QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

APPENDIX 4D AND

CONSOLIDATED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

ABN 16 009 661 901

ASX CODE: QAN

Table of Contents

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 2012 $M	December 2011 $M	Change $M	Change %
Revenue and other income	8,242	8,048	194	2.4
Statutory profit after tax	111	42	69	164.3
Statutory profit after tax attributable to members of Qantas	111	42	69	164.3
Underlying profit before tax	223	202	21	10.4

DIVIDENDS

No interim dividend will be paid in relation to the half-year ended 31 December 2012.

EXPLANATION OF RESULTS

Please refer to the ‘Review of Operations’ for an explanation of the results.

This information should be read in conjunction with the Consolidated Annual Financial Report of the Qantas Group for the year ended 30 June 2012. This report should also be read in conjunction with any public announcements made by Qantas in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

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

OTHER INFORMATION

	December 2012 $	June 2012 $
Net tangible assets per ordinary share	2.37	2.33

OTHER INFORMATION (continued)

Entities over which control or joint control was gained or lost during the period

On 13 November 2012, the Qantas Group acquired 100 per cent of Australian air Express Pty Ltd and disposed of its 50 per cent interest in a jointly controlled entity AUX Investments Pty Ltd, which was the holding company of Star Track Express Holdings Pty Limited and its controlled entities.

On 31 October 2012, the Qantas Group disposed of its interest in the Cairns and Riverside catering facilities through the sale of the following entities:

- Q Catering Cairns Pty Limited
- Q Catering Riverside Pty Limited
- Airport Infrastructure Finance Pty. Limited

The Qantas Group incorporated the following entities during the period:

- Jetstar Regional Services Pte. Ltd. (incorporated in Singapore on 4 December 2012)
- Jetstar Hong Kong Airways Limited (incorporated in Hong Kong on 4 September 2012)

DIRECTORS' REPORT

The Directors present their report together with the Consolidated Interim Financial Report for the half-year ended 31 December 2012 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*	*Current, appointed 9 August 2007 – appointed Chairman on 14 November 2007*
Alan Joyce *Chief Executive Officer*	*Current, appointed 28 July 2008 – appointed Chief Executive Officer on 28 November 2008*
Peter Cosgrove, AC, MC	*Current, appointed 6 July 2005*
Patricia Cross	*Current, appointed 1 January 2004*
Richard Goodmanson	*Current, appointed 19 June 2008*
Garry Hounsell	*Current, appointed 1 January 2005*
William Meaney	*Current, appointed 15 February 2012*
Corinne Namblard	*Current, appointed 16 June 2011*
Paul Rayner	*Current, appointed 16 July 2008*
John Schubert, AO	*Ceased, appointed 23 October 2000 and ceased 2 November 2012*
James Strong, AO	*Current, appointed 1 July 2006*
Barbara Ward, AM	*Current, appointed 19 June 2008*

REVIEW OF OPERATIONS

The Qantas Group reported an Underlying PBT[1] of $223 million, a Statutory Profit Before Tax (Statutory PBT) of $151 million and a Statutory Profit After Tax of $111 million for the half-year ended 31 December 2012.

Highlights of the half-year result include:

- Improvement in profitability
  - 10 per cent growth in Underlying PBT in a challenging market
  - Strong ancillary revenue growth
  - Qantas International turnaround strategy delivering results
  - Record result for Qantas Loyalty[2]
  - Unit cost improvement
- Strengthening financial position
  - Net free cash flow positive
  - Fleet delivery profile restructured
  - Strong liquidity position
- Delivering strategic priorities
  - Continuing strength of domestic market position
  - Qantas International turnaround on track
  - Qantas-Emirates partnership commencing from 31 March 2013[3]
  - Successfully growing Jetstar in Asia
    - Jetstar Japan – strong start in a competitive market
    - Jetstar Hong Kong – strong local partner with China Eastern

[1] Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT as net finance costs are managed centrally. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT. Refer to page 27 for a reconciliation of Underlying PBT to Statutory Profit Before Tax

[2] Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009. The Qantas Frequent Flyer segment was renamed Qantas Loyalty during the period.

[3] Subject to regulatory approval.

REVIEW OF OPERATIONS (continued)

Improved profitability

Group Underlying Income Statement Summary		**December 2012**	**December 2011**	**Change**	**% Change**
Net passenger revenue[4]	$M	6,949	6,946	3	-
Net freight revenue	$M	475	467	8	2
Other	$M	818	635	183	29
Revenue	$M	**8,242**	**8,048**	**194**	**2**
Operating expenses (excluding fuel)[5]	$M	(4,767)	(4,634)	(133)	(3)
Fuel[5]	$M	(2,181)	(2,181)	-	-
Depreciation and amortisation	$M	(719)	(679)	(40)	(6)
Non-cancellable aircraft operating lease rentals	$M	(265)	(277)	12	4
Expenses	$M	**(7,932)**	**(7,771)**	**(161)**	**(2)**
Underlying EBIT	$M	**310**	**277**	**33**	**12**
Net finance costs[5]	$M	(87)	(75)	(12)	(16)
Underlying PBT	$M	**223**	**202**	**21**	**10**

Operating statistics		**December 2012**	**December 2011**	**Change**	**% Change**
Available Seat Kilometres (ASK)[6]	M	71,374	70,205	1,169	1.7
Revenue Passenger Kilometres (RPK)[7]	M	57,095	56,680	415	0.7
Passengers Carried	000	24,701	23,691	1,010	4.3
Revenue Seat Factor[8]	%	80.0	80.7	(0.7) pts	(0.9)
Yield (excluding FX)[9]	c/RPK	10.46	10.77	(0.31)	(2.9)
Net Underlying Unit Cost[10]	c/ASK	5.04	5.38	0.34	6.3
Comparable Unit Cost[11]	c/ASK	5.06	5.24	0.18	3.4

The Qantas Group delivered a 10 per cent improvement in Underlying PBT to $223 million. This was underpinned by strong ancillary revenue growth and the benefits of the first phase of the transformation program, which more than offset the effects of over-capacity in the domestic market.

Revenue grew by two per cent in line with capacity growth. Qantas Loyalty delivered continued growth in members and member engagement. Jetstar further improved its industry leading ancillary revenues per passenger, on top of 12 per cent growth in passenger numbers. Included in other revenue is a $125 million settlement following the restructuring of the Boeing 787 deliveries. This amount has been equally apportioned to Qantas International, Qantas Domestic and Jetstar.

4 Net passenger revenue has been adjusted in 1H13 to include associated ancillary passenger revenue, passenger service fees and lease revenue on codeshare. 1H12 net passenger revenue has been restated accordingly. These items remain excluded from the calculation of yield.

5 Underlying operating expenses (excluding fuel), fuel and net finance costs differ from equivalent statutory expenses due to items excluded from Underlying PBT, such as adjustments for impacts of AASB 139 which relate to other reporting periods and other items identified by Management. Refer to page 27 for a reconciliation of Statutory and Underlying PBT.

6 ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.

7 RPK – total number of passengers carried, multiplied by the number of kilometres flown.

8 Revenue Seat factor – RPKs divided by ASKs. Also known as seat factor, load factor or load.

9 Yield – Passenger revenue excluding FX, divided by RPKs.

10 Net Underlying unit cost – Underlying PBT less passenger revenue, fuel and frequent flyer change in accounting estimate per ASK.

11 Comparable Unit Cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement and carbon tax (2012/2013) and movements in average sector length.

REVIEW OF OPERATIONS (continued)

Qantas Group unit cost improved six per cent. Comparable unit cost[11] improved three per cent, reflecting the successful management of operating cost across the business.

Fuel costs were held in line with the prior corresponding period. Improvements in fuel efficiency of two[12] per cent were achieved through modernisation and reconfiguration of the fleet, offsetting the growth in capacity during the period.

Segment Performance Summary		December 2012	December 2011	Change	% Change
Qantas Domestic	$M	218	328	(110)	(34)
Qantas International	$M	(91)	(262)	171	65
Qantas Loyalty[13]	$M	137	119	18	15
Qantas Freight	$M	22	38	(16)	(42)
Qantas Brands Eliminations	$M	2	9	(7)	(78)
Qantas Brands	**$M**	**288**	**232**	**56**	**24**
Jetstar	$M	128	147	(19)	(13)
Corporate/Unallocated	$M	(105)	(103)	(2)	(2)
Eliminations	$M	(1)	1	(2)	<(100)
Underlying EBIT	$M	**310**	**277**	**33**	**12**
Net Finance Costs[14]	$M	(87)	(75)	(12)	(16)
Underlying PBT	$M	**223**	**202**	**21**	**10**

All segments delivered profitable returns, with the exception of Qantas International where the turnaround strategy is on track and delivering results.

