QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2010

ABN 16 009 661 901

ASX CODE: QAN

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

Qantas Airways Limited (Qantas) and its controlled entities (the Qantas Group or Group) Results for Announcement to the Market are detailed below.

	December 2010 $M	December 2009 $M	Change $M	Change %
Sales and other income	7,591	6,909	682	10
Statutory profit after tax	239	60	179	298
Statutory profit after tax attributable to members of Qantas	241	58	183	316
Underlying profit before income tax expense	417	267	150	56

DIVIDENDS

No interim dividend will be paid in relation to the half-year ended 31 December 2010.

EXPLANATION OF RESULTS

Please refer to the separately lodged Media Release for the explanation of the results.

This information should be read in conjunction with the Qantas Airways Limited 2010 Annual Report and Consolidated Interim Financial Report for the half-year ended 31 December 2010.

The information provided in this report contains all the information required by ASX Listing Rule 4.2A.

OTHER INFORMATION

	December 2010 $	June 2010 $
Net tangible assets per ordinary share	2.42	2.35

OTHER INFORMATION (continued)

Entities over which control was gained and lost during the period

The Qantas Group incorporated the following entities during the period:

- QF ECA A380 2010 No.1 Pty Limited was incorporated on 20 September 2010.
- QF ECA A380 2010 No.2 Pty Limited was incorporated on 20 September 2010.
- QF ECA A380 2010 No.3 Pty Limited was incorporated on 20 September 2010.
- QF ECA A380 2010 No.4 Pty Limited was incorporated on 20 September 2010.
- QF ECA A380 2011 No.1 Pty Limited was incorporated on 20 September 2010.
- QF ECA A380 2011 No.2 Pty Limited was incorporated on 20 September 2010.
- A.C.N 147 543 806 Pty Limited was incorporated on 25 November 2010.

The Qantas Group lost control over the following entities during the period:

- As a result of the Jetset Travelworld Group merger with Stella Travel Services on 30 September 2010, the Qantas Group's shareholding in Jetset Travelworld Group reduced from 58 per cent to 29 per cent. As a consequence, the Qantas Group lost control of the following entities:

    - Jetset Travelworld Ltd
    - A.B.N. 23 124 732 136 Pty Limited
    - Business Select Pty Limited
    - Jetset Pty Ltd
    - JTG Corporate Pty Limited
    - JTG Services Pty Limited
    - JTG Travel Insurance Pty Limited
    - National Cruise Centre Pty Limited
    - National Ticket Centre Pty Ltd
    - Orient Pacific Holidays Pty Limited
    - Qantas Holidays Limited
    - Qantas Business Travel Pty Limited
    - Ready Travel Pty Limited
    - Traveland Pty Limited
    - Travelworld Pty Ltd

- The DPEX Group, comprising the following entities, was sold on 9 August 2010:

    - Qantas Freight Holdings Pty Limited
    - Qantas Freight Asia Holdings Pte. Limited
    - Asia Express Holdings Pte. Ltd.
    - DPEX Transport Group Pte. Ltd.
    - DPEX Worldwide Express Pte. Ltd.
    - DPEX Worldwide Express Ltd
    - Kilda Express Pte Ltd
    - DPEX Worldwide Co. Ltd

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2010 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 *Chairman*	*Director since 9 August 2007 – appointed Chairman on 14 November 2007*
Alan Joyce *Chief Executive Officer*	*Director since 28 July 2008 – appointed Chief Executive Officer on 28 November 2008*
Peter Cosgrove, AC, MC	*Director since 6 July 2005*
Patricia Cross	*Director since 1 January 2004*
Richard Goodmanson	*Director since 19 June 2008*
Garry Hounsell	*Director since 1 January 2005*
Paul Rayner	*Director since 16 July 2008*
John Schubert	*Director since 23 October 2000*
James Strong, AO	*Director since 1 July 2006*
Barbara Ward	*Director since 19 June 2008*

REVIEW OF OPERATIONS

Highlights of the half-year result include:
- Underlying Profit before Tax up 56 per cent and operating cash flows up by 54 per cent
- Strong growth across all operating segments
- Record results for Jetstar and Qantas Frequent Flyer
- Result achieved despite financial impact of A380 disruptions
- Strong revenue growth of 10 per cent achieved through expansion of capacity and continued improvement in yield

Underlying PBT Result Up 56 Per Cent

The Qantas Group reported an Underlying PBT of $417 million for the half-year ended 31 December 2010, an increase of 56 per cent on the prior corresponding period of $267 million.

This result was achieved while overcoming significant operational challenges during the period including disruptions to the A380 network from November. No financial settlement from Rolls-Royce has been reflected in the results.

Segment Performance Summary

$M	December 2010	December 2009	Change $	Change %
Qantas	165	60	105	175
Jetstar	143	121	22	18
Qantas Frequent Flyer	189	157	32	20
Qantas Freight	41	17	24	141
Jetset Travelworld Group	3	5	(2)	(40)
Corporate/Unallocated	(94)	(67)	(27)	40
Eliminations	5	14	(9)	(64)
Underlying EBIT	**452**	**307**	**145**	**47**
Underlying net finance costs	(35)	(40)	5	(13)
Underlying PBT	**417**	**267**	**150**	**56**

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Strong Growth in all Operating Segments

All operating segments have improved contributions to Underlying PBT, delivering strong growth compared to the prior corresponding period. Qantas and Qantas Freight achieved growth in excess of 100 percent. Both Jetstar and Qantas Frequent Flyer delivered record half-year results.

Capacity and Yield Recovery

Despite the challenges presented during the period, the Group achieved strong revenue growth. Total revenue for the half-year increased 10 per cent from $6,909 million to $7,591 million. Average yields, excluding foreign exchange (FX) movements, increased by 7 per cent reflecting the continued improvement in premium business following the Global Financial Crisis. Capacity increased 7 per cent following the addition of 22 aircraft to the Group fleet between 31 December 2009 and 31 December 2010.

