



**QANTAS AIRWAYS LIMITED AND CONTROLLED ENTITIES**

**PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2008**

**ABN 16 009 661 901**

**ASX CODE: QAN**

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**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

	<b>June 2008</b> <b>\$m</b>	<b>June 2007</b> <b>\$m</b>	<b>Change</b> <b>\$m</b>	<b>Change</b> <b>%</b>
Sales and other income	16,191.9	15,060.4	1,131.5	up 7.5%
Profit for the year attributable to members	969.0	672.6	296.4	up 44.1%

**DIVIDENDS**

31 December 2007 interim dividend - paid 2 April 2008	
Amount per security (cents)	18.0
Franked amount per security at 30% tax	18.0
30 June 2008 final dividend - to be paid 1 October 2008	
Amount per security (cents)	17.0
Franked amount per security at 30% tax	17.0
Record date for determining entitlement to the dividend	3 September 2008
Date the dividend is payable	1 October 2008
Total dividend declared (\$m)	322.1
<p>The Board has resolved to reinstate the Dividend Reinvestment Plan (DRP) with effect from the payment of the 30 June 2008 final dividend. Under the DRP, shareholders can reinvest the dividends payable on participating shares in newly issued Qantas shares.</p>	
Last date for receipt of election notice for participation in DRP	3 September 2008

**EXPLANATION OF RESULTS**

Please refer to the attached Press Release for an explanation of the results.
The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

**OTHER INFORMATION**

	<b>June 2008</b>	<b>June 2007</b>
	<b>\$</b>	<b>\$</b>
<b>Net Tangible Assets per ordinary share</b>	<b>2.79</b>	<b>2.65</b>

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

During the year, Qantas (through a controlled entity) gained control of Kilda Express Pte Limited by increasing its ownership interest from 50.0% to 69.3%.

On 31 January 2008, Qantas (through a controlled entity) gained control of Aerial Operations Services Pty Limited by acquiring 100.0% of the share capital of the company.

During the year, Qantas (through a controlled entity) gained control of Jupiter Air Oceania Limited by acquiring the remaining 52.4% interest in the company to take its ownership interest to 100.0%.

**Details of associates and jointly controlled entities**

Equity accounted associates and jointly controlled entities	Percentage of ownership interest held at end of year or date of disposal		Contribution to net profit	
	<b>June 2008</b>	<b>June 2007</b>	<b>June 2008</b>	<b>June 2007</b>
	<b>%</b>	<b>%</b>	<b>\$m</b>	<b>\$m</b>
Air Pacific Limited	46.3	46.3	8.7	0.7
Australian air Express Pty Limited	50.0	50.0	8.8	15.5
Fiji Resorts Limited	20.6	20.6	0.9	12.6
Hallmark Aviation Services LP	49.0	49.0	(0.4)	1.8
Harvey Holidays Pty Limited	50.0	50.0	1.3	1.1
HT & T Travel (Phillipines) Inc.	28.1	28.1	0.1	0.1
Holidays Tours and Travel (Thailand) Ltd.	36.8	36.8	0.1	-
Holidays Tours & Travel Vietnam Co. Ltd	36.8	36.8	0.1	-
Jet Turbine Services Pty Limited <sup>1</sup>	-	-	-	(1.9)
Jetstar Pacific Airlines Aviation Joint Stock Company <sup>2,3</sup>	18.0	-	(2.8)	-
Jupiter Air Oceania Limited <sup>4</sup>	-	47.6	(0.4)	(0.2)
Kilda Express Pte Limited <sup>5</sup>	-	50.0	-	-
Orangestar Investment Holdings Pte Limited <sup>6,7</sup>	45.0	45.0	-	(0.3)
PT Holiday Tours & Travel <sup>8</sup>	36.8	-	-	-
Star Track Express Holdings Pty Limited	50.0	50.0	13.1	17.4
Tour East (TET) Ltd.	36.8	36.8	0.7	0.7
Travel Software Solutions Pty Limited	50.0	50.0	(2.6)	(1.0)
<b>Total</b>			<b>27.6</b>	<b>46.5</b>

1 Qantas acquired the remaining 50% equity in Jet Turbine Services Pty Limited on 15 December 2006 and ceased to equity account the results of the company from this date.

2 Qantas acquired 18.0% of of this entity on 31 July 2007. Qantas exerts significant influence over the entity given its Board representation and provision of operational and management personnel.

3 Pacific Airlines Joint Stock Aviation Company changed its name to Jetstar Pacific Airlines Aviation Joint Stock Company on 23 May 2008.

4 The Qantas Group acquired the remaining 52.4% interest in Jupiter Air Oceania Limited on 18 June 2008 and ceased to equity account the results of the company from this date.

5 Qantas (through a controlled entity) acquired 50.0% of the equity of Kilda Express Pte Limited in July 2007 and then acquired a further 19.3% equity on 2 November 2007, increasing its ownership interest to 69.3%. Qantas ceased to equity account the results of Kilda Express Pte Limited from this date.

