	-	-	-	-	41
Transfer from hedge reserve to Income Statement	-	-	-	(22)	-	-	-	-	(22)
Recognition of effective cash flow hedges on capitalised assets	-	-	-	25	-	-	-	-	25
Effective portion of changes in fair value of cash flow hedges	-	-	-	116	-	-	-	-	116
Foreign currency translation of controlled entities	-	-	-	-	-	-	-	-	-
Total recognised income and expense	-	-	41	119	-	-	618	-	778
Shares bought back	(410)	-	-	-	-	-	-	-	(410)
Own shares acquired	-	(71)	-	-	-	-	-	-	(71)
Shares vested to employees	-	39	(35)	-	-	-	(4)	-	-
Acquisition of minority interest in controlled entity	-	-	-	-	-	-	-	(1)	(1)
Dividends declared	-	-	-	-	-	-	(298)	-	(298)
Balance as at 31 December 2007	4,071	(65)	33	239	4	(3)	1,354	5	5,638

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Interim Financial Statements set out on pages 11 to 18.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
for the half-year ended 31 December 2008

	Issued Capital \$m	Treasury Shares \$m	Employee Compensation Reserve \$m	Hedge Reserve \$m	Asset Revaluation Reserve \$m	Foreign Currency Reserve \$m	Retained Earnings \$m	Minority Interest \$m	Total Equity \$m
Balance at 1 July 2008	3,976	(61)	53	421	4	(24)	1,362	4	5,735
Net profit for the half-year	-	-	-	-	-	-	210	6	216
Share-based payments	-	-	47	-	-	-	-	-	47
Transfer from hedge reserve to Income Statement	-	-	-	(310)	-	-	-	-	(310)
Recognition of effective cash flow hedges on capitalised assets	-	-	-	(46)	-	-	-	-	(46)
Effective portion of changes in fair value of cash flow hedges	-	-	-	119	-	-	-	-	119
Foreign currency translation of controlled entities	-	-	-	-	-	37	-	-	37
Total recognised income and expense	-	-	47	(237)	-	37	210	6	63
Own shares acquired	-	(59)	-	-	-	-	-	-	(59)
Shares vested to employees	-	38	(36)	-	-	-	(2)	-	-
Minority interest on acquisition of controlled entity	-	-	-	-	-	-	-	39	39
Dividends declared	192	-	-	-	-	-	(322)	-	(130)
Balance as at 31 December 2008	4,168	(82)	64	184	4	13	1,248	49	5,648

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Consolidated Interim Financial Statements set out on pages 11 to 18.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2008

	December 2008 \$m	December 2007 \$m
Cash Flows from Operating Activities		
Cash receipts in the course of operations	8,156	8,312
Cash payments in the course of operations	(7,474)	(6,714)
Interest received	108	125
Interest paid	(204)	(208)
Dividends received	10	9
Income taxes paid	(218)	(230)
Net cash from operating activities	378	1,294
Cash Flows from Investing Activities		
Payments for property, plant and equipment and intangible assets	(1,380)	(818)
Proceeds from disposal of property, plant and equipment	373	12
Proceeds from disposal of investments	-	106
Payments for controlled entities, net of cash acquired	16	(13)
Payments for investments, net of cash acquired	-	(34)
Net cash used in investing activities	(991)	(747)
Cash Flows from Financing Activities		
Payments under share buy-back ¹	-	(410)
Repurchase of own shares	(59)	(71)
Repayment of borrowings	(154)	(257)
Proceeds from borrowings	1,159	-
Proceeds from swaps	39	31
Net receipts/(payments) from aircraft security deposits	(1)	2
Dividends paid ²	(139)	(295)
Net cash used in financing activities	845	(1,000)
Net increase in cash and cash equivalents held	232	(453)
Cash and cash equivalents at the beginning of the half-year	2,599	3,363
Cash and cash equivalents at the end of the half-year	2,831	2,910

1 The number of shares bought back during the prior half-year was 71.1 million.

2 During the half-year 55.2 million (2007: nil) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the half-year totalled \$192 million (2007: nil). Dividends paid in the current period include \$9 million paid to the minority shareholders of Jetset Travelworld Limited.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2008

Note 1. Statement of Significant Accounting Policies

(a) Reporting entity

Qantas Airways Limited (Qantas) is a company domiciled in Australia. The Consolidated Interim Financial Report (Financial Report) of Qantas as at and for the six months ended 31 December 2008 comprises Qantas and its subsidiaries (Qantas Group) and the Qantas Group's interest in associates and jointly controlled entities.