The Group's revenue performance has been supported by maintaining the Group's target of 65 per cent share of the domestic Australian market, industry leading on time performance, and continued efforts to improve and ensure customer safety and satisfaction. Qantas Frequent Flyer's record result has been built on continuing robust growth in members and program affiliates.

Expenses for the half-year were $7,227 million, an increase of 7 per cent from the prior corresponding period of $6,766 million. Cost increases were in line with the Group's capacity growth of 7 per cent. However fuel costs increased by 10 per cent, impacted by higher average fuel prices in the current period compared to the prior corresponding period.

The Rolls-Royce A380 engine disruptions and associated loss of capacity unfavourably affected unit cost in the first-half. After allowing for the effects of A380 disruptions and reduced average sector length the Comparable Net Underlying Unit Cost performance is favourable by 1 per cent.

Operating Statistics		December 2010	December 2009	Change	Change
Available Seat Kilometres (ASKs)[1]	M	66,821	62,476	4,345	7%
Revenue Passenger Kilometres (RPKs)[2]	M	54,592	51,494	3,098	6%
Passenger Numbers	'000	22,948	21,038	1,910	9%
Seat Factor	%	81.7	82.4		(0.7)pts
Yield (Excluding FX)	c/RPK	11.0	10.3	0.7	7%
Net Underlying Unit Cost[3]	c/ASK	5.76	5.72	0.04	1%
Comparable Net Underlying Unit Cost[4]	c/ASK	5.65	5.72	(0.07)	(1)%

[1] ASK – total number of seats available for passengers, multiplied by the number of kilometres flown
[2] RPK – total number of paying passengers carried, multiplied by the number of kilometres flown
[3] Net Underlying Unit Cost – Underlying PBT less Passenger Revenue, fuel and Frequent Flyer change in accounting estimate per ASK
[4] Comparable Net Underlying Unit – Net Underlying Unit Cost adjusted for the impact of A380 disruptions and reduced average sector length

Capital Expenditure Supported by Strong Balance Sheet and Operating Cash Flows

Operating cash flows grew to $743 million, an increase of 54 per cent on the prior corresponding period result of $483 million, in line with the growth in earnings.

Qantas Group cash was $3,337 million at 31 December 2010, a decrease of $367 million from 30 June 2010 resulting from aircraft purchases partially funded from cash reserves and the deconsolidation of cash held in Jetset Travelworld Group.

$M	**December 2010**	**December 2009**	**Change $**	**Change %**
Cash at Beginning	3,704	3,617	87	2
Operating Cash Flow	743	483	260	54
Investing Cash Flow	(1,076)	(947)	(129)	14
Financing Cash Flow	(20)	345	(365)	(106)
Effect of Foreign Exchange on Cash	(14)	-	(14)	-
Cash at Half-Year End	**3,337**	**3,498**	**(161)**	**(5)**

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Qantas has retained a strong balance sheet and a secure capital position while supporting substantial ongoing investment in the Group's portfolio of businesses.

The Group invested $1 billion in additional property, plant and equipment during the period. This includes the purchase of six aircraft, progress payments on a significant pipeline of future deliveries, and the introduction of Next Generation Check-In and other product investments.

A conservative approach to capital management and significant growth in Operating Cash Flows provide ongoing flexibility to manage medium term capital expenditure and funding requirements while preserving an investment grade credit rating. As at 31 December 2010, the Group's gearing ratio is 52 per cent.

$M	December 2010	June 2010	Change $	Change %
Net Debt[1]	2,558	2,209	349	16
Net Debt Including Off Balance Sheet Debt[2]	6,605	6,170	435	7
Equity (Excluding Hedge Reserves)	6,041	5,896	145	2
Gearing Ratio[3]	52:48	51:49		

[1] Includes fair value of hedges related to debt and aircraft security deposits
[2] Includes non-cancellable operating leases, excluding hedge reserves. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and is not consistent with the disclosure requirements of AASB117: *Leases*
[3] Gearing Ratio is Net Debt to Net Debt and Equity (including off balance sheet debt from operating leases excluding hedge reserves)

Fleet

The Group remains committed to a fleet strategy designed to provide for long term fleet renewal, simplification and growth. Qantas continues to have one of the world's largest aircraft order books, with 173 new aircraft to be delivered by FY2018.

These include 13 more A380 flagship aircraft for Qantas, and 50 B787 Dreamliners, with the first to be delivered to Jetstar in last quarter 2012. At 31 December 2010, the Qantas Group fleet comprised 266 aircraft.

During the half-year, the Group entered 13 new aircraft (6 purchased and 7 leased) into service:
- Qantas – 1 A380, 1 A330-200
- Jetstar, including Jetstar Asia – 10 A320-200s, 1 A330-200

The Group retired no aircraft during the half-year but did return one leased B747-400. Three aircraft are scheduled for retirement during the second-half of the year.

Product and Service

Across the Group, investment in customer product, service, training and innovation remains a core focus.

Key developments in the half-year for Qantas included the progressive roll-out of the faster, smarter domestic Next Generation Check-in – now available in Perth, Sydney and Melbourne. Planning also continues for the international fleet reconfiguration program that will commence later this year. It will see nine B747-400s upgraded to A380 product standards and the A380 fleet reconfigured over time to meet forecast changes in market demand.

While focused on its low fare leadership, Jetstar also continued its investment in innovation, including in the area of airport self-service and the introduction of iPads for inflight entertainment use.

