

QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2004**

ABN 16 009 661 901

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

	31 Dec 2004 \$m	31 Dec 2003 \$m	Change \$m	Change %
Revenue from ordinary activities	6,431.0	5,801.8	629.2	up 10.8%
Profit from ordinary activities after tax attributable to members	458.4	357.8	100.6	up 28.1%
Net profit for the period attributable to members	458.4	357.8	100.6	up 28.1%

DIVIDENDS

31 December 2004 interim dividend - to be paid 6 April 2005	
Amount per security (cents)	10.0
Franked amount per security at 30% tax	10.0
Record date for determining entitlements to the dividend	9 March 2005
Date the dividend is payable	6 April 2005
Total dividend declared (\$m)	186.8
Qantas operates a Dividend Reinvestment Plan (DRP) under which shareholders can reinvest the dividends payable on participating shares in newly issued Qantas shares.	
Last date for receipt of election notice for participation in dividend reinvestment plan	9 March 2005

EXPLANATION OF RESULTS

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

OTHER INFORMATION

	Dec 2004	Dec 2003
	\$	\$
Net Tangible Assets per ordinary share	3.24	2.99

Entities over which control gained or lost during the period:

Thai Air Cargo Holdings Pty Limited (a new wholly owned subsidiary) was incorporated on 6 December 2004 to establish a new Asian cargo airline to be based in Bangkok.

On 1 July 2004, Qantas (through its 75% owned controlled entity Holiday Tours & Travel Pte Ltd (Singapore)), incorporated Holidays Tours & Travel (China) Limited to market and sell holiday packages in China.

Details of associates and joint venture entities

Equity accounted associates and joint ventures	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit	
	December 2004 %	December 2003 %	December 2004 \$m	December 2003 \$m
Air Pacific Limited	46.32	46.32	2.6	0.2
Australian Air Express Pty Limited	50.00	50.00	10.7	6.2
Jetstar Asia Airways Pte Limited ¹	49.00	-	(9.7)	0.0
Jet Turbine Services Pty Limited	50.00	50.00	(1.9)	0.0
Hallmark Aviation Services LP	49.00	49.00	0.4	(0.1)
Harvey Holidays Pty Limited	50.00	50.00	0.5	0.3
Holidays Tours and Travel (Thailand) Limited	36.80	36.80	0.0	0.0
Jupiter Air Oceania Limited	47.62	47.62	0.1	0.0
Star Track Express Holdings Pty Limited	50.00	50.00	1.8	0.0
TET Limited	36.80	36.80	0.0	0.0
Thai Air Cargo Co. Ltd. ²	49.00	-	0.2	0.0
Travel Software Solutions Pty Limited	50.00	50.00	(0.1)	(0.3)
Total			4.6	6.3

¹ On 25 March 2004, Qantas and three other shareholders incorporated a new company in Singapore, AVBA Pte Ltd, to establish a low-cost carrier servicing Asia, based in Singapore. The company subsequently changed its name to Jetstar Asia Airways Pte Ltd on 3 September 2004.

² On 9 December 2004, Qantas (through its subsidiary Thai Air Cargo Holdings Pty Limited) and CTI Holding Company Limited of Thailand, signed a joint venture agreement in order to establish a new Asian cargo airline to be based in Bangkok.

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2004 and the independent auditors' review report thereon.

DIRECTORS

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

Name	Period of Directorship
Margaret Jackson <i>Chairman</i>	<i>Director since July 1992 - appointed Chairman August 2000</i>
Geoff Dixon <i>Chief Executive Officer</i>	<i>Director since August 2000</i>
Peter Gregg <i>Chief Financial Officer</i>	<i>Director since September 2000</i>
Paul Anderson	<i>Director since September 2002</i>
Mike Codd	<i>Director since January 1992</i>
Patricia Cross	<i>Director since January 2004</i>
Trevor Eastwood	<i>Director since October 1995 - to resign 31 March 2005</i>
Garry Hounsell	<i>Appointed 1 January 2005</i>
Jim Kennedy	<i>Director since October 1995</i>
Roger Maynard	<i>Director since March 1993 - resigned 8 September 2004</i>
James Packer	<i>Director since March 2004</i>
John Schubert	<i>Director since October 2000</i>
Nick Tait	<i>Director since March 1993 - resigned 8 September 2004</i>

REVIEW OF OPERATIONS

The Qantas Group achieved a net profit after tax for the half-year of \$458.4 million, representing an increase of \$100.6 million or 28.1% compared to the corresponding prior period.