The consolidated Annual Financial Report of the Qantas Group as at and for the year ended 30 June 2008 is available upon request from the registered office of Qantas at Qantas Centre, Level 9 Building A, 203 Coward Street, Mascot NSW 2020, Australia or at www.qantas.com.au.

(b) Statement of compliance

The Financial Report is presented in Australian dollars and is a general purpose Financial Report which has been prepared in accordance with *AASB 134: Interim Financial Reporting* and the Corporations Act. International Financial Reporting Standards (IFRSs) form the basis of Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB). The Financial Report of the Qantas Group also complies with International Accounting Standard *IAS 34: Interim Financial Reporting*.

The Financial Report does not include all of the information required for a full Annual Financial Report and should be read in conjunction with the consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2008. This report should also be read in conjunction with any public announcements made by Qantas during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

This Financial Report was approved by the Board of Directors on 4 February 2009.

The Qantas Group is of the kind referred to in Australian Securities Investment Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by Class Order 05/641 effective 28 July 2005 and Class Order 06/51 effective 31 January 2006) and in accordance with the Class Order, amounts in the Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

(c) Significant accounting policies

Except as disclosed in Note 2, the accounting policies applied by the Qantas Group in this Financial Report are the same as those applied by the Qantas Group in the consolidated Financial Report for the year ended 30 June 2008.

(d) Comparatives

Where applicable, various comparative balances have been reclassified to align with current year presentation. These amendments have no material impact on the Financial Statements.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 for the half-year ended 31 December 2008

Note 1. Statement of Significant Accounting Policies (continued)

(e) Estimates

The preparation of the Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Financial Report, the significant judgements made by management in applying the Qantas Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the consolidated Annual Financial Report for the year ended 30 June 2008.

Note 2. Change in Accounting Policy

During the six months ended 31 December 2008 the Qantas Group has elected to change the presentation of Tours and Travel revenue and cost of goods sold to be reported on a net basis rather than a gross basis. This change was adopted for the following reasons:

- (i) following the merger of Qantas Holidays with Jetset Travelworld Limited, the Qantas Group was required to review and align the accounting policies of the merged entity. Jetset Travelworld Limited reported revenues predominantly on a net basis; and
- (ii) the change in accounting policy is a more relevant presentation of revenue for the Group's holidays businesses following the merger with Jetset Travelworld Limited.

The impact of this change in accounting policy on the comparative income statement for the six months ended 31 December 2007 is set out below:

	Previously Reported December 2007 \$m	Effect of change in accounting policy \$m	Restated December 2007 \$m
Sales and other income			
Tours and travel revenue	413	(342)	72
Expenditure			
Tours and travel	342	(342)	-
Net profit after tax	618	-	618

There is no impact on profit or shareholders' equity as a result of this change in accounting policy.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2008

Note 3. Segment Reporting

Business segments

The Qantas Group comprises the following main operating segments:

1. Qantas Representing the Qantas domestic and international airline and QantasLink regional flying businesses. These businesses are supported by the Qantas Engineering and Services businesses, including Airports, QCatering and Qantas Group Flight Training.
2. Jetstar Representing the Jetstar domestic and international flying businesses, as well as the Qantas Group's investments in Asian low-cost carriers under the Jetstar brand.
3. Qantas Freight Representing the air cargo freight and domestic express freight businesses as well as the Qantas Group's investments in Australian and International express freight businesses.
4. Qantas Frequent Flyer Representing the Qantas Frequent Flyer customer loyalty program.
5. Jetset Travelworld Group Representing the Qantas Group's interest in Jetset Travelworld Group, incorporating Jetset Travelworld, Qantas Holidays Australia and Qantas Business Travel.

Costs associated with the centralised management and governance of the Qantas Group, together with certain items which are not allocated to business segments, are reported in Corporate/Unallocated.

Intersegment revenue has been determined on an arm's length basis or a cost plus margin basis depending on the nature of the revenue and the financial impact on the segment receiving the revenue. Ancillary and support services are allocated to segments on a cost only basis.