Qantas

		December 2010	December 2009	Change $	Change
Total Revenue	$M	5,706	5,295	411	8%
Underlying EBIT	$M	165	60	105	175%
Seat Factor	%	82.4	83.1		(0.7)pts

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Qantas achieved an Underlying EBIT of $165 million for the half-year. The result is 175 per cent above the prior corresponding period, driven by a $411 million, or 8 per cent, increase in total revenue.

Qantas improved yield by 9 per cent, and increased capacity by 3.3 per cent demonstrating a strong revenue recovery across both international and domestic business. The result was achieved despite the significant operational and financial challenges of the A380 disruptions and northern hemisphere snow storms during the period.

QantasLink continued to deliver a strong contribution to the Qantas Airlines result with capacity growing 10.6 per cent. QantasLink has also added fly-in-fly-out charter capability with the acquisition of Network Aviation.

Looking ahead, Qantas is expecting to grow its domestic and international capacity, adding 4.5 per cent for domestic (including QantasLink) and 4.3 per cent in international capacity during the second-half. This includes the return of the A380 fleet to full program by March 2011.

QFuture

QFuture is the key business change program within Qantas, designed to position the airline for profitable growth. It involves transformational change across the airline, with total benefits of $1.5 billion targeted over the 3 years FY2010 to FY2012 to underpin unit cost reduction and margin improvement.

For the half-year, benefits of $173 million have been achieved (including Information Technology). The majority of the benefits were contributed by the Commercial, Customer & Marketing and Engineering divisions of the Qantas segment. Qantas is also on track to achieve the FY2011 target of $500 million and the $1.5 billion in benefits over three years.

Jetstar

		December 2010	December 2009	Change $	Change
Total Revenue	$M	1,346	1,131	215	19%
Underlying EBIT	$M	143	121	22	18%
Seat Factor	%	79.6	80.2		(0.6)pts

Jetstar achieved a record result for the period, with an Underlying EBIT of $143 million, an 18 per cent increase on the prior corresponding period.

Jetstar increased domestic capacity by 20 per cent and international capacity by 18 per cent, resulting in a net capacity increase of 19 per cent versus the prior corresponding period. Yield improvements and a 15 per cent increase in passenger numbers versus the prior corresponding period have resulted in an increase in Jetstar's revenue of $215 million (19 per cent).

Jetstar has also achieved continuing improvements in unit cost. Unit cost (excluding fuel) has fallen 2 per cent compared to the previous corresponding period.

Jetstar's record result reflects its status as one of the fastest growing airlines in Asia, the world's largest aviation market. Operations now span two continents and four countries, with 379 flights per day and growing. This growth will continue with the delivery of 15 B787s from late 2012.

Qantas Frequent Flyer

		December 2010	December 2009	Change $	Change %
Members	M	7,545	6,745	800	12
Total Revenue	$M	583	547	36	7
Underlying EBIT	$M	189	157	32	20
Normalisation Adjustment	$M	(82)	(78)	(4)	5
Normalised EBIT[1]	$M	107	79	28	36

[1] Normalised EBIT is a non-statutory measure which restates redemption revenue to the fair value of awards redeemed (removing the impact of the change in accounting estimate) and recognises the marketing revenue when a point is sold. This creates a comparable basis for the presentation of results.

DIRECTORS' REPORT (continued)

REVIEW OF OPERATIONS (continued)

Qantas Frequent Flyer achieved an Underlying EBIT of $189 million, which was $32 million higher than the prior corresponding period and Normalised EBIT growth of 36 per cent.

Qantas Frequent Flyer's result reflects positive growth in new members driven by the development of products and services with key business partners. Membership has increased 12 percent on the prior corresponding period to 7.5 million members.

Billings increased by 9 per cent compared to the prior corresponding period, driven by capacity increases across the flying businesses and additional revenue from new members.

The development of the Woolworths partnership in particular has contributed incremental airline revenue as well as growth in Woolworths' billings as the program matures. These outcomes highlight the value of Qantas' portfolio of businesses, and especially Qantas Frequent Flyer, in maximising the returns generated from the core flying brands.

Qantas Freight

		December 2010	December 2009	Change $	Change
Total Revenue	$M	545	494	51	10%
Underlying EBIT	$M	41	17	24	141%
Load Factor	%	60.3	59.9		0.4pts

Qantas Freight's Underlying EBIT of $41 million is more than double the $17 million from the prior corresponding period.

Qantas Freight's result reflects a recovery in economic activity from Global Financial Crisis lows as well as stronger volumes and yields, principally on key China/US routes. Yield has improved by 12 per cent (excluding foreign exchange) due to market recovery and higher fuel surcharges.

The domestic express freight market has also improved, resulting in higher earnings from the joint venture businesses Australian air Express and Star Track Express.

Statutory Result

$M	December 2010	December 2009	Change $
Underlying PBT	**417**	**267**	**150**
Non-Recurring Items	(50)	(48)	(2)
Ineffectiveness and Non-Designated Derivatives Relating to Other reporting periods	(45)	(129)	84
Statutory PBT	**322**	**90**	**232**

Statutory PBT has improved to $322 million from $90 million.

Statutory PBT includes ineffectiveness and non-designated derivative losses relating to other reporting periods.

Non-recurring items included in the half-year statutory result are:

- loss on disposal and other transaction costs relating to the Jetset Travelworld Group merger of $29 million;
- profit on sale of the DPEX Group of $5 million; and
- provisions for freight regulatory fines and third party actions of $26 million.

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 25 and forms part of the Directors' Report for the half-year ended 31 December 2010.