6 On 29 December 2006, the Board of Orangestar Investment Holdings Pte Limited approved the issuing of an optional convertible note to shareholders. This convertible note had not been issued at 30 June 2008.

7 Since December 2006, the investment in Orangestar Investment Holdings Pte Limited ceased to be equity accounted as losses reduced the value of the investment to below zero. The amount of losses not recognised as at 30 June 2008 was \$0.1 million.

8 Qantas (through a controlled entity) acquired 36.8% of the equity of the newly incorporated company PT Holiday Tours & Travel in December 2007 and commenced equity accounting the results of the company from that date.

**CONSOLIDATED INCOME STATEMENT**

for the year ended 30 June 2008

	<b>June 2008 \$m</b>	<b>June 2007 \$m</b>
<b>Sales and Other Income</b>		
Net passenger revenue	12,664.4	11,920.1
Net freight revenue	947.3	902.5
Tours and travel revenue	745.8	775.1
Contract work revenue	453.5	434.3
Other <sup>1</sup>	1,380.9	1,028.4
	<b>16,191.9</b>	<b>15,060.4</b>
<b>Expenditure</b>		
Manpower and staff related	3,533.4	3,334.7
Aircraft operating variable	2,588.1	2,608.4
Fuel	3,602.1	3,336.8
Selling and marketing	755.6	691.8
Property	346.4	350.5
Computer and communication	382.4	319.5
Tours and travel	608.4	641.7
Capacity hire	269.8	303.2
Ineffective derivatives - closed positions	42.8	67.6
Other <sup>2,3</sup>	847.0	644.7
Depreciation and amortisation <sup>3</sup>	1,469.3	1,362.7
Non-cancellable operating lease rentals	399.9	415.3
Share of net profit of associates and jointly controlled entities	(27.6)	(46.5)
	<b>14,817.6</b>	<b>14,030.4</b>
<b>Operating result</b>	<b>1,374.3</b>	<b>1,030.0</b>
Ineffective derivatives - open positions	(12.3)	(54.1)
<b>Profit before related income tax expense and net finance revenue/costs</b>	<b>1,362.0</b>	<b>975.9</b>
Finance income	284.7	244.0
Finance costs	(239.1)	(254.8)
<b>Net finance revenue/(costs)</b>	<b>45.6</b>	<b>(10.8)</b>
<b>Profit before related income tax expense</b>	<b>1,407.6</b>	<b>965.1</b>
Income tax expense	(437.9)	(292.3)
<b>Profit for the year</b>	<b>969.7</b>	<b>672.8</b>
<b>Attributable to:</b>		
Members of Qantas	969.0	672.6
Minority interest	0.7	0.2
	<b>969.7</b>	<b>672.8</b>
<b>Earnings per share (EPS) attributable to members of Qantas</b>		
Basic earnings per share (cents)	50.2	34.0
Diluted earnings per share (cents)	50.2	34.0

1 Compensation for the late delivery of aircraft resulted in the recognition of \$290.7 million (2007: \$97.7 million), representing the present value of future receipts.

2 Penalties of \$63.7 million (2007: \$47.2 million) have been recognised in relation to alleged price fixing in the air cargo market.

3 Change in estimated useful life of aircraft and modifications resulted in accelerated depreciation and impairment writedowns of \$164.5 million (2007: \$44.8 million).

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 8 to 13.

**CONSOLIDATED BALANCE SHEET**

as at 30 June 2008

	June 2008 \$m	June 2007 \$m
<b>Current assets</b>		
Cash and cash equivalents	2,599.0	3,362.9
Receivables	1,434.9	1,376.8
Other financial assets	1,076.0	558.2
Inventories	215.7	180.3
Assets classified as held for sale	41.1	5.4
Other	249.5	103.8
<b>Total current assets</b>	<b>5,616.2</b>	<b>5,587.4</b>
<b>Non-current assets</b>		
Receivables	531.8	372.7
Other financial assets	346.8	472.3
Investments accounted for using the equity method	403.8	372.6
Other investments	3.1	3.1
Property, plant and equipment	12,341.0	12,308.3
Intangible assets	448.4	365.9
Deferred tax assets	0.6	0.3
Other	8.4	11.1
<b>Total non-current assets</b>	<b>14,083.9</b>	<b>13,906.3</b>
<b>Total assets</b>	<b>19,700.1</b>	<b>19,493.7</b>
<b>Current liabilities</b>		
Payables	2,173.9	2,005.7
Revenue received in advance	3,267.2	3,049.3
Interest-bearing liabilities	587.2	863.7
Other financial liabilities	959.9	337.2
Provisions	483.7	500.4
Current tax liabilities	113.1	153.6
Deferred lease benefits/income	18.9	29.3
<b>Total current liabilities</b>	<b>7,603.9</b>	<b>6,939.2</b>
<b>Non-current liabilities</b>		
Revenue received in advance	1,082.6	1,049.7
Interest-bearing liabilities	3,572.8	4,210.9
Other financial liabilities	475.6	702.3
Provisions	423.6	445.3
Deferred tax liabilities	756.8	437.5
Deferred lease benefits/income	49.9	69.0
<b>Total non-current liabilities</b>	<b>6,361.3</b>	<b>6,914.7</b>
<b>Total liabilities</b>	<b>13,965.2</b>	<b>13,853.9</b>
<b>Net assets</b>	<b>5,734.9</b>	<b>5,639.8</b>
<b>Equity</b>		
Issued capital	3,975.5	4,481.2
Treasury shares	(61.0)	(32.6)
Reserves	454.3	148.2
Retained earnings	1,362.4	1,038.1
Equity attributable to members of Qantas	5,731.2	5,634.9
Minority interest	3.7	4.9
<b>Total equity</b>	<b>5,734.9</b>	<b>5,639.8</b>