Qantas International delivered a $171 million improvement in Underlying EBIT, reflecting the first phase of transformation benefits driving improvements in unit cost.

Qantas Domestic maintained its leading market position despite competitive pressures impacting yield. Qantas achieved the best on-time performance compared to its main competitor and remains the domestic airline of choice for the corporate market.

Qantas Loyalty achieved a record first half result[15] with a 15 per cent improvement in Underlying EBIT to $137 million. Membership growth was eight per cent and in January 2013 the Qantas Frequent Flyer program reached nine million members.

Jetstar achieved a 12 per cent increase in revenue while advancing its strategy of growth in Asia.

12 Measured as fuel consumption per ASK.
13 The Qantas Frequent Flyer segment was renamed Qantas Loyalty during the period.
14 Underlying Net Finance Costs differ from Statutory Net Finance Costs due to adjustments for impact of AASB 139 which relate to other reporting periods.
15 Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates of the fair value of points and breakage expectations effective 1 January 2009.

REVIEW OF OPERATIONS (continued)

Strengthening financial position

- Positive net free cash flow of $205 million
- Fleet delivery profile restructured
- Strong liquidity position

Cash Flow Summary		December 2012	December 2011	Change	% Change
Operating cash flows	$M	780	823	(43)	(5)
Investing cash flows	$M	(575)	(1,501)	926	62
Net free cash flow[16]	$M	**205**	**(678)**	**883**	**>100**
Financing cash flows	$M	(547)	525	(1,072)	<(100)
Effect of foreign exchange on cash	$M	2	(1)	3	>100
Cash at period end	$M	**3,058**	**3,342**	**(284)**	**(8)**

Qantas has strengthened its financial position during the period. Positive net free cash flows and strong liquidity have facilitated the reduction of debt.

Positive net free cash flow of $205 million was achieved for the period. This is the second consecutive six month period of positive net free cash flow and reflects the Group's focus on strengthening credit metrics and disciplined capital management.

Capital expenditure included the addition of six new unencumbered aircraft. In addition several non-core assets were sold, including the Group's interest in StarTrack and the Riverside and Cairns Catering facilities.

The Group continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changing market conditions and remain positioned for sustainable growth.

This flexibility was demonstrated during the half-year through the restructuring of the Boeing 787 aircraft delivery schedule. Firm commitments for 35 Boeing 787-9 aircraft were cancelled and related capital commitments were eliminated.

The Qantas Group's free cash flow and resultant strong liquidity position supported over $500 million in debt repayments, the commencement of a share buy back and a five per cent reduction in net debt during the period. The Group finished the period with a strong liquidity position including $3.1 billion in cash and a $400 million undrawn standby facility. This facility was refinanced and increased by $100 million during the period with support from key lenders.

Debt and Gearing Analysis		December 2012	June 2012	Change	% Change
Net Debt[17]	$M	3,363	3,558	195	5
Net Debt including operating lease liabilities[18]	$M	5,006	5,418	412	8
Adjusted Equity[19]	$M	5,702	5,559	143	3
Gearing Ratio[20]		47:53	49:51	2 pts	4

16 Net free cash flow – Operating cash flows less investing cash flows. Free cash flow is a measure of the amount of operating cash flows that are available (i.e. after investing activities) to fund reductions in net debt or payments to shareholders.

17 Net Debt includes interest-bearing liabilities and the fair value of hedges related to debt less cash and aircraft security deposits.

18 Net Debt including operating lease liabilities includes Net Debt and off balance sheet aircraft operating lease liabilities. Operating lease liabilities are measured as the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet. This operating lease liability has been calculated in accordance with Standard and Poor's methodology using an assumed interest rate of 9 per cent.

19 Adjusted Equity includes equity adjusted to exclude hedge reserves, defined benefit superannuation prepayments (net of deferred tax) and to include any vested benefits deficit of defined benefit superannuation plans (net of deferred tax).

20 Gearing Ratio is Net debt including operating lease liability to net debt including operating lease liability and Adjusted Equity. The gearing ratio is used by Management to represent the Qantas Group's debt obligation including obligations under operating leases.

REVIEW OF OPERATIONS (continued)

Fleet

The Qantas Group remains committed to a fleet strategy that provides for long-term fleet renewal, simplification and disciplined growth. The fleet strategy is designed to support the strategic objectives of the Group's two flying brands, whilst retaining significant flexibility to respond to changes in market conditions.

At 31 December 2012 the Qantas Group fleet comprised 313 aircraft. During the first half of 2012/2013 the Group purchased eight aircraft, leased five aircraft and bought out three leases at termination:

- Qantas – three B737-800s (owned), one A330-200 (leased), two Q400s (owned) and bought out three leased B767-300s
- Jetstar (including Jetstar Asia) – seven A320s (three owned and four leased).

The Qantas Group has added 24 new unencumbered aircraft (A320s and B737-800s) in the last three years.

The Group retired eight aircraft including three lease returns during the first half of 2012/2013. This included three B747-400s, one B767-300, three B737-400s and one A320.

Delivering strategic priorities

- Leading domestic market position
- Qantas International turnaround on track
- Developing partnerships with market leaders
- Successfully growing Jetstar in Asia

The Qantas Group has made significant progress in delivering on its strategic priorities during the first half of 2012/2013.

Leading domestic market position

The Group has maintained its leading domestic market position. The dual brand strategy is working effectively to provide the right product and optimise returns across both business and leisure markets.

Qantas International turnaround on track

The turnaround of Qantas International is on track and delivering results. To date, the turnaround strategy has implemented:

- The exit of most loss making routes
    - Hong Kong-London
    - Bangkok-London
    - Singapore-Mumbai
    - Auckland-Los Angeles
- The reconfiguration of seven out of a planned 12 A380 and all nine B747-400 aircraft to improve product quality, consistency and economics
- The consolidation of engineering and catering facilities.

Further benefits will be achieved over the next two years with the objective of Qantas International breaking even by the 2014/2015 financial year.

Qantas-Emirates partnership

The Qantas-Emirates partnership is on track to commence operations on 31 March 2013 (subject to final regulatory approvals). Following interim authorisation from the Australian Competition and Consumer Commission the Qantas-Emirates network is on sale for flights to 44 new destinations, operating from 31 March 2013.

The partnership will enable Qantas to offer 14 daily flights between Dubai and Adelaide, Brisbane, Melbourne, Perth and Sydney. With Dubai's 24 hour hub and seamless connectivity to over 175 destinations worldwide this opens up many new gateways to Qantas customers. They will be just one stop away from over 65 destinations across Europe, the Middle East and North Africa.

REVIEW OF OPERATIONS (continued)

The partnership will also facilitate the further rationalisation of the Qantas network. The hub for European connections will be transferred from Singapore to Dubai. Unprofitable Frankfurt services through Singapore will be exited, resulting in the re-routing of customers via Dubai and the early retirement of two B747-400 aircraft. Qantas will now focus on serving Asia as a destination. This will improve the appeal of these services for Asian customers and result in more convenient intra-Asia network connections.

Jetstar growth in Asia

Jetstar's pan-Asian strategy has made progress with the successful launch of Jetstar Japan, the development of Jetstar Hong Kong in partnership with China Eastern[21] and the completion of Jetstar Pacific's fleet renewal.

Jetstar Japan successfully launched in July 2012 in partnership with Mitsubishi, Japan Airlines and Century Tokyo Leasing Corporation. In the first six months of flying it has carried 600,000 passengers. The fleet has grown to seven aircraft and is expected to grow to 24 aircraft in the next few years. All of Jetstar Japan's aircraft have been sourced by Qantas, demonstrating the flexibility of the Group's fleet plan in supporting strategic priorities.

Jetstar Hong Kong's application for regulatory approval is underway in partnership with China Eastern[21]. The management team has now been established with the recent appointment of a local CEO and CFO.

Qantas Domestic

- Continuing domestic market strength despite challenging competitive environment
- Unit cost improvement
- Record levels of customer satisfaction
- Charter revenue growth

		December 2012	**December 2011**	**Change**	**% Change**
Total Revenue and Other Income	$M	3,220	3,147	73	2
Seat Factor	%	76.9	79.6	(2.7) pts	(3)
Underlying EBIT	$M	218	328	(110)	(34)

Qantas Domestic Underlying EBIT of $218 million for the half-year ended 31 December 2012 was $110 million down from the prior corresponding period.

The reduction in Underlying EBIT was driven by growth in the Australian domestic market of 10 per cent[22] exceeding market demand. This challenging competitive environment resulted in reduced loads and weaker yields.

Qantas Domestic's comparable unit cost[23] improved one per cent on the prior corresponding period. Cost savings included transformation benefits associated with the consolidation of the Tullamarine Heavy Maintenance base into the Brisbane facility, consolidation of engineering support functions, fleet renewal, rationalisation of catering facilities and other program initiatives.