Total sales and operating revenue for the half-year increased by \$629.2 million or 10.8% percent to \$6.4 billion. Excluding the unfavourable impact of foreign exchange rate movements, this increase amounted to 11.6%. Revenue Passenger Kilometres (RPKs) increased by 8.6% on increased capacity of 13.3%, leading to a decrease in passenger load factor of 3.2% points. Total international yield (excluding exchange) has improved by 3.6% compared to the corresponding prior period, while total domestic yield (excluding exchange) has deteriorated by 5.3%.

Total expenditure, excluding net interest expense, increased by \$559.1 million or 10.8% to \$5.8 billion. Excluding the favourable impact of foreign exchange rate movements, this increase amounted to 12.5%.

DIRECTORS' REPORT (continued)

International Flying Operations, including Australian Airlines, contributed EBIT of \$229.0 million, an increase of \$28.9 million or 14.4% over the corresponding prior period. RPKs increased by 8.1% on increased capacity of 14.2%, leading to a decrease in passenger load factor of 4.2% points.

Domestic Flying Operations, including QantasLink and Jetstar, contributed EBIT of \$390.1 million, an increase of \$66.2 million over the corresponding prior period. RPKs increased by 9.7% on increased capacity of 11.3%, leading to a decrease in passenger load factor of 1.1% points.

EBIT for other subsidiary operations decreased by \$25.0 million or 32.2% to \$52.5 million.

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 16.

ROUNDING

The Company is of a kind referred to in ASIC Class Order No. 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest one hundred thousand dollars, unless otherwise stated.

Signed pursuant to a Resolution of the Directors:



MARGARET JACKSON
Chairman



GEOFF DIXON
Chief Executive Officer

Sydney, 16 February 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

for the half-year ended 31 December 2004

	December 2004 \$m	December 2003 \$m
Sales and operating revenue		
Net passenger revenue ^{1,2}	4,975.9	4,613.1
Net freight revenue ¹	318.1	241.0
Tours and travel revenue	394.3	363.6
Contract work revenue	232.1	245.7
Other sources ^{3,4}	510.6	338.4
	6,431.0	5,801.8
Expenditure		
Manpower and staff related	1,645.5	1,471.7
Selling and marketing ¹	282.1	272.6
Aircraft operating - variable	1,229.0	1,113.5
Fuel and oil	852.9	644.9
Property	152.9	148.5
Computer and communication	261.3	216.3
Tours and travel cost of sales	317.0	294.7
Capacity hire	158.6	157.5
Other ⁵	167.5	216.2
Share of net profit of associates	(4.6)	(6.3)
Depreciation and amortisation	549.2	536.2
Non-cancellable operating lease rentals	148.0	134.5
	5,759.4	5,200.3
Earnings before interest and tax	671.6	601.5
Net borrowing costs	(70.3)	(71.2)
Profit from ordinary activities before related income tax expense	601.3	530.3
Income tax expense related to ordinary activities	(142.5)	(171.3)
Net profit	458.8	359.0
Outside equity interests in net profit	(0.4)	(1.2)
Net profit attributable to members of the Company	458.4	357.8
Non-owner Transaction Changes in Equity		
Net exchange differences recognised in equity	(1.3)	(1.1)
Total transactions and adjustments recognised directly in equity	(1.3)	(1.1)
Total changes in equity not resulting from transactions with owners as owners	457.1	356.7
Earnings per share (EPS)		
Basic earnings per share (cents)	24.7	19.9
Diluted earnings per share (cents)	24.6	19.8

1 Passenger and freight revenue is disclosed net of both sales discount and interline/IATA commission.

2 Passenger recoveries (including fuel surcharge on passenger tickets) are disclosed as part of net passenger revenue.

3 Revenue from other sources includes revenue from aircraft charter and leases, property income, Qantas Club and Frequent Flyer membership fees, freight terminal and service fees, commission revenue, aged availed surplus revenue and unavailed revenue and other miscellaneous income (including the release of surplus revenue accounting provisions related to prior periods of \$52.1 million).

4 Excludes interest revenue of \$48.5 million (2003: \$57.2 million) which is included in net borrowing costs. Also excluded are proceeds on sale and operating leaseback of non-current assets of \$276.2 million (2003: \$215.6 million), which are offset against the relevant asset's written down value before recognition of the profit or loss on sale. Net profit on sale of non-current assets was \$1.8 million (2003: \$4.6 million loss).