Foreign currency and fuel hedging gains and losses are allocated to business segments based on the economic outcome of the hedging strategies. Differences between this economic allocation and the accounting gains and losses arising from effective and ineffective hedging are reported in Qantas.

Interest and other financing revenue and expenses has been attributed to business segments based on monthly average working capital balances in each segment.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2008

Note 3. Segment Reporting (continued)

Analysis by Business Segments	Qantas ¹		Jetstar ²		Qantas Frequent Flyer		Qantas Freight		Jetset Travelworld Group ³		Corporate / Unallocated		Eliminations		Consolidated	
	\$m		\$m		\$m		\$m		\$m		\$m		\$m		\$m	
	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07	Dec 08	Dec 07
Sales and other income																
External segment revenue	6,164	6,367	798	712	482	399	627	587	66	60	22	38	(240)	(378)	7,919	7,785
Inter-segment revenue	393	319	105	115	-	-	1	-	16	(5)	46	23	(561)	(452)	-	-
Total sales and other income	6,557	6,686	903	827	482	399	628	587	82	55	68	61	(801)	(830)	7,919	7,785
Operating result	243	853	61	132	73	62	49	53	17	15	(190)	(272)	21	7	274	850
Ineffective derivatives - open positions	1	33	-	-	-	-	-	-	-	-	-	-	-	-	1	33
Profit before related income tax expense and net finance revenue/costs 1	244	886	61	132	73	62	49	53	17	15	(190)	(272)	21	7	275	883
Net finance revenue/(costs)	(45)	(50)	11	7	46	52	(8)	(7)	5	7	4	13	-	-	13	22
Profit before related income tax expense	199	836	72	139	119	114	41	46	22	22	(186)	(259)	21	7	288	905
Income tax expense															(72)	(287)
Profit After Tax															216	618
Minority Interests															(6)	-
Profit for the half-year															210	618
Included in the segment results above are:																
- Share of net profit of associates and jointly controlled entities	6	6	(5)	-	-	-	4	13	-	-	0	(2)	-	-	5	17
- Depreciation and amortisation	(547)	(627)	(7)	(4)	-	-	(7)	(5)	(3)	-	(94)	(134)	(0)	(0)	(660)	(771)
- Gain on merger of Qantas Holidays / Jetset Travelworld Group	86	-	-	-	-	-	-	-	-	-	-	-	-	-	86	-
- Accelerated depreciation and asset writedowns	(28)	(50)	-	-	-	-	-	-	-	-	-	-	-	-	(28)	(50)
- Provisions and impairment losses	(45)	-	-	-	-	-	-	-	-	-	(47)	(67)	-	-	(92)	(67)

¹ Catering segment is now reported under the Qantas segment to align with internal reporting.

² Jetstar segment results now include Express Ground Handling following the reallocation of management responsibility to Jetstar. Prior Year results have been restated to reflect this.

The prior year results for Jetstar have been restated to include liquidated damages revenue relating to the B787 aircraft.

³ The prior year results for Jetset Travelworld Group have been restated to include only Qantas Holidays Australia due to the merger in July 2008.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2008

December 2008 \$m	December 2007 \$m
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Note 4. Profit Before Related Income Tax Expense

Included in profit before related income tax expense are the following items which are considered unusual because of their size, nature or incidence.

a) Gain on merger of Qantas Holidays/Jetset Travelworld Group	86	-
<p>In July 2008, the Qantas Group completed the merger of Qantas Holidays and Qantas Business Travel with Jetset Travelworld Limited, resulting in the Qantas Group owning 58% of the merged group. A gain of \$86 million was recorded as a result of the effective disposal of 42% of Qantas Holidays and Qantas Business Travel. Refer to Note 9 for further details.</p>		
b) Accelerated depreciation and asset write-downs	(28)	(50)
<p>As a result of capacity reductions announced during the period, as well as the impact of the current economic environment, asset write-downs of \$28 million have been recognised against the carrying value of certain aircraft. The prior year included \$50 million of accelerated depreciation on certain aircraft.</p>		
c) Provisions and impairment losses	(92)	(67)
<p>Additional provisions and impairment losses have been recognised against certain other financial assets, employee benefits and other provisions predominantly due to changes in market driven estimates. The prior period includes \$67 million in relation to estimated liabilities associated with freight cartel investigations.</p>		