Domestic customer satisfaction is at its highest sustained level since 2004 and the net promoter score is at its highest level since recording commenced in August 2008. Qantas Domestic was recognised through a number of industry awards:

- 'Best Domestic Airline'[24]
- 'Regional Airline of the Year'[25]
- 'Best Regional Airline'[26]
- 'Best Australian Lounges'[27]

---

21 Subject to regulatory approval.
22 Source: BITRE data.
23 Comparable unit cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012), Boeing settlement and carbon tax (2012/2013) and movements in average sector length.
24 Australian Federation of Travel Agents National Industry Awards 2012.
25 Air Transport World Awards 2012.
26 Australian Traveller Awards 2012.
27 Australian Business Traveller Awards 2012.

REVIEW OF OPERATIONS (continued)

Qantas achieved the best on time performance in both the first half of 2012/2013 and for 2012 overall[28].

Qantas invested in a number of customer product enhancements in the year with the expansion of in-seat entertainment across the domestic network[29] and the fast track refurbishment of the B767-300 fleet, including Q-Streaming in-flight entertainment.

Qantas continues to be the clear choice for business travellers and has maintained its corporate market revenue share. During the period Qantas signed 39 new large-market corporate accounts, including four won back as preferred airline, and 40 renewals.

Qantas continues to support the resource sector through growth in QantasLink and Network Aviation services. QantasLink took delivery of two Q400 aircraft during the period and announced a further three Q400 and five leased B717 aircraft to join the network from the second half of 2013.

Qantas International

- Turnaround on track and delivering results
- Highest customer satisfaction ever recorded[30]

		December 2012	December 2011	Change	% Change
Total Revenue and Other Income	$M	2,818	2,919	(101)	(3)
Seat Factor	%	82.7	81.9	0.8 pts	1
Underlying EBIT	$M	(91)	(262)	171	65

Qantas International Underlying EBIT improved 65 per cent to a loss of $(91) million from a loss of $(262) million in the prior corresponding period.

The improvement in profitability is a result of transformation benefits delivering a comparable unit cost[31] improvement of four per cent versus prior corresponding period.

Qantas International reduced capacity by seven per cent driven by the exit of loss making routes. This was slightly offset by increased capacity through the B747-400 and A380-800 reconfiguration programs.

Further enhanced customer services have been announced with the introduction of the business sleep service, chauffeur service, lounge upgrades in Los Angeles, Singapore, Hong Kong and select on Q-Eat.

Qantas International recorded its highest customer satisfaction results on record[30]

28 Source: BITRE January – December 2012.
29 Three B737-800 aircraft delivered in the half-year ended 31 December 2012. Available on selected routes.
30 Annual average calendar year customer satisfaction. Qantas started recording customer satisfaction in 2003.
31 Comparable unit cost – Net Underlying Unit Cost adjusted for the impact of Industrial Action (2011/2012) and Boeing settlement (2012/2013) and movements in average sector length.

REVIEW OF OPERATIONS (continued)

Jetstar

- Successfully growing Jetstar in Asia
  - Jetstar Japan - strong start in a competitive market
  - Jetstar Hong Kong - strong local partner with China Eastern[32]
- Industry leading ancillary revenue and continued growth in revenue per passenger
- Over 100 million passengers flown since launch
- Key strategic vehicle for delivering low cost carrier market leadership

		December 2012	December 2011	Change	% Change
Total Revenue and Other Income	$M	1,757	1,565	192	12
Seat Factor	%	79.0	79.9	(0.9) pts	(1)
Underlying EBIT	$M	128	147	(19)	(13)

Jetstar Underlying EBIT for the half-year ended 31 December 2012 is $128 million, down $19 million from the prior corresponding period.

The decline in earnings was primarily driven by Jetstar's investment in the Jetstar Japan and Jetstar Hong Kong start-ups. Jetstar's revenue growth has been supported by increased capacity and passenger numbers, both up 12 per cent, coupled with Jetstar's continued focus on ancillary revenue.

Profitable every year since launch, Jetstar maintains its industry leading ancillary revenue per passenger (up seven per cent at $31.71/passenger). Controllable unit cost[33] excluding Jetstar's Asian businesses improved two per cent compared with the prior corresponding period.

Jetstar Asia continues to build a strong brand with 14 per cent passenger growth in an increasingly competitive market. Jetstar Asia's profits for the first half of 2012/2013 have improved substantially compared to the prior corresponding period.

Jetstar Pacific has successfully completed its fleet renewal, now with a fleet of five A320s with an average fleet age of 6 years.

Jetstar Japan successfully launched in partnership with Mitsubishi, Japan Airlines and Century Tokyo Leasing Corporation with 600,000 passengers flown in the period. The fleet has grown to seven aircraft and is expected to grow to 24 aircraft in the next few years.

Jetstar Hong Kong's application for regulatory approval is underway in partnership with China Eastern.

Qantas Loyalty

- Underlying EBIT of $137 million, up 15 per cent on the prior corresponding period
- 8 per cent member growth
- 2.7 million awards redeemed, up 13 per cent
- Qantas-Emirates partnership
- Record positive NPS[34]

		December 2012	December 2011	Change	% Change
Members	M	9.0	8.3	0.7	8
Awards Redeemed	M	2.7	2.4	0.3	13
Underlying EBIT	$M	137	119	18	15

[32] The launch of Jetstar Hong Kong is subject to regulatory approval.
[33] Controllable unit cost is calculated as total expenses excluding fuel and carbon tax per ASK.
[34] Qantas Loyalty Net Promoter Score at January 2013.

REVIEW OF OPERATIONS (continued)

Qantas Loyalty (continued)

Qantas Loyalty recorded another record[35] result with a 15 per cent improvement in Underlying EBIT to $137 million. This has been driven by strong external billings, increased member engagement and continued member growth. The program reached nine million members in January 2013.

Qantas Loyalty has developed into a premier loyalty business encompassing a portfolio of recognisable brands, including Qantas Frequent Flyer.

The Qantas-Emirates partnership will offer Qantas Frequent Flyer members a world leading loyalty proposition. Members can redeem on any part of the Qantas or Emirates network, a combined total of more than 175 destinations worldwide. The partnership will offer 'one stop' access to over 65 destinations across Europe, the Middle East and North Africa.[36]

The Qantas Frequent Flyer program was further enhanced with new redemption options including charitable redemptions to UNICEF, David Jones Gift Cards and exclusive flight simulation offers.

Qantas Freight

- Increased revenue
- Weak domestic retail environment
- Sale of StarTrack
- Acquisition of Australian air Express

		December 2012	December 2011	Change	% Change
Total Revenue and Other Income	$M	531	526	5	1
Underlying EBIT	$M	22	38	(16)	(42)
Load Factor[37]	%	55.9	54.6	1.3 pts	2

Qantas Freight's Underlying EBIT was $22 million, down $16 million on the prior corresponding period. This was driven by weakness in the domestic market and strong competition. Despite continued soft international freight markets, earnings from international freight were in line with prior corresponding period.

In November 2012, Qantas Freight sold its share in StarTrack and bought out the remaining share of Australian air Express. The integration of Australian air Express is now underway which is expected to deliver significant synergies and will create Australia's leading independent air freight provider. The consolidation of Australian air Express drove the increase in revenue for the half-year ended 31 December 2012.

Freight's cooperation with Emirates will support the changes to the international network from 31 March 2013.

Reconciliation of Underlying PBT to Statutory PBT

The half-year ended 31 December 2012 Statutory PBT of $151 million has more than doubled from $58 million in the prior period.

Underlying PBT

Underlying PBT is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas International, Qantas Domestic, Jetstar, Qantas Loyalty and Qantas Freight operating segments is Underlying EBIT as net finance costs are managed centrally. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT.

[35] Qantas Loyalty record Underlying EBIT result compared to prior periods normalised for changes in accounting estimates.
[36] Subject to regulatory approval.
[37] Load Factor - RFTK's over AFTK's on International routes only.

REVIEW OF OPERATIONS (continued)

Reconciliation of Underlying PBT to Statutory PBT (continued)

Underlying PBT is derived by adjusting Statutory PBT for the impacts of AASB 139: Financial Instruments: Recognition and Measurement (AASB 139) which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

Reconciliation of Underlying to Statutory PBT	December 2012 $M	December 2011 $M	Change $M	Change %
Underlying PBT	**223**	**202**	**21**	**10**
Items not included in Underlying PBT				
- AASB 139 mark-to-market movements relating to other reporting periods	**34**	**(7)**	**41**	**>100**
Items not included in Underlying PBT				
- Net impairment of property, plant and equipment	(62)	(72)	10	14
- Redundancies and restructuring	(68)	(46)	(22)	(48)
- Gain on disposal of jointly controlled entity	30	-	30	>100
- Impairment of investment	-	(19)	19	>100
- Other	(6)	-	(6)	<(100)
Total items not included in Underlying PBT	**(106)**	**(137)**	**31**	23
Statutory PBT	**151**	**58**	**93**	**>100**

AASB 139 mark-to-market movements relating to other reporting periods

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 reporting period’s statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

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 International Accounting Standards Board is currently drafting a replacement of IAS 39 (international equivalent of AASB 139) to address anomalies in the accounting treatment of hedge transactions. Qantas has lobbied for this redraft and is actively pursuing an outcome that aligns with the principles and methodology applied by Qantas in calculating Underlying PBT.