5 Other expenses include contract work materials, printing, stationery, insurance and other miscellaneous expenses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2004

	December 2004 \$m	June 2004 \$m
Current assets		
Cash	345.9	335.9
Receivables	2,869.0	2,116.3
Net receivables under hedge/swap contracts	208.8	302.1
Inventories	373.3	375.5
Other	158.3	192.2
Total current assets	3,955.3	3,322.0
Non-current assets		
Receivables	300.7	304.6
Net receivables under hedge/swap contracts	891.5	997.0
Investments accounted for using the equity method	365.6	339.7
Other investments	99.9	110.1
Property, plant and equipment	12,635.0	12,256.6
Intangible assets	151.9	152.4
Deferred tax assets	0.7	0.9
Other	91.5	90.9
Total non-current assets	14,536.8	14,252.2
Total assets	18,492.1	17,574.2
Current liabilities		
Payables	2,298.3	2,167.5
Interest bearing liabilities	684.9	821.9
Net payables under hedge/swap contracts	266.8	250.8
Provisions	395.0	381.6
Current tax liabilities	91.5	30.1
Revenue received in advance	1,412.2	1,493.3
Deferred lease benefits/income	45.4	45.0
Total current liabilities	5,194.1	5,190.2
Non current liabilities		
Interest bearing liabilities	5,435.8	5,081.8
Net payables under hedge/swap contracts	335.5	131.6
Provisions	334.0	331.7
Deferred tax liabilities	830.0	806.9
Deferred lease benefits/income	162.4	191.7
Total non-current liabilities	7,097.7	6,543.7
Total liabilities	12,291.8	11,733.9
Net assets	6,200.3	5,840.3
Equity		
Contributed equity	4,068.7	3,994.9
Reserves	53.1	54.4
Retained profits	2,074.7	1,776.3
Equity attributable to members of the Company	6,196.5	5,825.6
Outside equity interests in controlled entities	3.8	14.7
Total equity	6,200.3	5,840.3

CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 31 December 2004

	December 2004 \$m	December 2003 \$m
Cash flows from operating activities		
Cash receipts in the course of operations	6,728.3	6,246.6
Cash payments in the course of operations	(5,551.0)	(5,085.6)
Interest received	43.7	57.2
Borrowing costs paid	(149.1)	(165.8)
Dividends received	9.7	4.3
Income taxes paid	(58.2)	(90.1)
Net cash provided by operating activities	1,023.4	966.6
Cash flows from investing activities		
Payments for property, plant and equipment	(1,150.3)	(1,104.6)
Receipts from aircraft security deposits	0.5	57.8
Total payment for purchases of property, plant and equipment and aircraft security deposits	(1,149.8)	(1,046.8)
Proceeds from sale of property, plant and equipment	18.3	43.9
Proceeds from sale and leaseback of non-current assets	257.9	171.7
Payments for investments, net of cash acquired	(45.0)	(252.9)
(Advances)/repayments of investment loans	0.9	(118.5)
Payments for other intangibles	-	(27.2)
Net cash used in investing activities	(917.7)	(1,229.8)
Cash flows from financing activities		
Repayment of borrowings	(609.8)	(880.2)
Proceeds from borrowings/swaps	1,262.0	780.4
Net proceeds from the issue of shares	-	90.5
Dividends paid	(92.7)	(91.6)
Net cash provided by / (used in) financing activities	559.5	(100.9)
Net increase / (decrease) in cash held	665.2	(364.1)
Cash at the beginning of the financial period	1,365.3	2,015.9
Cash at the end of the financial period	2,030.5	1,651.8

Reconciliation of cash

Cash as at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	December 2004 \$m	December 2003 \$m
Cash on hand and at bank	109.7	168.4
Cash at call	236.2	236.8
Short term money market securities and term deposits	1,684.6	1,246.6
Cash at the end of the financial period	2,030.5	1,651.8

Non-cash financing and investing activities

During the period 22,675,271 (2003: 21,151,352) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled \$73.8 million (2003: \$69.3 million).

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2004

Note 1. Basis of Preparation of Half-Year Financial Report

This half-year consolidated financial report is a general purpose financial report prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001.

This report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of assets.