ROUNDING

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006). In accordance with the Class Order, all financial information presented has 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
17 February 2011

CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2010

	Note	December 2010 $M	December 2009 $M
Revenue and other income			
Net passenger revenue		6,188	5,576
Net freight revenue		447	397
Other	3	956	936
		7,591	**6,909**
Expenditure			
Manpower and staff related		1,880	1,730
Fuel		1,714	1,564
Aircraft operating variable		1,466	1,371
Depreciation and amortisation		606	575
Non-cancellable operating lease rentals		283	253
Ineffective and non-designated derivatives		28	95
Share of net profit of associates and jointly controlled entities		(17)	(1)
Other	3	1,267	1,179
		7,227	**6,766**
Statutory profit before income tax expense and net finance costs		**364**	**143**
Finance income		101	74
Finance costs		(143)	(127)
Statutory profit before income tax expense		**322**	**90**
Income tax expense	4	(83)	(30)
Statutory profit for the period		**239**	**60**
Attributable to:			
Members of Qantas		241	58
Non-controlling interests		(2)	2
Statutory profit for the period		**239**	**60**
Earnings per share attributable to members of Qantas:			
Basic/diluted earnings per share (cents)		10.6	2.6

	Note	December 2010 $M	December 2009 $M
Underlying PBT (Non-Statutory Measure)			
Statutory profit before income tax expense and net finance costs		**364**	**143**
Adjusted for:			
- Ineffectiveness and non-designated derivatives relating to other reporting periods	2	38	116
- Non-recurring items	2	50	48
Underlying profit before income tax expense and net finance costs (Underlying EBIT)	2	**452**	**307**
Adjusted for:			
- Statutory net finance costs	2	(42)	(53)
- Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs	2	7	13
Underlying profit before income tax expense (Underlying PBT)	2	**417**	**267**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2010

	December 2010 $M	December 2009 $M
Statutory profit for the period	**239**	**60**
Effective portion of changes in fair value of cash flow hedges, net of tax	(163)	(180)
Transfer of hedge reserve to Income Statement, net of tax[1]	11	28
Recognition of effective cash flow hedges on capitalised assets, net of tax	56	94
Foreign currency translation of controlled entities	(20)	(10)
Foreign currency translation of associates	(9)	(1)
Hedge reserve movement of associates, net of tax	-	7
Other comprehensive income for the period	**(125)**	**(62)**
Total comprehensive income for the period	**114**	**(2)**
Total comprehensive income attributable to:		
Members of Qantas	117	(4)
Non-controlling interests	(3)	2
Total comprehensive income for the period	**114**	**(2)**

[1]Amounts transferred from the hedge reserve to Income Statement totalled $11 million (2009: $28 million). These amounts were allocated against revenue of ($14) million (2009: $58 million), fuel expenditure of $2 million (2009: $99 million) and income tax benefit of $5 million (2009: $13 million) in the Income Statement.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	December 2010 $M	June 2010 $M
Current assets			
Cash and cash equivalents		3,337	3,704
Receivables		1,145	1,088
Other financial assets	6	317	233
Inventories		380	319
Income tax receivable		9	-
Assets classified as held for sale		32	91
Other		402	397
Total current assets		**5,622**	**5,832**
Non-current assets			
Receivables		360	407
Other financial assets	6	86	102
Investments accounted for using the equity method	5	490	378
Property, plant and equipment		12,932	12,516
Intangible assets		559	668
Other		6	7
Total non-current assets		**14,433**	**14,078**
Total assets		**20,055**	**19,910**
Current liabilities			
Payables		1,766	1,750
Revenue received in advance		2,961	3,167
Interest-bearing liabilities	7	540	619
Other financial liabilities	6	473	242
Provisions		476	448
Deferred lease benefits		6	11
Liabilities classified as held for sale		-	4
Total current liabilities		**6,222**	**6,241**
Non-current liabilities			
Revenue received in advance		1,051	1,067
Interest-bearing liabilities	7	4,989	5,099
Other financial liabilities	6	437	231
Provisions		575	560
Deferred tax liabilities		740	715
Deferred lease benefits		11	16
Total non-current liabilities		**7,803**	**7,688**
Total liabilities		**14,025**	**13,929**
Net assets		**6,030**	**5,981**
Equity			
Issued capital		4,729	4,729
Treasury shares		(104)	(54)
Reserves		6	109
Retained earnings		1,396	1,155
Equity attributable to the members of Qantas		**6,027**	**5,939**
Non-controlling interests		3	42
Total equity		**6,030**	**5,981**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2010

$M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2010	4,729	(54)	53	85	(29)	1,155	42	5,981
Total comprehensive income for the period								
Statutory profit	-	-	-	-	-	241	(2)	239
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(163)	-	-	-	(163)
Transfer of hedge reserve to Income Statement, net of tax	-	-	-	11	-	-	-	11
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	56	-	-	-	56
Foreign currency translation of controlled entities	-	-	-	-	(19)	-	(1)	(20)
Foreign currency translation of associates	-	-	-	-	(9)	-	-	(9)
Total other comprehensive income	**-**	**-**	**-**	**(96)**	**(28)**	**-**	**(1)**	**(125)**
Total comprehensive income for the period	**-**	**-**	**-**	**(96)**	**(28)**	**241**	**(3)**	**114**
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(64)	-	-	-	-	-	(64)
Share-based payments	-	-	38	-	-	-	-	38
Shares vested to employees	-	14	(14)	-	-	-	-	-
Total contributions by and distributions to owners	**-**	**(50)**	**24**	**-**	**-**	**-**	**-**	**(26)**
Change in ownership interests in subsidiaries								
Deconsolidation of controlled entities	-	-	-	-	(3)	-	(36)	(39)
Total change in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**(3)**	**-**	**(36)**	**(39)**
Total transactions with owners	**-**	**(50)**	**24**	**-**	**(3)**	**-**	**(36)**	**(65)**
Balance as at 31 December 2010	**4,729**	**(104)**	**77**	**(11)**	**(60)**	**1,396**	**3**	**6,030**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