Other items not included in Underlying PBT

Items which are identified by Management and reported to the chief operating decision-making bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business.

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 34 and forms part of the Directors' Report for the half-year ended 31 December 2012.

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. In accordance with the Class Order, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

ASIC GUIDANCE

In December 2011 ASIC issued Regulatory Guide 230. To comply with this Guide, Qantas is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards.

In line with previous years and in accordance with the Corporations Act 2001, the Directors' Report is unaudited. Notwithstanding this, the Directors' Report (including the Review of Operations) contains disclosures which are extracted or derived from the Consolidated Interim Financial Report for the half-year ended 31 December 2012 which has been reviewed by the Group's Independent Auditor.

Signed pursuant to a Resolution of the Directors:

LEIGH CLIFFORD, AO
Chairman

ALAN JOYCE
Chief Executive Officer

Sydney
21 February 2013

CONSOLIDATED INCOME STATEMENT

For the half-year ended 31 December 2012

	Note	December 2012 $M	December 2011 $M
Revenue and other income			
Net passenger revenue		6,949	6,946
Net freight revenue		475	467
Other	3	818	635
		8,242	**8,048**
Expenditure			
Manpower and staff related		1,927	1,869
Fuel		2,135	2,117
Aircraft operating variable		1,644	1,599
Depreciation and amortisation		719	679
Non-cancellable aircraft operating lease rentals		265	277
Share of net loss/(profit) of associates and jointly controlled entities		16	(15)
Other	3	1,291	1,385
		7,997	**7,911**
Statutory profit before income tax expense and net finance costs		**245**	**137**
Finance income		66	98
Finance costs		(160)	(177)
Net finance costs		**(94)**	**(79)**
Statutory profit before income tax expense		**151**	**58**
Income tax expense	4	(40)	(16)
Statutory profit for the period		**111**	**42**
Statutory profit for the period attributable to members of Qantas		**111**	**42**
Earnings per share attributable to members of Qantas:			
Basic/diluted earnings per share (cents)		4.9	1.9

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the half-year ended 31 December 2012

	December 2012 $M	December 2011 $M
Statutory profit for the period	**111**	**42**
Effective portion of changes in fair value of cash flow hedges, net of tax	25	(24)
Transfer of hedge reserve to the Consolidated Income Statement, net of tax[1]	(25)	(52)
Recognition of effective cash flow hedges on capitalised assets, net of tax	11	73
Foreign currency translation of controlled entities	2	-
Foreign currency translation of associates	(2)	(1)
Other comprehensive income/(loss) for the period[2]	**11**	**(4)**
Total comprehensive income for the period	**122**	**38**
Total comprehensive income attributable to members of Qantas	**122**	**38**

[1]These amounts were allocated against revenue of ($14 million) (2011: ($4 million)), fuel expenditure of ($22 million) (2011: ($70 million)) and income tax expense of $11 million (2011: $22 million) in the Consolidated Income Statement.
[2]All items included in other comprehensive income may be reclassified to profit or loss in the future.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	December 2012 $M	June 2012 $M
Current assets			
Cash and cash equivalents		3,058	3,398
Receivables		1,269	1,111
Other financial assets	6	96	88
Inventories		367	376
Assets classified as held for sale		33	73
Other		418	414
Total current assets		**5,241**	**5,460**
Non-current assets			
Receivables		183	472
Other financial assets	6	11	17
Investments accounted for using the equity method	5	176	457
Property, plant and equipment		14,141	14,139
Intangible assets		655	610
Other		23	23
Total non-current assets		**15,189**	**15,718**
Total assets		**20,430**	**21,178**
Current liabilities			
Payables		1,858	1,876
Revenue received in advance		2,900	3,172
Interest-bearing liabilities	7	1,135	1,119
Other financial liabilities	6	103	369
Provisions		579	570
Liabilities classified as held for sale		-	12
Total current liabilities		**6,575**	**7,118**
Non-current liabilities			
Revenue received in advance		1,178	1,136
Interest-bearing liabilities	7	5,058	5,430
Other financial liabilities	6	249	224
Provisions		697	737
Deferred tax liabilities		679	644
Total non-current liabilities		**7,861**	**8,171**
Total liabilities		**14,436**	**15,289**
Net assets		**5,994**	**5,889**
Equity			
Issued capital		4,717	4,729
Treasury shares		(46)	(42)
Reserves		42	36
Retained earnings		1,277	1,162
Equity attributable to the members of Qantas		**5,990**	**5,885**
Non-controlling interests		4	4
Total equity		**5,994**	**5,889**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2012

December 2012 $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 2012	4,729	(42)	48	41	(53)	1,162	4	5,889
Total comprehensive income for the period								
Statutory profit for the period	-	-	-	-	-	111	-	111
Other comprehensive income								
- Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	25	-	-	-	25
- Transfer of hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(25)	-	-	-	(25)
- Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	11	-	-	-	11
- Foreign currency translation of controlled entities	-	-	-	-	2	-	-	2
- Foreign currency translation of associates	-	-	-	-	(2)	-	-	(2)
Total other comprehensive income	**-**	**-**	**-**	**11**	**-**	**-**	**-**	**11**
Total comprehensive income for the period	**-**	**-**	**-**	**11**	**-**	**111**	**-**	**122**
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
- Shares bought back[1]	(12)	-	-	-	-	-	-	(12)
- Treasury shares acquired	-	(16)	-	-	-	-	-	(16)
- Share-based payments	-	-	11	-	-	-	-	11
- Shares vested and transferred to employees	-	12	(12)	-	-	-	-	-
- Share-based payments unvested and lapsed	-	-	(4)	-	-	4	-	-
Total contributions by and distributions to owners	**(12)**	**(4)**	**(5)**	**-**	**-**	**4**	**-**	**(17)**
Total transactions with owners	**(12)**	**(4)**	**(5)**	**-**	**-**	**4**	**-**	**(17)**
Balance as at 31 December 2012	**4,717**	**(46)**	**43**	**52**	**(53)**	**1,277**	**4**	**5,994**

[1] 8,823,745 shares were bought back during the half-year ended 31 December 2012.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2012

December 2011 **$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 2011	4,729	(72)	65	80	(60)	1,405	4	6,151
Total comprehensive income for the period								
Statutory profit for the period	-	-	-	-	-	42	-	42
Other comprehensive income								
- Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(24)	-	-	-	(24)
- Transfer of hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(52)	-	-	-	(52)
- Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	73	-	-	-	73
- Foreign currency translation of associates	-	-	-	-	(1)	-	-	(1)
Total other comprehensive income	**-**	**-**	**-**	**(3)**	**(1)**	**-**	**-**	**(4)**
Total comprehensive income for the period	**-**	**-**	**-**	**(3)**	**(1)**	**42**	**-**	**38**
Transactions with owners recorded directly in equity								
Contributions by and distributions to owners								
- Treasury shares acquired	-	(16)	-	-	-	-	-	(16)
- Share-based payments	-	-	15	-	-	-	-	15
- Shares vested and transferred to employees	-	16	(16)	-	-	-	-	-
- Share-based payments unvested and lapsed	-	-	(2)	-	-	2	-	-
Total contributions by and distributions to owners	**-**	**-**	**(3)**	**-**	**-**	**2**	**-**	**(1)**
Total transactions with owners	**-**	**-**	**(3)**	**-**	**-**	**2**	**-**	**(1)**
Balance as at 31 December 2011	**4,729**	**(72)**	**62**	**77**	**(61)**	**1,449**	**4**	**6,188**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 31 December 2012