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 8 to 13.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the year ended 30 June 2007

	Issued Capital \$m	Treasury Shares \$m	Employee Compensation Reserve \$m	Hedge Reserve \$m	Fair Value Reserve \$m	Asset Revaluation Reserve \$m	Foreign Currency Reserve \$m	Retained Earnings \$m	Minority Interest \$m	Total Equity \$m
Balance at 1 July 2006	4,382.2	(23.8)	23.7	332.2	(35.4)	4.0	4.8	1,388.5	4.9	6,081.1
Impact of initial adoption of IFRIC13	-	-	-	-	-	-	-	(508.4)	-	(508.4)
Restated balance	4,382.2	(23.8)	23.7	332.2	(35.4)	4.0	4.8	880.1	4.9	5,572.7
Net profit for the year	-	-	-	-	-	-	-	672.6	0.2	672.8
Own shares acquired	-	(24.5)	-	-	-	-	-	-	-	(24.5)
Shares vested to employees	-	15.7	(13.9)	-	-	-	-	(1.8)	-	-
Share-based payments	-	-	17.2	-	-	-	-	-	-	17.2
Transfer of hedge reserve to Income Statement	-	-	-	9.7	-	-	-	-	-	9.7
Recognition of effective cash flow hedges on capitalised assets	-	-	-	41.2	-	-	-	-	-	41.2
Effective portion of changes in fair value of cash flow hedges	-	-	-	(263.1)	-	-	-	-	-	(263.1)
Change in fair value of assets available for sale	-	-	-	-	36.9	-	-	-	-	36.9
Foreign exchange impact of Fair Value Reserve transferred to Foreign Currency Reserve	-	-	-	-	(1.5)	-	1.5	-	-	-
Foreign currency translation of controlled entities	-	-	-	-	-	-	(9.1)	-	(0.4)	(9.5)
Acquisition of minority interest in controlled entity	-	-	-	-	-	-	-	-	1.2	1.2
Dividends declared	99.0	-	-	-	-	-	-	(512.8)	(1.0)	(414.8)
<b>Balance as at 30 June 2007</b>	<b>4,481.2</b>	<b>(32.6)</b>	<b>27.0</b>	<b>120.0</b>	<b>-</b>	<b>4.0</b>	<b>(2.8)</b>	<b>1,038.1</b>	<b>4.9</b>	<b>5,639.8</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 8 to 13.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**  
for the year ended 30 June 2008

	Issued Capital \$m	Treasury Shares \$m	Employee Compensation Reserve \$m	Hedge Reserve \$m	Fair Value Reserve \$m	Asset Revaluation Reserve \$m	Foreign Currency Reserve \$m	Retained Earnings \$m	Minority Interest \$m	Total Equity \$m
Balance as at 1 July 2007	4,481.2	(32.6)	27.0	120.0	-	4.0	(2.8)	1,038.1	4.9	5,639.8
Net profit for the year	-	-	-	-	-	-	-	969.0	0.7	969.7
Shares bought back	(505.7)	-	-	-	-	-	-	-	-	(505.7)
Own shares acquired	-	(69.2)	-	-	-	-	-	-	-	(69.2)
Shares vested to employees	-	40.8	(35.9)	-	-	-	-	(4.9)	-	-
Share-based payments	-	-	61.6	-	-	-	-	-	-	61.6
Transfer of hedge reserve to Income Statement	-	-	-	(208.8)	-	-	-	-	-	(208.8)
Recognition of effective cash flow hedges on capitalised assets	-	-	-	71.7	-	-	-	-	-	71.7
Effective portion of changes in fair value of cash flow hedges	-	-	-	437.8	-	-	-	-	-	437.8
Share of jointly controlled entity's hedge reserve	-	-	-	0.2	-	-	-	-	-	0.2
Foreign currency translation of controlled entities	-	-	-	-	-	-	(13.4)	-	(0.2)	(13.6)
Foreign currency translation of associates and jointly controlled entities	-	-	-	-	-	-	(7.1)	-	-	(7.1)
Acquisition of minority interest in controlled entity	-	-	-	-	-	-	-	-	(1.2)	(1.2)
Acquisition of further interest in controlled entity previously equity accounted	-	-	-	-	-	-	-	-	0.3	0.3
Dividends declared	-	-	-	-	-	-	-	(639.8)	(0.8)	(640.6)
<b>Balance as at 30 June 2008</b>	<b>3,975.5</b>	<b>(61.0)</b>	<b>52.7</b>	<b>420.9</b>	<b>-</b>	<b>4.0</b>	<b>(23.3)</b>	<b>1,362.4</b>	<b>3.7</b>	<b>5,734.9</b>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 8 to 13.