The accounting policies adopted in this report are the same as those applied in the annual financial report for the year ended 30 June 2004.

This financial report does not include notes of the type normally included in an annual financial report. It is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Qantas Airways Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Stock Exchange.

The current reporting period in the financial report is the half-year ended 31 December 2004 while the corresponding prior period is the half-year ended 31 December 2003.

Note 2. Retained Profits

	December 2004 \$m	December 2003 \$m
Retained profits at the beginning of the financial period	1,776.3	1,435.9
Net profit attributable to members of the Company	458.4	357.8
Aggregate amount transferred from reserves	7.0	-
Dividends and other equity distributions paid or payable *	(167.0)	(160.9)
Retained profits at the end of the financial period	2,074.7	1,632.8

* Dividends declared by the Qantas Group include dividends declared to outside equity interests by Caterair Airport Services (Sydney) Pty Limited of \$0.7 million and by Holiday Tours and Travel Pte Limited of \$0.2 million.

Note 3. Dividends

A fully franked final dividend of 9 cents per ordinary share was paid on 29 September 2004 in relation to the financial year ended 30 June 2004. The total amount of the dividend declared was \$166.1 million.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2004

Note 4. Tax Reconciliation

The prima facie income tax on profit from ordinary activities differs from the income tax charged in the Statement of Financial Performance and is calculated as follows:

	December 2004 \$m
Profit from ordinary activities	601.3
Prima facie income tax expense @ 30%	180.4
Less: Tax consolidation benefit	(50.0)
Add: other items	12.1
Income tax expense related to ordinary activities	142.5

Note 5. Contingent Liabilities

The contingent liabilities disclosed in the 30 June 2004 annual report remain unresolved. There have been no new claims made against the Qantas Group during the period.

Note 6. Post Balance Date Events

There has not arisen in the interval between the end of the financial period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to significantly affect the operations of the Qantas Group, the results of those operations, or the state of affairs of the Qantas Group, in this financial period or in future financial periods.

Note 7. International Financial Reporting Standards

For the reporting period beginning on or after 1 January 2005, the consolidated entity must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board (AASB).

The areas of significant difference between Australian Generally Accepted Accounting Principles (GAAP) and IFRS, as applied to the consolidated entity, have been identified and work has commenced to quantify the impact of adoption. To date, quantification has not been completed or presented to the Board for approval.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2004

Note 7. International Financial Reporting Standards (continued)

Managing the Transition to IFRS

The Board has established a Project Group, reporting through to the Chief Financial Officer, to achieve the transition to IFRS reporting. The Qantas implementation project is explained in the 2004 Annual Report. The project consists of three phases.

1. Assessment Phase;
2. Design Phase; and
3. Implementation Phase.

The project is well progressed in the Design Phase. This phase aims to formulate the changes required to existing accounting policies, procedures, systems and processes in order to transition to IFRS.

Key Differences Between Australian GAAP and IFRS

The potential implications of the conversion to IFRS on the consolidated entity are outlined below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. The impact on future years will depend on the particular circumstances prevailing in those years. Accordingly, there can be no assurances that the consolidated financial performance and financial position would not be significantly different if determined in accordance with IFRS.

Accounting Standard	Nature of Potential Change
<i>Revenue</i> Qantas is considering the application of AASB 118 to the accounting for the Frequent Flyer program. Under Australian GAAP and IFRS there are two acceptable accounting treatments including the Incremental Cost method, currently used and the Deferred method.	Under the Deferral method, revenue would be released to the Statement of Financial Performance as points are redeemed as opposed to when sold. The financial effect of the potential change has not been determined. It is anticipated that should a change be required, a reduction in retained earnings will be made on first time adoption. The impact on future profits is largely dependent on the extent to which the program grows and as such cannot be quantified.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2004

Note 7. International Financial Reporting Standards (continued)