Note 5. Income Tax Expense

Profit before related income tax expense	288	905
Prima facie income tax expense @ 30%	86	272
Add: non-deductible freight penalties	4	19
Less: non assessable gain on sale of Qantas Holidays	(26)	-
Add/(less): other items	8	(4)
Income tax expense	72	287

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2008

Note 6. Investments Accounted for Using the Equity Method

	Ownership Interest held		Contribution to net profit	
	Dec 2008	Dec 2007	December 2008	December 2007
	%	%	\$m	\$m
Air Pacific Limited	46.3	46.3	4	4
Australian air Express Pty Limited	50.0	50.0	(2)	7
Fiji Resorts Limited	20.6	20.6	1	-
Hallmark Aviation Services LP	49.0	49.0	1	1
Harvey Holidays Pty Limited	50.0	50.0	-	-
HT & T Travel (Phillipines) Inc.	28.1	28.1	-	-
Holidays Tours and Travel (Thailand) Ltd	36.8	36.8	-	-
Holidays Tours and Travel Vietnam Joint Venture Company	36.8	36.8	-	-
Jetstar Pacific Airlines Aviation Joint Stock Company ¹	18.0	18.0	(4)	-
Jupiter Air Oceania Limited ²	-	47.6	-	-
LTQ Engineering Pty Limited ³	50.0	-	(1)	-
Orangestar Investment Holdings Pte Limited	45.0	45.0	-	-
PT Holidays and Travel	36.8	-	-	-
Star Track Express Holdings Pty Limited	50.0	50.0	6	7
Tour East (TET) Ltd.	36.8	36.8	-	-
Travel Software Solutions Pty Limited	50.0	50.0	-	(2)
Total			5	17

- 1 Qantas acquired 18 per cent of of this entity on 31 July 2007. Qantas exerts significant influence over the entity given its Board representation and provision of operational and management personnel.
- 2 The Qantas Group acquired the remaining 52.4 per cent interest in Jupiter Air Oceania Limited on 18 June 2008 and ceased to equity account the results of the company from this date.
- 3 On 1 July 2008, the Qantas Group sold 50 per cent of LTQ Engineering Pty Limited (formerly Jet Turbine Services Pty Limited) to Lufthansa Technik. The remaining 50 per cent has been equity accounted since 1 July 2008.

Note 7. Other Financial Assets and Liabilities

Other financial assets and liabilities includes derivative instruments used to hedge financial exposures. The movement in these balances is driven by changes in market variables, including foreign exchange and fuel price, as well as changes in underlying hedge positions. During the six months ended 31 December 2008, significant fluctuations in foreign exchange rates and crude oil prices resulted in substantial changes in other financial assets and liabilities such that net other financial assets and liabilities have increased from a net liability of \$12 million at 30 June 2008 to a net asset of \$793 million at 31 December 2008.

Counterparty credit risk associated with this balance sheet movement is monitored and managed in accordance with Board approved policy. Qantas minimises the concentration of credit risk by undertaking transactions with a large number of customers and counterparties in various countries.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2008

	December 2008 \$m	June 2008 \$m
Note 8. Interest-bearing Liabilities		
Current		
Bank loans		
- secured	313	211
Other loans - unsecured		
Related parties		
- associates and jointly controlled entities	4	3
Other parties	422	306
Lease and hire purchase liabilities		
- other parties	90	67
Total current interest-bearing liabilities	829	587
Non-current		
Bank loans		
- secured	2,670	1,481
- unsecured	629	629
Other loans - unsecured		
- other parties	1,426	925
Lease and hire purchase liabilities		
- other parties	653	539
Total non-current interest bearing liabilities	5,378	3,573
Total interest-bearing liabilities	6,207	4,160

The movements in Interest-bearing liabilities includes \$1.1 billion of new borrowings drawn during the six months to 31 December 2008. Other movements in Interest-bearing liabilities include the repayment and revaluation of existing borrowings. Foreign exchange revaluations of borrowings are partly offset by the revaluation of interest rate derivatives which are included in Other financial assets and liabilities.