**CONSOLIDATED STATEMENT OF CASH FLOWS**

for the year ended 30 June 2008

	<b>June 2008 \$m</b>	<b>June 2007 \$m</b>
<b>Cash Flows from Operating Activities</b>		
Cash receipts in the course of operations <sup>1</sup>	16,628.3	15,707.3
Cash payments in the course of operations	(14,077.7)	(12,956.3)
Interest received	264.6	230.2
Interest paid	(419.3)	(425.1)
Dividends received	22.3	34.4
Income taxes paid	(289.8)	(166.4)
<b>Net cash from operating activities</b>	<b>2,128.4</b>	<b>2,424.1</b>
<b>Cash Flows from Investing Activities</b>		
Payments for property, plant and equipment and intangible assets	(1,424.0)	(1,282.1)
Proceeds from disposal of property, plant and equipment	43.7	47.3
Proceeds from disposal of investment	106.2	3.2
Payments for controlled entities, net of cash acquired	(13.2)	(32.1)
Payments for investments	(35.3)	(2.2)
Advances of investment loans	-	(0.5)
<b>Net cash used in investing activities</b>	<b>(1,322.6)</b>	<b>(1,266.4)</b>
<b>Cash Flows from Financing Activities</b>		
Payments under share buyback <sup>2</sup>	(505.7)	-
Repurchase of own shares	(69.2)	(24.5)
Repayment of borrowings	(784.9)	(356.2)
Proceeds from swaps	342.3	96.2
Net receipts from aircraft security deposits	85.8	2.4
Dividends paid <sup>3</sup>	(638.0)	(414.7)
<b>Net cash used in financing activities</b>	<b>(1,569.7)</b>	<b>(696.8)</b>
<b>Net increase in cash and cash equivalents held</b>	<b>(763.9)</b>	<b>460.9</b>
Cash and cash equivalents at the beginning of the year	3,362.9	2,902.0
<b>Cash and cash equivalents at the end of the year</b>	<b>2,599.0</b>	<b>3,362.9</b>

1 Prior year cash receipts in the course of operations included \$188.1 million on the sale of expendable and recoverable spares.

2 The number of shares bought back during the year was 91.1 million.

3 The DRP was suspended after the payment of the 2006 final dividend. During the year nil (2007: 28,991,867) shares were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year totalled \$nil (2007: \$99.0 million).

The Consolidated Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 8 to 13.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2008

### Note 1. Statement of Significant Accounting Policies

The Preliminary Final Report has been prepared in accordance with ASX listing rule 4.3A and has been derived from the unaudited Financial Report. The Financial Report has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical costs except in accordance with relevant accounting policies where assets and liabilities are stated at their values in accordance with relevant accounting policies. The accounting policies adopted in this report are the same as those disclosed in the condensed consolidated interim financial report for the half-year ended 31 December 2007.

The accounting policies adopted in this report have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

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

This Preliminary Final Report is based on the Financial Report which is in the process of being audited.

The current reporting year in the Preliminary Final Report is the year ended 30 June 2008 while the prior year is the year ended 30 June 2007.

### Note 2. Tax Reconciliation

The prima facie income tax on profit before related income tax expense differs from the income tax charged in the Consolidated Income Statement and is calculated as follows:

	June 2008 \$m	June 2007 \$m
Profit before related income tax expense	1,407.6	965.1
Prima facie income tax expense @ 30%	422.3	289.5
Add: non-deductible freight penalties	19.1	14.2
Less: utilisation of carry forward tax losses	(5.2)	(10.3)
Add/(less): other items	1.7	(1.1)
Income tax expense	437.9	292.3

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2008

### Note 3. Dividends

A fully franked final dividend of 15 cents (2007: 11 cents fully franked) per ordinary share was declared on 15 August 2007 and paid on 26 September 2007 in relation to the financial year ended 30 June 2007. The total amount of the dividend declared was \$297.8 million (2007: \$215.1 million).

A fully franked interim dividend of 18 cents (2007: 15 cents fully franked) per ordinary share was declared on 20 February 2008 and paid on 2 April 2008 in relation to the financial year ended 30 June 2008. The total amount of the dividend declared was \$342.0 million (2007: \$297.7 million).

### Note 4. Contingent Liabilities

#### (a) Financing and leasing guarantees and indemnities

As part of the financing arrangements for the acquisition of aircraft, the Qantas Group has provided certain guarantees and indemnities to various lenders and equity participants in leveraged lease transactions. In certain circumstances, including the insolvency of major international banks and other AAA rated counterparties, the Qantas Group may be required to make payments under these guarantees.