<p><i>Employee Benefits</i> AASB 119 requires the funding position of company sponsored defined benefit superannuation plans to be recognised in the Statement of Financial Position.</p>	<p>Valuations of the Qantas defined benefits plans, applying the AASB 119 measurement criteria, will be conducted as at 30 June 2004 and 30 June 2005. The expected impact is likely to be a one-off reduction in retained earnings and the corresponding recognition of a retirement liability.</p> <p>The application of recent changes to AASB 119 governing the appropriate method to recognise movements in the funding position are under consideration.</p>
<p><i>Leases</i> Qantas is considering the application of AASB 117 to the accounting for the classification of all finance and operating leases.</p>	<p>Under IFRS some leases currently classified as operating may require recognition in the Statement of Financial Position. Recognition, if required, would increase leased assets and leased liabilities and will result in changes to some financial ratios. The financial effect of the change has not been determined. It is, however, not expected to have a significant impact on the Statement of Financial Performance in future years.</p>
<p><i>Fuel Hedging</i> AASB 139 requires reassessment of all hedging transactions preventing the application of hedge accounting to transactions that fail specified correlation tests and documentation requirements.</p>	<p>Qantas hedges aviation fuel exposures as set out in note 1 to the 30 June 2004 Annual Report. The potential application and impact of this accounting standard on aviation fuel hedging has not been determined.</p> <p>Any change in accounting treatment, if required, would result in a change to the timing of recognition of gains/losses on hedging arrangements and will not affect the underlying economic value of the arrangement.</p>
<p><i>Revenue Hedging</i> AASB 139 requires reassessment of all hedging transactions preventing the application of hedge accounting to transactions that fail specified correlation tests and documentation requirements.</p>	<p>Qantas hedges future revenue as set out in note 1 to the 30 June 2004 Annual Report. It is anticipated that, after initial adoption adjustments are made, the existing accounting treatment will continue under IFRS, although it will be subject to increased effectiveness testing and documentation requirements.</p>

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2004

Note 7. International Financial Reporting Standards (continued)

<p><i>Impairment of Assets</i></p> <p>AASB 136 requires assets to be tested for impairment on the basis of their ability to generate independent cash inflows from continuing use. If assets do not generate cashflows they may be aggregated into groups for the purposes of determining the smallest identifiable group of assets that generate cash inflows which are largely independent.</p>	<p>Qantas is considering the application of AASB 136. Aircraft do not directly generate cashflows as passenger revenue is derived from the sale of seats on flights rather than on particular aircraft. The aggregation of aircraft is therefore performed on the basis of route groupings.</p> <p>Impairment testing upon transition to IFRS is being undertaken. The financial effect of the change has not been determined. The impact on future financial years is dependent on the cashflows generated by each grouping of assets and is therefore unable to be determined.</p>
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All changes resulting from the adoption of IFRS will result in some change to financial ratios and those that impact Retained Earnings will result in a change to the funds available for distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2004

Note 8. Segment reporting

Business Segments

The segmentation of the Qantas Group broadly into three business types (Flying, Flying Services and Associated Businesses) supported by a corporate centre is being progressively implemented.

Financial reporting system changes to transition Qantas to a segmented model are currently under development. Disclosure of segment information is therefore provided in a format consistent with prior years as follows:

1. Aircraft Operations, which includes the Qantas Group Flying Businesses, Engineering Technical Operations and Maintenance Services, Airports, Qantas Freight and Qantas Defence Services and all other subsidiary companies, associates and joint ventures;
2. Tours and Travel, which comprises the Qantas Holidays segment which forms part of the Associated Businesses portfolio; and
3. Catering, which reflects the wholly-owned catering entities within the Airports and Catering segment which forms part of the Flying Services Businesses.

The half-year segment disclosures on the following page include segment charges to recover costs applied for the first time from 1 July 2004. However, the prior period information has not been restated as it is impracticable to do so. Accordingly, the table on the following page discloses the impact of segment charges on earnings before interest and tax and is comparable with the prior period business segment disclosures.

Geographic Segments

Passenger, freight and other service revenue from domestic services within Australia is attributed to the Australian area. Passenger, freight and other services revenue from inbound and outbound services between Australia and overseas is allocated proportionately to the area in which the sale was made. Other operating revenue is not allocated to a geographic area as it is impracticable to do so.

For the period ended 31 December 2004, the principal assets of the business comprised the aircraft fleet, all (except eight) of which were registered and domiciled in Australia. These assets are used flexibly across the route network. Accordingly there is no suitable basis of allocating such assets and the related liabilities between geographic areas.