	Note	December 2012 $M	December 2011 $M
Cash flows from operating activities			
Cash receipts in the course of operations		8,507	8,358
Cash payments in the course of operations		(7,798)	(7,502)
Interest received		67	94
Interest paid		(134)	(142)
Dividends received from associates and jointly controlled entities		139	15
Income taxes paid		(1)	-
Net cash from operating activities		**780**	**823**
Cash flows from investing activities			
Payments for property, plant and equipment and intangible assets		(833)	(1,460)
Net payments for aircraft assigned to associates[1]		(6)	-
Interest paid and capitalised on qualifying assets		(32)	(44)
Proceeds from disposal of property, plant and equipment		13	34
Net proceeds from repayment of loans receivable from jointly controlled entities		125	-
Proceeds from sale and operating leaseback of non-current assets		9	8
Proceeds from disposal of jointly controlled entities	9(b)(ii)	189	-
Proceeds from disposal of controlled entities, net of cash disposed	9(b)(i)	17	-
Payments for the acquisition of controlled entities, net of cash acquired	9(a)(i)	(24)	(11)
Payments for investments in associates and jointly controlled entities		(33)	(28)
Net cash used in investing activities		**(575)**	**(1,501)**
Cash flows from financing activities			
Payments for shares bought back[2]		(12)	-
Payments for treasury shares		(16)	(16)
Proceeds from borrowings		34	692
Repayment of borrowings		(312)	(267)
Proceeds from sale and finance leaseback of non-current assets		-	117
Net payments for aircraft security deposits and hedges related to debt		(241)	(1)
Net cash (used in)/from financing activities		**(547)**	**525**
Net decrease in cash and cash equivalents held		**(342)**	**(153)**
Cash and cash equivalents held at the beginning of the period		3,398	3,496
Effects of exchange rate changes on cash and cash equivalents		2	(1)
Cash and cash equivalents held at the end of the period		**3,058**	**3,342**

[1] Net payments for aircraft assigned to Jetstar Japan Co., Ltd.
[2] 8,823,745 shares were bought back during the half-year ended 31 December 2012.

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2012

Note 1. Statement of Significant Accounting Policies

(a) Reporting entity

Qantas Airways Limited (Qantas) is a for-profit company limited by shares, incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the Qantas Sale Act. The Consolidated Interim Financial Report of Qantas for the half-year ended 31 December 2012 comprise Qantas and its controlled entities (together referred to as the 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 2012 is available at www.qantas.com or upon request from the registered office of Qantas at 10 Bourke Road, Mascot NSW 2020, Australia.

This Consolidated Interim Financial Report for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 21 February 2013.

(b) Statement of compliance

The Consolidated Interim Financial Report 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 2012. This report should also be read in conjunction with any public announcements made by Qantas in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

The Consolidated Interim Financial Report is presented in Australian dollars, which is the functional currency of the Qantas Group, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values. Assets classified as held for sale are stated at the lower of carrying amount and fair value less cost to sell.

Qantas is a company of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998. In accordance with that Class Order, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

(c) Significant accounting policies

The significant 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 2012.

(d) Comparatives

Where applicable, various comparative balances have been reclassified to align with current period presentation. From 1 July 2012, the Qantas Segment was restructured as two separate operating segments – Qantas Domestic and Qantas International. The presentation of the comparatives has been changed to reflect the current structure. Other amendments have no material impact on the Consolidated Interim Financial Report.

(e) Estimates

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 1. Statement of Significant Accounting Policies (continued)

(e) Estimates (continued)

In preparing 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 2012.

(f) Carrying amount of non-financial assets

(i) Assets classified as held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continued use are classified as held for sale. Immediately before classification as held for sale, the measurement of the assets or components of a disposal group is remeasured in accordance with the Qantas Group's accounting policies. Thereafter, the assets, or disposal group, are measured at the lower of carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill and then to remaining assets and liabilities on a pro-rata basis except that no loss is allocated to inventories, financial assets or deferred tax assets, which continue to be measured in accordance with the Qantas Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Consolidated Income Statement.

(ii) Cash generating units

The carrying amounts of non-financial assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite lives, recoverable amounts are estimated each year.

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. Assets which primarily generate cash flows as a group, such as aircraft, are assessed on a cash generating unit (CGU) basis, inclusive of related infrastructure and intangible assets and compared to net cash inflows for the CGU. Estimated net cash flows used in determining recoverable amount are discounted to their net present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets.

Identification of an asset's CGU requires judgement, as it requires identification of the lowest aggregation of assets that generate largely independent cash inflows.

In Management's judgement, the lowest aggregation of assets, which give rise to CGUs as defined by AASB 136: Impairment of Assets are the Qantas Brands CGU and the Jetstar Group CGU.

In the case of Qantas Brands, the management of this CGU is structured into four operating segments being Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight (as set out in Note 2).

The Qantas Brands' aircraft fleet is considered a network asset of Qantas Brands. As a network asset, the aircraft fleet cannot be allocated at a lower level than the Qantas Brands CGU for impairment testing other than on an arbitrary basis. Accountability and business performance is managed at an operating segment level. However, decisions to acquire, dispose or utilise the fleet are made centrally, after considering the impact across all Qantas Brands operating segments with no single operating segment having decision rights.

Accordingly, the Qantas Brands CGU, which includes the aircraft fleet and other supporting assets of the Qantas Brands operating segments, is the smallest group of assets that generates cash inflows that are largely independent of cash inflows from other groups of assets (namely the Jetstar Group CGU).

That is, the cash inflows of the Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight segments as reported in Note 2 cannot be generated without the Qantas Brands aircraft fleet and other supporting assets.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

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 Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group.

The primary reporting measure of the Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight and Jetstar operating segments is Underlying EBIT as net finance costs are managed centrally. The primary reporting measure of the Corporate/Unallocated segment is Underlying PBT.

Refer to Note 2(e) for a detailed description of Underlying PBT and a reconciliation of Underlying PBT from Statutory profit before tax.

(b) Operating Segments

From 1 July 2012, the Qantas Segment was restructured as two separate operating segments – Qantas Domestic and Qantas International. The presentation of the comparatives has been changed to reflect the current structure. The Qantas Group comprises the following operating segments:

Qantas Brands

Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight operating segments are collectively referred to as Qantas Brands.

Qantas Brands is a cash generating unit (CGU) comprising those operations of the Qantas Group which are dependent on the Qantas fleet and the Qantas brand to collectively generate cash inflows and derive value.

To drive business focus, assign accountability and monitor performance, the Qantas Brands operations are managed through four operating segments. This management approach has not involved separating the operating segments into stand alone entities or implying the capital structuring or transactions that would be required for such a separation.

The Qantas fleet and the Qantas Brand together support all the operating segments within Qantas Brands. In order to set targets and assess the performance, including accountability of the operating segments (as measured by Underlying EBIT), Qantas Domestic and Qantas International report depreciation expense for passenger aircraft and Qantas Freight reports depreciation expense for freighters.

- Qantas Domestic	The Australian domestic passenger flying business of Qantas Brands.
- Qantas International	The International passenger flying business of Qantas Brands.
- Qantas Loyalty	Operates the Qantas customer loyalty program for Qantas Brands (Qantas Frequent Flyer) as well as other marketing services, loyalty and recognition programs.
- Qantas Freight	The air cargo and express freight business of Qantas Brands.

Jetstar Group

The Jetstar Group are those operations of the Qantas Group which are dependent on the Jetstar fleet and the Jetstar Brand being the Jetstar passenger flying businesses (including Jetstar Group's investments in Jetstar branded airlines in Asia).

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

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by Operating Segment[1]

December 2012 $M	**Qantas Domestic**	**Qantas International**	**Qantas Loyalty**	**Qantas Freight**	**Eliminations**	**Total Qantas Brands**[2]	**Jetstar Group**	**Corporate / Unallocated**	**Eliminations**	**Consolidated**
Revenue and other income										
External segment revenue	2,942	2,499	535	527	29	**6,532**	**1,673**	**32**	5	**8,242**
Intersegment revenue	278	319	55	4	(596)	**60**	**84**	**(32)**	(112)	**-**
Total segment revenue and other income	**3,220**	**2,818**	**590**	**531**	**(567)**	**6,592**	**1,757**	**-**	**(107)**	**8,242**
Share of net profit/(loss) of associates and jointly controlled entities	2	2	-	2	-	**6**	**(22)**	**-**	-	**(16)**
Underlying EBITDAR[3]	**606**	**286**	**139**	**34**	**2**	**1,067**	**327**	**(99)**	**(1)**	**1,294**
Non-cancellable aircraft operating lease rentals	(76)	(43)	-	(2)	-	**(121)**	**(144)**	**-**	-	**(265)**
Depreciation and amortisation	(312)	(334)	(2)	(10)	-	**(658)**	**(55)**	**(6)**	-	**(719)**
Underlying EBIT	**218**	**(91)**	**137**	**22**	**2**	**288**	**128**	**(105)**	**(1)**	**310**
Underlying net finance costs								**(87)**		**(87)**
Underlying PBT								**(192)**[4]		**223**