Qantas and certain controlled entities have entered into asset value underwriting arrangements with lenders under certain aircraft secured financings. These arrangements protect the value of the aircraft security to the lenders to a pre-determined level. This is reflected by the balance of aircraft security deposits held with certain financial institutions.

The Qantas Group has provided standard tax indemnities to the equity investors in certain leveraged leases. The indemnities effectively guarantee the after-tax rate of return of the investors and the Qantas Group may be subject to additional financing costs on future lease payments if certain assumptions made at the time of entering the transactions, including assumptions as to the rate of income tax, subsequently become invalid.

#### (b) Price fixing activities in air cargo industry

Qantas has been co-operating with regulators in the USA, Europe, Australia, New Zealand and other jurisdictions in their investigation into alleged price fixing in the air cargo market. These investigations revealed that the practice adopted by Qantas Freight and the cargo industry generally to fix and impose fuel surcharges was likely to have breached relevant competition laws. Qantas continues to co-operate fully with all regulators and will be providing them with all relevant information to permit them to undertake their investigations.

On 28 November 2007, Qantas reached an agreement with the US Department of Justice for US\$61 million. This amount was paid on 29 January 2008.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2008

### Note 4. Contingent Liabilities (continued)

As a result of this settlement, as well as ongoing discussions with other regulators, Qantas has provided \$40 million as at 30 June 2008 (2007: \$47 million). This provision reflects management's best estimate of potential settlements and costs arising from these investigations. However, future developments in these investigations may alter management's current view. Qantas is continuing to co-operate with regulators in other jurisdictions including Australia, Europe and New Zealand. Qantas expects the outcome of these investigations will be known over the next two years.

In addition to investigations by regulators for breaches of relevant competition laws, a number of class actions have commenced against Qantas and other airlines. The outcomes of these class actions is not expected to be known for a number of years.

#### (c) Commissions payable to travel agents

A class action claim was made during the prior year by a number of travel agents against International Air Transport Association (IATA), Qantas and other airlines as a result of travel agents not being paid commission on fuel surcharges. The claim amount has not yet been determined and Qantas is defending the claim.

### Note 5. Post Balance Date Events

The Directors declared a fully franked final dividend of 17 cents per share on 21 August 2008 in relation to the year ended 30 June 2008. The total amount of the dividend declared was \$322.1 million.

On 25 July 2008, the Qantas Group completed the acquisition of a 58 per cent controlling interest in Jetset Travelworld Ltd in exchange for the disposal of Qantas Holidays Limited and Qantas Business Travel Pty Limited to Jetset Travelworld Ltd. On completion of the transaction, the Qantas Group recognised a net gain on disposal of 42 per cent of Qantas Holidays Limited and Qantas Business Travel Pty Limited of approximately \$90 million before tax and transaction costs.

With the exception of the items disclosed above, there has not arisen in the interval between 30 June 2008 and the date of this report, any event that would have had a material effect on the Financial Statements at 30 June 2008.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2008

### Note 6. Segment Reporting

#### Business Segments

The Qantas Group comprises the following main business segments:

1. Qantas - representing the Qantas domestic and international airline and QantasLink regional flying businesses, which are supported by the Qantas Engineering and Airports businesses;
2. Jetstar - representing the Jetstar domestic and international flying businesses as well as the Qantas Group's investments in Asian low-cost carriers;
3. Freight - representing the air cargo freight and domestic express freight businesses as well as the Qantas Group's investments in Australia and international express freight businesses;
4. Frequent Flyer - representing the Qantas Frequent Flyer customer loyalty program;
5. Qantas Holidays - representing the wholesale travel and holidays business; and
6. Qantas Flight Catering - representing the in-flight catering business.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