$M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling Interests	Total Equity
Balance as at 1 July 2009	4,729	(58)	52	(29)	(16)	1,043	44	5,765
Total comprehensive income for the period								
Statutory profit	-	-	-	-	-	58	2	60
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(180)	-	-	-	(180)
Transfer of hedge reserve to Income Statement, net of tax	-	-	-	28	-	-	-	28
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	94	-	-	-	94
Foreign currency translation of controlled entities	-	-	-	-	(10)	-	-	(10)
Foreign currency translation of associates	-	-	-	-	(1)	-	-	(1)
Hedge reserve movement of associates, net of tax	-	-	-	7	-	-	-	7
Total other comprehensive income	**-**	**-**	**-**	**(51)**	**(11)**	**-**	**-**	**(62)**
Total comprehensive income for the period	**-**	**-**	**-**	**(51)**	**(11)**	**58**	**2**	**(2)**
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
Own shares acquired	-	(16)	-	-	-	-	-	(16)
Share-based payments	-	-	10	-	-	-	-	10
Shares vested to employees	-	15	(15)	-	-	-	-	-
Dividends declared	-	-	-	-	-	-	(2)	(2)
Total contributions by and distributions to owners	**-**	**(1)**	**(5)**	**-**	**-**	**-**	**(2)**	**(8)**
Total transactions with owners	**-**	**(1)**	**(5)**	**-**	**-**	**-**	**(2)**	**(8)**
Balance as at 31 December 2009	**4,729**	**(59)**	**47**	**(80)**	**(27)**	**1,101**	**44**	**5,755**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2010

	December 2010 $M	December 2009 $M
Cash flows from operating activities		
Cash receipts in the course of operations	7,582	7,091
Cash payments in the course of operations	(6,770)	(6,653)
Interest received	95	57
Interest paid	(163)	(103)
Dividends received	6	1
Income taxes (paid)/refunded	(7)	90
Net cash from operating activities	**743**	**483**
Cash flows from investing activities		
Payments for property, plant and equipment and intangible assets	(1,032)	(1,010)
Proceeds from disposal of property, plant and equipment	25	15
Proceeds from sale and leaseback of non-current assets	10	62
Proceeds from disposal of controlled entity	21	-
Deconsolidation of controlled entity	(100)	-
Payments for investments	-	(14)
Net cash used in investing activities	**(1,076)**	**(947)**
Cash flows from financing activities		
Payments for treasury shares	(64)	(16)
Proceeds from borrowings	264	570
Repayment of borrowings	(223)	(213)
(Payments)/proceeds from swaps	(1)	2
Net receipts from aircraft security deposits	4	4
Dividends paid to non-controlling interests	-	(2)
Net cash (used in)/from financing activities	**(20)**	**345**
Net decrease in cash and cash equivalents held	**(353)**	**(119)**
Cash and cash equivalents held at the beginning of the period	3,704	3,617
Effects of exchange rate changes on cash and cash equivalents	(14)	-
Cash and cash equivalents held at the end of the period	**3,337**	**3,498**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

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 of Qantas as at and for the half-year ended 31 December 2010 comprises Qantas and its controlled entities (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 2010 is available at www.qantas.com or upon request from the registered office of Qantas at Qantas Centre, Level 9, Building A, 203 Coward Street, Mascot NSW 2020, Australia.

(b) Statement of compliance

The Consolidated Interim 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 2001. 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 Consolidated Interim Financial Report does not include all of the information required for an 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 2010. 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 Consolidated Interim Financial Report was approved by the Board of Directors on 17 February 2011.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006). In accordance with the Class Order, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

(c) Significant accounting policies

The accounting policies applied by the Qantas Group in this Consolidated Interim Financial Report are the same as those applied by the Qantas Group in the Consolidated Annual Financial Report for the year ended 30 June 2010.

(d) Comparatives

Where applicable, various comparative balances have been reclassified to align with current period presentation. These amendments have no material impact on the Consolidated Interim Financial Report.

(e) Estimates

The preparation of the Consolidated Interim 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 preparation of this Consolidated Interim Financial Report, the significant judgements made by management in applying the Qantas Group’s accounting policies and the key sources of uncertainty in estimates were the same as those applied to the Consolidated Annual Financial Report for the year ended 30 June 2010.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

Note 1. Statement of Significant Accounting Policies (continued)

(e) Estimates (continued)

As disclosed in the Consolidated Annual Financial Report for the year ended 30 June 2010, the accounting estimates described below were revised effective 1 January 2010:

Change in accounting estimates – Passenger aircraft residual value
The estimated residual values of passenger aircraft were revised to between nil and 10 per cent of acquisition cost. The estimated residual values had been between nil and 20 per cent. These changes resulted in an increase in depreciation expense of $45 million to the Qantas Group for the half-year ended 31 December 2010.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

Note 2. Underlying PBT and Operating Segments

(a) Underlying PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision making bodies, being the Executive Committee and the Board of Directors, for the purpose of assessing the performance of the Group.

Underlying PBT is a non-statutory measure, which excludes certain impacts of AASB 139: *Financial Instruments: Recognition and Measurement* (AASB 139) and items that management consider to be non-recurring in nature. Qantas removes these items to provide more useful information that more accurately reflects the underlying performance of the Group.

All derivative transactions undertaken by the Qantas Group represent economic hedges of underlying risk and exposures. The Qantas Group does not enter into speculative derivative transactions. Notwithstanding this, AASB 139 requires certain mark-to-market movements in derivatives which are classified as 'ineffective' to be recognised immediately in the Consolidated Income Statement. The recognition of derivative valuation movements in reporting periods which differ from the designated transaction causes volatility in statutory profit that does not reflect the hedging nature of these derivatives.

Underlying PBT reports all hedge derivative gains and losses in the same reporting period as the underlying transaction by adjusting the current reporting period's statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

Non-recurring items are those items which by their nature are considered necessary to separately disclose in the Qantas Group's results.