Operating profit resulting from turnover generated in each geographic area according to origin of sale is not disclosed as it is neither practical nor meaningful to allocate the Group's operating expenditure on that basis.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 31 December 2004

Note 8. Segment Reporting (continued)

Analysis by business segments	Aircraft Operations \$m		Tours and Travel \$m		Catering \$m		Eliminations \$m		Consolidated \$m	
	Dec-04	Dec-03	Dec-04	Dec-03	Dec-04	Dec-03	Dec-04	Dec-03	Dec-04	Dec-03
Revenue										
External segment revenue	5,949.7	5,354.0	394.2	363.6	87.1	84.2	-	-	6,431.0	5,801.8
Inter-segment revenue	1.5	15.6	135.6	158.5	193.1	181.6	(330.2)	(355.7)	-	-
Total segment revenue	5,951.2	5,369.6	529.8	522.1	280.2	265.8	(330.2)	(355.7)	6,431.0	5,801.8
Share of net profit of associates	4.6	6.3	-	-	-	-	-	-	4.6	6.3
Earnings before interest and tax *	633.6	530.9	27.1	24.0	10.9	46.6	0.0	0.0	671.6	601.5
Net interest expense									(70.3)	(71.2)
Profit from ordinary activities before tax									601.3	530.3
Income tax expense relating to ordinary activities									(142.5)	(171.3)
Net profit									458.8	359.0
Depreciation and amortisation	543.3	530.3	0.8	0.8	5.1	5.1	-	-	549.2	536.2
Non-cash income	(27.5)	(26.4)	(1.4)	(1.2)	-	-	-	-	(28.9)	(27.6)
	Dec-04	Jun-04	Dec-04	Jun-04	Dec-04	Jun-04	Dec-04	Jun-04	Dec-04	Jun-04
Assets										
Segment assets	17,816.8	17,065.0	319.7	326.4	240.6	194.0	(250.5)	(350.9)	18,126.6	17,234.5
Equity accounted investments	364.3	338.4	1.3	1.3	-	-	-	-	365.6	339.7
Consolidated total assets	18,181.1	17,403.4	321.0	327.7	240.6	194.0	(250.5)	(350.9)	18,492.2	17,574.2
Consolidated total liabilities	12,157.2	11,711.4	221.2	249.6	164.0	123.8	(250.5)	(350.9)	12,291.9	11,733.9
Acquisition of non-current assets	1,146.3	1,103.3	0.7	0.3	3.3	1.0	-	-	1,150.3	1,104.6
* Earnings before interest and tax (pre segmentation charges)	610.6	530.9	31.7	24.0	29.3	46.6	-	-	671.6	601.5

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 31 December 2004

Note 8. Segment reporting (continued)

Analysis of total revenue by geographic region

This analysis is by geographic sales region and does not represent revenue by route group.

	December 2004 \$m	December 2003 \$m
Passenger, freight and other services revenue		
Australia	3,596.1	3,448.2
United Kingdom and Europe	449.8	435.5
Japan	243.3	219.9
South East Asia/North East Asia	199.6	170.2
The Americas and the Pacific	440.7	407.8
New Zealand	191.9	191.0
Other regions	181.2	128.9
	5,302.6	5,001.5
Other operating revenue		
Tours and Travel	394.3	363.6
Contract work revenue	232.1	245.7
Other unallocated revenue	502.0	191.0
	6,431.0	5,801.8
Total sales and operating revenue		
Other revenue		
Interest Revenue	48.5	57.2
Proceeds from sale of property, plant and equipment	10.5	43.9
Proceeds on sale and leaseback	265.7	171.7
	324.7	272.8
Total other revenue		
Total revenue	6,755.7	6,074.6



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 2004 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.

A handwritten signature in black ink, appearing to be 'Mark Epper'.

Mark Epper
Partner

Sydney, 16 February 2005



In the opinion of the Directors of Qantas Airways Limited:

- (a) the financial statements and notes set out on pages 5 to 15, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 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 1029 "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:



MARGARET JACKSON
Chairman



GEOFF DIXON
Chief Executive Officer

Sydney, 16 February 2005



Independent Review Report to the Members of Qantas Airways Limited

Scope

The Financial Report and Directors' responsibility

The Financial Report comprises the Consolidated Statement of Financial Position, Consolidated Statement of Financial Performance, Consolidated Statement of Cash Flows, accompanying notes 1 to 8 to the Financial Statements and the Directors' Declaration for the Qantas Airways Limited Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2004. The Consolidated Entity comprises Qantas Airways Limited ("the Company") and the entities it controlled during that half-year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the Financial Report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Financial Report.

Review approach

We conducted an independent review in order for the Company to lodge the Financial Report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.





Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the Financial Report of Qantas Airways Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii. complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Bmg

KPMG

Mark Epper
Partner

Sydney, 16 February 2005



QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

OPERATIONAL STATISTICS

for the half-year ended 31 December 2004

(Unaudited)		Half-Year Ended 31 Dec 2004	Half-Year Ended 31 Dec 2003	Percentage Increase/ (Decrease)
QANTAS DOMESTIC - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	8,404	9,005	(6.7)
Revenue passenger kilometres (RPK)	m	11,793	12,111	(2.6)
Available seat kilometres (ASK)	m	14,527	14,885	(2.4)
Revenue seat factor	%	81.2	81.4	(0.2) pts
QANTASLINK - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	1,561	1,588	(1.7)
Revenue passenger kilometres (RPK)	m	966	1,059	(8.8)
Available seat kilometres (ASK)	m	1,321	1,427	(7.4)
Revenue seat factor	%	73.1	74.2	(1.1) pts
JETSTAR - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	1,986	-	n/a
Revenue passenger kilometres (RPK)	m	1,907	-	n/a
Available seat kilometres (ASK)	m	2,619	-	n/a
Revenue seat factor	%	72.8	-	n/a pts
TOTAL DOMESTIC				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	11,736	10,593	10.8
Revenue passenger kilometres (RPK)	m	14,445	13,170	9.7
Available seat kilometres (ASK)	m	18,151	16,312	11.3
Revenue seat factor	%	79.6	80.7	(1.1) pts
QANTAS INTERNATIONAL - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	4,385	4,180	4.9
Revenue passenger kilometres (RPK)	m	27,409	25,597	7.1
Available seat kilometres (ASK)	m	36,399	31,990	13.8
Revenue seat factor	%	75.3	80.0	(4.7) pts
Revenue freight tonne kilometres (RFTK)	m	1,118	764	46.3
AUSTRALIAN AIRLINES - SCHEDULED SERVICES				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	427	334	27.8
Revenue passenger kilometres (RPK)	m	2,053	1,652	24.3
Available seat kilometres (ASK)	m	2,852	2,383	19.7
Revenue seat factor	%	72.0	69.3	2.7 pts
TOTAL INTERNATIONAL				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	4,812	4,514	6.6
Revenue passenger kilometres (RPK)	m	29,462	27,249	8.1
Available seat kilometres (ASK)	m	39,251	34,373	14.2
Revenue seat factor	%	75.1	79.3	(4.2) pts
TOTAL GROUP OPERATIONS				
<u>TRAFFIC AND CAPACITY</u>				
Passengers carried	000	16,548	15,107	9.5
Revenue passenger kilometres (RPK)	m	43,907	40,419	8.6
Available seat kilometres (ASK)	m	57,402	50,685	13.3
Revenue seat factor	%	76.5	79.7	(3.2) pts
Aircraft in service at period end	#	196	192	4 units
<u>FINANCIAL</u>				
Yield (passenger revenue per RPK)	¢	10.72	10.83	(1.0)
<u>PRODUCTIVITY</u>				
Average full-time equivalent employees	#	35,310	33,552	5.2
RPK per employee (annualised)	000	2,467	2,390	3.2
ASK per employee (annualised)	000	3,225	2,997	7.6

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

CONSOLIDATED EARNINGS BEFORE INTEREST AND TAX
for the half-year ended 31 December 2004

(Unaudited)	Half-Year Ended 31 Dec 2004 \$m	% of Group Total	Half-Year Ended 31 Dec 2003 \$m	% of Group Total
Qantas International	220.5	32.8	196.7	32.7
Australian Airlines	8.5	1.3	3.4	0.6
Total International Flying Operations	229.0	34.1	200.1	33.3
Qantas Domestic	341.9	51.0	270.9	45.0
QantasLink Group	29.2	4.3	53.0	8.8
Jetstar	19.0	2.8	0.0	0.0
Total Domestic Flying Operations	390.1	58.1	323.9	53.8
Other Subsidiaries: ¹				
Qantas Holidays Group	27.1	4.0	24.0	4.0
Qantas Flight Catering Group	10.9	1.6	46.6	7.7
Qantas Defence Services	4.0	0.6	3.2	0.5
Equity Accounting	4.6	0.7	6.3	1.0
Other Subsidiaries	5.9	0.9	(2.6)	(0.3)
Total Other Subsidiaries	52.5	7.8	77.5	12.9
Group Earnings Before Interest and Tax	671.6	100.0	601.5	100.0

Notes

¹ Subsidiary operations earnings before interest and tax includes profit earned on services provided to Qantas Airways Limited.