**Note 6. Segment Reporting (continued)**

<b>Analysis by Business Segments</b>	Qantas June 2008 \$m	Jetstar June 2008 \$m	Freight June 2008 \$m	Frequent Flyer June 2008 \$m	Holidays June 2008 \$m	Catering June 2008 \$m	Corp Costs June 2008 \$m	Eliminations June 2008 \$m	Consolidated June 2008 \$m
<b>Sales and other income</b>									
External segment revenue	11,793.1	1,531.2	1,139.9	849.3	735.3	153.6	1.8	(12.3)	<b>16,191.9</b>
Inter-segment revenue	923.9	33.2	0.6	-	134.7	356.6	-	(1,449.0)	-
<b>Total segment sales and other income</b>	<b>12,717.0</b>	<b>1,564.4</b>	<b>1,140.5</b>	<b>849.3</b>	<b>870.0</b>	<b>510.2</b>	<b>1.8</b>	<b>(1,461.3)</b>	<b>16,191.9</b>
Share of net profit of associates and jointly controlled entities	10.5	(2.8)	21.5	-	1.0	-	(2.6)	-	<b>27.6</b>
Segment EBIT	1,033.8	101.7	79.4	128.0	26.2	11.9	(22.6) <sup>1</sup>	3.6	<b>1,362.0</b>
Net finance revenue/(costs) <sup>2</sup>	(98.5)	14.0	(15.7)	105.9	16.2	1.1	22.6	-	<b>45.6</b>
<b>Profit before related income tax expense</b>	<b>935.3</b>	<b>115.7</b>	<b>63.7</b>	<b>233.9</b>	<b>42.4</b>	<b>13.0</b>	<b>-</b>	<b>3.6</b>	<b>1,407.6</b>
Income tax expense	(281.7)	(35.6)	(12.7)	(70.3)	(12.5)	(4.1)	(19.9)	(1.1)	<b>(437.9)</b>
<b>Profit for the year</b>	<b>653.6</b>	<b>80.1</b>	<b>51.0</b>	<b>163.6</b>	<b>29.9</b>	<b>8.9</b>	<b>(19.9)</b>	<b>2.5</b>	<b>969.7</b>
Depreciation and amortisation	1,442.2	4.6	11.1	0.3	1.5	7.3	2.3	-	<b>1,469.3</b>
Non-cash expenses	144.1	19.8	4.3	-	-	-	-	-	<b>168.2</b>
<b>Assets</b>									
Segment assets	16,133.2	648.3	422.8	2,311.2	309.8	227.1	571.1	(1,327.2)	<b>19,296.3</b>
Investments accounted for using the equity method	77.3	29.3	292.1	-	2.7	-	2.4	-	<b>403.8</b>
<b>Total assets</b>	<b>16,210.5</b>	<b>677.6</b>	<b>714.9</b>	<b>2,311.2</b>	<b>312.5</b>	<b>227.1</b>	<b>573.5</b>	<b>(1,327.2)</b>	<b>19,700.1</b>
<b>Total liabilities</b>	<b>11,487.3</b>	<b>536.3</b>	<b>668.2</b>	<b>1,998.5</b>	<b>244.9</b>	<b>163.9</b>	<b>203.6</b>	<b>(1,337.5)</b>	<b>13,965.2</b>
Payments for property, plant and equipment	1,340.0	39.8	17.3	4.4	2.7	16.0	3.8	-	<b>1,424.0</b>

1 Corporate result includes liquidated damages of \$290.7 million and penalties in relation to alleged price fixing in the air cargo market of \$63.7 million.  
2 Finance revenue/costs include internal interest attribution.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
for the year ended 30 June 2008

**Note 6. Segment Reporting (continued)**

<b>Analysis by Business Segments</b>	Qantas <sup>1</sup> June 2007 \$m	Jetstar June 2007 \$m	Freight <sup>1</sup> June 2007 \$m	Frequent Flyer <sup>1</sup> June 2007 \$m	Holidays June 2007 \$m	Catering June 2007 \$m	Corp Costs <sup>1</sup> June 2007 \$m	Eliminations <sup>1</sup> June 2007 \$m	Consolidated June 2007 \$m
<b>Sales and other income</b>									
External segment revenue	11,158.0	1,061.1	1,065.7	835.8	767.5	158.0	2.3	12.0	<b>15,060.4</b>
Inter-segment revenue	803.3	68.3	0.7	-	161.0	360.7	-	(1,394.0)	-
<b>Total segment sales and other income</b>	<b>11,961.3</b>	<b>1,129.4</b>	<b>1,066.4</b>	<b>835.8</b>	<b>928.5</b>	<b>518.7</b>	<b>2.3</b>	<b>(1,382.0)</b>	<b>15,060.4</b>
Share of net profit of associates and jointly controlled entities	14.3	(0.3)	32.7	-	0.8	-	(1.0)	-	<b>46.5</b>
Segment EBIT	886.2	71.3	84.7	127.7	30.5	18.5	(246.6) <sup>2</sup>	3.6	<b>975.9</b>
Net finance revenue/(costs) <sup>3</sup>	(117.1)	10.6	(19.8)	82.9	15.5	0.6	16.5	-	<b>(10.8)</b>
<b>Profit before related income tax expense</b>	<b>769.1</b>	<b>81.9</b>	<b>64.9</b>	<b>210.6</b>	<b>46.0</b>	<b>19.1</b>	<b>(230.1)</b>	<b>3.6</b>	<b>965.1</b>
Income tax expense	(227.5)	(26.1)	(9.7)	(63.3)	(13.6)	(5.6)	54.6	(1.1)	<b>(292.3)</b>
<b>Profit for the year</b>	<b>541.6</b>	<b>55.8</b>	<b>55.2</b>	<b>147.3</b>	<b>32.4</b>	<b>13.5</b>	<b>(175.5)</b>	<b>2.5</b>	<b>672.8</b>
Depreciation and amortisation	1,332.9	8.4	12.3	-	1.4	7.7	-	-	<b>1,362.7</b>
Non-cash expenses	97.3	4.6	-	-	-	-	-	-	<b>101.9</b>
<b>Assets</b>									
Segment assets	16,590.1	479.0	385.2	2,108.1	435.0	326.3	246.2	(1,448.8)	<b>19,121.1</b>
Investments accounted for using the equity method	72.8	-	292.1	-	2.6	-	5.1	-	<b>372.6</b>
<b>Total assets</b>	<b>16,662.9</b>	<b>479.0</b>	<b>677.3</b>	<b>2,108.1</b>	<b>437.6</b>	<b>326.3</b>	<b>251.3</b>	<b>(1,448.8)</b>	<b>19,493.7</b>
Total liabilities	11,518.9	318.5	712.1	1,960.2	253.3	190.5	349.2	(1,448.8)	<b>13,853.9</b>
Payments for property, plant and equipment	1,241.1	20.0	10.7	-	3.6	6.7	-	-	<b>1,282.1</b>