Underlying PBT is calculated as follows:
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with current year exposures remain included in Underlying PBT;
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with underlying exposures which will occur in future reporting period are excluded from Underlying PBT;
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with capital expenditure are excluded from Underlying PBT and subsequently included in Underlying PBT as an implied adjustment to depreciation expense for the related assets commencing when the assets are available for use;
- Derivative mark-to-market movements recognised in previous reporting period's statutory profit that are associated with underlying exposures which occurred in the current year are included in Underlying PBT; and
- Underlying PBT excludes the impact of items identified as non-recurring.

All derivative mark-to-market movements which have been excluded from Underlying PBT will be recognised through Underlying PBT in future periods when the underlying transaction occurs.

The primary reporting measure of the Qantas Group's operating segments is Underlying EBIT. Underlying EBIT excludes net finance costs from Underlying PBT as these costs are managed centrally and are not allocated to operating segments.

Underlying EBIT is calculated by adjusting Underlying PBT for statutory net finance costs and the impact on net finance costs of ineffective and non-designated derivatives relating to other reporting periods using a consistent methodology as outlined above.

The calculation of Underlying EBIT and Underlying PBT is detailed in the table on the following page.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

Note 2. Underlying PBT and Operating Segments (continued)

	Note	December 2010 $M	December 2009 $M
Statutory profit before income tax expense and net finance costs (Statutory EBIT)		**364**	**143**
Ineffectiveness and non-designated derivatives relating to other reporting periods:			
- Exclude current year derivative mark-to-market movements relating to underlying exposures in future years		(4)	38
- Exclude current year derivative mark-to-market movements relating to capital expenditure		61	71
- Include prior years derivative mark-to-market movements relating to underlying exposures in the current year		(18)	7
- Include adjustment to depreciation expense relating to excluded capital expenditure mark-to-market movements		(1)	-
		38	116
Non-recurring items:			
- Net loss on disposal of investments and other transaction costs (refer to Note 10)		24	-
- Legal provisions (refer to Note 11)		26	-
- Impairment losses of property, plant and equipment, net of impairment reversals		-	48
		50	48
Underlying EBIT	2(c)	**452**	**307**
Underlying net finance costs:			
- Statutory net finance costs		(42)	(53)
- Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs		7	13
	2(c)	(35)	(40)
Underlying PBT	2(c)	**417**	**267**

(b) Description of Operating Segments

The Qantas Group comprises the following main operating segments:

1. Qantas – representing the Qantas passenger flying businesses and related businesses;
2. Jetstar – representing the Jetstar passenger flying businesses, including Jetstar Asia and an investment in Jetstar Pacific Airlines Aviation Joint Stock Company;
3. Qantas Frequent Flyer – representing the Qantas Frequent Flyer customer loyalty program; and
4. Qantas Freight – representing the air cargo and express freight businesses.

As a result of the merger of Jetset Travelworld Group with Stella Travel Services as described in Note 10, Jetset Travelworld Group is no longer an operating segment as of 1 October 2010. The analysis by operating segment for the current period includes the Jetset Travelworld Group's results for the period from 1 July 2010 to 30 September 2010. Comparative figures represent the results for six months ended 31 December 2009. From 1 October 2010, the equity accounted result of the Group's investment in Jetset Travelworld Group is included in the Qantas segment.

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.

Fuel and foreign exchange hedge gains/losses are allocated to segments based on the timing of underlying transactions.

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.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by operating segment

December 2010 **$M**	**Qantas**	**Jetstar**	**Qantas Frequent Flyer**	**Qantas Freight**	**Jetset Travelworld Group**	**Corporate/ Unallocated**	**Eliminations**	**Consolidated Underlying**
Revenue and other income								
External segment revenue	5,159	1,260	538	542	28	6	58	7,591
Intersegment revenue	547	86	45	3	6	4	(691)	-
Total segment revenue	**5,706**	**1,346**	**583**	**545**	**34**	**10**	**(633)**	**7,591**
Share of net profit/(loss) of associates and jointly controlled entities	8	(1)	-	10	-	-	-	17
EBITDAR[1]	**865**	**305**	**190**	**49**	**5**	**(78)**	**5**	**1,341**
Non-cancellable operating lease rentals	(152)	(131)	-	-	-	-	-	(283)
Depreciation and amortisation[2]	(548)	(31)	(1)	(8)	(2)	(16)	-	(606)
Underlying EBIT	**165**	**143**	**189**	**41**	**3**	**(94)**	**5**	**452**
Underlying net finance costs								(35)
Underlying PBT								**417**

[1] EBITDAR means underlying earnings before income tax expense, depreciation, amortisation, non-cancellable operating lease rentals and net finance costs.
[2] Depreciation and amortisation includes $45 million (Qantas $43 million and Jetstar $2 million) representing half-year impact of the change in residual value estimate for passenger aircraft as described in Note 1(e).

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

Note 2. Underlying PBT and Operating Segments (continued)

December 2009 $M	Qantas	Jetstar	Qantas Frequent Flyer	Qantas Freight	Jetset Travelworld Group	Corporate/ Unallocated	Eliminations	Consolidated Underlying
Revenue and other income								
External segment revenue	4,775	1,033	511	492	54	11	33	6,909
Intersegment revenue	520	98	36	2	14	7	(677)	-
Total segment revenue	**5,295**	**1,131**	**547**	**494**	**68**	**18**	**(644)**	**6,909**
Share of net (loss)/profit of associates and jointly controlled entities	(6)	(1)	-	8	-	-	-	1
EBITDAR	**710**	**282**	**157**	**26**	**8**	**(62)**	**14**	**1,135**
Non-cancellable operating lease rentals	(134)	(153)	-	(3)	-	-	37	(253)
Depreciation and amortisation	(516)	(8)	-	(6)	(3)	(5)	(37)	(575)
Underlying EBIT	**60**	**121**	**157**	**17**	**5**	**(67)**	**14**	**307**
Underlying net finance costs								(40)
Underlying PBT								**267**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