[1] Qantas Domestic, Qantas International, Qantas Loyalty, Qantas Freight, Jetstar Group and Corporate/Unallocated are the operating segments of the Qantas Group.
[2] Qantas Brands is a cash generating unit comprising those operations of the Qantas Group which are dependent on the Qantas fleet and the Qantas brand to collectively generate cash inflows and derive value. Qantas Brands is managed through four operating segments being Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight.
[3] EBITDAR represents underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs.
[4] Corporate/Unallocated is the only operating segment with Underlying PBT as the primary reporting measure. The primary reporting measure of other segments is Underlying EBIT.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by Operating Segment (continued)

December 2011 **$M**	**Qantas Domestic**	**Qantas International**	**Qantas Loyalty**	**Qantas Freight**	**Eliminations**	**Total Qantas Brands[1]**	**Jetstar Group**	**Corporate / Unallocated**	**Eliminations**	**Consolidated**
Revenue and other income										
External segment revenue	2,888	2,595	512	522	25	**6,542**	**1,479**	**23**	4	**8,048**
Intersegment revenue	259	324	52	4	(596)	**43**	**86**	**(26)**	(103)	**-**
Total segment revenue and other income	**3,147**	**2,919**	**564**	**526**	**(571)**	**6,585**	**1,565**	**(3)**	(99)	**8,048**
Share of net profit/(loss) of associates and jointly controlled entities	2	1	-	15	-	**18**	**(3)**	**-**	-	**15**
Underlying EBITDAR[2]	**690**	**134**	**120**	**47**	**9**	**1,000**	**328**	**(96)**	1	**1,233**
Non-cancellable aircraft operating lease rentals	(82)	(52)	-	(1)	-	**(135)**	**(142)**	**-**	-	**(277)**
Depreciation and amortisation	(280)	(344)	(1)	(8)	-	**(633)**	**(39)**	**(7)**	-	**(679)**
Underlying EBIT	**328**	**(262)**	**119**	**38**	**9**	**232**	**147**	**(103)**	**1**	**277**
Underlying net finance costs								**(75)**		**(75)**
Underlying PBT								**(178)[3]**		**202**

[1] Qantas Brands is a cash generating unit comprising those operations of the Qantas Group which are dependent on the Qantas fleet and the Qantas brand to collectively generate cash inflows and derive value. Qantas Brands is managed through four operating segments being Qantas Domestic, Qantas International, Qantas Loyalty and Qantas Freight.
[2] EBITDAR (Underlying earnings before income tax expense, depreciation, amortisation, non-cancellable aircraft operating lease rentals and net finance costs) includes the impact of the Frequent Flyer accounting estimate of $5 million (Eliminations $5 million).
[3] Corporate/Unallocated is the only operating segment with Underlying PBT as the primary reporting measure. The primary reporting measure of other segments is Underlying EBIT.

Basis of Preparation

Underlying EBIT of the Qantas Group's operating segments is prepared and presented on the basis that reflects the revenue earned and the expenses incurred by each operating segment.

All revenues earned and expenses incurred by Qantas Loyalty, Qantas Freight and Jetstar Group are reported directly by these segments. For Qantas Airlines where revenues earned and expenses incurred are directly attributable to either Qantas International or Qantas Domestic they have been reported as such. Where revenues earned and expenses incurred by Qantas Airlines are not individually attributable to either Qantas International or Qantas Domestic, they are reported by these operating segments using an appropriate allocation methodology.

The significant accounting policies applied in implementing this basis of preparation are set out on the following page. These accounting policies have been consistently applied to all periods presented in the Consolidated Interim Financial Report.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2012

Note 2. Underlying PBT and Operating Segments (continued)

(c) Analysis by Operating Segment (continued)

Segment performance measure	Basis of preparation
External segment revenue	External segment revenue is reported by operating segments as follows: - Net passenger revenue is reported by the operating segment which operated the relevant flight or provided the relevant service. For Qantas Airlines, where a multi-sector ticket covering international and domestic travel is sold, the revenue is reported by Qantas Domestic and Qantas International on a pro-rata basis using industry standard allocation processes. - Net freight revenue includes air cargo and express freight revenue and is reported by the Qantas Freight operating segment. - Other revenue is reported by the operating segment that earned the revenue.
Inter-segment revenue	Inter-segment revenue primarily represents the issuance and redemption of frequent flyer points between Qantas Loyalty, Qantas Domestic, Qantas International and the Jetstar Group and the utilisation of aircraft bellyspace on the Qantas Brands and Jetstar Group aircraft fleets by Qantas Freight. These transactions occur in the ordinary course of business at prices that approximate market prices.
Share of net profit/(loss) of associates and jointly controlled entities	Share of net profit/(loss) of associates and jointly controlled entities is reported by the operating segment which is accountable for the management of the investment. The share of net profit/(loss) of associates and jointly controlled entities for Qantas Airlines investments has been equally shared between Qantas Domestic and Qantas International.
Underlying EBITDAR	The significant expenses impacting Underlying EBITDAR are as follows: - Fuel expenditure is reported by the segment that consumes the fuel in its operations. - Aircraft operating variable costs are reported by the segment that incurs these costs. - Manpower and staff related costs are reported by the operating segment that utilises the manpower. Where manpower supports both Qantas Domestic and Qantas International, costs are reported by Qantas Domestic and Qantas International using an appropriate allocation methodology. - All other expenditure is reported by the operating segment to which they are directly attributable or in the case of Qantas Airlines between Qantas Domestic and Qantas International using an appropriate allocation methodology. To apply this accounting policy, where necessary expenditure is recharged between operating segments as a cost recovery.
Depreciation and amortisation	Qantas Domestic, Qantas International and Jetstar Group report depreciation expense for passenger aircraft owned by the Qantas Group and flown by the segment. Qantas Freight reports depreciation expense for freight aircraft owned by the Qantas Group. Other depreciation and amortisation is reported by the segment that uses the related asset.
Non-cancellable aircraft operating lease rentals	Qantas Domestic, Qantas International and Jetstar Group report non-cancellable aircraft operating lease rentals for passenger aircraft externally leased by the Qantas Group and flown by the segment. Qantas Freight reports non-cancellable aircraft operating lease rentals for freighter aircraft externally leased by the Qantas Group.

During the half-year ended 31 December 2012, the Qantas Group recognised settlement income of $125 million following the restructure of the Boeing 787 aircraft delivery schedule including the cancellation of firm commitments for 35 Boeing 787-9 aircraft and therefore the related capital commitments were eliminated. This income has been reported as external segment revenue equally across the Qantas Domestic, Qantas International and the Jetstar Group operating segments.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2012

Note 2. Underlying PBT and Operating Segments (continued)

(d) Underlying PBT per Share

	December 2012 cents	December 2011 cents
Basic/diluted Underlying PBT per share	9.9	8.9

(e) Description of Underlying PBT and Reconciliation from Statutory Profit Before Tax (Statutory PBT)

Underlying PBT is a non-statutory measure, and is the primary reporting measure used by the Qantas Group's chief operating decision-making bodies, being the Chief Executive Officer, Group Management Committee and the Board of Directors. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the Underlying performance of each operating segment and the Group.

Underlying PBT is derived by adjusting Statutory PBT for the impacts of AASB 139: Financial Instruments: Recognition and Measurement (AASB 139) which relate to other reporting periods and identifying certain other items which are not included in Underlying PBT.

(i) Adjusting for impacts of AASB 139 which relate to other reporting periods

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 reporting period's statutory profit for derivative mark-to-market movements that relate to underlying exposures in other reporting periods.

This adjustment is calculated as follows:
- Derivative mark-to-market movements recognised in the current reporting period's statutory profit that are associated with current period 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 period are included in Underlying PBT
- Ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs are excluded from Underlying PBT

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.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 2. Underlying PBT and Operating Segments (continued)

(e) Description of Underlying PBT and Reconciliation from Statutory PBT (continued)

(ii) Other items not included in Underlying PBT

Items which are identified by Management and reported to the chief operating decision-making bodies, as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from major transformational/restructuring initiatives, transactions involving investments and impairments of assets outside the ordinary course of business.

(iii) Underlying EBIT

Underlying EBIT is calculated using a consistent methodology as outlined above but excluding the impact of statutory net finance costs and ineffective and non-designated derivatives relating to other reporting periods affecting net finance costs.

(iv) Reconciliation of Underlying PBT from Statutory PBT

The reconciliation of Underlying PBT from Statutory PBT is detailed below.