1 Comparative results have been derived by extrapolating current year trading terms across the historical period.

2 Corporate result includes liquidated damages of \$97.7 million and penalties in relation to alleged price fixing in the air cargo market of \$47.2 million.

3 Finance revenue/costs include internal interest attribution.

**QANTAS AIRWAYS LIMITED**  
**ABN 16 009 661 901**

**OPERATIONAL STATISTICS**  
for the year ended 30 June 2008

<b>(Unaudited)</b>		<b>Year Ended June 2008</b>	<b>Year Ended June 2007</b>	<b>Percentage Increase/ (Decrease)</b>
<b>QANTAS INTERNATIONAL - SCHEDULED SERVICES</b>				
<i>TRAFFIC AND CAPACITY</i>				
Passengers carried	000	8,138	8,600	(5.4)
Revenue passenger kilometres (RPK)	m	59,030	60,709	(2.8)
Available seat kilometres (ASK)	m	71,563	74,596	(4.1)
Revenue seat factor	%	82.5	81.4	1.1 pts
Revenue freight tonne kilometres (RFTK)	m	2,596	2,621	(1.0)
<b>QANTAS DOMESTIC - SCHEDULED SERVICES</b>				
<i>TRAFFIC AND CAPACITY</i>				
Passengers carried	000	17,105	16,350	4.6
Revenue passenger kilometres (RPK)	m	24,831	23,709	4.7
Available seat kilometres (ASK)	m	30,901	29,783	3.8
Revenue seat factor	%	80.4	79.6	0.8 pts
<b>QANTASLINK - SCHEDULED SERVICES</b>				
<i>TRAFFIC AND CAPACITY</i>				
Passengers carried	000	4,204	3,858	9.0
Revenue passenger kilometres (RPK)	m	2,904	2,507	15.8
Available seat kilometres (ASK)	m	4,071	3,523	15.6
Revenue seat factor	%	71.3	71.2	0.1 pts
<b>JETSTAR INTERNATIONAL - SCHEDULED SERVICES</b>				
<i>TRAFFIC AND CAPACITY</i>				
Passengers carried	000	1,578	759	107.9
Revenue passenger kilometres (RPK)	m	7,099	2,945	141.1
Available seat kilometres (ASK)	m	9,731	4,273	127.7
Revenue seat factor	%	73.0	68.9	4.1 pts
<b>JETSTAR DOMESTIC - SCHEDULED SERVICES</b>				
<i>TRAFFIC AND CAPACITY</i>				
Passengers carried	000	7,596	6,882	10.4
Revenue passenger kilometres (RPK)	m	8,602	7,752	11.0
Available seat kilometres (ASK)	m	10,753	9,944	8.1
Revenue seat factor	%	80.0	78.0	2.0 pts
<b>QANTAS GROUP OPERATIONS</b>				
<i>TRAFFIC AND CAPACITY</i>				
Passengers carried	000	38,621	36,449	6.0
Revenue passenger kilometres (RPK)	m	102,466	97,622	5.0
Available seat kilometres (ASK)	m	127,019	122,119	4.0
Revenue seat factor	%	80.7	79.9	0.8 pts
Aircraft in service at period end	#	224	213	11 units
<i>FINANCIAL</i>				
Yield (passenger revenue per RPK)	¢	11.81	11.67	1.2
<i>PRODUCTIVITY</i>				
Average full-time equivalent employees	#	33,670	34,267	(1.7)
RPK per employee	000	3,043	2,849	6.8
ASK per employee	000	3,772	3,564	5.8



**QANTAS AIRWAYS LIMITED**

**ABN 16 009 661 901**

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

as at 30 June 2008

(Unaudited)	As at June 2008 \$m	As at June 2007 \$m
<b>Balance Sheet Equity</b>	5,734.9	5,639.8
<b>On Balance Sheet Debt</b> <sup>1</sup>		
Current Debt	587.2	863.7
Non-current Debt <sup>2</sup>	3,572.8	4,210.9
Cash and Cash Equivalents <sup>3</sup>	(2,636.6)	(3,487.3)
Fair value of hedges relating to debt <sup>4</sup>	29.2	(195.6)
<b>Net On Balance Sheet Debt</b>	1,552.6	1,391.7
<b>Off Balance Sheet Debt</b>		
Non-Cancellable Operating Leases <sup>5</sup>	2,851.8	2,583.8
<b>Net Debt including Off Balance Sheet Debt</b>	4,404.4	3,975.5
<b>Balance Sheet including Off Balance Sheet Debt</b>		
Total Assets <sup>6</sup>	22,775.8	22,223.0
Total Liabilities	16,822.3	16,446.3
<b>Total Equity including Off Balance Sheet items</b>	5,953.5	5,776.7
<b>Net Debt to Net Debt and Equity</b>	21 : 79	20 : 80
<b>Net Debt to Net Debt and Equity (including Off Balance Sheet Debt)</b>	43 : 57	41 : 59