Note 3. Other Revenue and Expenditure

	December 2010 $M	December 2009 $M
Included in other revenue		
Contract work revenue	181	188
Frequent flyer revenue	171	163
Passenger service fees	157	144
Ancillary passenger revenue	128	142
Lease revenue	92	82
Tours and travel revenue	63	88
Other	164	129
	956	**936**
Included in other expenditure		
Selling and marketing	312	277
Computer and communication	220	212
Property	199	200
Capacity hire	134	122
Other	402	368
	1,267	**1,179**

Note 4. Income Tax Expense

	December 2010 $M	December 2009 $M
Statutory profit before income tax expense	322	90
Income tax using the domestic corporate tax rate of 30 per cent	97	27
Add/(less) adjustments for:		
- Utilisation of carry forward tax losses	(5)	-
- Prior period adjustments	(7)	-
- Other items	(2)	3
Income tax expense	**83**	**30**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

Note 5. Investments Accounted for Using the Equity Method

	December 2010 $M	June 2010 $M
Investment in associates		
- Jetset Travelworld Limited[2]	113	-
- Other	58	65
Investment in jointly controlled entities		
- AUX Investment Pty Limited[1]	297	-
- Star Track Express Holdings Pty Limited[1]	-	266
- Australian air Express Pty Ltd[1]	-	24
- Other	22	23
	490	**378**

	Ownership interest December 2010 %	December 2009 %
Air Pacific Limited	46	46
Australian air Express Pty Ltd[1]	-	50
AUX Investment Pty Limited[1]	50	-
Fiji Resorts Limited	21	21
Hallmark Aviation Services L.P.	49	49
Harvey Holidays Pty Ltd	50	50
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd	37	37
Holiday Tours and Travel Vietnam Co. Ltd	37	37
Jetset Travelworld Limited[2]	29	-
Jetstar Pacific Airlines Aviation Joint Stock Company	27	27
LTQ Engineering Pty Limited	50	50
PT Holidays Tours & Travel	37	37
Star Track Express Holdings Pty Limited[1]	-	50
Tour East (T.E.T) Ltd	37	37

[1] In October 2010 the Group's investments in Australian air Express Pty Ltd and Star Track Express Holdings Pty Limited were transferred to AUX Investment Pty Limited in exchange for a 50 per cent shareholding in this entity. No gain or loss arose from the restructure of these investments.

[2] As a result of the merger of Jetset Travelworld Group with Stella Travel Services as described in Note 10, Jetset Travelworld Group is accounted for as an associate effective 1 October 2010.

Note 6. Other Financial Assets and Liabilities

Other financial assets and liabilities includes derivative instruments used to hedge financial exposures. The movement is driven by changes in market variables, including foreign exchange and fuel price, as well as changes in underlying hedge positions. During the half-year ended 31 December 2010, significant fluctuations in foreign exchange rates and crude oil prices resulted in substantial changes in other financial assets and liabilities. As a result, the net other financial assets and liabilities have increased from a net liability of $138 million at 30 June 2010 to a net liability of $507 million at 31 December 2010.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

Note 7. Interest-bearing Liabilities

	December 2010 $M	June 2010 $M
Current		
Bank loans – secured	417	502
Other loans – unsecured	82	74
Lease and hire purchase liabilities – secured	41	43
	540	**619**
Non-current		
Bank loans – secured	2,734	2,717
Bank loans – unsecured	740	740
Other loans – unsecured	1,100	1,203
Lease and hire purchase liabilities – secured	415	439
	4,989	**5,099**

The movements in interest-bearing liabilities include $264 million of new borrowings drawn during the half-year ended 31 December 2010. 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 8. Dividends

No dividends were declared or paid during the half-year ended 31 December 2010 (2009: nil).

Note 9. Capital Expenditure Commitments

Capital expenditure commitments contracted but not provided for in the Financial Statements, payable:	December 2010 $M	June 2010 $M
Within one year	2,891 [1]	2,553
Later than one but not later than five years	7,882	9,854
Later than five years	1,802	2,421
	12,575	**14,828**

[1] Represents capital expenditure commitments for the second-half of the financial year ending 30 June 2011 and the first-half of the financial year ending 30 June 2012.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2010

Note 10. Disposals of Controlled Entities

On 9 August 2010, the Qantas Group disposed of its ownership in the DPEX Group which is part of the Qantas Freight operating segment. On the completion of the transaction, the Qantas Group recognised a net gain of $5 million before tax.

On 30 September 2010, the Jetset Travelworld Group merged with Stella Travel Services. The merger resulted in the Qantas Group's shareholding in Jetset Travelworld Group reducing to 29 per cent from 58 per cent and the Jetset Travelworld Group ceasing to be a controlled entity of the Qantas Group. From 1 October 2010, the investment is accounted for as an associate at a new cost of $110 million. The Qantas Group recognised a net loss arising from this transaction of $29 million before tax.

The net loss on disposal of the investments of $24 million was included in other expenditure in the Income Statement.

Note 11. Contingent Liabilities

Other than as outlined below, there have been no material changes to contingent liabilities since 30 June 2010.

Freight regulatory fines and third party actions

Qantas continues to co-operate with regulators to finalise their investigations into alleged price fixing in the air cargo market.

Since 30 June 2010, Qantas resolved its liability to the European Commission and paid a fine of EUR8.9 million. This amount had been provided for at 30 June 2010.

In addition, Qantas is a party to a number of third party class actions. In January 2011, Qantas reached a settlement, subject to court approval, to resolve its liability under a class action in the United States. The amount of the US settlement was recognised during the half-year ended 31 December 2010. Qantas continues to have a number of defences to the remaining actions. Qantas expects the outcome of any remaining third party class actions will be known over the course of the next few years.