Note 9. Business Acquisitions

Merger of Qantas Holidays and Qantas Business Travel with Jetset Travelworld

On 25 July 2008, the Qantas Group completed the acquisition of a 58 per cent controlling interest in Jetset Travelworld Limited in exchange for the disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Limited. On completion of the transaction, the Qantas Group recognised a net gain on disposal of 42 per cent of Qantas Holidays Limited and Qantas Business Travel Pty Limited of \$86 million before tax. The impact of this acquisition on the Qantas Group balance sheet is set out below:

	Pre-acquisition carrying value \$m	Fair value adjustments \$m	Post- acquisition carrying value \$m
Cash and cash equivalents	29	-	29
Receivables	21	-	21
Property, plant and equipment	2	-	2
Goodwill	-	65	65
Identifiable intangible assets	-	75	75
Other current and non-current assets	1	-	1
Payables	(25)	-	(25)
Provisions	(11)	-	(11)
Deferred tax liabilities	(1)	(23)	(24)
Minority interests	-	(39)	(39)
Net asset impact of acquisition	16	78	94

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
for the half-year ended 31 December 2008

Note 10. Dividends

A fully franked final dividend of 17 cents (2007: 15 cents fully franked) per ordinary share was declared on 21 August 2008 and paid on 1 October 2008 in relation to the financial year ended 30 June 2008. The total amount of the dividend declared was \$322 million. On 21 August 2008, the Board approved the reinstatement of the Dividend Reinvestment Plan with effect from the payment of the 30 June 2008 final dividend.

Note 11. Capital Expenditure Commitments

	December 2008 \$m	June 2008 \$m
Capital expenditure commitments contracted but not provided for in the Financial Statements, payable:		
Not later than June 2009	704	2,492
Later than June 2009 but not later than June 2014	13,009	9,070
Later than June 2014	6,137	5,252
	<u>19,850</u>	<u>16,814</u>

The increase in commitments is reflective of exchange rate movements since 30 June 2008, as the majority of the Group's commitments are denominated in US dollars.

Note 12. Contingent Liabilities

Qantas is required to purchase additional shares in Jetstar Pacific where certain conditions precedent are met. These conditions are approaching completion and Qantas is highly likely to purchase additional shares. The contingent asset and liability totals US\$15 million within one year and another US\$5 million within two years.

There have been no other material changes to contingent liabilities since 30 June 2008.

Note 13. Post Balance Date Events

The Directors declared a fully franked interim dividend of six cents per ordinary share on 3 February 2009 in relation to the financial year ending 30 June 2009. The total amount of the dividend declared was \$117 million, based on the number of shares on issue at 31 December 2008.

On 4 February 2009, the Directors approved the immediate launch of an equity capital raising through a combination of an underwritten institutional placement of a minimum of \$500 million and a non-underwritten share purchase plan.

With the exception of the items disclosed above, there has not arisen in the interval between 31 December 2008 and the date of this report, any event that would have had a material effect on the Financial Statements at 31 December 2008.



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Qantas Airways Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2008 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Martin Sheppard
Partner

Sydney

4 February 2009

DIRECTORS' DECLARATION

In the opinion of the Directors of Qantas Airways Limited:

- (a) the financial statements and notes set out on pages 6 to 19, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Qantas Group as at 31 December 2008 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that Qantas Airways Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

Signed pursuant to a Resolution of the Directors:



LEIGH CLIFFORD
Chairman



ALAN JOYCE
Chief Executive Officer

Sydney
4 February 2009



Independent auditor's review report to the members of Qantas Airways Limited

Report on the financial report

We have reviewed the accompanying half-year financial report of Qantas Airways Limited, which comprises the consolidated interim balance sheet as at 31 December 2008, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 13 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half year financial report

The directors of Qantas are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Qantas Airways Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Qantas Airways Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) Complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.