**Notes**

1. On balance sheet debt includes bank and other loans and lease liabilities.
2. Non-current debt excludes debt available to be set-off against non-current assets.
3. Cash and cash equivalents includes bills of exchange and promissory notes, negotiable securities, term deposits and aircraft security deposits.
4. Fair value of hedges relating to debt represents the fair value of derivatives hedging debt in accordance with *AASB 139: Financial Instruments: Recognition and Measurement*.
5. Non-cancellable operating leases has been calculated assuming the assets are owned and debt funded and is not consistent with the disclosure requirements of *AASB 117: Leases*.
6. Total assets including assets related to off balance sheet debt has been calculated as the sum of total assets on the balance sheet and operating lease assets capitalised.

**QANTAS AIRWAYS LIMITED**

ABN 16 009 661 901

**ADJUSTED NET BORROWING COSTS**

as at 30 June 2008

<b>(Unaudited)</b>	<b>Year Ended June 2008 \$m</b>	<b>Year Ended June 2007 \$m</b>
<b>Borrowing Costs</b>		
Net borrowing (revenue)/costs	(45.6)	10.8
Unwind of discount on non-current provisions	(19.0)	(26.8)
Unwind of discount on non-current receivables	22.6	16.5
Capitalised interest	100.7	83.3
Interest on non-cancellable operating leases	252.2	244.5
<b>Adjusted Net Borrowing Costs</b>	<b>310.9</b>	<b>328.3</b>
<b>Interest Cover</b>	(29.9)	90.4
<b>Average Net Debt *</b>		
Average Net Debt Including Off Balance Sheet Debt	4,190.0	4,468.3
<b>Adjusted Net Borrowing Costs as a Percentage of:</b>		
Average Net Debt Including Off Balance Sheet Debt	7.4	7.3
* Average Net Debt balances are calculated on a weighted average basis.		

**QANTAS AIRWAYS LIMITED****ABN 16 009 661 901****INEFFECTIVE DERIVATIVES (Unaudited)**

Qantas is subject to foreign currency, interest rate, fuel price and credit risks. Derivative financial instruments are used to hedge these risks. It is Qantas policy not to enter into, issue or hold derivative financial instruments for speculative trading purposes.

Accounting standard *AASB 139: Financial Instruments: Recognition and Measurement* (AASB 139) contains a strict definition of hedge effectiveness for accounting purposes and requires that all derivatives be held at current market values. Each derivative transaction used to hedge identified risks must be documented and proven to be effective in offsetting changes in the value of the underlying risk within a range of 80% to 125%. This measure of effectiveness may result in economically appropriate hedging transactions being deemed ineffective for accounting purposes.

Accounting ineffectiveness for derivative transactions has been split into two lines within the Consolidated Income Statement, as shown in the table below. The table shows the foreign exchange, interest rate and fuel hedging transactions that fail the accounting effectiveness measure in the year ended 30 June 2008.

	June 2008 \$m	June 2007 \$m
Ineffective derivatives - closed positions	42.8	67.6
Ineffective derivatives - open positions	12.3	54.1
Total Ineffective Loss	55.1	121.7

Two hedging strategies in particular drive ineffectiveness in Qantas accounting results. Crude oil prices and jet fuel prices do not always correlate within the 80% to 125% range required by AASB 139 and can result in changes in fair value of the derivative being deemed ineffective for accounting purposes from time to time.

Ineffectiveness also results from the treatment of options used as hedging instruments under AASB 139. AASB 139 will only permit the intrinsic component of an option value to be deemed an effective hedge. As a result, all other aspects of the option value must be marked to market through the Consolidated Income Statement as ineffective. Changes in the value of this non-intrinsic component do not necessarily reflect the original premium paid or potential losses if the option is held to maturity.

A net loss of \$55.1 million has been recognised in the Consolidated Income Statement as Ineffective derivatives during the year. This includes a loss of \$42.8 million recognised as "Ineffective derivatives - closed positions". This has been included in the operating result in the Consolidated Income Statement as it relates to derivative hedging instruments deemed ineffective for accounting purposes that matured during the year.

A loss of \$12.3 million has been recognised as "Ineffective derivatives - open positions". This has been excluded from the operating result as it relates to derivative hedging instruments deemed ineffective for accounting purposes that are to hedge underlying risks in future reporting periods.