A class action claim was made against Qantas and other airlines by a number of travel agents as a result of travel agents not being paid commission on fuel surcharges.

Qantas was successful in the initial action heard in the Federal Court, but was unsuccessful on appeal to the full Federal Court and was subsequently denied leave to appeal to the High Court of Australia.

As such, Qantas has recognised the expense in relation to the full Federal Court decision in the half-year ended 31 December 2010.

Note 12. Post Balance Date Events

There has not arisen in the interval between 31 December 2010 and the date of this report any event that would have had a material effect on the Consolidated Interim Financial Report as at 31 December 2010.

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 2010 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

17 February 2011

DIRECTORS' DECLARATION

In the opinion of the Directors of Qantas Airways Limited:

a) the financial statements and notes set out on pages 9 to 24, 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 2010 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
17 February 2011

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 balance sheet as at 31 December 2010, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a statement of significant accounting policies and other explanatory information 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 the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report 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 2010 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 2010 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

17 February 2011

OPERATIONAL STATISTICS

For the half-year ended 31 December 2010

(unaudited)		Half-year ended December 2010	Half-year ended December 2009	Change
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	9,014	8,553	5.4%
Revenue passenger kilometres (RPK)	m	13,091	12,392	5.6%
Available seat kilometres (ASK)	m	15,969	14,932	6.9%
Revenue seat factor	%	82.0	83.0	(1.0)pts
QANTASLINK - SCHEDULED SERVICES				
Passengers carried	000	2,501	2,162	15.7%
Revenue passenger kilometres (RPK)	m	1,687	1,499	12.5%
Available seat kilometres (ASK)	m	2,378	2,150	10.6%
Revenue seat factor	%	71.0	69.7	1.3pts
JETSTAR DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	4,921	4,299	14.5%
Revenue passenger kilometres (RPK)	m	5,711	4,885	16.9%
Available seat kilometres (ASK)	m	7,019	5,842	20.1%
Revenue seat factor	%	81.4	83.6	(2.2)pts
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
Passengers carried	000	3,052	3,006	1.5%
Revenue passenger kilometres (RPK)	m	25,821	25,733	0.3%
Available seat kilometres (ASK)	m	30,902	30,602	1.0%
Revenue seat factor	%	83.6	84.1	(0.5)pts
JETSTAR INTERNATIONAL – SCHEDULED SERVICES				
Passengers carried	000	2,069	1,972	4.9%
Revenue passenger kilometres (RPK)	m	6,173	5,532	11.6%
Available seat kilometres (ASK)	m	7,882	7,125	10.6%
Revenue seat factor	%	78.3	77.6	0.7pts
JETSTAR ASIA				
Passengers carried	000	1,391	1,046	33.0%
Revenue passenger kilometres (RPK)	m	2,109	1,453	45.1%
Available seat kilometres (ASK)	m	2,672	1,825	46.4%
Revenue seat factor	%	78.9	79.6	(0.7)pts
QANTAS GROUP OPERATIONS				
Passengers carried	000	22,948	21,038	9.1%
Revenue passenger kilometres (RPK)	m	54,592	51,494	6.0%
Available seat kilometres (ASK)	m	66,821	62,476	7.0%
Revenue seat factor	%	81.7	82.4	(0.7)pts
Aircraft in service at end of period	#	266	244	22 aircraft
QANTAS FREQUENT FLYER				
Billing	$m	518	477	8.6%
Awards redeemed	000	2,263	2,063	9.7%
Total members	000	7,545	6,745	11.9%
FINANCIAL				
Yield (passenger revenue per RPK)	c	11.02	10.32	6.8%
EMPLOYEES				
Average full-time equivalent employees	#	32,369	32,386	(0.1)%
RPK per employee	000	3,373	3,180	6.1%
ASK per employee	000	4,129	3,858	7.0%

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

As at 31 December 2010

(unaudited)	December 2010 $M	June 2010 $M
Balance sheet equity	6,030	5,981
Less: hedge reserve	(11)	85
Equity excluding hedge reserve	**6,041**	**5,896**
On balance sheet debt		
Current interest-bearing liabilities	540	619
Non-current interest-bearing liabilities	4,989	5,099
Cash and cash equivalents	(3,337)	(3,704)
Aircraft security deposits	(9)	(13)
Fair value of hedges relating to debt[1]	375	208
Net on balance sheet debt	**2,558**	**2,209**
Off balance sheet debt		
Non-cancellable operating leases[2]	4,047	3,961
Net debt including off balance sheet debt	**6,605**	**6,170**
Net debt to net debt and equity (including off balance sheet debt excluding hedge reserve)	**52 : 48**	**51 : 49**

Notes:

1. Fair value of hedges related to debt are included in Other Financial Assets and Liabilities on the Balance Sheet in accordance with AASB 139: *Financial Instruments: Recognition and Measurement.*
2. Non-cancellable operating leases are a representation assuming assets are owned and debt funded and are not consistent with the disclosure requirements of AASB 117: *Leases.*

ADJUSTED NET BORROWING COSTS

For the half-year ended 31 December 2010

(unaudited)	December 2010 $M	December 2009 $M
Borrowing costs		
Finance income	(101)	(74)
Finance costs	143	127
Unwind of discount on non-current provisions	(14)	(20)
Unwind of discount on non-current receivables	9	10
Capitalised interest	43	26
Implied interest on non-cancellable operating leases	165	155
Adjusted net borrowing costs	**245**	**224**
Average net debt including off balance sheet debt	**5,996**	**5,835**
Adjusted net borrowing costs as a percentage of average net debt including off balance sheet debt	**8.2%**	**7.7%**