	December 2012 $M	December 2011 $M
Statutory PBT	**151**	**58**
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	(1)	58
- Exclude current year derivative mark-to-market movements relating to capital expenditure	7	(4)
- Include adjustment for implied depreciation expense relating to excluded capital expenditure mark-to-market movements	(3)	(1)
- Include prior years' derivative mark-to-market movements relating to underlying exposures in the current year	(44)	(50)
- Exclude ineffectiveness and non-designated derivatives relating to other reporting periods affecting net finance costs	7	4
	(34)	7
Other items not included in Underlying PBT		
- Redundancies and restructuring[1]	68	46
- Net impairment of property, plant and equipment[2]	62	72
- Impairment of investment	-	19
- Gain on disposal of jointly controlled entity	(30)	-
- Other	6	-
	106	137
Underlying PBT	**223**	**202**

[1] As disclosed in Note 3, total redundancies and restructuring for the period ended 31 December 2012 was $71 million (2011: $49 million) of which $68 million (2011: $46 million) is presented as other items not included in Underlying PBT.
[2] As disclosed in Note 3, net impairment of property, plant and equipment for the period ended 31 December 2012 was $64 million (2011: $83 million), of which $62 million (2011: $72 million) is presented as other items not included in Underlying PBT.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2012

(f) Analysis by Geographical Areas

Passenger and freight revenue is attributed to a geographic region based on the point of sale and, where not directly available, on a pro rata basis. Other revenue/income is not allocated to a geographic region as it is impractical to do so.

	December 2012 $M	**December 2011 $M**
Revenue and other income by geographic areas		
Net passenger and freight revenue		
Australia	5,331	5,337
Overseas	2,093	2,076
	7,424	7,413
Other revenue/income (refer to Note 3)	818	635
	8,242	**8,048**

Non-current assets by geographic areas

Non-current assets which consist principally of aircraft supporting the Group's global operations are primarily based in Australia.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 3. Other Revenue/Income and Other Expenditure

	December 2012 $M	December 2011 $M
Other revenue/income		
Contract work revenue	157	192
Frequent Flyer store and other redemption revenue[1]	128	118
Frequent Flyer membership fees, marketing revenue and other revenue	132	114
Charter revenue	93	35
Retail, advertising and other property revenue	73	69
Other	235	107
	818	**635**
Other expenditure		
Selling and marketing	302	336
Property	241	208
Computer and communication	204	198
Capacity hire	156	129
Redundancies and restructuring	71	49
Net impairment of property, plant and equipment	64	83
Airport security charges	76	67
Net impairment of investments	-	19
Net (gain)/loss on sale of associates and jointly controlled entities	(30)	-
Ineffective and non-designated derivatives	17	75
Other	190	221
	1,291	**1,385**

[1] Frequent Flyer redemption revenue excluding redemptions on Qantas Group's flights which are reported as net passenger revenue in the Consolidated Income Statement.

Note 4. Income Tax Expense

	December 2012 $M	December 2011 $M
Statutory profit before income tax expense	151	58
Income tax using the domestic corporate tax rate of 30 per cent	45	17
Add/(less) adjustments for:		
- Non-assessable gain on disposal of jointly controlled entity	(9)	-
- Over provision in prior year	(2)	(2)
- Non-deductable share of net loss of associates and jointly controlled entities	5	-
- Other items	1	1
Income tax expense	**40**	**16**

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the half-year ended 31 December 2012

Note 5. Investments Accounted for Using the Equity Method

	December 2012 $M	June 2012 $M
Investment in associates		
- Jetset Travelworld Ltd	117	114
- Other	59	49
Investment in jointly controlled entities		
- AUX Investments Pty Ltd	-	294
	176	**457**

	Ownership interest[1] December 2012 %	June 2012 %
AUX Investments Pty Ltd[2]	-	50
Fiji Resorts Limited	21	21
Hallmark Aviation Services L.P.	49	49
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 Ltd[3]	29	29
Jetstar Hong Kong Airways Limited[4]	50	-
Jetstar Japan Co., Ltd.	33	33
Jetstar Pacific Airlines Aviation Joint Stock Company	30	30
LTQ Engineering Pty Limited	50	50
PT Holidays Tours & Travel	37	37
Tour East (T.E.T) Ltd	37	37

[1] The Qantas Group continues to hold a 46 per cent ownership interest in Air Pacific Limited (Air Pacific). Legislative changes in Fiji culminated on 29 May 2012 with the Qantas Group removing its director representatives from the Board of Air Pacific. As a result, Air Pacific ceased to be an associate as the Qantas Group no longer has significant influence.

[2] The Group sold its 50 per cent share in AUX Investments Pty Ltd on 13 November 2012.

[3] Jetset Travelworld Ltd is a company whose shares are traded on the Australian Securities Exchange (ASX). As at 31 December 2012 the fair value based on a quoted price of Qantas' investment is $56 million. Qantas' share of the net assets of Jetset Travelworld Ltd is $125 million as at 31 December 2012.

[4] Jetstar Hong Kong Airways Limited is a joint venture between the Qantas Group and China Eastern Airlines and was incorporated on 4 September 2012.

Note 6. Other Financial Assets and Liabilities

	December 2012 $M	June 2012 $M
Other financial assets – current	96	88
Other financial assets – non-current	11	17
Other financial liabilities – current	(103)	(369)
Other financial liabilities – non-current	(249)	(224)
	(245)	**(488)**

Other financial assets and liabilities include derivative instruments used to hedge financial exposures. The movement is driven by repayments, changes in market variables (including foreign exchange and fuel price) as well as changes in underlying hedge positions. As a result, the net other financial assets and liabilities have decreased from a net liability of $488 million at 30 June 2012 to a net liability of $245 million at 31 December 2012.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 7. Interest-bearing Liabilities

	December 2012 $M	June 2012 $M
Current		
Bank loans – secured	530	519
Other loans – unsecured	504	527
Lease and hire purchase liabilities – secured	101	73
	1,135	**1,119**
Non-current		
Bank loans – secured	2,966	3,214
Bank loans – unsecured	874	877
Other loans – unsecured	638	689
Lease and hire purchase liabilities – secured	580	650
	5,058	**5,430**

Note 8. Dividends

No dividends were declared or paid during the half-year ended 31 December 2012 (2011: nil).

Note 9. Acquisitions and Disposals of Controlled Entities, Associates and Jointly Controlled Entities

(a) Acquisitions

(i) Australian air Express Pty Ltd

On 13 November 2012, the Qantas Group acquired 100 per cent of Australian air Express Pty Ltd (AaE) from AUX Investments Pty Ltd, a jointly controlled entity of the Qantas Group. The purchase consideration, net of cash acquired was $24 million. From this date, AaE has been consolidated into the Qantas Group.

	$M
Consideration paid	
Consideration paid	44
Less: cash acquired	(20)
Payments for controlled entities, net of cash acquired	**24**

Fair value of net assets acquired (on a preliminary basis)	
Property, plant and equipment	20
Goodwill and other intangible assets	31
Receivables	57
Deferred tax assets	5
Payables	(61)
Provisions	(28)
	24

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 9. Acquisitions and Disposals of Controlled Entities, Associates and Jointly Controlled Entities (continued)

(b) Disposals

(i) Catering Cairns and Riverside

On 31 October 2012, the Qantas Group disposed of its Cairns and Riverside catering facilities. This transaction involved the disposal of three companies: Q Catering Cairns Pty Limited, Q Catering Riverside Pty Limited and Airport Infrastructure Finance Pty. Limited. At 30 June 2012 the disposal group representing these companies was classified as held for sale and recognised at its fair value less costs to sell. There were no material effects of this transaction on the Qantas Group's financial position during the half-year ended 31 December 2012.

(ii) Star Track Express Holdings Pty Limited

On 13 November 2012, the Qantas Group disposed of its 50 per cent interest in AUX Investments Pty Ltd (AUXI), a jointly controlled entity between the Qantas Group and Australia Post. Following the Qantas Group's acquisition of 100 per cent of AaE from AUXI, AUXI held 100 per cent of Star Track Express Holdings Pty Limited. On completion of this transaction, the Qantas Group recognised a net gain on disposal of $30 million before tax.

Note 10. Commitments

(a) Capital Expenditure Commitments

	December 2012 $M	June 2012 $M
Capital expenditure commitments contracted but not provided for in the Consolidated Financial Statements, payable:		
Within 12 months	1,394	1,201
Later than 12 months but not later than five years	4,377	7,930
Later than five years	2,887	4,928
	8,658	**14,059**

The Qantas Group has a number of cancellation and deferral rights within its aircraft purchase contracts which can reduce or defer the above capital commitments. The Group also has further opportunities to place ordered aircraft with its associates and jointly controlled entities.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

Note 10. Commitments (continued)

(b) Operating Lease Commitments as Lessee

	December 2012 $M	June 2012 $M
Non-cancellable operating lease commitments not provided for in the Consolidated Financial Statements		
Aircraft and engines – payable:		
Within 12 months	594	616
Later than 12 months but not later than five years	1,400	1,569
Later than five years	274	342
	2,268	2,527
Non-aircraft – payable:		
Within 12 months	193	185
Later than 12 months but not later than five years	550	528
Later than five years but not later than ten years	290	273
Later than ten years[1]	231	92
Provision for potential under-recovery of rentals on unused premises available for sub-lease (onerous contract provision)	(11)	(8)
	1,253	1,070
	3,521	**3,597**

[1] Represents the long-term extension of the Qantas Group Headquarters following refurbishments enabling the consolidation of other leases to be realised in the near term.