KPMG



Martin Sheppard
Partner

Sydney

4 February 2009

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

OPERATIONAL STATISTICS

for the half-year ended 31 December 2008

(Unaudited)		Half-Year Ended December 2008	Half-Year Ended December 2007	Percentage Increase/ (Decrease)
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	3,856	4,183	(7.8)
Revenue passenger kilometres (RPK)	m	28,261	30,140	(6.2)
Available seat kilometres (ASK)	m	35,054	36,204	(3.2)
Revenue seat factor	%	80.6	83.3	(2.7) pts
Revenue freight tonne kilometres (RFTK)	m	1,186	1,355	(12.5)
QANTAS DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	8,505	8,904	(4.5)
Revenue passenger kilometres (RPK)	m	12,402	12,946	(4.2)
Available seat kilometres (ASK)	m	15,473	15,644	(1.1)
Revenue seat factor	%	80.2	82.8	(2.6) pts
QANTASLINK - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	2,142	2,179	(1.7)
Revenue passenger kilometres (RPK)	m	1,553	1,468	5.8
Available seat kilometres (ASK)	m	2,197	1,966	11.7
Revenue seat factor	%	70.7	74.7	(4.0) pts
JETSTAR INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	951	759	25.3
Revenue passenger kilometres (RPK)	m	3,945	3,431	15.0
Available seat kilometres (ASK)	m	5,283	4,659	13.4
Revenue seat factor	%	74.7	73.6	1.1 pts
JETSTAR DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	4,186	3,758	11.4
Revenue passenger kilometres (RPK)	m	4,727	4,276	10.5
Available seat kilometres (ASK)	m	5,846	5,154	13.4
Revenue seat factor	%	80.9	83.0	(2.1) pts
QANTAS GROUP OPERATIONS				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	19,639	19,783	(0.7)
Revenue passenger kilometres (RPK)	m	50,889	52,261	(2.6)
Available seat kilometres (ASK)	m	63,853	63,627	0.4
Revenue seat factor	%	79.7	82.1	(2.4) pts
Aircraft in service at period end ¹	#	226	216	10 units
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	¢	12.08	11.94	1.2
<u>EMPLOYEES</u>				
Average full-time equivalent employees	#	34,110	33,342	2.3
RPK per employee	000	2,975	3,109	(4.3)
ASK per employee	000	3,733	3,785	(1.4)

¹ Includes three aircraft that are not in operational service.

QANTAS AIRWAYS LIMITED

ABN 16 009 661 901

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

as at 31 December 2008

(Unaudited)	As at December 2008 \$m	As at June 2008 \$m
Balance sheet equity	5,648	5,735
Hedge reserve	184	421
Equity excluding hedge reserve	5,464	5,314
On balance sheet debt ¹		
Current debt	829	587
Non-current debt ²	5,378	3,573
Cash and cash equivalents ³	(2,881)	(2,636)
Fair value of hedges relating to debt ⁴	(112)	245
Net on balance sheet debt	3,214	1,769
Off balance sheet debt		
Non-cancellable operating leases ⁵	3,259	2,852
Net debt including off balance sheet debt	6,473	4,621
Revaluation of foreign currency debt ⁶	(619)	58
Net debt including off balance sheet debt adjusted for revaluation	5,854	4,679
Balance sheet including off balance sheet debt		
Adjusted total assets ⁷	25,684	22,626
Adjusted total liabilities	20,120	16,822
Total equity including hedge reserve	5,564	5,804
Less: hedge reserve	184	421
Total equity excluding hedge reserve	5,380	5,383
Net debt to net debt and equity	36 : 64	24 : 76
Net debt to net debt and equity (including off balance sheet debt excluding hedge reserve)	55 : 45	46 : 54
Net debt to net debt and equity (including off balance sheet debt adjusted for revaluation excluding hedge reserve)	52 : 48	47 : 53

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, term deposits and aircraft security deposits.
4. Fair value of hedges relating to debt represents the fair value of derivatives hedging debt in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*.
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. Revaluation of foreign currency borrowings. These borrowings will be repaid by future surplus foreign currency revenue.
7. 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

ADJUSTED NET BORROWING COSTS

as at 31 December 2008

(Unaudited)	Half-Year Ended December 2008 \$m	Half-Year Ended December 2007 \$m
Borrowing costs		
Net borrowing (revenue)/costs	(13)	(22)
Unwind of discount on non-current provisions	(18)	(13)
Unwind of discount on non-current receivables	19	11
Capitalised interest	45	47
Interest on non-cancellable operating leases	166	120
Adjusted net borrowing costs	199	143
Interest cover	(21.0)	(40.0)
Average net debt*		
Average net debt including off balance sheet debt	5,547	4,073
Adjusted net borrowing costs as a percentage of:		
Average net debt including off balance sheet debt	3.6	3.5
* Average net debt balances are calculated on a weighted average basis.		