(Unaudited)	Half-Year Ended 31 Dec 2004 Pre Segmentation \$m	% of Group Total
Qantas International	196.6	29.3
Australian Airlines	11.1	1.6
Total International Flying Operations	207.7	30.9
Qantas Domestic Airline Operations	318.0	47.3
QantasLink Group	51.4	7.7
Jetstar	19.0	2.8
Total Domestic Flying Operations	388.4	57.8
Other Subsidiaries: ¹		
Qantas Holidays Group	31.7	4.7
Qantas Flight Catering Group	29.3	4.4
Qantas Defence Services	4.0	0.6
Equity Accounting	4.6	0.7
Other Subsidiaries	5.9	0.9
Total Other Subsidiaries	75.5	11.3
Group Earnings Before Interest and Tax	671.6	100.0

QANTAS AIRWAYS LIMITED
ABN 16 009 661 901

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

as at 31 December 2004

(Unaudited)	As at 31 December 2004 \$m	As at 30 June 2004 \$m	Percentage Change %
Statement of Financial Position Equity	6,200.3	5,840.3	6.2
On Balance Sheet Debt ¹			
Current Debt	684.9	821.9	(16.7)
Non-current Debt ²	5,435.8	5,081.8	7.0
Swap Offset ³	(560.3)	(897.5)	(37.6)
Cash and Cash Equivalents ⁴	(2,161.7)	(1,500.2)	44.1
Net Debt	3,398.7	3,506.0	(3.1)
Off Balance Sheet Debt			
Present Value of Non-Cancellable Operating Leases	2,167.2	2,068.2	4.8
Net Debt including Off Balance Sheet Debt	5,565.9	5,574.2	(0.1)
Revenue Hedge Receivables ⁵	62.3	(19.2)	424.5
Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivables	5,628.2	5,555.0	1.3
Statement of Financial Position including Off Balance Sheet Debt			
Total Assets	20,593.6	19,455.4	5.9
Total Liabilities	14,431.7	13,728.2	5.1
Total Equity	6,161.9	5,727.2	7.6
Net Debt to Net Debt and Equity ⁶	35 : 65	38 : 62	n/a
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt) ⁶	47 : 53	49 : 51	n/a
Net Debt to Net Debt and Equity (including Off Balance Sheet Debt and Revenue Hedge Receivables) ⁶	48 : 52	49 : 51	n/a
Working Capital Ratio	43 : 57	38 : 62	n/a

Notes

1. On balance sheet debt includes bank and other loans and lease liabilities.
2. Non-current debt excludes debt available to be set-off against non-current assets.
3. Swap offset is the net swap receivable calculated by aggregating the swap component of net receivables under hedge/swap contracts and net payables under hedge/swap contracts.
4. Cash and cash equivalents (included in the statement of financial position categories of cash and current receivables) includes bills of exchange and promissory notes, negotiable securities and security and term deposits. The non-current bills of exchange and aircraft security deposits have been pledged as security to providers of aircraft.
5. Revenue Hedge Receivables are included in the statement of financial position until the revenue to which they relate is realised.
6. Debt to equity shown in this table is inclusive of foreign exchange movements which are effectively hedged by the balance deferred in the balance sheet. The debt to equity calculation has therefore been shown on both a hedged and unhedged debt position.

QANTAS AIRWAYS LIMITED

ABN 16 009 661 901

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

as at 31 December 2004

(Unaudited)	Half-Year Ended 31 December 2004 \$m	Half-Year Ended 31 December 2003 \$m
Borrowing Costs		
Net Borrowing Costs	70.3	71.2
Capitalised Interest	33.0	24.2
Interest on Non-cancellable Operating Leases	107.9	62.7
Adjusted Net Interest Expense	211.2	158.1
Interest Cover	9.6	8.4
Average Net Debt *		
Average Net Debt Including Off Balance Sheet Debt	5,570.0	5,095.7
Average Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivable	5,591.6	5,099.6
Adjusted Net Borrowing Costs as a Percentage of:		
Average Net Debt Including Off Balance Sheet Debt	7.5	6.2
Average Net Debt Including Off Balance Sheet Debt and Revenue Hedge Receivable	7.5	6.1
* Average Net Debt balances are calculated on a weighted average basis.		