Note 11. Contingent Liabilities

Freight and passenger third party class actions

Qantas is a party to a number of third party class actions relating to its freight and passenger divisions. Qantas continues to have a number of defences to these class actions. Qantas expects the outcome of these class actions will be known over the course of the next few years.

Note 12. Post Balance Date Events

On 18 January 2013, a decision was reached by the Fair Work Commission (FWC) in the arbitration case between Qantas and the Australian and International Pilots Association (AIPA) in relation to long haul pilots. Both parties are now directed to provide a draft workplace agreement to the FWC to give effect to the decision. The determination of the FWC affirms Qantas' right to manage its business and outlines future pay increases, back pay requirements and decisions relating to other employment provisions. The impact of back pay, including the remeasurement of leave provisions, is approximately $25 million.

Other than the matter noted above, there has not arisen in the interval between 31 December 2012 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 2012.

KPMG

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 2012 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

KPMG

DMcLennan

Duncan McLennan
Partner

Sydney

21 February 2013

DIRECTORS' DECLARATION

In the opinion of the Directors of Qantas Airways Limited:

(a) the Consolidated Interim Financial Statements and notes set out on pages 14 to 33, 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 2012 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, AO
Chairman

ALAN JOYCE
Chief Executive Officer

Sydney
21 February 2013

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 2012, 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 2012 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 2012 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

KPMG

D McLennan

Duncan McLennan
Partner

Sydney

21 February 2013

OPERATIONAL STATISTICS

For the half-year ended 31 December 2012

(unaudited)		**Half-year ended December 2012**	**Half-year ended December 2011**	**Change**
TRAFFIC AND CAPACITY				
QANTAS DOMESTIC (INCLUDING QANTASLINK) - SCHEDULED SERVICES				
Passengers carried	000	11,409	11,352	0.5%
Revenue passenger kilometres (RPK)	m	14,749	14,616	0.9%
Available seat kilometres (ASK)	m	19,187	18,353	4.5%
Revenue seat factor	%	76.9	79.6	(2.7)pts
QANTAS DOMESTIC (EXCLUDING QANTASLINK) – SCHEDULED SERVICES				
Passengers carried	000	8,698	8,728	(0.3)%
Revenue passenger kilometres (RPK)	m	12,995	12,861	1.0%
Available seat kilometres (ASK)	m	16,586	15,838	4.7%
Revenue seat factor	%	78.3	81.2	(2.9)pts
QANTASLINK - SCHEDULED SERVICES				
Passengers carried	000	2,711	2,624	3.3%
Revenue passenger kilometres (RPK)	m	1,754	1,755	(0.1)%
Available seat kilometres (ASK)	m	2,601	2,515	3.4%
Revenue seat factor	%	67.4	69.8	(2.4)pts
JETSTAR DOMESTIC - SCHEDULED SERVICES				
Passengers carried	000	5,975	5,416	10.3%
Revenue passenger kilometres (RPK)	m	7,253	6,543	10.9%
Available seat kilometres (ASK)	m	8,867	7,663	15.7%
Revenue seat factor	%	81.8	85.4	(3.6)pts
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
Passengers carried	000	2,917	3,060	(4.7)%
Revenue passenger kilometres (RPK)	m	24,513	25,971	(5.6)%
Available seat kilometres (ASK)	m	29,625	31,714	(6.6)%
Revenue seat factor	%	82.7	81.9	0.8pts
JETSTAR INTERNATIONAL – SCHEDULED SERVICES				
Passengers carried	000	2,628	2,308	13.9%
Revenue passenger kilometres (RPK)	m	7,621	6,485	17.5%
Available seat kilometres (ASK)	m	9,906	8,542	16.0%
Revenue seat factor	%	76.9	75.9	1.0pts
JETSTAR ASIA				
Passengers carried	000	1,772	1,556	13.9%
Revenue passenger kilometres (RPK)	m	2,959	3,065	(3.5)%
Available seat kilometres (ASK)	m	3,789	3,933	(3.7)%
Revenue seat factor	%	78.1	77.9	0.2pts
QANTAS GROUP OPERATIONS				
Passengers carried	000	24,701	23,691	4.3%
Revenue passenger kilometres (RPK)	m	57,095	56,680	0.7%
Available seat kilometres (ASK)	m	71,374	70,205	1.7%
Revenue seat factor	%	80.0	80.7	(0.7)pts
Aircraft in service at end of period	#	313	301	12 aircraft
QANTAS LOYALTY				
Awards redeemed	m	2.7	2.4	12.5%
Total members	m	9.0	8.3	8.4%
FINANCIAL				
Yield (passenger revenue per RPK)[1]	c	10.46	10.77	(2.9)%
EMPLOYEES				
Full-time equivalent employees at end of period[2]	#	33,608	33,697	(0.3)%
RPK per FTE (annualised)	000	3,398	3,364	1.0%
ASK per FTE (annualised)	000	4,247	4,167	1.9%

[1]Yield (both current year and prior year) is calculated using prior year exchange rates.

[2]Excluding AaE acquired in November 2012.

GEARING RATIO[1]

As at 31 December 2012

(unaudited)	December 2012 $M	June 2012 $M
Equity	5,994	5,889
Exclude hedge reserve	(52)	(41)
Exclude defined benefit prepayment asset, net of deferred tax	(199)	(205)
Recognise vested benefits deficit of defined benefit superannuation fund, net of deferred tax[2]	(41)	(84)
Adjusted Equity	**5,702**	**5,559**
On balance sheet debt		
Current interest-bearing liabilities	1,135	1,119
Non-current interest-bearing liabilities	5,058	5,430
Cash and cash equivalents	(3,058)	(3,398)
Aircraft security deposits	(20)	(24)
Fair value of hedges relating to debt[3]	248	431
Net on balance sheet debt	**3,363**	**3,558**
Operating lease liability[4]	1,643	1,860
Net debt including operating lease liability	**5,006**	**5,418**
Implied residual value of operating leases at lease end[5]	2,081	1,911
Net debt including operating lease liability and implied residual value	**7,087**	**7,329**
On balance sheet debt ratio		
Net debt on balance sheet to net debt on balance sheet and equity (excluding hedge reserve)	37:63	39:61
Gearing ratio		
Net debt including operating lease liability to net debt including operating lease liability and equity (excluding hedge reserve)	47:53	49:51
Capital structure		
Net debt including operating lease liability and implied residual value to net debt including operating lease liability and implied residual value and equity (excluding hedge reserve)	55:45	57:43

[1]Gearing ratio is Net debt including operating lease liability to net debt including operating lease liability and equity (excluding hedge reserve, defined benefit superannuation prepayments net of deferred tax and including vested benefits deficit of defined benefit superannuation plans, net of deferred tax). The gearing ratio is used by Management to represent the Qantas Group's debt obligation including obligations under operating leases.

[2]Equal to the difference between the Net Assets of the Qantas Group's Superannuation Plans and the Vested Benefits (using the most recently available actuarial assessment), net of deferred tax.

[3]Fair value of hedges relating to debt are included in Other Financial Assets and Liabilities on the Consolidated Balance Sheet in accordance with AASB 139: Financial Instruments: Recognition and Measurement.

[4]Operating lease liability is the present value of minimum lease payments for aircraft operating leases which, in accordance with AASB 117: Leases, is not recognised on balance sheet. This operating lease liability has been calculated in accordance with Standard and Poor's methodology using an assumed interest rate of 9 per cent.

[5]Represents the difference between the present value of minimum lease payments of aircraft operating leases calculated in accordance with Standard and Poor's methodology (Operating lease liability) and the quantum of debt calculated assuming that the operating leases were finance leases with a buy-out obligation equal to implied residual value at the end of the lease, using the interest rate implicit in the lease.

ADJUSTED NET BORROWING COSTS

For the half-year ended 31 December 2012

(unaudited)	December 2012 $M	December 2011 $M
Borrowing costs		
Finance income	(66)	(98)
Finance costs	160	177
Unwind of discount on provisions and other liabilities	(14)	(16)
Unwind of discount on receivables	3	6
Capitalised interest	32	44
Ineffective and non-designated derivatives relating to other reporting periods	(7)	(4)
Implied interest on operating leases debt funding	110	115
Adjusted net borrowing costs	**218**	**224**
Average net debt including operating lease liability and implied residual value	**7,299**	**7,028**
Adjusted net borrowing costs as a percentage of average net debt including operating lease liability and implied residual value	**6.0%**	**6.4%**